Taylor Wimpey plc

(*incorporated in England and Wales under the Companies Acts 1929 and 1985 with registered number 00296805*)

£250,000,000
10.375% Senior Notes due 2015

Taylor Wimpey plc (the "**Issuer**" or "**Taylor Wimpey**") is offering (the "**Offering**") £250,000,000 in aggregate principal amount of its 10.375% Senior Notes due 2015 (the "**Notes**"). The net proceeds from the Offering will be placed into escrow pursuant to an escrow agreement (the "**Escrow Agreement**") until the date on which Taylor Wimpey receives certain funds from its lenders and certain other conditions are satisfied (the "**Escrow Date**"). Interest on the Notes will be payable semi-annually in arrear in equal instalments on 30 June and 31 December of each year, commencing on 30 June 2011. If the conditions to the release of the escrowed property in the Escrow Agreement are not satisfied within 15 Business Days from the Issue Date or the guarantee by Taylor Wimpey UK Limited is not effective as of the Escrow Date or, in certain circumstances relating to payment disruption, within 2 Business Days after the Escrow Date, the Notes will be subject to a special mandatory redemption on the next succeeding Business Day (the "**Special Mandatory Redemption Date**") at a redemption price equal to 100% of the aggregate principal amount of the Notes plus accrued interest, and additional amounts, if any, to but not including, the redemption date. The Notes may also be redeemed at our option, in whole but not in part, at any time prior to the Special Mandatory Redemption Date if, in our good faith judgement, the conditions to the release of the escrowed property will not be fulfilled by the Special Mandatory Redemption Date. The Notes will mature on 31 December 2015. Prior to 31 December 2013, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant "make-whole" premium. At any time on or after 31 December 2013, the Issuer may redeem all or part of the Notes by paying a specified premium to you. In addition, prior to 31 December 2013, the Issuer may redeem at its option up to 35% of the Notes with the net proceeds from certain equity offerings. Upon the occurrence of certain events constituting a change of control, or if we sell certain of our assets, we may be required to make an offer to purchase some or all of the Notes. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes.

The Notes will be senior unsecured debt obligations of the Issuer and will rank pari passu in right of payment with all of the Issuer's existing and future senior indebtedness that is not subordinated to the Notes, including our New Facilities and Fund Facility. The Notes will be guaranteed to the extent of any shortfall on the amounts due to Noteholders (after taking into account all amounts that Noteholders recover or are entitled to recover from the Issuer and any other guarantor) (the "**Standalone Guarantee**") by Taylor Wimpey UK Limited (the "**Initial Guarantor**").

This offering circular (the "**Offering Circular**") includes information on the terms of the Notes and the Standalone Guarantee, including redemption and repurchase prices, covenants and transfer restrictions.

Applications have been made for the admission of the Notes to listing on the Official List of the UK Listing Authority and to trading on the Professional Securities Market of the London Stock Exchange. The Professional Securities Market of the London Stock Exchange is an unregulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). Listing particulars issued in compliance with the Listing Rules made under section 73A of FSMA are expected to be approved by the FSA in its capacity as competent authority under FSMA.

The Notes will be delivered in book-entry form, represented by a global certificate (the "**Global Note**") and registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about 2 December 2010 against payment in immediately available funds. The Global Note will be exchangeable for certificates representing definitive Notes in registered form in the minimum denomination of £100,000 in the limited circumstance set out in it. See "Summary of Provisions relating to the Notes while in Global Form".

The Notes are expected to be assigned on issue a rating of B2 by Moody's Investors Service, Inc. and B+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Investing in the Notes involves risks. See the section of this Offering Circular entitled "Risk Factors".

Issue price: 100%, plus accrued and unpaid interest from the issue date

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The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") or the securities laws of any other jurisdiction. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to or for the benefit of US persons. Accordingly, the Notes are being offered and sold only to non-US persons outside the United States in accordance with Regulation S under the US Securities Act. For a further description of certain restrictions on the offering and sale of the Notes and on the distribution of this document, see "Subscription and Sale" and "Notice to Certain European Investors" below.

Global Co-ordinators and Joint Physical Bookrunners

The Royal Bank of Scotland **Barclays Capital**

Joint Bookrunners

HSBC **Lloyds TSB Corporate Markets**

The date of this Offering Circular is 26 November 2010

This Offering Circular comprises listing particulars given in compliance with the Listing Rules.

The Issuer and the Initial Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of each of the Issuer and the Initial Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised by the Issuer, the Initial Guarantor or the Initial Purchasers (as defined in "Subscription and Sale") to give any information or make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the issue, offering or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Initial Guarantor or any of the Initial Purchasers. You should base your decision to invest in the Notes solely on information contained in this Offering Circular. Neither the Issuer, the Initial Guarantor nor the Initial Purchasers have authorised anyone to provide you with any different information.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Initial Guarantor or any of the Initial Purchasers that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of, the Issuer and/or the Initial Guarantor. None of the Issuer, the Initial Guarantor, the Initial Purchasers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Initial Guarantor or any of the Initial Purchasers to any person to subscribe for or to purchase the Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes or the Standalone Guarantee shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Initial Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Initial Purchasers expressly do not undertake to review the financial condition or affairs of the Issuer or the Initial Guarantor during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the US Securities Act or the securities laws of any other jurisdiction. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to or for the benefit of US persons. For a further description of certain restrictions on the offering and sale of the Notes and on the distribution of this document, see "Subscription and Sale" and "Notice to Certain European Investors".

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

This Offering Circular does not constitute an offer to sell, or the solicitation of an offer to buy, any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. The Issuer, the Initial Guarantor and the Initial Purchasers do not represent that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Initial Guarantor or the Initial Purchasers which is intended to permit a public offering of the Notes or

the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom and certain other jurisdictions, including as set out under the caption "Notice to Certain European Investors" below. See also "Subscription and Sale" below.

The Initial Purchasers have not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Initial Purchasers as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Notes and nothing contained in this Offering Circular is or shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Each Initial Purchaser accordingly disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Offering Circular or any other information supplied in connection with the Notes. Each person receiving this Offering Circular acknowledges that such person has: (i) not relied on any Initial Purchaser in connection with any investigation of the accuracy of any information contained in this Offering Circular or its investment decision and each person must rely on its own examination of the Issuer and the merits and risks involved in investigating; and (ii) relied only on the information contained in this Offering Circular, and that no person has been authorised to give any information or to make any representation concerning the Issuer, the Initial Guarantor or the Notes (other than as contained in this Offering Circular) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Initial Guarantor or the Initial Purchasers.

The information contained under the section "Exchange Rate Information" below includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarising the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Circular describing clearing and settlement arrangements, including the section entitled "Summary of provisions relating to the Notes while in global form," is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarising the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

We cannot guarantee that our application for the admission of the Notes to be listed on the Official List and for such Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market will be approved as of the Settlement Date or at any time thereafter, and settlement of the Notes is not conditional on obtaining this listing.

Any persons intending to invest in any investment described in this Offering Circular should consult with their own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Notes and ensure that they fully understand all the risks associated with making such an investment and have sufficient financial resources to sustain any loss that may arise from it.

Neither the contents of the Issuer's website, nor any other website, nor any website directly or indirectly linked to such websites form part of this Offering Circular and investors should not rely on them.

STABILISATION

IN CONNECTION WITH THIS OFFERING, BARCLAYS BANK PLC AND THE ROYAL BANK OF SCOTLAND PLC (THE "STABILISING MANAGERS") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGERS) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGERS) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION

ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Circular has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented in member states ("**Member States**") of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the Offering contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Issuer, the Initial Guarantor or any of the Initial Purchasers to produce a prospectus in relation to such offer. None of the Issuer, the Initial Guarantor or the Initial Purchasers has authorised, nor do any of them authorise, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Circular.

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the offer of any Notes which are the subject of the offering contemplated by this Offering Circular is not being made and will not be made to the public in that Relevant Member State, other than: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require the Issuer, the Initial Guarantor or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information about the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" includes any relevant implementing measure in each Relevant Member State.

United Kingdom

This Offering Circular is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

Spain

Neither the Notes nor this Offering Circular have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Notes may not be publicly offered, sold or delivered, nor may any prospectus or any other offer or publicity material relating to the Offering or the Notes be distributed in the Kingdom of Spain, except in compliance with Spanish law and the regulations set forth in the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*").

France

This Offering Circular has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 and seq. of the French *Code Monétaire et Financier* and Articles 211-1 and seq. of the *Autorité des marchés financiers* ("**AMF**") *Règlement Général* (the "**AMF General Regulations**") and has therefore not been submitted to the AMF for prior approval or otherwise. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this Offering Circular nor any other offering material relating to the Notes has been distributed or caused to be distributed or will be distributed or caused to be distributed to the public in France, except only to persons licensed to provide the investment service of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or to "qualified investors" (*investisseurs qualifiés*) (as defined in Article L.411-2, D.411-1 and D.411-2 of the French *Code Monétaire et Financier*) and/or to a limited circle of investors (*cercle restreint d'investisseurs*) (as defined in Article L.411-2, D.411-4 of the French *Code Monétaire et Financier*) on the condition that no such Offering Circular nor any other offering material relating to the Notes shall be delivered by them to any person nor reproduced (in whole or in part). Such "qualified investors" or members of a limited circle of investors are notified that they must act for their own account in accordance with the terms set out by Article L.411-2 of the French *Code Monétaire et Financier* and by Article 211-4 of the AMF General Regulations. No re-transfer, directly or indirectly, of the Notes in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in Articles L.411-1, L. 411-2, L.412-1 and L.621-8 and seq. of the French *Code Monétaire et Financier*) shall be made.

Germany

The Offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the "**Securities Prospectus Act**," *Wertpapierprospektgesetz, WpPG*), as amended, and any other applicable German law. No application has been made under German law to publicly market the Notes in or out of the Federal Republic of Germany. The Notes are not registered or authorised for distribution under the Securities Prospectus Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. Therefore, this Offering Circular is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to and this Offering Circular and any other offering material in relation to the Notes is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2, No. 6 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

The Netherlands

The Notes (including rights representing an interest in each global note that represents the Notes) may not be offered or sold to individuals or legal entities in The Netherlands unless a prospectus relating to the Offering is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by a supervisory authority of another Member State of the EEA. Article 5:3 Financial Supervision Act and article 53 paragraph 2 and 3 Exemption

Regulation FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 Financial Supervision Act.

Italy

The Offering of the Notes has not been registered with the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*) ("**CONSOB**") pursuant to the Italian securities legislation. Accordingly, the Notes may not be offered or sold in the Republic of Italy in an offer to the public, and that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

The Notes have not been offered, sold or delivered and copies of this Offering Circular or any other document relating to the Notes have not been distributed in the Republic of Italy except to "Qualified Investors", as defined in Article 34-ter, paragraph 1, (b), of CONSOB Regulation No. 11971 of 14 May 1999 as amended ("**Regulation No. 11971**"), pursuant to Article 30.2 and 100.1.a of Legislative Decree No. 58 of 24 February 1998 as amended ("**Decree No. 58**"), provided that such Qualified Investors will act in their capacity and not as depositaries or nominees for other shareholders, or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 as amended applies.

Any such offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be: (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended and the relevant implementing instructions of the Bank of Italy (*Istruzioni di Vigilanza per le Banche della Banca d'Italia*), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 as amended and any other applicable laws and regulations; and (b) in compliance with any other applicable laws and regulations including any relevant notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy or any other Italian authority.

In any case the Notes cannot be offered or sold to any individuals in the Republic of Italy either in the primary or secondary market.

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Circular in the Republic of Italy, see "Subscription and Sale."

Switzerland

The Notes are being offered by way of a private placement to a limited and select circle of investors in Switzerland without any public offering and only to investors who do not subscribe for the Notes with the intention to distribute them to the public.

This Offering Circular, as well as any other material relating to the Notes, is personal and confidential to each offeree and does not constitute an offer to any other person. This Offering Circular may only be used by those investors to whom it has been handed out in connection with the Offering of the Notes and may neither directly nor indirectly be distributed or made available to other persons without express consent of the Issuer. This Offering Circular may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

This Offering Circular as well as any other material relating to the Notes does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations. The Notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the Notes, including, but not limited to, this Offering Circular, may not comply with the disclosure standards of the listing rules of the SWX Swiss Exchange.

Grand Duchy of Luxembourg

The terms and conditions relating to this Offering Circular have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg ("**Luxembourg**"). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Circular nor any other circular, prospectus, form of

application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except for the sole purpose of the admission to trading and listing of the Notes on the Official List of the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of 10 July 2005 on prospectuses for securities.

THIS OFFERING CIRCULAR CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

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FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Circular, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "projected", "should", or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward looking statements contained in this Offering Circular. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- recession in the United Kingdom, North America and Spain, the credit crisis and the ongoing economic downturn;
- adverse changes in the homebuilding industry;
- adverse changes in home sales volumes and sales prices in our major markets;
- a rise in cancellation rates of existing sales contracts;
- the impact on our business of economic conditions such as the availability of mortgage financing and the level of unemployment;
- adverse changes in the net realisable value of our land and work-in-progress;
- increases in operating and other expenses without corresponding increases in revenue;
- risks related to our competitive position in the homebuilding and home development market;
- adverse changes in environmental regulations, health and safety regulations, building regulations, local and national planning policies and other applicable policies, laws and regulations in the jurisdictions in which we operate;
- changes in economic policy in each of the relevant jurisdictions in which we operate;
- conditional land purchase contracts becoming unconditional;
- the continued viability of contractors, sub-contractors and other service providers;
- our ability to recruit, retain and develop management and key employees, and find suitable sub-contractors;
- shortages or increased costs of materials and skilled labour;
- adverse changes in interest rates and foreign currency exchange rates;
- the cost of compliance with health and safety regulations;
- the cost of compliance with environmental regulations and the remediation of environmental liabilities;
- our ability to fund any required increase in the cost of future benefits and/or any funding shortfalls in our defined benefit and defined contribution pension schemes; and
- other risks and uncertainties inherent in our business.

We refer you to the sections of this Offering Circular entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Industry Overview” and “Our Business” for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward looking events described in this Offering Circular may not occur. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

The Group

The Group is divided into four operating divisions for the purposes of management reporting and control: Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate. Going forward, "Housing Spain and Gibraltar" will become "Housing Spain". These divisions are the basis on which the Group reports its primary segment information. In addition, in 2007, we also reported a Construction segment. However, our UK construction division was disposed of in September 2008, and is presented as a discontinued operation in the Group 2008 Financial Statements. The results and net assets of a small residual Ghana construction business (disposed of in April 2009) are presented within our Corporate segment in 2008. Accordingly, the 2007 income (and other performance) statements contained in the Group 2008 Financial Statements were restated for consistency. The Group 2007 Financial Statements were prepared before the disposal of our UK construction division and, accordingly, the 2007 financial information as it appears in the Group 2008 Financial Statements and Group 2007 Financial Statements differs in this respect. In our discussion of the financial performance of the Group for the years ended 31 December 2008 and 2007, we discuss the financial information for such years as reported in the Group 2008 Financial Statements (based on four primary segments and with our construction division presented as a discontinued operation) and, unless otherwise stated, in respect of our continuing operations. As a result of the matters discussed above, our Group 2007 Financial Statements are not directly comparable to the Group 2008 Financial Statements.

The 2010 half year report has been prepared to the half year ended 4 July 2010 and has been changed from calendar month end to align with internal management of weekly sales and cash flow reporting. The 2009 half year report was prepared to the half year ended 30 June 2009. Our consolidated half year financial statements as of and for the half year ended 30 June 2009 and 4 July 2010 are unaudited and all information contained in this Offering Circular with regard to these periods is also unaudited.

Our consolidated financial statements are presented in pounds sterling.

IFRS-EU

Unless otherwise indicated, the financial information included in this Offering Circular is based on IFRS-EU. IFRS-EU differs in certain material respects from IFRS as published by the International Accounting Standards Board. The Issuer does not believe that the historical financial statements of the Group would be materially different had they been prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS-EU requires the use of certain critical accounting estimates. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" below. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the applicable Financial Statements.

Non-IFRS-EU Measures

This Offering Circular contains non-IFRS-EU measures and ratios, including EBITDA, presentation of results before exceptional items, profit on ordinary activities before finance costs and net debt and modified net gearing, which are not recognised by IFRS-EU. These measures are presented because the Issuer believes that they and similar measures are widely used in the Issuer's industry as supplemental measures of operating performance and liquidity. These measures may not be comparable to similarly titled measures used by other companies, are not measurements under IFRS-EU or any other body of generally accepted accounting principles, have limitations as analytical tools and as such should not be considered in isolation or as substitutes for the information contained in the financial statements set out in this Offering Circular.

Non-GAAP measures and ratios such as EBITDA, results before exceptional items, profit on ordinary activities before finance costs, net debt, modified gearing, leverage and coverage ratios are not measurements of our performance or liquidity under IFRS-EU or any other generally accepted accounting principles. In particular, you should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our operating

performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of our results as reported under IFRS. Some of these limitations are:

- it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debts;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often need to be replaced in the future and EBITDA does not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we eliminate in calculating EBITDA reflect cash payments that were made, or will in the future be made.

Certain numerical figures set out in this Offering Circular, including financial information, have been subject to rounding adjustments and accordingly may not add up to 100.0%. As a result of this rounding, the totals of data presented in this Offering Circular may vary slightly from the actual totals.

The financial results set out in this Offering Circular for the twelve month period ended 4 July 2010 are the result of the aggregation of the relevant financial results for the first half of 2010 and relevant financial results for the second half of 2009. As such, they are not indicative of our expected performance for the year ending 31 December 2010.

The Offering Circular includes consolidated financial data which has been adjusted to reflect certain effects of the Refinancing on the financial position and net financial expenses of the Issuer as of and for the twelve months ended 4 July 2010. The consolidated adjusted financial data has been prepared for illustrative purposes only on a pro forma basis and does not purport to project the Issuer's consolidated financial position and net financial expenses at any future date nor does it purport to represent what the actual consolidated financial position or net financial expenses of the Issuer would have been if the Refinancing had occurred:

- on 4 July 2010 for the purposes of the calculation of net financial position; and
- on 30 June 2009 for the purposes of the calculation of net financial expenses.

The unaudited adjustments and the unaudited adjusted financial data set forth in this Offering Circular are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

Non-US Measures

The financial information presented in this Offering Circular was not prepared in accordance with GAAP in the United States ("**US GAAP**"), or audited in accordance with auditing standards generally accepted in the United States ("**US GAAS**") or auditing standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB Standards**"). No opinion or any other assurance with regard to any financial information was or is expressed under US GAAP, US GAAS or the PCAOB Standards.

Financial Measures

The Group analyses its financial performance and each of its primary financial measures including operating profit, profit before tax and profit for the year, in two components, comprising first "before exceptional items" and second "after exceptional items". These two components are presented as separate columns within the Group's income statement being part of the Financial Statements set out in this Offering Circular.

Operating Measures

In this Offering Circular we use the following unaudited metrics and terms when discussing the operating performance of our business and the entities that became part of the Group during the period under review. Other companies, industry bodies and governmental and regulatory authorities may have differing definitions of and means of calculating the following metrics and terms, as a result of which our data may not be comparable with data of other entities:

"average number of sales outlets"	means the average number of sales outlets open over the course of a given period;
"average selling price" or "ASP"	means total revenue derived from completions over the course of a given period divided by the total number of completions in that period;
"building costs"	means building costs per square foot;
"cancellation"	means that a reservation has been cancelled or that a customer who has entered into a legally binding contract has failed to complete;
"cancellation rate"	means the total number of cancellations received over the course of a given period divided by the total number of gross reservations in that period;
"completion"	(1) occurs, in the case of private housing, upon completion of construction of the home, and receipt of final payment from, and transfer of legal title to, the purchaser; and (2) is deemed to occur, in the case of affordable housing, on a pro rata basis across the relevant affordable housing project as revenue is recognised for that project;
"gross margin"	means gross profit divided by revenue;
"gross profit"	means revenue less cost of sales before exceptional items;
"landbank years"	means the number of years of land supply at current completion levels;
"operating margin"	means operating profit expressed as a percentage of revenue;
"operating profit"	means profit on ordinary activities before finance costs, exceptional items, brand amortisation and tax, after share of results of joint ventures;
"order book"	means the total revenue anticipated from reservations and legally binding contracts to complete recorded on the Group's books at the relevant point in time, excluding any orders from Group companies;
"order book as a percentage of revenue"	means the order book at the end of the relevant period divided by total revenue for that period;
"PD ASP"	means the average selling price of one private development house or apartment;
"PD units"	means one private development house or apartment;
"reservations"	means a pre-contractual, minimal deposit-based reservation of the right to buy a particular home; and
"weekly sales rate"	means the number of reservations net of cancellations achieved over a particular period divided by the number of sales outlets open over the course of that period; and this quotient is divided by the number of weeks in that period.

The Initial Guarantor

The financial statements of the Initial Guarantor as of and for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 contained in this Offering Circular have been prepared in accordance with UK GAAP.

DEFINITIONS

In this Offering Circular, unless otherwise specified or the context requires otherwise:

"**affordable housing**"	refers to social housing, often owned or managed by local authorities or housing associations, which is provided to specified eligible households at below market price;
"**Agency Agreement**"	refers to the agency agreement to be dated 2 December 2010 and to be entered into between the Issuer, the Initial Guarantor, HSBC Bank plc as Principal Paying Agent, HSBC Bank plc as Registrar and the Trustee in relation to the issue of the Notes;
"**Barclays**"	refers to Barclays Bank PLC or its affiliates;
"**Canadian dollars**" or "**CAD**"	are references to the lawful currency of Canada;
"**Clearstream**" or "**Clearstream, Luxembourg**"	refers to Clearstream Banking S.A. Luxembourg;
"**Combined Code**"	refers to the 2008 edition of the Combined Code on Corporate Governance;
"**Companies Act 2006**"	means the Companies Act of England and Wales 2006, as amended;
"**CSR**"	refers to the UK government's Comprehensive Spending Review announced on 20 October 2010;
"**Disclosure Rules and Transparency Rules**"	refers to the disclosure and transparency rules made under Part VI of FSMA (as set out in the FSA Handbook), as amended from time to time;
"**EEA**"	refers to the European Economic Area;
"**Escrow Account**"	means the escrow account held by the Escrow Agent in accordance with the terms and subject to the conditions of the Escrow Agreement;
"**Escrow Agent**"	refers to HSBC Bank plc as escrow agent under the Escrow Agreement;
"**Escrow Agreement**"	refers to the escrow agreement to be entered into on 2 December between the Issuer, the Initial Purchasers, the Trustee and the Escrow Agent;
"**Escrow Date**"	means the date on which the escrow conditions under the Escrow Agreement are satisfied, which date shall be no later than 15 days after the Issue Date;
"**Euro**", "**EUR**" or "**€**"	are references to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time;
"**Eurobonds**"	refers to the bonds issued by the Issuer and constituted by trust deeds dated 7 February 2002 (£250 million Variable Rate Bonds due 2012) and 24 May 2004 (£200 million Variable Rate Bonds due 2019), as amended;
"**Euroclear**"	refers to Euroclear Bank S.A./N.V.;
"**Existing Bank Debt**"	refers to all amounts outstanding under the Existing Bank Facilities Agreements;
"**Existing Bank Facilities Agreements**"	refers to: (i) the £1,650,000,000 syndicated revolving credit facility agreement dated 25 April 2007 (as reduced and amended) between, among others, the Company and HSBC

	Bank plc as facility agent; (ii) the £50,000,000 bilateral term facility dated 29 August 2007 (as amended) between the Issuer and The Royal Bank of Scotland (Ireland); and (iii) various ancillary facilities between the Company or its subsidiaries and certain of the Company's lenders;
"**Existing Banks**"	refers to the lenders of the Existing Bank Debt;
"**Facility A**"	means a £350,000,000 revolving facility which matures on 3 July 2012;
"**Facility B**"	means a £600,000,000 revolving facility which matures on 16 November 2014;
"**FSA**" or "**Financial Services Authority**"	the Financial Services Authority of the United Kingdom;
"**FSMA**"	the Financial Services and Markets Act 2000, as amended from time to time;
"**Initial Guarantor**"	refers to Taylor Wimpey UK Limited;
"**Fund Facility**"	refers to the £100,000,000 term credit facility to be provided pursuant to a facility agreement between the Issuer, the Initial Guarantor and Prudential/M&G UK Companies Financing Fund LP dated 19 November 2010;
"**GWL**"	refers to George Wimpey Limited;
"**GWSPS**"	refers to the George Wimpey Staff Pension Scheme;
"**HBF**"	refers to the Home Builders Federation;
"**HMRC**"	means Her Majesty's Revenue and Customs;
"**HSBC**"	refers to HSBC Bank plc;
"**IAS**"	means the International Accounting Standards as issued by the International Accounting Standards Board;
"**IFRS**"	means the International Financial Reporting Standards as issued by the International Accounting Standards Board;
"**IFRS-EU**"	means the International Financial Reporting Standards as adopted by the European Union;
"**Initial Purchasers**"	refers to each of Barclays, RBS, Lloyds, HSBC;
"**Intercreditor Agreement**"	refers to the intercreditor agreement dated 30 April 2009 between the Issuer, certain of its subsidiaries, HSBC Bank plc as the existing bank agent, Law Debenture Trust Corporation p.l.c. as the bond trustee and Wilmington Trust (London) Limited as restructuring agent and security agent;
"**Issuer**" and "**Taylor Wimpey**"	refers to Taylor Wimpey plc;
"**JV**"	means joint venture;
"**Listing Rules**"	refers to the listing rules made under Part VI of FSMA (as set out in the FSA Handbook), as amended from time to time;
"**Lloyds**"	refers to Lloyds TSB Bank plc;
"**London Stock Exchange**"	refers to London Stock Exchange plc or its successor(s);
"**Luxembourg**"	refers to the Grand Duchy of Luxembourg;
"**Member States**"	refers to the member states of the EEA;
"**Merger**"	means the merger of Taylor Woodrow and George Wimpey;
"**NAR**"	refers to the National Association of Realtors;

"**New Facilities**" or "**New Facilities Agreement**"	refers to the £350,000,000 (Facility A) and £600,000,000 (Facility B) syndicated revolving credit facilities to be provided pursuant to a facility agreement between the Issuer, certain of its Restricted Subsidiaries, Lloyds TSB Bank plc as facility agent and various lenders dated 16 November 2010;
"**NHBC**"	refers to the National House-Building Council;
"**North America**"	means Canada and the United States;
"**Notes**"	refers to the 10.375% Senior Notes due 2015 issued in accordance with this Offering Circular;
"**Override Agreement**"	means the override agreement entered into on 7 April 2009 between the Company, certain of its subsidiaries, certain of the Company's creditors and Wilmington Trust (London) Limited;
"**PCAOB Standards**"	refers to the auditing standards of the Public Company Accounting Oversight Board (United States);
"**Pension Trustees**"	means (A) George Wimpey Pension Trustees Limited and Law Debenture (No.3 Scheme) Pension Trust Corporation as trustees for the time being of the George Wimpey Staff Pension Scheme and (B) Team Nominees Limited as trustee for the time being of the Taylor Woodrow Group Pension and Life Assurance Fund;
"**PP Notes**"	refers to: (i) the sterling and dollar notes issued by GWL pursuant to note purchase agreements dated 15 September 1994, 5 November 2002 and 4 August 2003; and (ii) the dollar notes issued by the Issuer pursuant to a note purchase agreement dated 28 June 2004;
"**Prospectus Directive**"	refers to the Prospectus Directive 2003/71/EC;
"**Purchase Agreement**"	refers to the purchase agreement dated 25 November 2010 and to be entered into between Taylor Wimpey as Issuer and Barclays, Lloyds, HSBC and RBS as Initial Purchasers in relation to the issue of the Notes;
"**RBS**"	refers to The Royal Bank of Scotland plc or its affiliates;
"**Refinancing**"	refers to, collectively, to the transactions set out in "Summary—Refinancing" and includes the issuance of the Notes in accordance with this Offering Circular, together with the entering into of the New Facilities, certain new ancillary facility agreements and the Fund Facility;
"**Settlement Date**"	refers to the date of the settlement of the Notes;
"**sterling**", "**pounds sterling**", "**GBP**" or "**£**"	are references to the lawful currency of the United Kingdom;
"**Trust Deed**"	refers to the trust deed to be dated 2 December 2010 and to be entered into between the Issuer, the Initial Guarantor and HSBC Corporate Trustee Company (UK) Limited as Trustee, constituting the Notes and appointing the Trustee to act in that capacity and under which such fees in respect of the services of the Trustee as shall be agreed between the Issuer, the Initial Guarantor and the Trustee are to be paid;
"**Trustee**"	refers to HSBC Corporate Trustee Company (UK) Limited;
"**TWD**"	refers to Taylor Wimpey Developments Limited;

"**TWGP&LAF**"	refers to the Taylor Woodrow Group Pension and Life Assurance Fund;
"**UK Corporate Governance Code**"	refers to a new Combined Code issued by the Financial Reporting Council in June 2010;
"**UK GAAP**"	refers to generally accepted accounting principles in the United Kingdom;
"**UK Listing Authority**"	means the Financial Services Authority acting in its capacity as the competent authority for the purposes of FSMA;
"**United Kingdom**" or "**UK**"	means the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**US**"	means the United States of America;
"**US Dollars**" and "**USD**"	are references to the lawful currency of the United States of America;
"**US GAAP**"	refers to the generally accepted accounting principles in the United States;
"**US GAAS**"	refers to the generally accepted auditing standards in the United States; and
"**US Securities Act**"	refers to the US Securities Act of 1933, as amended.

MARKET AND INDUSTRY DATA

Unless otherwise expressly indicated or noted below, all information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Offering Circular are based on estimates prepared by us based on certain assumptions and our knowledge of the industry in which we operate as well as data from various market research, publicly available information and industry publications, including reports published by various third-party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified such data.

In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring us to rely on our own internally developed estimates regarding the home building industry, our position in the industry, our market share and the market shares of various industry participants based on experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. While the Issuer has examined and relied upon certain market or other industry data from external sources as the basis of its estimates, neither the Issuer nor the Initial Purchasers have verified that data independently. The Issuer and the Initial Purchasers cannot assure you of the accuracy and completeness of, and take no responsibility for, such data. Similarly, while the Issuer believes its internal estimates to be reasonable, these estimates have not been verified by any independent sources and the Issuer and the Initial Purchasers cannot assure you as to their accuracy. Unless otherwise indicated, data on the Issuer's market position and market share are based on 2009 revenues. The Issuer's estimates involve risks and uncertainties and are subject to change based on various factors.

EXCHANGE RATE INFORMATION

The following tables show the period-end and average exchange rates for each of the periods indicated, in each case for US Dollars, expressed in US Dollars per one pound sterling, which represents the noon buying rates in the City of New York for cable transfer of sterling for custom purposes by the Federal Reserve Bank of New York, Canadian dollars, expressed in Canadian dollars per one pound sterling, as published on the Bank of England website and Euro, expressed in Euro per one pound sterling, as published on the Bank of England website at www.bankofengland.co.uk.

These rates may differ from the actual rates used in the preparation of consolidated financial statements and other financial information appearing in this Offering Circular. We make no representation that pounds sterling, US Dollar, Canadian dollar or Euro amounts referred to in this Offering Circular have been, could have been, or could, in the future, be converted into pounds sterling, US Dollars, Canadian dollars or Euros, as the case may be, at any particular rate, if at all.

	USD per £1		CAD per £1		EUR per £1	
	At period end	Average rate(1)	At period end	Average rate(1)	At period end	Average rate(1)
Year ended						
31 December 2007	1.99	2.00	1.95	2.10	1.36	1.38
31 December 2008	1.44	1.79	1.77	1.94	1.03	1.24
31 December 2009	1.61	1.58	1.69	1.78	1.13	1.13
Period ended						
30 June 2009	1.65	1.50	1.91	1.80	1.17	1.12
4 July 2010	1.52	1.51	1.62	1.56	1.21	1.16
Month						
May 2010	1.45	1.46	1.52	1.52	1.17	1.17
June 2010	1.52	1.48	1.62	1.54	1.21	1.21
July 2010	1.57	1.53	1.61	1.60	1.20	1.20
August 2010	1.55	1.57	1.64	1.63	1.22	1.21
September 2010	1.58	1.56	1.62	1.61	1.15	1.19
October 2010	1.60	1.59	1.63	1.61	1.15	1.14
November (up to 25 November 2010)	1.58	1.60	1.59	1.62	1.18	1.17

Note:

(1) The average rate is calculated as the average of the month end figures for the relevant year to date period or the average of the daily exchange rates on each business day for the relevant month long period.

SUMMARY

This summary highlights selected information about us and the Offering. It does not purport to be complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read as an introduction to the full text of this Offering Circular. It should be read in conjunction with, and is qualified in its entirety by, the more detailed information included in this Offering Circular, including the consolidated financial statements of the Issuer, and the notes related thereto, and the financial statements of the Initial Guarantor and the notes related thereto. You should read carefully the entire Offering Circular, including the financial statements and related notes which are set out herein, to understand our business, the nature and terms of the Notes and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption "Risk Factors." Certain statements in this Offering Circular are forward-looking statements that also involve risks and uncertainties as described under "Forward-looking Statements".

Overview

We are the second largest homebuilder in the UK, and the ninth largest homebuilder in the US (by completions and revenue, respectively). In North America we operate principally in Arizona, California, Florida and Texas in the US, and Ontario in Canada. We also build homes in Spain (where our operations are focused on certain holiday destinations, such as Costa Blanca, Costa del Sol and Mallorca). For the 12 month period ended 4 July 2010, our total revenue was £2,682.1 million and our EBITDA was £123.7 million.

We acquire and develop land and plan, design and construct residential property developments. Our product range spans from affordable entry-level homes to high-rise apartments, full-service country club homes and luxury homes. In the UK, we also build affordable housing (affordable housing is social housing, often owned or managed by local authorities or housing associations, which is provided to specified eligible households at below market price). We build such developments through the use of contractors and sub-contractors and we sell the properties both through agents and our own staff. We employ approximately 5,000 people.

As at 4 July 2010, across all of our markets, we owned, or controlled through options to acquire land and other arrangements, a total of 95,544 plots of land with either partial or full planning consent, equivalent to 6.3 years of supply on the basis of the previous 12 months' completions (compared to 100,037 plots equivalent to 5.8 years of supply as at 30 June 2009). Of such plots of land as at 4 July 2010, 63,291 were in the UK, 30,435 were in North America and 1,818 were in Spain and Gibraltar. As at 4 July 2010, the total value of our inventory was £3.5 billion (split between land of £2.2 billion and work-in-progress of £1.3 billion) and we had a total order book of £1,629 million.

We earn revenue principally through the sale of residential properties in our chosen markets, which range from entry level one bedroom apartments to luxury full service country club homes. We optimise the revenue achieved through careful selection of the land we buy, with the aim of matching the homes that we build to market demand and designing communities that people want to live in. Revenues from our homebuilding activities are determined by sales volumes and realised selling prices. We also sell land that is surplus to our own requirements to property developers and to other purchasers.

Our key competitive strengths

We believe that the following competitive strengths provide us with an advantage in the homebuilding market and position us to capitalise on market opportunities in each of the markets in which we operate.

Substantial landbank giving significant asset cover

As at 4 July 2010, the total value of our inventory was £3.5 billion (split between land of £2.2 billion and work-in-progress of £1.3 billion) and we had a total order book of £1,629 million. In the UK, the quality of our landbank underpins our confidence in the future prospects of the business. With over 6 years of land supply at current completion levels and an average owned plot cost of 18% of selling prices at current levels, we are well placed to manage the impact of changes in planning policy on the availability of new consented land. Our landbank contains a high proportion of longer-term sites, from which we expect to deliver higher margins over the market cycle.

As at 4 July 2010 our UK landbank was as follows:

Short-term landbank: number of plots owned or controlled	63,291
—cost per owned plot	£31,000
—weighted ASP in landbank	£169,000
—plot cost/ASP*	18%
—plots with detailed planning permission	54%
Strategic landbank plots	83,318

* Country-specific measure not used internationally.

In North America, we made good progress in 2009 on rebalancing our North America landbank to reduce exposure to less desirable sub-markets. We continue to benefit from a well-balanced landbank in North America, blending finished lots for delivering home completions in the short term with longer term land assets that utilise our expertise in planning and developing large-scale communities. We have over 6 years of land supply at current completion levels and nearly 42% of our owned landbank in North America is made up of finished lots, which have all of the required infrastructure in place to allow building of a home to commence, and therefore require a limited additional investment.

As at 4 July 2010 our North America landbank was as follows:

Short-term landbank: number of plots owned or controlled	30,435
—cost per owned plot	USD31,000
—plots under development/finished lots	54%

Active land management

Land which is suitable for development is a scarce resource in the UK and we are focused on enhancing the margins delivered from our existing land assets. We have an ongoing process of replanning existing sites, which we expect to deliver improvements in product mix and reductions in planning obligations across a number of sites.

In North America, most small and medium sized builders buy serviced parcels of land from a land developer. This approach reduces the margin available and makes it difficult to plan the business when competition for serviced land is particularly high. We, however, are less dependent on this approach, having a well established land development business in most of our markets, which we believe aids in delivering higher margins.

Extensive strategic landbank

In the UK, we have one of the largest strategic landbanks in the market. Strategic land is typically land which has not yet been allocated for housing, but which we believe might receive a suitable planning consent over a 10 to 20 year timeframe. In the majority of cases, our strategic land team secures the land under option from the owner and promotes it as housing land through the planning process. Once planning has been secured, we may exercise our option to purchase the land which, pursuant to our option contract, is usually at a discount to the then prevailing market price pursuant to our option. Our strategic land not only provides land at a reduced price, but also provides us with large sites in prime locations.

Scale positions

In the UK, we have national coverage from 24 regional offices, and we are the second largest homebuilder by completions. In North America, we are the ninth largest homebuilder by revenue. In 2009, 75% of our completions in North America came from sub-markets in which we rank in the top five.

We believe our scale market positions benefit us in the land-buying process by giving land sellers confidence in us as a counterparty (in terms of our ability to make payments for land purchases, to secure planning consents and to carry out developments) and by giving us greater access to financing (including to capital markets) than non-scale homebuilders.

High customer brand awareness

In the UK, Taylor Wimpey is one of the largest homebuilders, with national coverage from 24 regional offices. We introduced the Taylor Wimpey brand in 2009, and have phased out the Bryant Homes and George Wimpey brands, creating a single brand focus. Our brand awareness is strengthened by high levels of customer satisfaction: the National New Homes surveys sent to customers by the National House Building Council (both eight weeks and nine months after legal completion) indicated that, during 2009, 87.1% of our customers were satisfied or very satisfied.

In North America, we operate under the Taylor Morrison and Monarch brands in the US and Canada respectively. Both brands are well-respected and the perception of Taylor Morrison is illustrated by the invitation from Disney to partner with Microsoft and HP in the Disneyland Resort in California on the "Innoventions Dream Home". This home showcases the next generation of cutting-edge technology and innovation that our customers can expect in their future homes.

In 2009, Taylor Morrison West Florida won the highly prestigious AVID Award for Best Customer Experience for a large homebuilder in the US, and Monarch Corporation was named the highest performing company in Ottawa in terms of customer satisfaction by JD Power.

Effective cost management

Particularly in the UK, our local and national scale allows us to offer sub-contractors greater volumes of work, a more consistent pipeline of work and more certainty of future work. This has enabled us to collaborate with many of our sub-contractors and find ways to further reduce our costs. We achieved a reduction of 8.8% in the average build cost per square foot of private completions in the first half of 2010 compared to the first half of 2009, despite underlying price increases in some commodities.

In North America we have made significant build and overhead cost savings and continue to drive further cost reductions, including by leveraging our scale to implement joint initiatives with sub-contractors to reduce waste material and a review of product plans to reduce the number of different materials and components used in our homes. These savings had commenced before the Merger, but were accelerated by the opportunity to renegotiate contracts on the basis of the enlarged business and also by the rationalization of our operations. More recently we have achieved cost reductions by rolling out a "lean manufacturing" approach to seven of our divisions.

Experienced and highly qualified management team

The strength and depth of experience of our management teams in both the UK and the US (our key markets) are recognised in the homebuilding industry.

In the UK, our management team has extensive experience of the housebuilding industry with Taylor Wimpey and its predecessor companies. In North America, our management team has combined experience in homebuilding of over 160 years.

Our regional management teams have significant local expertise, with a long experience of local markets, government and regulations. In the UK, which has the most complicated planning regulations of our markets, we have national coverage from 24 regional offices which allows our regional management to have detailed local experience of the whole of the development process, from land-buying to planning and sales.

Our strategy

We refocused our strategy in 2008 to ensure that our businesses were well placed to face the unprecedented challenges of the prevailing market conditions. Our focus was on managing costs, reducing overheads, delivering value from our existing landbank and maintaining sales volumes (including by offering incentives and reducing sales prices).

During 2009, as housing markets in both the UK and the US became more stable, we started to see the benefits of this improvement and our early action resulting in improved financial performance in the second half of 2009. In the half year to 4 July 2010, we saw significant growth in Group operating profit to £79.3 million, as compared to £2.8 million in the first half of 2009, with a material improvement in operating margins.

A combination of the actions taken within the business over the last 2 years and our improved financing position now allows us to shift our focus to creating value by delivering enhanced profitability on existing and future sites.

Accordingly, our strategy at the Group level is as follows:

Short-term priorities

- Enhancing Group profitability following the recent downturns in both our main markets through:
  - focusing on sales price increases rather than volume growth;
  - continued focus on build cost reduction; and
  - maintaining tight control on overhead costs
- Replanning and delivering value from our existing landbank
- Continue to generate cash from operations through reduced level of investment in land and work in progress spend
- Maximise the potential of our employees through training and development programmes
- Deliver operating cash flows in excess of the levels set out within our financial covenants

Long-term objectives

- Refocusing the business of the Group on the UK market
- Provide growth in earnings per share, in light of market conditions
- Deliver a return on capital employed above the level of our cost of funding
- Return the Group to an investment grade credit rating
- Attract and retain the highest calibre of employees and strive to be a company that people want to work for

Strategy in the current UK housing market

In the UK, with ongoing economic uncertainty and in the current market conditions, our strategy is to remain focused on maximising the value achieved from each home completion rather than looking to grow volumes ahead of underlying improvements in market conditions.

In 2008, we reduced our level of ongoing overheads significantly to reposition the business for lower volumes and sale prices. Following the closure of a final three regional offices in early 2009, we now operate from 24 regional offices, which gives us the capacity to deliver up to 14,000 units per year when market conditions allow without significant additional overhead costs.

Cash management remains an important discipline and we have made further progress in reducing the level of work in progress in the business.

Maximum value is now being achieved through four main factors: pricing; build cost reduction; replanning; and additions to our landbank.

- *Pricing*

  We set prices locally and make use of a range of targeted customer incentives in order to deliver competitive offers in each local market. This approach is supported by national marketing initiatives. Having reduced our prices during 2008 to reflect the adverse market conditions, we were able to achieve some price increases during 2009. Average selling prices on reservations increased by around 13% between January 2009 and December 2009, and by 9.8% from the first half of 2009 to the first half of 2010, as a result of mix changes and underlying price improvement. We achieved some further small increases in the first few months of 2010 and pricing has been broadly stable since around the end of the first quarter. Our negotiating position has been strengthened by a strong forward order book position and our tight management of work in progress. We reduced the number of unsold completed homes from 1,138 as at 31 December 2008 to 219 as at 31 December 2009.

- *Build cost reduction*

  Build cost was a key area of operational focus throughout 2008 and 2009 and has continued to be so in 2010. There are three main areas in which we have ongoing opportunities to reduce build

costs. First, we are still benefiting from the savings arising from the Merger in 2007, particularly in respect of reducing the costs of the legacy Bryant product portfolio which were higher on average than the equivalent home in the legacy George Wimpey range. Secondly, the weaker market conditions have enabled us to reduce both labour and materials costs. Thirdly, we are delivering savings through an ongoing review of sites to reduce the level of infrastructure costs. We achieved a reduction of 8.8% in the average build cost per square foot of private completions in the first half of 2010 compared to the first half of 2009, despite underlying price increases in some commodities.

We commenced construction of a wide range of prototypes for our new house type range during 2009 and these house types are now available to buy. This range reflects customer preferences and allows the business to offer a range of floorplans on the same footprint. It will enable us to achieve further operational efficiencies and has been designed to allow us to comply with future changes to building regulations and environmental laws, relating mainly to sustainability initiatives, at the lowest possible additional cost.

- *Replanning*

  Replanning is an ongoing process, with successes in changing the product mix on sites within the landbank to be more appropriate to the current market conditions and reducing planning obligations to make sites viable at lower average selling prices. We have identified around 70% of the plots in our landbank as being suitable for replanning, with around one-half of those plots having already been replanned successfully.

- *Additions to our landbank*

  We have a strong UK landbank. In 2009, 64% of our short-term plots (plots with some form of planning consent) were located in the south of England. Only 23% of the plots in our short-term landbank are apartments, leaving us well placed to reduce the proportion of apartments in our completions further from the 2009 completions level of 33%. This has been achieved through a combination of a revised land purchasing strategy and replanning of the existing landbank. In general, multi-apartment developments take longer to develop than houses, have higher capital requirements and a longer capital lock-up period. There is also lower buyer demand and restricted mortgage availability for apartments in the current economic climate.

  Details of how we buy land are set out in "The Land-Buying Process".

Strategy in the current North America housing market

Our North America strategy is focused on maximising value from each home sold through pricing, build cost reduction and selective land purchasing. We remain focused on cost reductions and cash management, whilst preserving the inherent value in our long-term land positions. In the short term, our strategy is to maintain a reduced level of investment in land and work in progress spend where appropriate, driving sensible sales rates for each site.

In the medium term, our objective is to grow volumes through taking advantage of land acquisition opportunities as they arise, with our long-term goal to be the homebuilder of choice in each of our markets.

We continue to evaluate strategic options for the sale of our North America business as part of our long-term strategy to refocus the business of the Group on the UK market.

- *Increasing market share*

  We are ranked as a top nine homebuilder in the US by Professional Builder and rank in the top five in a number of our markets in North America. In 2009, 75% of our North America completions came from sub-markets in which we rank in the top five by market share. This regional strength provides significant advantages in the form of lower build cost, greater access to land opportunities and customer brand awareness. We are aiming to grow market share in our key markets.

- *Retain build costs and overhead savings*

  Despite having already made significant build and overhead cost savings over the course of the US market downturn, we achieved continued success in reducing costs in 2009 and are striving to

retain build cost and overhead savings. Having introduced a 'lean manufacturing' approach into three businesses in 2008, we extended the roll-out to a further four divisions in 2009. This has achieved cost reductions in a number of areas, including joint initiatives with sub-contractors to reduce waste material and value-engineer product plans to reduce the number of different materials and components used in our homes.

- *Targeted marketing*

  We have undertaken a thorough review of our sales and marketing costs, achieving savings through tailoring our staffing levels at each outlet closely to visitor levels, revising the number and specifications of showhomes and making greater use of internet-based marketing campaigns.

- *Additions to our landbank*

  The benefits of our strategy to reposition our landbank towards high quality holdings are starting to be reflected in our financial performance. As activity levels increase in the US land markets, we remain focused on selective deals where we can earn strong returns over the medium term and approved the purchase of 2,649 plots during the first half of 2010. The benefits of this approach are illustrated by the relatively attractive margins being achieved as we bring to market sites that we bought in the early part of 2009. Details of how we buy land are set out in "The Land-Buying Process".

Strategy in the current Spanish housing market

In Spain, where trading conditions remain very challenging, we continue to deliver high quality homes in popular locations that appeal to both foreign and Spanish buyers. Our focus remains on cash generation and cost reduction and we continue to be cautious on land purchasing at the current point in the market cycle.

Overview of the housing industry

The UK and US markets in which our homebuilding business operates have (from the second half of 2007 to the first half of 2009 in the UK, and from the fourth quarter of 2005 to the second half of 2009 in the US) experienced a significant downturn characterised by falling sales volumes (due to lower reservation rates and higher cancellation rates) and lower average selling prices for our homes. The housing market in Spain has also experienced a significant downturn (which began during 2006) as a result of oversupply (particularly in Costa Blanca and Costa del Sol), the weakness of sterling against the euro and reduced consumer confidence leading to a decline in the second homes market. Although the UK housing market conditions have been relatively robust in the first three quarters of 2010, the housing markets in our US markets (including, in particular, Arizona, California and Florida) and Spain have been severely weakened by this downturn and remain very challenging. Further detail on our major UK and North America markets is set out below:

The UK housing market

The UK housing market has shown some volatility in 2010, with monthly rises and falls in average house prices within the period to October 2010.

According to the Nationwide House Price Index, the average house price in October 2010 was £164,381 (a decrease of 1.42% from £166,757 in September 2010, but an increase of 1.41% from £162,103 in December 2009). The Nationwide three-month on three-month rate of change (generally regarded as a smoother indicator of recent price trend) fell to a decline of 1.5% in October 2010 from a decline of 1.0% in September 2010 and from an increase of 2.1% in December 2009. However, the 1.5% rate of decline in October 2010 remains significantly below the 5% to 6% rates of decline on a three-month on three-month measure recorded during the second half of 2008 (the highest rates of decline recorded since the current downturn began).

According to the Halifax House Price Index, the average house price in the third quarter of 2010 was £166,035 (0.9% lower than in the second quarter of 2010, and 1.8% lower than in December 2009). The average house price in October 2010 was £164,919 (1.2% lower than the average house price for the preceding three-month period, and 2.3% lower than at the end of 2009 on a seasonally-adjusted basis). However, despite the recent decline, the Halifax House Price Index shows that prices remain above the levels recorded in early 2009, with the average house price in October 2010 being 6.6%

(£10,256) higher than in April 2009 (the lowest average house price recorded by the Halifax House Price Index since the recent downturn began in 2007).

The trend in average house prices is consistent with an unwinding of the supply-demand imbalance which drove up prices in 2009 as more sellers returned to the market, buyers had a greater selection of properties to choose from and more bargaining power with which to bid down asking prices. The combination of lower house prices and interest rate reductions to historically low levels has improved housing affordability, but this has been offset by more stringent lending criteria and reduced levels of mortgage approvals.

The housebuilding industry, including housing associations, responded to the current downturn by reducing the number of homes started, from 200,697 homes in 2007 to 106,894 homes in 2008 and controlling stock levels.

Data released by the Department of Communities and Local Government show that there were 98,500 housing starts in England in the 12 months to June 2010 (an increase of 44% over the 12 months to June 2009) and 28,590 seasonally-adjusted housing starts in England in the second quarter of 2010 (an increase of 13% over the first quarter of 2010). However, this compares to the peak of 49,293 seasonally-adjusted housing starts in England in the first quarter of 2007 and to the target published by the UK government in 2007 of 3 million new homes to be built by 2020 (an annual rate of approximately 240,000 new homes). The structural undersupply of new housing in the UK, which existed even before the current downturn began, still remains and industry stock levels remain low.

Mortgage availability remains constrained, with the Bank of England reporting that gross lending for house purchases has been broadly stable over recent months, but below the levels recorded in 2009. In its "Quarterly Bulletin" for the third quarter of 2010, the Bank of England reported that banks had not been passing on the fall in the base rate in full to borrowers. The total number of mortgage products increased by 42% from July 2009 to July 2010, but is still 90% lower than in 2007.

The underlying demand for new housing remains relatively strong, but many of those looking to buy homes are currently unable to obtain an appropriate mortgage or choosing to delay their purchase due to the uncertain economic environment. As such, we believe that the UK housing market remains an attractive environment in which to do business, with a structural undersupply of new housing likely to continue and, when mortgage availability increases and consumer confidence returns, potentially an even greater imbalance between demand and supply.

The North America housing market

- *US housing market*

In the second quarter of 2010, the Case-Shiller Home Price Index recorded an increase in average US house prices of 4.4% against the first quarter (a year-on-year increase of 3.6% against the second quarter of 2009). This followed a 1.3% decrease in US house prices in the first quarter of 2010 from the previous quarter, which (although house prices were still up by 2% compared to the first quarter in 2009) came after three consecutive quarters of increases.

In the third quarter of 2010, the US Department of Housing and Urban Development recorded a median new-home price of USD204,900, a 6.4% decrease from USD218,900 in the second quarter of 2010, and a decrease of 5.1% from the annual median new-home price of USD215,900 in 2009. Department of Housing and Urban Development figures showed a seasonally-adjusted annual rate of 307,000 sales of new single-family houses in September 2010, an increase of 6.6% above the 288,000 annual sales rate in August 2010, but a decrease of 21.5% below the annual sales rate of 391,000 for September 2009.

US Census data shows a seasonally-adjusted annual rate of 610,000 privately-owned housing starts in September 2010 (a 0.3% increase from 608,000 in August 2010 estimate and a 4.1% increase from September 2009). RealtyTrac reported foreclosure filings on 930,437 properties in the third quarter of 2010 (a 4% increase from the previous quarter, but a 1% decrease from the third quarter of 2009). California recorded the highest foreclosure level in the third quarter of 2010, followed by Florida, Arizona and Illinois. A total of 288,345 properties were repossessed during the third quarter of 2010, an increase of 7% from the previous quarter and an increase of 22% from the third quarter of 2009.

According to the National Association of Home Builders/Wells Fargo Housing Opportunity Index released on 19 August 2010, housing affordability was at its highest level nationwide for the sixth consecutive quarter, with 72.3% of all new and existing homes sold in the second quarter of 2010 being affordable to families earning the national median income of USD64,400. The index for the second quarter of 2010 indicated an increase in affordability from the previous quarter and almost equalled the peak of 72.5% set during the first quarter of 2009.

• *Canadian housing market*

The Canadian market has continued to perform well and we expect market conditions to remain robust for the foreseeable future. Ontario markets continue to exhibit low levels of supply, and house prices in Toronto and Ottawa have risen over the course of 2010.

Overview of the land-buying process

Access to quality land is where homebuilders can gain most competitive advantage. Land can be bought in competitive tender, obtained opportunistically through contacts and land agents or can be realised from our strategic landbank.

The UK land-buying process

Land obtained on the open market (that is, not sourced from our strategic landbank) is mostly purchased with outline or detailed planning consent. Land realised from our strategic landbank is often the result of exercising an option taken out 10 or more years earlier, where we agreed with the land owner an option to acquire the land at a discount (typically in a range of 5% to 15% to open market value once planning consent has been achieved, taking into account any infrastructure and planning gain that may need to be paid).

Land is often purchased on contracts which are conditional on the satisfaction of certain conditions prior to legal completion. These conditions could include satisfactory planning permission, vacant possession, completion of infrastructure or decontamination by the owner. There may also be additional payments for land legally acquired which are conditional on the value of detailed planning or conditional on generating a profit from the development.

If or when conditions are outside of our control or are reasonably likely to result in the purchase of the land or additional payment then IFRS-EU requires us to recognise the land cost as an asset and corresponding land creditor at its fair value and an interest cost is imputed over its expected duration.

There are also instances where our land buyers are able to improve the cash demands of a project profile by seeking to defer payment once the price has been agreed. Some land owners insist on phased payments in order to manage their tax affairs and some land owners prefer staged payment to manage their budget needs.

Land is a current asset of stock and these instances of deferred land payments give rise to land creditors which are essentially trade creditors in the normal course of our housing business. As at 4 July 2010, the amount of land creditors outstanding was £315.6 million (compared to £411.2 as at 30 June 2009, £325.7 million as at 31 December 2009 and £645.3 million as at 31 December 2008).

The North America land-buying process

US land-buying process

Locating and vetting suitable land positions is by far the most critical challenge for any homebuilder and we have developed substantial expertise in this area, which we believe creates a significant competitive advantage by giving us the ability to locate and acquire land that is in strategic locations. Key success factors include local relationships with crucial market sellers, brokers and investors, a deep knowledge of the local market, positioning us to be first to market both in terms of identifying property and in gaining access to the decision makers, Taylor Morrison's long held reputation as a leading homebuilder and developer, which we believe gives brokers and sellers confidence that they can close a transaction on a timely basis with minimal execution risk, and our a track record of sourcing and acquiring larger scale developments.

Canadian land-buying process

Monarch, our Canadian operation, has in recent years utilised joint ventures ("**JVs**") with third parties (including the seller or developers) as an effective means of acquiring land. This is done for both low-rise land development and the high-rise segment, where JVs have extended their business to include the building itself. JV structures are beneficial because they allow us to acquire land from a seller who wants to remain in the deal and is therefore incentivised, keep land under control in some instances without a significant cash outlay until the land is ready for future development or delivered to the end user, mitigate risk on large projects and, in some instances, provide a market for finished lots on low-rise land projects by allowing us to sell to the JV partner.

Summary of our performance

The Group is divided into four operating divisions for the purposes of management reporting and control: Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate. These divisions are the basis on which we report our primary segment information. In September 2008, we disposed of our UK construction business, and we completed our exit from construction activities with the sale of our construction business in Ghana on 21 April 2009.

In the year ended 31 December 2009, our group revenue from continuing operations was £2,595.6 million and our group operating profit was £43.3 million. In the period from 31 December 2009 to 4 July 2010 (the date to which our 2010 half yearly results were prepared), our group revenue from continuing operations was £1,219.3 million and our group operating profit was £79.3 million. For the 12 month period ended 4 July 2010, our group revenue from continuing operations was £2,682.1 million and our group operating profit was £119.8 million.

Most of our revenue and operating profit is earned from our operations in the UK and North America. In the first half of 2010, our Housing United Kingdom and Housing North America segments accounted for 68% and 31% of revenue, respectively (compared to 66% and 31% of revenue in the first half of 2009, respectively), and for 70% and 32% of operating profit (before operating loss attributable to our Corporate segment), respectively. In 2009, our Housing United Kingdom and Housing North America segments accounted for 66% and 32% of revenue, respectively (compared to 69% and 28% in 2008, respectively), and for 23% and 79% of operating profit (before operating loss attributable to our Corporate segment), respectively (compared to 48% and 54% in 2008, respectively).

The following tables set out our business segmental information for FY 2007, FY 2008, FY 2009, H1 2009, H1 2010 and the 12 month period ended 4 July 2010 for revenue, operating profit and profit/(loss) on ordinary activities before finance costs:

Revenue

	Year ended 31 December			Half year ended		12 month period ended 4 July 2010
	2007	2008	2009	30 June 2009	4 July 2010	
	(£ million)					
Housing United Kingdom	3,053.8	2,390.1	1,700.4	744.4	827.1	1,783.1
Housing North America	986.8	981.6	824.3	356.1	373.3	841.5
Housing Spain and Gibraltar	64.4	59.8	61.0	22.3	18.9	57.6
Housing total	4,105.0	3,431.5	2,585.7	1,122.8	1,219.3	2,682.2
Corporate	37.8	36.2	9.9	10.0	—	(0.1)
Consolidated	**4,142.8**[(1)]	**3,467.7**	**2,595.6**	**1,132.8**	**1,219.3**	**2,682.1**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Operating profit/(loss)

	Year ended 31 December			Half year ended		12 month period ended 4 July 2010
	2007	2008	2009	30 June 2009	4 July 2010	
	(£ million)					
Housing United Kingdom	418.2	53.0	14.3	(7.3)	62.1	83.7
Housing North America	67.5	59.9	48.1	18.6	28.2	57.7
Housing Spain and Gibraltar	2.2	(2.4)	(1.4)	(0.4)	(1.9)	(2.9)
Housing total	487.9	110.5	61.0	10.9	88.4	138.5
Corporate	(25.3)	(14.2)	(17.7)	(8.1)	(9.1)	(18.7)
Consolidated	**462.6**[(1)]	**96.3**	**43.3**	**2.8**	**79.3**	**119.8**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Profit/(loss) on ordinary activities before finance costs after exceptional items

	Year ended 31 December			Half year ended		12 month period ended 4 July 2010
	2007	2008	2009	30 June 2009	4 July 2010	
	(£ million)					
Housing United Kingdom	366.6	(1,699.8)	(438.5)	(460.1)	62.1	83.7
Housing North America	(253.8)	(16.7)	(31.7)	(61.2)	28.2	57.7
Housing Spain and Gibraltar	(4.1)	(39.8)	(4.7)	(3.7)	(1.9)	(2.9)
Housing total	108.7	(1,756.3)	(474.9)	(525.0)	88.4	138.5
Corporate	(29.5)	(34.3)	(62.5)	(52.9)	(9.1)	(18.7)
Consolidated	**79.2**[(1)]	**(1,790.6)**	**(537.4)**	**(577.9)**	**79.3**	**119.8**

Note:

(1) Please see "Presentation of Financial information" for details of the restatement of the 2007 financial information.

Net assets at 4 July 2010 were £1.50 billion (as compared to £1.41 billion as at 30 June 2009) equivalent to a tangible net asset value of 47.0 pence per share (as compared to 44.1 pence as at 30 June 2009). Net debt reduced from £750.9 million at 31 December 2009 to £633.9 million at 4 July 2010, reflecting the Group's enhanced profitability in the period and a further net reduction in working capital. Gearing (total net debt to total equity) at 4 July 2010 stood at 42.2% (as compared to 50.0% as at 31 December 2009).

In 2009, we were the second largest homebuilder by number of completions in the UK, with a 9.1% market share, and the ninth largest homebuilder by revenue in the US. In 2009, 75% of our completions in North America came from sub-markets in which we rank in the top five by market share, as follows:

2009 sub-market	Rank	Market Share
		(%)
Phoenix, Arizona	3	6.3
Sacramento, N. California	4	6.9
West Florida	3	6.0
North Florida	5	3.7
Toronto low-rise	4	3.7
Toronto high-rise	5	4.5

Recent developments

As a result of the downturn, we progressively moved towards a strong focus on cash generation from late 2007 through 2008. We have also focused on controlling our costs, in particular build costs and reducing the number of sites under development. We have taken significant action to reduce our overheads in each of our markets and our focus remains on driving further margin improvement through cost reductions and prioritising profit over sales volumes.

In April 2009, we concluded negotiations with various of our lenders which resulted in a substantial restructuring of our debt obligations. In June 2009, we raised net proceeds of approximately £510.1 million through the issue of ordinary shares under a placing and open offer, which we used to pay down debt and associated facilities, thereby avoiding additional finance charges.

In the UK, our focus is now on maximising margins and returns rather than looking to accelerate volume growth. We believe this approach remains well-suited to an environment where, in the short term, significant planning risk and wider economic uncertainty remains. We remain concerned about the potential adverse impacts of proposed changes in planning policy, however we are committed to working with the Government and local authorities and are confident that both our approach and our strong land holdings will put us in a strong position. In the longer term, we remain of the view that we will see an even greater imbalance between demand and supply when mortgage availability increases and consumer confidence increases.

In the US, after a period of weak trading conditions from the late spring and through the summer, we have seen greater stability in our markets in the autumn as the underlying impact of the cessation of the Homebuyer Tax Credit programme (which entitled qualifying home buyers to receive a one-time tax credit for the purchase of a principal residence in the US) starts to diminish. Affordability levels remain near the highest level in 2 decades in our US markets, and the level of inventory remains stable. The Canadian market has continued to perform well and we expect market conditions there to remain stable for the foreseeable future.

Interim Management Statement

We issued our Interim Management Statement on 16 November 2010. It reflects that our trading performance has been stable against a backdrop of economic uncertainty in the period from 5 July 2010 to the date of the statement, and our expectation as at that date that our profit before tax for the full year to 31 December 2010 will be at the upper end of our earlier expectations.

We also announced in our Interim Management Statement that Chris Rickard stood down from his position as Group Finance Director with effect from 16 November 2010 and has left the Company in order to pursue other opportunities. We were pleased to announce that, following a rigorous selection process involving internal and external candidates, Ryan Mangold, who joined Taylor Wimpey as Group Financial Controller in April 2009, was appointed as the new Group Finance Director. Ryan Mangold was also appointed to the Board on 16 November 2010.

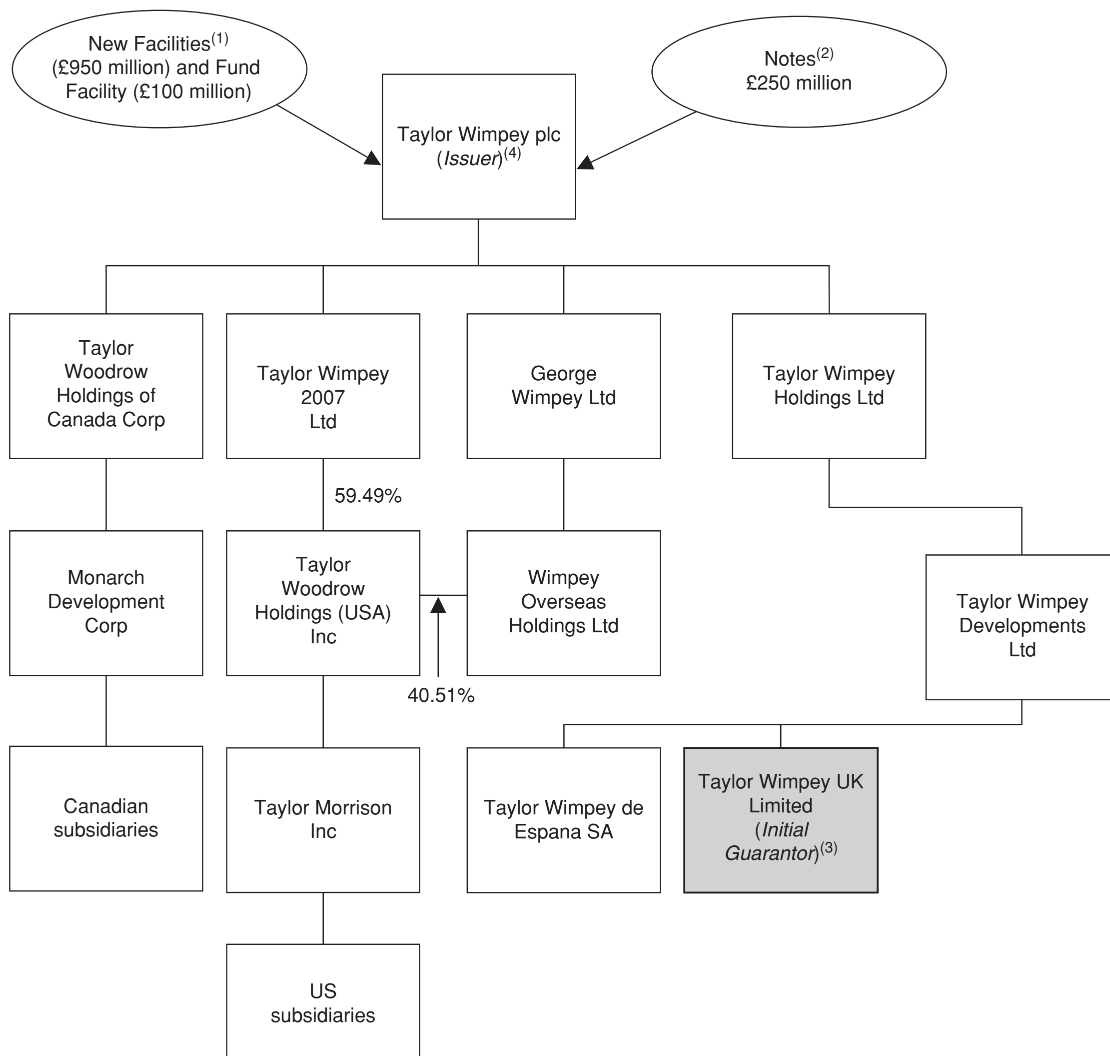
Refinancing

We have entered into or will enter into a series of transactions to (i) prepay in full the Existing Bank Debt together with accrued and unpaid interest; (ii) redeem all of the outstanding PP Notes and Eurobonds together with accrued and unpaid interest and applicable prepayment premiums where not otherwise discharged; (iii) make a £75 million contribution to the pension schemes, split between the TWGP&LAF and the GWSPS; and (iv) pay costs and administrative expenses, taxes, fees and indemnities in connection with, or otherwise related to, any of the foregoing.

It is contemplated that the transactions will be completed shortly after the Issue Date, subject to certain post-closing conditions being satisfied. For a further description of these transactions, please see "Use of Proceeds".

SUMMARY CORPORATE AND FINANCING STRUCTURE

As at 4 July 2010, the Group, together with its associated companies and joint ventures, comprised more than 400 companies. The following diagram shows a simplified summary of our corporate and financing structure of operating entities on a pro forma basis after giving effect to the Refinancing. See the description in "Use of Proceeds". It therefore does not show the Existing Bank Debt, PP Notes or Eurobonds as it is anticipated these will be prepaid or, as the case may be, redeemed as part of the Refinancing following release from escrow of the net proceeds of the offering of the Notes. The diagram does not include all of our subsidiaries, nor all of our debt and other financial obligations. In particular, it does not show details of intercompany loans, pensions liabilities, details of land creditors, and various other liabilities. For a summary of the pension liabilities, details of land creditors, and various other liabilities please refer to the section entitled "Description of Other Financial Liabilities". For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "Terms and Conditions of the Notes", "Description of Certain Financing Arrangements" and "Capitalisation".



Notes:

(1) We entered into the New Facilities, consisting of £950 million available to Taylor Wimpey plc and certain of its subsidiaries, on 16 November 2010, and the Fund Facility, consisting of £100 million available to Taylor Wimpey plc, on 19 November 2010, each of which will be unsecured and rank pari passu with the Notes. The New Facilities, the Fund Facility and the Notes and Noteholders will be initially guaranteed by the Initial Guarantor to the extent of any shortfall on the amounts due to lenders after taking into account all amounts that lenders or Noteholders recover or are entitled to recover from the Issuer or any other guarantor. See "Description of Certain Financing Arrangements".

(2) The Notes will be senior obligations of the Issuer and, as of the Effective Date (as described under "Description of the Guarantee of Taylor Wimpey UK Limited"), will be guaranteed on a senior unsecured basis by Taylor Wimpey UK Limited as to any shortfall remaining after taking into account all amounts recovered or entitled to be recovered from the Issuer,

and any other guarantor. The Guarantee of Taylor Wimpey UK Limited will be limited as set forth in "Description of the Guarantee of Taylor Wimpey UK Limited".

(3) The total assets (for this purpose, excluding intercompany receivables), revenue and adjusted EBITDA (calculated by taking the Initial Guarantor's operating profit after joint ventures, adding back any depreciation, amortisation and net land cost charged to the P&L) of the Initial Guarantor on a standalone basis as of and for the year ended 31 December 2009 represented 70.3%, 64.7% and 69.5% of our Group's consolidated total assets, revenue and EBITDA (as so adjusted), respectively and 96.8%, 98.8% and 96.4% of the total UK Housing business assets, revenue and EBITDA (as so adjusted), respectively.

(4) As at 4 July 2010, on a pro forma basis after giving effect to the Refinancing, other structurally senior borrowings were £7.6 million.

OVERVIEW OF THE OFFERING

The following is a brief overview of certain terms of this Offering. It is not intended to be complete and some of the terms and conditions described below are subject to important limitations and exceptions. It may not contain all the information that is important to you. You should carefully read the section entitled "Terms and Conditions of the Notes" for a more detailed description of the Offering.

Issuer	Taylor Wimpey plc.
Initial Guarantor	Taylor Wimpey UK Limited.
Notes	£250 million aggregated principal amount of 10.375% Senior Notes due 2015.
Issue Date	On or about 2 December 2010.
Issue Price	100% of the principal amount of the Notes (plus accrued and unpaid interest from the Issue Date).
Maturity Date	31 December 2015.
Interest Rate and Payment Dates	The Notes will bear interest at a rate of 10.375% per annum payable semi-annually in arrear in equal instalments on 30 June and 31 December in each year, commencing on 30 June 2011. Interest on the Notes will accrue from the Issue Date.
Form and Denomination	The Notes will be issued in registered form in minimum denominations of £100,000 each and integral multiples of £1,000 in excess thereof up to and including £199,000 each. The Notes will be represented by beneficial interests in a global note (the "**Global Note**"). The Global Note will be exchangeable for Notes in definitive, fully-registered form (the "**Definitive Notes**") only in limited circumstances. See "Summary of provisions relating to the Notes while in Global Form".
Initial Delivery of Notes	The Notes will be registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg on or about 2 December 2010.
Standalone Guarantee	The Notes will be unconditionally guaranteed by Taylor Wimpey UK Limited as of the Effective Date pursuant to the Standalone Guarantee. The Standalone Guarantee will guarantee the Issuer's obligations under the Notes less all amounts recovered or entitled to be recovered in the future by the Trustee and the Noteholders from any member of the Group (including from the Issuer or the Initial Guarantor) taking into account actual recoveries and the probability of receipt and the likely quantum in respect of contingent and/or prospective recoveries and including, without limitation, any distributions or dividends received or to be received in any administration, liquidation or other insolvency process. See "Terms and Conditions of the Notes—Note Guarantees" and "Description of the Guarantee of Taylor Wimpey UK Limited".
Ranking of the Notes and the Standalone Guarantee	The Notes will be general obligations of the Issuer and will: • be senior obligations of the Issuer;

- be *pari passu* in right of payment with all future indebtedness of the Issuer that is not subordinated to the Notes, including under the New Facilities Agreement and the Fund Facility;
- be senior in right of payment to any and all future obligations of the Issuer that are subordinated to the Notes;
- be effectively subordinated to the Issuer's future secured indebtedness to the extent of the value of the assets securing such indebtedness; and
- be structurally subordinated to all existing and future indebtedness of the Issuer's non-guarantor subsidiaries.

The Standalone Guarantee of the Notes to be provided by the Initial Guarantor will be a general obligation of such Initial Guarantor and will:

- be *pari passu* with all existing and future senior indebtedness of such Initial Guarantor that is not subordinated in right of payment to its Standalone Guarantee of the Notes, including its obligations under its separate standalone guarantees of the New Facilities Agreement and the Fund Facility provided no payment will be made under the Standalone Guarantee until the earlier of (i) the date on which any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of the Issuer or any of its assets (ii) the date at which all or substantially all of the deficit owing to the George Wimpey Staff Pension Scheme has become due and payable; or (iii) the date on which any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of the Initial Guarantor or its assets, provided always that no payment shall be made prior to the earlier of (A) 21 days after notice of any claim has been given to the Pension Trustees; and (B) the date on which any payment is made in respect of all or substantially all of the deficit owing to the George Wimpey Staff Pension Scheme following a claim being made under the Standalone Guarantee;
- be senior to all future indebtedness of such Initial Guarantor that is subordinated in right of payment to its Standalone Guarantee of the Notes;
- be effectively subordinated to such Initial Guarantor's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and
- be structurally subordinated to all existing and future indebtedness of any of such Initial Guarantor's subsidiaries that do not guarantee the Notes.

The Initial Guarantor, together with any other guarantor, shall at all times be the beneficial owner of not less than 90% of the gross assets of the UK business of the Issuer and its Restricted Subsidiaries. See "Terms and Conditions of the Notes—Note Guarantee".

Escrow of Proceeds; Special Mandatory Redemption	The Initial Purchasers will deposit the aggregate net proceeds from the Offering into an Escrow Account with the Escrow Agent, and the Issuer will contribute to the same Escrow Account an amount in cash such that the total escrowed funds will be sufficient to pay the special mandatory redemption price for the Notes described below, when and if due. If (i) the conditions to the release of the escrowed property have not been satisfied by the date which is 15 Business Days following the Issue Date or (ii) the Standalone Guarantee is not effective as of the Escrow Date, unless a payment disruption event is continuing, the Issuer will, in the case of (i), on or before the next succeeding Business Day and in the case of (ii), on or before the Business Day following the Escrow Date (if no payment disruption event is continuing) or on or before the Business Day following the payment disruption event ceasing to continue (if a payment disruption event had occurred) redeem the Notes on the Special Mandatory Redemption Date, at a redemption price equal to 100% of the aggregate principal amount of the Notes plus accrued interest, and additional amounts, if any, to but not including, the redemption date. The Notes may also be redeemed at the Issuer's option, in whole but not in part, at such price at any time prior to the Special Mandatory Redemption Date if, in the Issuer's judgement, the conditions to the release of the escrowed property will not be fulfilled by the Special Mandatory Redemption Date. The escrowed property would be applied to pay for any such special mandatory redemption. The escrowed property, including the net proceeds from this offering, will be released from escrow to the Issuer upon the fulfilment of the conditions set out in the Escrow Agreement. See "Description of the Escrow Agreement".
Optional Redemption	Prior to 31 December 2013, the Issuer will be entitled at its option on one or more occasions to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this Offering Circular and accrued and unpaid interest to the redemption date. On or after 31 December 2013, the Issuer will be entitled at its option on one or more occasions to redeem all or a portion of the Notes at the redemption prices set forth under the caption "Terms and Conditions of the Notes—Optional Redemption after First Call Date" plus accrued and unpaid interest to the redemption date. Prior to 31 December 2013 the Issuer will be entitled at its option on one or more occasions to redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 110.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest to the redemption date, so long as at least 65% of the aggregate principal amount of the Notes remains outstanding immediately after each such redemption and such redemption occurs within 90 days after the date of the relevant equity offering.

	See "Terms and Conditions of the Notes—Optional Redemption upon Equity Offering".
Additional Amounts; Tax Redemption	All payments in respect of the Notes or the Standalone Guarantee will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If any such withholding or deduction is required by law, subject to certain exceptions, the Issuer (or Initial Guarantor, as appropriate) will pay additional amounts so that the net amount each Noteholder receives is no less than the Noteholder would have received in the absence of such withholding or deduction. See "Terms and Conditions of the Notes—Additional Amounts". If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See "Terms and Conditions of the Notes—Redemption for Changes in Taxes".
Asset Sales	Subject to a threshold, the Issuer will be required to offer to purchase some or all of the Notes with excess proceeds, if any, following certain asset sales at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest. See "Terms and Conditions of the Notes—Asset Sales Offer".
Change of Control	Upon the occurrence of certain change of control events, the Noteholders will have the right to require the Issuer to repurchase all or any part of the Notes (subject to exceptions) at a purchase price equal to 101% of their aggregate principal amount of Notes repurchased, plus accrued and unpaid interest. See "Terms and Conditions of the Notes—Change of Control".
Certain Covenants	The Conditions will limit, among other things, our and our restricted subsidiaries' ability to: • incur or guarantee additional indebtedness and issue certain preference shares; • pay dividends on, redeem or repurchase our capital stock; • make certain restricted payments and investments; • create or incur certain liens; • transfer or sell certain assets; • merge or consolidate with other entities; • enter into certain transactions with affiliates; and • guarantee certain types of indebtedness of the Issuer and its restricted subsidiaries without also guaranteeing the Notes. Each of the covenants is subject to a number of important exceptions and qualifications. See "Terms and Conditions of the Notes—Covenants".

Events of Default	For a description of certain events that will permit the Notes to become immediately due and payable at their principal amount, together with accrued interest, see "Terms and Conditions of the Notes—Events of Default".
Listing and admission to trading	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market. It is expected that admission of the Notes to the Official List and admission of the Notes to trading on the London Stock Exchange's Professional Securities Market will be granted on or about 2 December 2010.
Selling Restrictions	The Notes have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions (including the United Kingdom) only in compliance with applicable laws and regulations.
No Prior Market	The Notes will be new securities for which there is no existing market. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Use of Proceeds	See section entitled "Use of Proceeds".
Governing Law	The Notes and the Trust Deed will be governed by English law.
Credit Ratings	The Notes are expected to be assigned on issue a rating of B2 by Moody's Investors Service, Inc. and B+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Security Codes	Common Code: 056538623
	ISIN: XS0565386231
Trustee	HSBC Corporate Trustee Company (UK) Limited.
Registrar	HSBC Bank plc
Principal Paying Agent	HSBC Bank plc

RISK FACTORS

Investing in the Notes involves substantial risks. Please see the "Risk Factors" section for a description of certain of the risks you should carefully consider before investing in the Notes.

ADDITIONAL INFORMATION

The Issuer is a public limited company registered in England and Wales under number 00296805 and with its registered office at 80 New Bond Street, London, England, W1S 1SB. The telephone number of the Issuer is +44 (0) 20 7355 8100.

The Initial Guarantor is a private limited company registered in England and Wales under number 01392762 and with its registered office at Second Floor Beech House, 551 Avebury Boulevard, Milton Keynes, MK9 3DR. The telephone number of the Initial Guarantor is +44 (0) 19 0854 4800.

SUMMARY FINANCIAL INFORMATION

The following summary consolidated historical financial information set out in the tables below is extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements of the Group for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the accompanying notes thereto, which are set out in this Offering Circular and the consolidated half year financial statements of the Group for the half years ended 30 June 2009 and 4 July 2010, and the accompanying notes thereto, which are set out in this Offering Circular.

The summary consolidated income statement, balance sheet and cash flow information for the Issuer set forth below as of and for the years ended 31 December 2007, 2008 and 2009 was extracted from the audited consolidated financial statements of the Issuer, prepared in accordance with IFRS-EU and set out elsewhere in this Offering Circular. The summary consolidated income statement, balance sheet and cash flow information set forth below for the Issuer as of and for the six months ended 30 June 2009 and 4 July 2010, prepared in accordance with IFRS-EU, were extracted from the unaudited half year consolidated financial statements of the Issuer set out elsewhere in this Offering Circular.

The Offering Circular includes consolidated financial data which has been adjusted to reflect certain effects of the Refinancing on the financial position and net financial expenses of the Issuer as of and for the twelve months ended 4 July 2010. The consolidated adjusted financial data has been prepared for illustrative purposes only on a pro forma basis and does not purport to project the Issuer's consolidated financial position and net financial expenses at any future date nor does it purport to represent what the actual consolidated financial position or net financial expenses of the Issuer would have been if the Refinancing had occurred:

- on 4 July 2010 for the purposes of the calculation of net financial position; and
- on 30 June 2009 for the purposes of the calculation of net financial expenses.

The unaudited adjustments and the unaudited adjusted financial data set forth in this Offering Circular are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

The Issuer's consolidated historical financial statements and the summary consolidated historical financial information presented below were prepared on the basis of IFRS-EU, which differs in certain respects from US GAAP. You should read this section together with the information contained in "Use of Proceeds", "Capitalisation", "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements set out elsewhere in this Offering Circular.

The following summary consolidated historical financial information should also be read in conjunction with the sections headed "Presentation of Financial Information", "Capitalisation", "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Summary consolidated income statement information

	Year ended 31 December			Half year ended		12 month period ended
	2007 (restated)[1]	2008	2009	30 June 2009	4 July 2010	4 July 2010[5]
	(£ million)					
Continuing operations						
Revenue	**4,142.8**	**3,467.7**	**2,595.6**	**1,132.8**	**1,219.3**	**2,682.1**
Cost of sales	(3,443.8)	(3,138.2)	(2,365.4)	(1,036.5)	(1,058.9)	(2,387.8)
Gross profit	699.0	329.5	230.2	96.3	160.4	294.3
Expense before brand amortisation	(259.8)	(240.8)	(192.5)	(95.3)	(84.1)	(181.3)
Share of results of joint ventures[2]	23.4	7.6	5.6	1.8	3.0	6.8
Operating profit[2]	**462.6**	**96.3**	**43.3**	**2.8**	**79.3**	**119.8**
Brand amortisation	(3.7)	(2.4)	—	—	—	—
Exceptional items[2][3]	(379.7)	(1,895.0)	(603.8)	(603.8)	—	—
Interest receivable	9.0	8.5	10.6	4.8	0.5	6.3
Finance costs	(121.8)	(177.1)	(150.0)	(76.5)	(60.2)	(133.7)
Profit/(loss) on ordinary activities before taxation	**(33.6)**	**(1,969.7)**	**(699.9)**	**(672.7)**	**19.6**	**(7.6)**
Taxation (charge)/credit[4]	(173.4)	76.6	59.3	(9.2)	(12.1)	56.4
Profit/(loss) for the year/period from discontinued operations	10.3	53.1	—	—	—	—
Profit/(loss) for the year/period	**(196.7)**	**(1,840.0)**	**(640.6)**	**(681.9)**	**7.5**	**48.8**

Notes:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

(2) These measures are considered Non-IFRS-EU or Non-GAAP Measures. See "Presentation of Financial Information—Non-IFRS-EU Measures" and "Presentation of Financial Information—Financial Measures" for further details.

(3) Exceptional items comprised land and work-in-progress write-downs (net, for the year ended 31 December 2009 and for the half years ended 30 June 2009 and 4 July 2010), restructuring costs, refinancing costs and goodwill and other intangible impairments.

(4) The tax credit for the year ended 31 December 2009 includes an amount in respect of exceptional items of £73.6 million, made up of a credit of £25.4 million in respect of UK tax and a credit of £48.2 million in respect of US tax. The tax credit for the year ended 31 December 2008 includes an amount in respect of exceptional items of £100.0 million, made up of a credit of £91.6 million in respect of UK tax and a credit of £8.4 million in respect of US tax. The tax charge for the year ended 31 December 2007 includes an amount in respect of exceptional items of £70.2 million. this is made up of a credit of £14.9 million in respect of UK tax and a net charge of £85.1 million in respect of US tax. There are no exceptional tax charges or credits for the half years ended 30 June 2009 and 4 July 2010.

(5) These figures represent the aggregation of the results for the half years ended 30 June 2009 and 4 July 2010 and are not indicative of the expected year ending 31 December 2010 results.

Summary consolidated balance sheet information

	At 31 December			As at	
	2007	2008	2009	30 June 2009	4 July 2010
Goodwill	699.8	—	2.4	2.3	2.5
Other intangible assets	120.5	—	—	—	—
Other non-current assets	293.0	137.7	244.7	127.3	253.6
Land	3,879.4	3,410.3	2,341.9	2,878.1	2,254.1
WIP	2,138.4	1,480.3	1,261.4	1,123.0	1,291.8
Inventory	6,017.8	4,890.6	3,603.3	4,001.1	3,545.9
Other current assets excluding cash	408.1	271.7	191.5	159.1	135.7
Total assets excluding cash	7,539.2	5,300.0	4,041.9	4,289.8	3,937.7
Land creditors	(829.0)	(645.3)	(325.7)	(411.2)	(315.6)
Pension deficit	(216.4)	(277.2)	(406.4)	(357.1)	(418.1)
Other liabilities	(1,373.2)	(1,175.0)	(1,058.0)	(1,078.8)	(1,066.3)
Net debt[1][2]	(1,415.4)	(1,529.3)	(750.9)	(1,033.7)	(633.9)
Net assets	**3,705.2**	**1,673.2**	**1,500.9**	**1,409.0**	**1,503.8**
Capital employed[3]	5,120.6	3,202.5	2,251.8	2,442.7	2,137.7

Notes:

(1) Net debt is considered a Non-IFRS-EU or Non-GAAP measure. See "Presentation of financial information—Non-IFRS-EU Measures" and "Presentation of financial information—Financial Measures" for further details.

(2) Net debt is all bank overdrafts, bank loans and debenture loans (current and non-current) less cash and cash equivalents.

(3) Capital employed is the sum of total equity and net debt.

Summary consolidated cash flow information

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Net cash from/(used in) operating activities	(163.3)	153.6	206.3	(75.6)	123.5	405.4
Net cash from/(used in) investing activities	68.5	5.8	13.6	(4.9)	3.5	22
Net cash from/(used in) financing activities	(21.5)	418.4	(815.7)	(593.6)	(7.6)	(229.7)
Net increase/(decrease) in cash and cash equivalents	(116.3)	577.8	(595.8)	(674.1)	119.4	197.7
Cash and cash equivalents at beginning of year/period	236.5	130.0	752.3	752.3	132.1	72.7
Effect of foreign exchange rate changes	9.8	44.5	(24.4)	(5.5)	2.6	(16.3)
Cash and cash equivalents at end of year/period	130.0	752.3	132.1	72.7	254.1	254.1

Summary financial information by operating division

Revenue

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	3,053.8	2,390.1	1,700.4	744.4	827.1	1,783.1
Housing North America	986.8	981.6	824.3	356.1	373.3	841.5
Housing Spain and Gibraltar	64.4	59.8	61.0	22.3	18.9	57.6
Housing total	4,105.0	3,431.5	2,585.7	1,122.8	1,219.3	2,682.2
Corporate	37.8	36.2	9.9	10.0	—	(0.1)
Consolidated	**4,142.8**[(1)]	**3,467.7**	**2,595.6**	**1,132.8**	**1,219.3**	**2,682.1**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Operating profit/(loss)

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	418.2	53.0	14.3	(7.3)	62.1	83.7
Housing North America	67.5	59.9	48.1	18.6	28.2	57.7
Housing Spain and Gibraltar	2.2	(2.4)	(1.4)	(0.4)	(1.9)	(2.9)
Housing total	487.9	110.5	61.0	10.9	88.4	138.5
Corporate	(25.3)	(14.2)	(17.7)	(8.1)	(9.1)	(18.7)
Consolidated	**462.6**[(1)]	**96.3**	**43.3**	**2.8**	**79.3**	**119.8**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Profit/(loss) on ordinary activities before finance costs after exceptional items

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	366.6	(1,699.8)	(438.5)	(460.1)	62.1	83.7
Housing North America	(253.8)	(16.7)	(31.7)	(61.2)	28.2	57.7
Housing Spain and Gibraltar	(4.1)	(39.8)	(4.7)	(3.7)	(1.9)	(2.9)
Housing total	108.7	(1,756.3)	(474.9)	(525.0)	88.4	138.5
Corporate	(29.5)	(34.3)	(62.5)	(52.9)	(9.1)	(18.7)
Consolidated	**79.2**[(1)]	**(1,790.6)**	**(537.4)**	**(577.9)**	**79.3**	**119.8**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Other information

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million, unless otherwise indicated)					
Operating Margin %[(1)]	11.2%	2.8%	1.7%	0.2%	6.5%	4.5%
ASP-UK PD (£)[(2)]	208,000	187,000	171,000	163,000	180,000	n/a
ASP-North America (£)	182,000	175,000	171,000	183,000	200,000	n/a
Completions	20,271	19,029	15,166	6,707	6,730	15,189
EBITDA[(3)]	472.9	108.5	48.0	5.3	81.0	123.7
EBITDA margin	11.4%	3.1%	1.8%	0.5%	6.6%	4.6%
Net debt/EBITDA	3.0x	14.1x	15.6x	20.2x	5.1x	5.1x
Net financial expense	93.3	127.9	109.1	63.2	43.7	89.6
Interest cover ratio[(4)]	5.1x	0.8x	0.4x	0.1x	1.9x	1.4x
Gearing ratio[(5)]	38.2%	91.4%	50.0%	73.4%	42.2%	42.2%
Total inventory/net debt	4.3x	3.2x	4.8x	3.9x	5.6x	5.6x
Order book	1,586.8	1,125.6	1,434.0	1,444.0	1,629.0	1,629.0
Owned and controlled plots with planning or resolution to grant						
UK	86,155	74,917	66,089	69,167	63,291	63,291
North America	40,603	29,178	29,062	28,815	30,435	30,435
Pro forma to reflect Refinancing:						
Net debt/EBITDA	—	—	—	—	—	6.7x
Interest cover ratio	—	—	—	—	—	1.6x
Gearing ratio[(5)]	—	—	—	—	—	59.9%
Total inventory/net debt	—	—	—	—	—	4.3x

Notes:

(1) Operating margin is defined as profit on ordinary activities before amortisation of brands, finance costs and exceptional items, after share of joint ventures as a percentage of turnover.

(2) Average selling price in the United Kingdom on private developments based on completions during the period.

(3) EBITDA is calculated by taking the Group's operating profit after joint ventures and deducting any depreciation and amortisation charged.

(4) Interest cover is the ratio of EBITDA to Net financial expense.

(5) Gearing is the ratio of net debt to total equity.

RISK FACTORS

Prospective investors should carefully consider the risk factors set out below and the other information contained in this Offering Circular before making a decision about acquiring the Notes. The realisation of one or more of these risks could individually or together with other circumstances adversely affect the business activities and have a material adverse effect on the financial condition and results of operations of Taylor Wimpey, the Initial Guarantor or the Group. The market price of the Notes could decline as the result of any of these risks, and investors could lose all or part of their investment.

This section describes certain risk factors considered to be material in relation to Taylor Wimpey, the Initial Guarantor or the Group. The risks described below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties to which Taylor Wimpey, the Initial Guarantor or the Group are exposed. Additional risks which are presently not known to the Issuer, the Initial Guarantor or the Group, or which are currently considered immaterial, could also adversely affect the business operations of Taylor Wimpey, the Initial Guarantor or the Group and have a material adverse effect on their business activities, financial condition and results of operations. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence, the scope of their financial consequences or the importance of the risk factors mentioned below.

Risks relating to our business

Recession in the United Kingdom, North America and Spain, the credit crisis and the ongoing economic downturn have had and could continue to have a significant adverse effect on the Group's homebuilding business.

The global market turmoil, the recession in the United Kingdom, North America and Spain and, in particular, the credit crisis, had an adverse effect on the Group's homebuilding business which became significant in the second half of 2008 and continued to have an impact in 2009.

Although market conditions in North America and the UK have shown improvements in the first half of 2010, all our markets remain characterised by a higher than usual level of uncertainty, with market confidence fluctuating between hopes of a sustained recovery and fears of a "double dip" recession. In addition, factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of potential purchasers of our homes. A continuation or deterioration of these economic and financial conditions could cause the financial performance and/or financial condition of the Group to decline, including by causing a material decrease in the Group's cashflows or the value of its land assets. In such circumstances, the Group may not in the longer term be able to maintain compliance with the covenants in, or could default on, its debt facilities which could result in increased financing charges or an acceleration of the Group's obligations to repay those borrowings or in the cancellation of those facilities. Such economic conditions and a decline in demand for the Group's products could have a material adverse impact on our business, financial condition and operating results.

Whilst the Group has taken steps to alleviate the impact of these conditions on its business, given the downturn in the homebuilding industry over the past several years and the continuing degree of uncertainty and instability in the financial markets, there can be no guarantee that steps taken by the Group will continue to be effective, and to the extent the current economic environment does not improve or any improvement takes place over an extended period of time, the Group's business, financial condition and results of operations may be materially adversely affected.

The homebuilding industry in our major markets has undergone a significant downturn that may continue for an indefinite period or worsen.

We are a focused homebuilding company with operations in the UK, US, Canada and Spain (and formerly in Gibraltar). Our principal operations are our UK and North American housing segments, which, respectively, represented 66% and 32% of our total Housing revenue in 2009, compared to 69% and 28% respectively, of our total Housing revenue in 2008.

Generally, the homebuilding industry is cyclical and is significantly affected by changes in general and local economic conditions, such as population and employment levels, housing demand, availability and cost of homebuyer finance, interest rates, inflation rates, consumer confidence and the ratio of household income to house prices. Any oversupply of alternatives to new homes, such as rental

properties, resale homes and repossessions or foreclosure sales, can adversely affect new home prices and, as a result, reduce margins on sales of new homes.

Between the mid-1990s and the mid-2000s both the UK and the US housing markets, stimulated by low interest rates and readily available credit, experienced a general upward trend in house prices. Since the fourth quarter of 2005 and the second half of 2007, the housing markets in both the US and the UK saw significant declines in both prices and sales volumes reflecting, among other things, a loss of consumer confidence (including as a result of unemployment), low affordability of housing and lack of availability of, and, at times, increased cost of, credit. Following the sharp decline in both our UK and US markets, we experienced significant decreases in sales volumes and realised selling prices (partly as a result of an oversupply of alternatives to new houses, such as rental accommodation, resale homes and repossession or foreclosure sales), which had an adverse effect on our operating results and financial condition.

The future development of the housing markets in which we operate is uncertain, and in particular we cannot predict the severity or duration of the present downturn. There can be no assurance that any future recovery in consumer confidence or improvement in credit availability would result in a recovery of home prices and sales volumes to levels experienced in the past or at all. A deterioration or continuation of these market conditions could further decrease demand and pricing for new homes and have a significant adverse impact on our business, financial condition and operating results.

Home sales volumes in our major markets have fallen significantly and could continue to fall.

Following the exceptionally difficult market conditions of 2008, which continued into 2009 before some improvement in the first half of 2009 in the UK and in the second half of 2009 in the US, the Group reported improved profitability and margins in the first half of 2010. However, market conditions remain uncertain and we cannot predict the duration or severity of the current downturn in our markets nor can we provide any assurances that the adjustments which have been made to our operating strategies to address these conditions will be successful or sufficient or that further write-downs of our inventory or other assets will not be required.

In the short term, sales volumes may be further adversely affected by local and national economic conditions, employment levels, the balance of supply and demand for homes, interest rates, the availability of credit and consumer confidence, among other factors. Changes in the deductibility of home mortgage interest for tax purposes in the US and Canada could also adversely affect house sales volumes in those markets.

Long-term demand for new homes is directly related to population growth and the rate of new household formation. While these trends have, in the past, contributed to an increase in home ownership and demand for new homes in the UK, North America and Spain, there is no guarantee that this trend will recur or continue in the future.

A deterioration or continuation of these market conditions could further decrease demand for new homes and have a material adverse impact on our business, financial condition and operating results.

Sales prices in our major markets have fallen significantly and could continue to fall.

The very difficult selling conditions in our major markets resulted in us experiencing low sales rates and falling realised sales prices in 2008. Having reduced our prices during 2008 to reflect the adverse market conditions, we were able to achieve some price increases during 2009. However, we cannot predict the duration or severity of the current downturn in our markets nor can we provide any assurances that the adjustments which have been made to our operating strategies to address these conditions (including reducing our selling prices to stabilise sales rates in the current market) will be successful or sufficient or that further write-downs of our inventory or other assets will not be required.

In the short term, sales prices may be adversely affected by local and national economic conditions, employment levels, the balance of supply and demand for homes, interest rates, the availability of credit and consumer confidence, among other factors. In the UK, 'down-valuations' from local surveyors employed by the mortgage provider to assess the value of a property have put increased downward pressure on sales prices.

Pricing competition can come from other homebuilders building new homes, individual homeowners selling their homes, investors selling investment properties and from banks selling

foreclosed properties. The US residential mortgage market has been further impacted by the deterioration in the credit quality of loans originated to non-prime and subprime borrowers and an increase in mortgage foreclosure rates. Between the second quarter of 2009 and the second quarter of 2010, the level of house foreclosures in the US housing market generally increased by 38% (compared to an increase of 46% in 2009) (source: RealtyTrac). These difficulties are not expected to improve until residential real estate inventories return to a more normal level and the mortgage credit market stabilises.

In England and Wales, the number of actual repossessions occurring, expressed as a proportion of mortgage possession claims which led to an order being made in the county courts, was 63% in 2009, compared with 44% in 2008 (source: Council of Mortgage Lenders), which we believe has had an adverse effect on house prices and our selling prices.

While the ultimate outcome of these events cannot be predicted, they have had and may continue to have an impact on the availability and cost of mortgage financing to our customers. The volatility in interest rates, the decrease in the willingness and ability of lenders to make home mortgage loans, the tightening of lending standards and the limitation of financing product options, have made it more difficult for homebuyers to obtain acceptable financing. Any substantial increase in mortgage interest rates or unavailability of mortgage financing would adversely affect the ability of prospective first-time and move-up homebuyers to obtain financing for our homes, as well as adversely affect the ability of prospective move-up homebuyers to sell their current homes.

A continuation or deterioration of these market conditions could further decrease pricing for new homes and have a material adverse impact on our business, financial condition and operating results.

Cancellation rates of existing sales contracts may rise in the future.

Although our cancellation rates have been low in 2010, (averaging 16% in the UK and 16% in the US for the first half of 2010) following a substantial improvement in 2009 (at 18.7% in the UK and 15% in the US against the elevated levels in 2008 of 37.5% in the UK and 23% in the US), cancellation rates of existing sales contracts may rise in the future.

Our order book reflects the number and value of homes on which we have taken reservations, some of which may have proceeded to a legally binding contract. Customers who have not entered into a legally binding contract may cancel their reservation and forfeit some or all of their deposit. Customers who have entered into a legally binding contract may also fail to complete (for example, due to a change of circumstances, inability to sell their existing home or lack of funding). If house prices decline, if interest rates increase or if other adverse economic conditions occur, home buyers may have an incentive to cancel their contracts with us, even if they might be entitled to no refund or only a partial refund of their deposits.

In cases of cancellation, we remarket the home and usually retain any deposits we are permitted to retain. However, the deposits do not usually cover the additional costs involved in remarketing the home and carrying higher inventory. Significant numbers of cancellations could have a material adverse effect on our business, financial condition and operating results as a result of lost sales revenue and the accumulation of, and costs of maintaining, unsold housing inventory.

Demand for new homes is sensitive to economic conditions over which we have no control, such as the availability of mortgage financing and the level of unemployment.

A substantial majority of our home-buyers finance their home purchases through a lender providing mortgage financing.

The availability of mortgage credit remains constrained in the UK, due to cautious mortgage valuations on properties and lower risk appetite by lenders, with many lenders requiring increased levels of financial qualification, lending lower multiples of income and requiring greater deposits. Investors and first-time home buyers are more affected by these factors than other potential home buyers. This affects us in particular as these buyers are a key source of our demand. Although there have been signs of easing over recent months, we expect that these factors will continue to adversely affect the volume of our home sales and the sales prices we achieve.

In each of our markets, decreases in the availability, and increases in the cost of credit adversely affect the ability of home buyers to obtain or service financing. Even if potential home buyers do not

themselves need financing, adverse changes in interest rates and mortgage availability could make it harder for them to sell their existing homes to other potential buyers who need financing.

In the UK, the unemployment rate was 7.7% as at October 2010 (compared to 7.8% as at October 2009) (source: Office for National Statistics). In the US, the unemployment rate was 9.6% as at October 2010 (compared to 9.5% as at October 2009) (source: US Bureau of Labor Statistics). People who are not employed or are concerned about the loss, or potential loss, of their jobs are less likely to purchase new homes and may be forced to try to sell the homes they own. Therefore, any increase in unemployment may lead to an increase in the number of loan delinquencies and property repossessions and have an adverse impact on us both by reducing demand for the homes we build and by increasing the supply of homes for sale.

These factors have had a significant adverse effect on our business, financial condition and operating results and may continue to do so for an indeterminate period.

In October 2009, the FSA launched a wide-ranging mortgage market review in the UK, which included consideration of strengthened rules and guidance on, inter alia, affordability assessments, product regulation, arrears charges and responsible lending. In June 2010, the FSA made changes to the FSA's Mortgages and Home Finance: Conduct of Business Sourcebook which effectively converted previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of regulated mortgage contracts into formal mandatory rules. The new rules restrict a firm from repossessing property unless all other reasonable attempts to resolve the position have failed. In complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions.

In addition, in November 2009, H.M. Treasury published a consultation on proposals for the FSA to regulate second charge mortgages and buy-to-let mortgages, and to introduce a regulated activity of managing regulated mortgage contracts which is intended to protect consumers when mortgage loans are sold. No draft legislation has been published to date which would give effect to those proposals. In July 2010, H.M. Treasury published a consultation on proposals to replace the FSA with a Prudential Regulation Authority and a Consumer Protection and Markets Authority.

At this point it is impossible to predict how and the extent to which the foregoing announced changes will impact on the operations, business results, financial condition or prospects of the Group. Accordingly, the Group cannot be assured that any further changes to the existing regulatory regime arising from the FSA's mortgage market review or H.M. Treasury's proposals to change mortgage regulation or the H.M. Treasury consultation concerning the regulatory framework that will replace that currently in place under FSMA, or the implementation of any of the foregoing matters or any other regulatory changes that may be proposed, will not have a material adverse effect on its operations, business, results, financial condition or prospects of the Group.

The net realisable value of our land and work-in-progress has fallen significantly in the last two years and could fall further.

There is an inherent risk that the value of land owned by us may decline after purchase. The valuation of property is inherently subjective due to the individual nature of each property. Factors such as changes in regulatory requirements and applicable laws (including in relation to building regulations, taxation and planning), political conditions, the condition of financial markets, the financial condition of customers, potentially adverse tax consequences, and interest and inflation rate fluctuations all mean that valuations are subject to uncertainty. Moreover, all valuations are made on the basis of assumptions which may not prove to reflect the true position. There is no assurance that the valuations of land and housing stock will reflect actual sale prices. There is a risk that unforeseen events will have an impact on the value of our current landbank and that a decline in land value will materially and adversely affect our business, financial condition and operating results.

In the year ended 31 December 2009, we wrote down the value of our inventory (land and work-in-progress) in the UK, North America and Spain by £527.0m (compared to £1,012.8 million in 2008), including by approximately £445.0 million (compared to £904.3 million in 2008) for our inventory in the UK, by £78.7 million (compared to £71.1 million in 2008) for our inventory in North America, and by £3.3 million (compared to £37.4 million in 2008), for our inventory in Spain and Gibraltar. We regularly review the value of our land holdings and will continue to do so on a periodic basis. Such write-downs have had a very significant adverse effect (and any further write-downs may have a material adverse

effect) on our business, financial condition and operating results. We can give no assurances that further material write-downs in the value of our inventory will not be required.

The balance sheet value attributed to our interests in properties by virtue of shared equity schemes may not equal the amount realised for the asset.

As a result of incentives offered to purchasers including shared equity schemes, we retain a partial equity interest in certain properties after they are sold, and attribute value to such retained interests on our balance sheet. There can be no assurance that, when realised, the amount received will equal that attributed to the asset on our balance sheet. This may have a material adverse effect on our business, financial condition and results of operations.

Required levels of investment may exceed available capital in the long term.

Our operations require and will continue to require cash investment. While we have no current intention to do so, we may need to seek additional capital over and above the proceeds raised from the New Facilities, the Fund Facility and the issue of the Notes, whether from sales of equity or debt or additional bank borrowings, for the future growth and development of the business in the longer term. We are subject to certain restrictions on raising additional debt and bank borrowings under the terms of the New Facilities and the Fund Facility. No assurance can be given as to the availability of such additional capital at the relevant time or, if available, whether it would be on acceptable terms. Moreover, if we are not successful in obtaining sufficient capital, it may have a material adverse effect on our future growth, business, financial condition and operating results.

Increases in operating and other expenses without corresponding increases in revenue may affect our financial performance.

Our operating and other expenses could increase without a corresponding increase in revenue. Such increases and/or the failure to effectively manage the same could have a material adverse effect on our business, financial condition and operating results.

Factors which could increase operating and other expenses include:

- increases in costs of labour and materials;
- increases in sub-contractor and professional services costs; and
- unforeseen ground conditions (for example, the presence of archaeological artefacts or unforeseen geological characteristics).

The homebuilding and home development market is, and could become increasingly, competitive.

Our competitors include other local, regional and national homebuilders, some of whom have greater sales and financial resources and lower costs of funds than us. Many of these competitors also have longstanding relationships with sub-contractors and suppliers in the markets in which we operate. We compete with other homebuilders and developers for buyers, desirable sites, financing, raw materials and skilled labour. Competition in the homebuilding industry has recently reduced because of the downturn, but the industry is historically very competitive as there are relatively low barriers to entry. Increased competition in homebuilding may result in difficulty in acquiring suitable land at acceptable prices, the need for increased selling incentives, lower sales or profit margins or delays in construction. Furthermore, there is a risk in an increasingly competitive environment that we may lose existing customers or fail to secure new customers, which may have a material adverse effect on our business, financial condition and operating results.

Our businesses are subject to complex and substantial regulations. The regulatory environment in which we operate may change in each of the relevant jurisdictions.

In each of the jurisdictions in which we operate we are required to comply with national, local and other laws and substantial regulations and administrative requirements and policies which relate to, among other matters, planning, developing, building, land use, sales, providing or arranging mortgage financing, fire, health and safety, environment and employment. These laws and regulations often provide broad discretion to the administering authorities. Changes in relevant law, regulations or

policies, or the interpretation thereof, or delays in such interpretations being delivered, may delay or increase the cost of our development or homebuilding.

Each aspect of the regulatory environment in which we operate is subject to change. Changes could have an adverse impact on our business and operating results, in particular in (but not limited to) the following areas:

- changes to building regulations;
- additional planning requirements;
- changes to labour laws;
- changes to health and safety regulations;
- changes to environmental and sustainability requirements;
- imposition of restrictions on the transfer of capital in the countries in which we have operations; and
- changes to regulation regarding provision of mortgages.

In particular, we are also subject to numerous laws, regulations and policies concerning protection of health, safety and the environment. The impact of such laws, regulations and policies can vary greatly from site to site, depending on, among other things, the site's environmental condition and the present and former uses of the site. Environmental laws, regulations and policies may result in delays, may give rise to substantial compliance, remediation and/or other costs, and can prohibit or severely restrict development and homebuilding in certain locations.

We expect that increasingly stringent requirements will be imposed on developers and homebuilders in the future. Although the effect of these requirements cannot be predicted, compliance with them could cause delays and increase our costs. This could have a material adverse effect on our business, financial condition and operating results.

Local and national planning policies (including those in Spain), local urban regeneration strategies, the use of brownfield and greenfield sites and building on greenbelt sites, continue to have a significant impact on the ability of homebuilders to develop sites. Delays to the expected timescale for receipt of planning permissions for a site may result in a reduction in the number of homes that are available for sale. Planning policies can place restrictions on access to new land and on how land is developed. In the UK, for example, planning permissions can be very specific on matters including the density, types of housing and availability of car parking spaces. If the views of the planners do not coincide with customers' aspirations there may be a negative impact on demand for the product. The estimated number of plots and the economic feasibility of development represented by our strategic land may also be reduced due to planning considerations.

Certain planned and other developments will require new planning permissions to be granted by the local planning authority. There can be no certainty that such applications, or broadly equivalent proposals, will result in full planning permissions or that planning permissions, if granted, will not be on unduly onerous terms. Our ability to obtain the necessary planning permissions required to build homes is dependant on our ability to meet the relevant regulatory and planning requirements. Any failure to obtain such planning permissions on favourable terms or at all could have a material adverse impact on our business, financial condition and operating results.

In particular, following the recent change of government in the UK, there are proposals to make significant changes to the regulatory environment in respect of the planning process. The full detail of these plans and the timetable for implementation are not yet fully defined. As such there is uncertainty regarding the impact on timescales and outcomes from the planning process once the new regulations are in force and, in particular, during the transition to the new regulations.

Our businesses are subject to changes in economic policy in each of the relevant jurisdictions.

The UK and US governments have responded to the economic downturn by implementing fiscal measures and economic policies (such as the UK stamp duty holiday or the US Homebuyer Tax Credit) which have been aimed at increasing the availability of credit or affordability of housing. The withdrawal or cessation of such measures has had an adverse impact, and could in the future have a material adverse impact on our business, financial condition and operating results.

In the UK, the government's Comprehensive Spending Review ("**CSR**") to reduce the UK budget deficit was announced on 20 October 2010. Although the effect of the CSR on the homebuilding industry is broadly in line with our expectations, the full detail of the relevant proposals is still to be clarified. In addition, such proposals remain subject to further review and change as part of the legislative process, and any spending cuts that affect our business may have an adverse impact on our business, financial condition and operating results.

Existing conditional land purchase contracts may become unconditional and result in additional cash outflow.

We are party to a number of conditional land purchase contracts. In most cases, the conditions in these contracts relate to the receipt of a planning consent that is acceptable to us. Although we have a degree of control over the timing of certain of these conditions being satisfied, to the extent such contracts become unconditional, we will need to commit funds to complete such purchases.

As there is uncertainty regarding whether the conditions in conditional land purchase contracts will be satisfied, and the timing thereof, these commitments are not recognised as liabilities on our balance sheet unless or until the relevant conditions are outside of our control (that is, we cannot determine when the conditions will be satisfied) or are reasonably likely to result in the purchase of the land or additional payment.

Unexpected requirements to pay amounts due on conditional contracts could have a material adverse effect on our business, financial condition and operating results.

Our business depends on the continued viability of contractors, sub-contractors and other service providers.

Our business requires us to hire third-party contractors to provide construction and various other services for the development of our sites. Such third-party contractors have been and may continue to be adversely affected by economic downturns or recessions, including the current downturn. The Group may hire a contractor that subsequently becomes insolvent, causing cost overruns, programme delays and increasing the risk that we will be unable to recover costs in relation to any defective work performed by such contractor, to the extent such costs are not covered by insurance. The insolvency or other financial distress of one or more of our current contractors could have a material adverse impact on our business, financial condition and operating results.

Failure to recruit, retain and develop highly-skilled, competent people at all levels, including finding suitable sub-contractors, may have a material adverse effect on standards of service.

Key employees, including management team members, are fundamental to our ability to obtain, generate and manage opportunities. Key employees working in the homebuilding and construction industries are highly sought after. Failure to attract and retain such personnel or to ensure that their experience and knowledge is not lost when they leave the business through retirement, redundancy or otherwise may have a material adverse effect on standards of service and may have a material adverse impact on our business, financial condition and operating results.

The challenging market conditions have meant that we have had to reduce our number of employees across the Group, which may have resulted in a loss of knowledge that could be detrimental to our business and our ability to manage future business opportunities.

The vast majority of our work carried out on site is performed by sub-contractors. The difficult operating environment over the last two years has resulted in the failure of some sub-contractors' businesses and may result in further failures. In addition, reduced levels of homebuilding have led to some skilled tradesmen leaving the industry to take jobs in other sectors. If sub-contractors are not able to recruit sufficient numbers of skilled employees, our developments may suffer from delays and quality issues, which could also lead to reduced levels of customer satisfaction, and a lack of skilled third-party contractors could also result in higher levels of waste being produced from our sites. Our margins, and accordingly our business, financial condition and operating results, may be materially and adversely affected

Cost savings or cost reduction programmes may not be achieved or could reduce our ability to respond to any improvements in economic conditions.

We continue to review our cost savings and cost reduction programmes in the light of the ongoing adverse market conditions. There is a risk that the implementation of these actions may not yield the

anticipated benefits or be more costly than currently anticipated, or may result in unanticipated material adverse effects on our business, financial condition and operating results. While we believe that the measures we have taken are appropriate in the current economic conditions, there can be no assurance that further cost reduction measures will not become necessary or that they can be pursued without impairing our ability to carry on our business efficiently and at appropriate levels if there is a subsequent improvement in business conditions.

Shortages or increased costs of materials and skilled labour could increase costs and delay deliveries and may have an adverse impact on customer/client relationships.

Homebuilders are subject to inventory risks related to anticipating consumer demand and supply risks related to the availability and cost of land suitable for homebuilding and the availability and cost of materials and labour. Increased costs or shortages of skilled labour and/or timber, framing, concrete, steel and other building materials could cause increases in construction costs and construction delays. Increases in our product prices or delays in construction may result in potential customers being less willing or able to purchase homes. If we are unable to pass on any increase in our costs to our customers, which may be the case during challenging trading periods, our margins, and accordingly our business, financial condition and operating results, may be materially and adversely affected.

Failure in our financial and commercial controls could result in significant cost overruns or errors in valuing sites or may fail to prevent fraudulent activity.

The Group owns and, in normal market conditions, purchases a large number of sites each year and is therefore dependent on its ability to process a very large number of transactions (which include, among other things, evaluating the site purchase, designing the layout of the development, sourcing materials and sub-contractors and managing contractual commitments) efficiently and accurately. While the Group has taken reasonable steps to ensure that its procedures, systems and controls are appropriate for its businesses, errors by employees, failure to comply with regulatory requirements and conduct of business rules, failings or inadequacies in internal control processes, equipment failures, natural disasters or the failure of external systems, including those of our suppliers or counterparties, could result in operational losses that could have a material adverse impact on our business, financial condition and operating results and our relationships with our customers.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

Natural disasters and severe weather conditions could delay deliveries of homes, increase costs or decrease demand for new homes in affected areas.

Some of our homebuilding operations are located in areas (such as Florida and California) that are subject to natural disasters and severe weather conditions. The occurrence of natural disasters or severe weather conditions can delay new home deliveries, increase costs and result in uninsured losses by damaging inventories, reduce the availability of materials or have a negative impact on the demand for new homes in affected areas and consequently may have a material adverse effect on our business, financial condition and operating results.

Homebuilding is subject to the risk of construction defects which may give rise to significant contractual or other liabilities.

There can be no assurance that any developments we undertake will be free from defects once completed or will generate the expected levels of return. Construction defects may occur on projects and developments and may arise a significant period of time after completion of that project or development. Defects arising on a development attributable to us may give rise to significant contractual or other liabilities which can extend, depending on the relevant contractual or statutory provisions, for a period of up to 12 years or more from completion of the project or development. Unexpected levels of expenditure attributable to defects arising on a development project may have a material adverse effect on the levels of return generated from a particular project. In addition, severe or widespread incidence of defects giving rise to unexpected levels of expenditure may, to the extent that insurance or redress against sub-contractors does not compensate, have a material adverse effect on our business, financial condition and operating results.

Homebuilding is a complex activity which can involve litigation and there is no guarantee that a substantial claim brought against the Group will be covered by its insurance cover.

In the course of our homebuilding activities, we are exposed to potentially significant litigation including, but not limited to, breach of contract, contractual disputes and also, in the case of homebuilding, disputes relating to defective title, property misdescription or construction defects, including use of defective materials. Insurance, if any, may be insufficient to cover the particular claim or loss. Significant litigation may adversely affect our business, financial condition and operating results or cause the Group significant reputational harm. In the experience of the Directors, when market conditions are unfavourable, customers and other parties may be more likely to litigate in relation to disputes or losses, for example, in relation to disputed valuations. Falling property prices also increase the likelihood that a party to a transaction, for example, a purchaser or lender, will suffer losses in relation to the transaction. While the Group maintains commercial insurances in an amount it believes is appropriate against risks commonly insured against by persons carrying on similar businesses, there is no guarantee that it will be able to obtain the levels of cover desired by the Group on acceptable terms in the future. In addition, even with such insurance in place, the risk remains that the Group may incur liabilities to clients and other third parties which exceed the limits of such insurance cover or are not covered by it. Should such a situation arise it may have a material adverse effect on the Group's business, results of operation, financial condition or prospects.

Failure by our customers to procure mortgage approval or other forms of funding can lead to cancellations of home sale contracts.

In the US, for example, it is common for home-sale contracts to contain conditions relating to mortgage approval or other forms of funding. Typically, buyers must secure the relevant approvals within seven days of entering into contracts with us. Consequently, there is a risk that the buyer will not receive mortgage approval or qualify for funding during this period and that the contract may be cancelled. We aim to mitigate this risk as much as possible by reviewing the prospective buyer's ability to qualify for a mortgage or other form of funding prior to entering into the contract and reporting the transaction as a sale. This initial review is based solely on information provided to us by the buyer, without independent verification. The risk of such cancellations is exacerbated by constraints in the availability of mortgages and tightened lending criteria, both of which are current characteristics of the housing markets in which we operate, and could have a material adverse effect on our business, financial condition and operating results.

Land can be an illiquid asset and can therefore be difficult to sell.

Land and properties (such as those in which we have invested and may in the future invest) can be relatively illiquid, meaning that they may not be easily sold and converted into cash. Such illiquidity may affect our ability to value, or dispose of or liquidate part of, our landbank in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. This could have a material adverse effect on our business, financial condition and operating results.

Amounts receivable in respect of land sales may not be recovered.

As part of our normal operations, we sell land which is excess to requirements to other developers or investors. Some of the consideration for such purchases may be payable on deferred terms, in respect of which our policy is designed to manage our credit risk, for example, by obtaining a charge over the land. It is possible that a buyer may default on its payment obligations, which might involve a significant financial loss to us if the amount due cannot be recovered due to the financial condition of the debtor or the value of the underlying security. The risk of default is higher during a downturn in the housing market, which is the current market condition. This could have a material adverse effect on our business, financial condition and operating results.

We are exposed to failure of counterparties.

We often develop sites in collaboration with third parties and take on liabilities on a joint and several basis. We manage our liability through the use of bonds and indemnities but there can be no assurance that these would be adequate in the event of default by our co-obligors. We are therefore exposed to the risk of default by our co-obligors.

We also sell land on deferred terms, thereby providing credit against land which is generally secured. There can be no assurance that, should our counterparties default in their obligations to us, the security, when realised, will be adequate to discharge the amounts owed to us.

Failure of our co-obligors and counterparties could have a material adverse effect on our business, financial condition and operating results.

An inability to obtain additional surety bonds could limit our future growth.

We are often required to provide surety bonds to secure our performance under construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of surety bonds for the expected growth of the group in the medium term; however, unanticipated growth may require additional surety facilities. Our ability to obtain additional surety bonds primarily depends upon our credit rating, capitalisation, working capital, past performance, management expertise and certain external factors, including the capacity of the surety market. Surety providers consider such factors in addition to our performance and claims record and such providers' underwriting standards, which may change from time to time. If our claims record or surety providers' requirements or policies change, if we cannot get the necessary consent from the Issuer's lenders, or if the market's capacity to provide bonding is not sufficient for this unanticipated growth, we could be unable to obtain additional surety bonds when required, which could materially adversely affect our business, financial condition and operating results.

Increased interest rates will increase our borrowing costs.

We use both fixed and floating rate borrowings to finance our working capital. Interest rates on floating rate borrowings are usually set for periods of up to six months. If interest rates rise then the cost of our floating rate borrowings will increase our borrowing costs. These factors could have a material adverse effect on our business, financial condition and operating results.

Changes to foreign currency exchange rates could adversely affect our earnings and net asset value.

Outside the UK, we have businesses with exposure to foreign currency exchange risk in the US, Canada and Spain. Changes in exchange rates will affect the value of the reported earnings and the value of those assets and liabilities denominated in foreign currencies. For example, an increase in the value of pounds sterling to the US Dollar would reduce our US Dollar-denominated revenue when reported in pounds sterling, the Group's functional reporting currency. Although we engage in some hedging of foreign currency exchange risk where appropriate, there can be no assurance that our business, financial condition and operating results will not be materially adversely affected by such exchange rate fluctuations.

Adverse tax consequences could occur as a result of changes in tax law or other factors.

Tax rules, including stamp duty land tax provisions and their interpretation, may change. Any change in any member of our Group's tax status or in taxation legislation or its interpretation could affect the value of property held by us, and may affect our ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. In the US and Canada, increases in property tax rates by local governmental authorities may adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes.

New housing developments may be subject to property taxes, which can be substantial, and, in the UK, the provision of public facilities for the benefit of the community pursuant to section 106 of the Town and Country Planning Act 1990. In particular, requirements for affordable housing, notably social renting, may have a negative impact on our margins and adversely affect sales.

As would be expected for a group of our size with operations in a number of territories, there are a number of tax issues which have been challenged (or not agreed) by the relevant tax authorities or which are subject to challenge. These open items are reviewed each year, and provision is made in our accounts to the extent we believe appropriate. We are not currently a party to any tax-related litigation on any significant taxation matter, and we are defending our position on open items.

No assurance can be given that the outcome of these tax matters or unprovided tax matters will not result in a material adverse effect on our business, financial condition and operating results.

The nature of our business requires the adoption and maintenance of a rigorous health and safety programme. A major health and safety incident could be costly in terms of potential liabilities and reputational damage.

Building sites are inherently dangerous places and operating in the homebuilding industry poses certain inherent health and safety risks. Due to our focus on operational and occupational safety, health and safety regulatory requirements and the number of projects we work on, health and safety performance is critical to the success of all areas of our business. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure which results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Furthermore, such a failure could generate significant adverse publicity and have a negative impact on our reputation and our ability to win new business, which in turn may have a material adverse effect on our business, financial condition and operating results.

Ownership, leasing or occupation of land carries potential environmental risks and liabilities.

We may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by us, whether or not we caused or knew of the pollution. The costs of any required removal, investigation or remediation of such substances or the costs of defending against environmental claims may be substantial. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect our ability to sell the land or to borrow using the land as security. Some of the projects we have developed are located on land that may have been contaminated by previous use. No assurances can be given that material claims or liabilities relating to such developments will not arise in the future. Laws and regulations may also impose liability for the release of certain materials from land into the air or water, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. This could have a material adverse effect on our business, financial condition and operating results.

We may be liable to claims for damages as a result of use of hazardous materials, including asbestos.

As a homebuilding business with a wide variety of historic homebuilding and construction activities, we could be liable for future claims for damages as a result of the past or present use of hazardous materials including materials which in the future become known to have been hazardous. Some of these claims could be unknown at the present time. Specifically, we have been the subject of a number of claims in which former employees and/or employees of our sub-contractors have successfully claimed damages for ill-health due to asbestos exposure. Historically, asbestos was used as a building material by the construction industry and exposure to asbestos and inhalation of asbestos fibres can lead to a number of diseases. There are a number of current claims against us and there may be further claims brought in the future against us which may have a material adverse effect on our business, financial condition and operating results. The risk of such an adverse effect is exacerbated by the fact that we have limited recourse to employer's liability insurance owing to the insolvency of certain insurers which means that we are exposed to uninsured claims for damages as a result of asbestos exposure occurring before 1974.

We may suffer uninsured losses or suffer material losses in excess of insurance proceeds (including in relation to terrorist attacks).

We could suffer physical damage to property and/or liabilities resulting in losses that may not be fully compensated by insurance. In addition, certain types of risks may be, or may become in the future, either uninsurable or not economically insurable, or may not be currently or in the future covered by our insurance policies. Should an uninsured loss or a loss in excess of insured limits occur, we could sustain financial loss or lose capital invested in affected property as well as anticipated future income from that property. In addition, we could be liable to repair damage or meet liabilities caused by uninsured risks. We would also remain liable for any debt or other financial obligation related to affected property. No assurance can be given that material losses or liabilities in excess of insurance proceeds will not occur in the future.

For example, in the US, the coverage offered and the availability of general liability insurance for construction defects is currently limited and costly. As a result, an increasing number of our sub-contractors in the US are unable to obtain insurance and a number are effectively self-insured by us. If

we cannot effectively recover construction defect liabilities and costs of defence from our sub-contractors or their insurers, or if we have self-insured, we may suffer losses. There can be no assurance that coverage will not be further restricted and become even more costly. This could have a material adverse effect on our business, financial condition and operating results.

Risks inherent in the acquisition or disposal of businesses and subsidiaries may have an adverse impact on our business, financial condition or operating results.

From time to time we have made and may continue to make acquisitions and/or disposals of businesses and subsidiaries. In 2007, Taylor Wimpey was formed by the Merger, and we sold our construction businesses in the UK and Ghana in September 2008 and April 2009, respectively. Acquisitions and disposals may not realise the anticipated benefits or there may be other unanticipated or unintended effects. While we seek protection, for example through warranties and indemnities in the case of acquisitions, significant liabilities may not be identified in due diligence or come to light after the expiry of warranty or indemnity periods. Additionally, while we seek to limit our ongoing exposure, for example through liability caps and period limits on warranties and indemnities in the case of disposals, some warranties and indemnities may give rise to unexpected and significant liabilities. Any claims arising in the future may materially adversely affect our business, financial condition and operating results.

We have defined benefit pension schemes to which we may be required to increase our contributions to fund deficit shortfalls.

We provide retirement benefits for our former and current employees through a number of defined benefit and defined contribution pension schemes. In the UK, the TWGP&LAF and GWSPS are funded defined benefit schemes. Both schemes are closed to future accrual and to new members. We also operate a number of overseas pension schemes of the defined benefit and defined contribution type.

As at 31 December 2009, the combined IAS 19 deficit of all schemes was £406.4 million, as compared to £277.2 million in 2008.

The Group's deficit reduction payments in respect of the TWGP&LAF are currently £20 million per annum. The deficit reduction payments to the GWSPS are currently £25 million per annum. No one-off deficit reduction payments were made during 2009, as compared to deficit reduction payments of £5 million in respect of GWSPS in 2008.

The Group has agreed that, following the Refinancing becoming effective, it will contribute an additional £37.5 million to the TWGP&LAF and an additional £37.5 million to the GWSPS. It has also agreed that, in the event of any future disposal of its US or Canadian business, it will contribute a sum equal to 5% of the gross proceeds (net of cash sold) to the TWGP&LAF, subject to a cap of £16.25 million in relation to all such disposals and a cap of £3.75 million in relation to any disposal of its Canadian business if that disposal occurs before a disposal of its US business. A similar undertaking in respect of US and Canadian disposals in the same amounts has been given to the trustees of the GWSPS.

Payments to the TWGP&LAF and GWSPS will be reviewed at each financial valuation. The next financial valuations (which will be as at 31 March 2010 for both schemes) are due to be completed no later than 30 June 2011.

In the event that the market value of the assets of such pension schemes declines or the value of the assessed liabilities increases or if the trustees determine that our financial position requires a different approach to contributions and deficit reduction, we may be required to increase our deficit contributions. Changes in investment strategy of the schemes may also result in a requirement to increase our contributions. In addition, the Pensions Regulator in the UK has powers the exercise of which could require us to make additional contributions or put in place other financial support.

The cost of funding benefits depends on a number of factors, including the real returns that can be obtained on the assets, future salary levels and inflation rates. These factors may require increases to our contributions. A particular risk relating to defined benefit pension schemes is the extent to which allowance will need to be made in the assessed value of the liabilities for evidence of increased life expectancy. Increases to our contributions or other forms of financial support could have a material adverse impact on our operating results and financial position.

Although the Group has some control over contributions, there are situations where the Pensions Regulator in the UK can require contributions without the Group's agreement. A demand from the Pensions Regulator pursuant to a financial support direction or a contribution notice to a member of the Group which has a material adverse effect for the purposes of the New Facilities would result in an event of default arising under the New Facilities.

Law Debenture (No. 3 Scheme) Pension Trust Corporation is an independent co-trustee of the GWSPS. This independent trustee has special winding-up powers in certain circumstances in accordance with the trust deed and rules. Exercise of these winding-up powers will cause any deficit in the GWSPS at the relevant time (calculated on a buy-out basis) to become due under legislation. The deficit calculated on the buy-out basis is likely to be significantly higher than the deficit calculated on the IAS 19 basis disclosed above.

Taylor Wimpey has given a guarantee to the trustees of the TWGP&LAF subject to a cap based on the amount required to ensure the TWGP&LAF is 105% funded on the greater of: (i) the basis set out in section 179 of the Pensions Act 2004; and (ii) a basis using the methods and assumptions adopted in the most recent actuarial valuation.

GWL has given a guarantee of the obligations of the Initial Guarantor to the GWSPS subject to a cap based on the amount required to ensure the GWSPS is 105% funded on the basis set out in section 179 of the Pensions Act 2004. In addition, Taylor Wimpey has given a guarantee of the obligations of the Initial Guarantor to the GWSPS subject to a cap based on the amount required to ensure the GWSPS is 105% funded on the greater of (i) the basis set out in section 179 of the Pensions Act 2004 and (ii) a basis using the methods and assumptions adopted in the most recent actuarial valuation. The cap under the Taylor Wimpey guarantee is reduced by any amount paid under the GWL guarantee.

The guarantees given by Taylor Wimpey in relation to the TWGP&LAF and the GWSPS and the guarantee given by GWL in relation to the GWSPS each contain a non-compete provision. These provisions allow the trustees of the TWGP&LAF to either: (i) prohibit Taylor Wimpey from claiming or proving as a creditor of TWD; or (ii) direct Taylor Wimpey to prove as a creditor of TWD and turn over any amounts recovered. Similarly, the trustees of the GWSPS may either prohibit Taylor Wimpey or GWL or both from proving as creditors of the Initial Guarantor or direct one or both of them to prove as creditors of the Initial Guarantor and turn over any amounts recovered.

Formal triennial valuations of the TWGP&LAF and the GWSPS commenced on 31 March 2010 and are ongoing. The last triennial actuarial valuation of the TWGP&LAF was carried out as at 1 June 2007. It showed that the actuarial deficit as at that date was £162.5 million. The section 179 valuation as at that date showed that the TWGP&LAF had a deficit of £48.5 million. The last triennial actuarial valuation of the GWSPS was carried out as at 31 March 2007. It showed that the actuarial deficit as at that date was £215 million. The section 179 valuation as at that date showed that the GWSPS had a deficit of £63.4 million.

In the US and Canada, the Group also has defined benefit pension plans. These plans are no longer available to new employees. At 31 December 2009, the plans reported liabilities in the Group's audited financial statements of USD22.9 million and CAD11.3 million and a fair value of plan assets of USD15.0 million and CAD11.2 million, respectively. The deficit in our defined benefit pension plans in the US and Canada may increase and there is no guarantee that we will not be required to increase contributions to it in the future.

Risks relating to our indebtedness

Our significant leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes.

After completion of the Refinancing, we will be leveraged and have ongoing debt service obligations. On a pro forma basis, after giving effect to the Refinancing, as of 4 July 2010, we would have had total debt (gross of debt issuance costs and any original issue discount) of £1,212.4 million and cash or cash equivalents of £383.5 million. See "Description of Certain Financing Arrangements". In addition, we will have £100 million available for issue under the revolving portion of our New Facilities.

We anticipate that our leverage will continue for the foreseeable future. Our leverage could have important consequences, including, but not limited to:

- making it more difficult for us to satisfy our debt obligations;
- increasing our vulnerability to a continuing downturn in our business or economic and industry conditions;
- limiting our ability to obtain additional financing and increasing the cost of any such financing to fund future working capital requirements, capital expenditures, business opportunities and other corporate requirements;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which means that this cash flow would not be available to fund our operations and for other corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and our industry; and
- placing us at a competitive disadvantage relative to a competitor with less leverage.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes. Moreover, we may incur substantial additional indebtedness in the future, including indebtedness in connection with any future acquisition.

The terms of the Trust Deed, as well as the terms of our New Facilities and Fund Facility, restrict, but do not prohibit, us from incurring additional debt. Some of this debt could rank senior to the Notes. If we incur new debt in addition to our current debt level as adjusted to give effect to the Refinancing, the related risks that we now face, as described above and elsewhere in these "Risk Factors," could intensify.

We are subject to restrictive debt covenants, which may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Conditions and the Trust Deed governing the Notes contain conditions which impose significant restrictions on the way we can operate, including restrictions on our ability to:

- incur or guarantee additional indebtedness and issue certain preferred shares;
- pay dividends on, redeem or repurchase our capital stock;
- make certain restricted payments and investments;
- create or incur certain liens;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; or
- guarantee certain types of other indebtedness of the Issuer and its restricted subsidiaries without also guaranteeing the Notes.

All of these limitations will be subject to significant exceptions and qualifications. See "Terms and Conditions of the Notes—Covenants". These conditions could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

In addition, we will also be subject to the affirmative and negative covenants and financial covenants contained in the New Facilities and the Fund Facility. Our ability to meet these financial ratios and tests may be affected by events beyond our control and, as a result, we may not be able to meet these ratios and tests. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under our New Facilities or the Fund Facility. Upon the occurrence of any event of default under our New Facilities or the Fund Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the New Facilities and/or the Fund Facility, together with accrued interest, immediately due and payable. In addition, any default under the New

Facilities and/or the Fund Facility could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including the Notes.

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.

Our ability to make scheduled payments on the Notes and to meet our other debt service obligations (including under the New Facilities and the Fund Facility) when due and to fund our ongoing operations or to refinance our debt, will depend on our future operating and financial performance and our ability to generate cash, which will be affected by our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory, legal, technical and other factors, including those discussed in these "Risk Factors", beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditures or sell assets. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. In that event, borrowings under other debt agreements or instruments that contain cross default or cross acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all of our debts, including the Notes. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. Any inability to secure appropriate levels or terms of financing could have a material adverse effect on our business, financial condition and operating results. The risk of such a material adverse effect is exacerbated by the seasonality of our business and borrowings. In addition, the terms of the Trust Deed may limit our ability to pursue any of these measures. See "Description of Certain Financing Arrangements".

Our failure to comply with the agreements relating to our outstanding indebtedness, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our results of operations and our financial condition.

If there were an event of default under any of the agreements relating to our outstanding indebtedness, including the New Facilities and the Fund Facility, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our indebtedness under our secured debt, the holders of such debt could proceed against the collateral securing that indebtedness. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments.

Failure to meet, or comply with the terms of, our debt obligations could harm our business, financial condition and operating results.

The terms of the New Facilities and the Fund Facility and the Terms and Conditions of the Notes include provisions which restrict the Group's ability to carry on its business and operations freely and require compliance with certain undertakings and specified financial covenants. Compliance with such provisions may prohibit or restrict the development of the Group's business, its ability to carry on its activities and its ability to take advantage of future opportunities as they arise and may require it to obtain consents from its providers of finance in order to take steps which may otherwise be in the interests of the Group and its business. There can be no assurance that the Group will be able to obtain such relief should it be needed in the future.

Moreover, the Group's ability to comply with these covenants and restrictions may be affected by events beyond its control, including prevailing economic, financial and industry concerns and there is no guarantee that it will be able to maintain compliance with such covenants and restrictions in the longer term. Failure to comply with the covenants or restrictions could lead to a default under the New Facilities and/or the Notes and result in the withdrawal of the Group's debt financing and the acceleration of its obligations to repay the New Facilities and the Fund Facility and redeem the Notes,

which the Group would not be able to do without raising new capital or borrowings. This may have a material adverse effect on our business, financial condition and operating results.

Risks relating to the Notes

If the conditions to the Escrow Agreement are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the result you expect on the Notes.

The aggregate net proceeds from the offering of the Notes, along with additional amounts in an amount sufficient to pay the special mandatory redemption price, will be placed in escrow pending the satisfaction of the conditions in the Escrow Agreement, some of which are outside of our control. These conditions are: (i) the proceeds of the Fund Facility in an amount of £100 million having been paid into an escrow account; (ii) delivery of an irrevocable prepayment notice in respect of the whole of the Existing Bank Debt and such other debt as we are obliged to prepay concurrently; (iii) funds from the initial utilisation of the New Facilities having been received by the Issuer; (iv) no Event of Default having resulted or continuing under the Trust Deed and (v) delivery of irrevocable prepayment instructions for payments sufficient to prepay all outstanding principal and interest in relation to the Existing Bank Debt and such other debt as we are obliged to prepay concurrently with the Existing Bank Debt. If any one of these conditions is not satisfied, the escrowed property will not be released to the Issuer. Accordingly, there can be no assurance that the escrowed property will be released. Upon delivery to the Escrow Agent of an officer's certificate from the Issuer stating that the conditions to the escrow are satisfied, the escrowed funds will be released to the Issuer and utilised as described in "Use of Proceeds" and "Description of the Escrow Agreement."

Further, the escrowed funds will be released before the Standalone Guarantee by Taylor Wimpey UK Limited becomes effective. If the Standalone Guarantee by Taylor Wimpey UK Limited does not become effective on the day on which the escrowed funds are released to the Issuer, even if all of the conditions to release of the escrowed property are satisfied, unless a payment disruption event is continuing the Notes will be subject to a special mandatory redemption, as described in the subsequent paragraph.

The Notes will be subject to a special mandatory redemption at a redemption price equal to 100% of the aggregate principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to but not including, the redemption date, (i) if the conditions of the Escrow Agreement are not met and the aggregate net proceeds from the Offering are not released to the Issuer within 15 business days after the Issue Date or (ii) if the guarantee by Taylor Wimpey UK Limited is not effective on the day on which the escrowed funds are released to the Issuer unless a payment disruption event is continuing. See "Description of the Escrow Agreement." If the Notes are redeemed, you will not obtain the return you expect to receive on the Notes.

The amount which may be recovered under the Standalone Guarantee is limited to a "Shortfall" amount, as defined in the Standalone Guarantee, which amount may be less than the amount of the Issuer's liability under the Notes.

With effect from the Effective Date, the Issuer's obligations under the Notes will be guaranteed by the Initial Guarantor pursuant to a Standalone Guarantee. The amount the Noteholders can claim under such Standalone Guarantee will be limited to the "Shortfall" amount, as defined in the Standalone Guarantee.

Such Shortfall will equal the amount of the guaranteed obligations claimed by the Trustee and (where entitled to do so) the Noteholders under the Standalone Guarantee less: (A) all amounts recovered or entitled to be recovered by the Trustee or the Noteholders in the future from any member of the Group in respect of the guaranteed obligations taking into account actual recoveries and the probability of receipt and the likely quantum in respect of contingent and/or prospective recoveries and including, without limitation, any distributions or dividends received or to be received by the Trustee or the Noteholders in any administration, liquidation or other insolvency process relating to any member of the Group; and (B) any and all amounts recovered or entitled to be recovered in the future directly or indirectly from the Initial Guarantor, other than pursuant to the Standalone Guarantee, in respect of the guaranteed obligations taking into account actual recoveries and the probability of receipt and the likely quantum in respect of contingent and/or prospective recoveries and including, without limitation, any distributions or dividends received or to be received by the Trustee or the Noteholders in any administration, liquidation or other insolvency process relating to the Initial Guarantor. See

"Description of Certain Financing Arrangements—Description of the Guarantee of Taylor Wimpey UK Limited."

Payments will only be made pursuant to the Standalone Guarantee upon certain triggering events, which events are narrower than the events of default under the Terms and Conditions of the Notes.

Although the Trustee or a Noteholder may make a claim once the Trustee has demanded payment following an Event of Default, no payments will be made under the Standalone Guarantee until a triggering event has occurred. A triggering event occurs upon: (A) the date on which any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of the Issuer or any of its assets; (B) the date at which the Initial Guarantor is obligated to make a contribution of all or substantially all of the deficit owing to the George Wimpey Staff Pension Scheme; or (C) the date on which any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of the Initial Guarantor or its assets. At such time, an accounting firm, engaged as provided under the Standalone Guarantee, will calculate the amount of any obligations owed by the Initial Guarantor to the Trustee and/or the Noteholders under the Standalone Guarantee, which amount may be less than the amounts owed by the Issuer under the Notes.

Additionally, no payment shall be made under the Standalone Guarantee in any circumstances prior to the earlier of (i) 21 days after notice of any claim under the Standalone Guarantee has been given to the trustees for each of the Taylor Woodrow Group Pension and Life Assurance Fund and the George Wimpey Staff Pension Scheme and (ii) the date on which any payment is made in respect of all or substantially all of the deficit owing to the George Wimpey Staff Pension Scheme following a claim being made under the Standalone Guarantee. See "Description of the Guarantee of Taylor Wimpey UK Limited."

The Issuer is a holding company and is dependent on cash flow from its operating subsidiaries to services its indebtedness, including the Notes.

The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. As such, the Issuer conducts its operations principally through, and derives its revenues principally from, its subsidiaries. The ability of the Issuer's subsidiaries to pay dividends or make other distributions or payments to the Issuer will be subject to the availability of profits or funds for such purpose which, in turn, will depend on the future performance of the subsidiary concerned which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond its control. In addition, certain of our subsidiaries are subject to restrictions on the making of such distributions contained in the Group's financing arrangements and in applicable laws and regulations. There can be no assurance that our subsidiaries will generate sufficient cash flow from operations or that alternative sources of financing will be available at any time in an amount sufficient to enable these subsidiaries to service their indebtedness, to fund their other liquidity needs and to make payments to the Issuer sufficient to allow all payment obligations under the Notes to be met. If our operating subsidiaries do not distribute cash to the Issuer to make scheduled payments on the Notes, we do not expect the Issuer to have any other source of funds that would allow it to make payments to the holders of the Notes.

The Notes will be effectively subordinated to certain secured indebtedness of the Issuer and the Initial Guarantor, predominantly to secure purchase price deferrals in the context of land acquisitions, and structurally subordinated to the indebtedness and other obligations of our non-guarantor subsidiaries.

The Notes and each guarantee thereof will be unsecured on the issue date. The Trust Deed will provide for a negative pledge but will allow us and our restricted subsidiaries to incur additional secured indebtedness which will be effectively senior to the Notes. As such, the Notes and each guarantee thereof will be effectively subordinated to any existing and future secured indebtedness and other secured obligations of the relevant obligor to the extent of the value of the assets securing such indebtedness or other obligations. In the event of any distribution or payment of our assets in any repossession, foreclosure, dissolution, winding-up, liquidation, administration, reorganisation, or other insolvency or bankruptcy proceeding, holders of secured indebtedness will have prior claim to those of our assets that constitute their collateral. The holders of the Notes will generally participate ratably with all creditors with respect to unsecured indebtedness of the relevant obligor, and potentially with all of their other general creditors, based upon the respective amounts owed to each creditor, in the

remaining assets of the relevant obligor. In these circumstances, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness and other obligations.

The market value of the Notes could decrease if the creditworthiness of the Group worsens.

If, for example, because of the materialisation of any of the risks regarding the Group, the likelihood that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due decreases, the market value of the Notes will suffer. In addition, even if the likelihood that we will be in position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a different perception. Further, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the Issuer could adversely change.

If any of these risks occurs, third parties would only be willing to purchase Notes for a lower price than before the materialisation of these risks. Under these circumstances, the market value of the Notes will decrease.

The credit ratings may not reflect all risks

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc. have assigned provisional credit ratings to the Notes. The credit ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed in this Offering Circular, and any other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Terms and Conditions of the Notes provide that, if at any time following the date of the Trust Deed, the Notes receive a rating of Baa3 or better by Moody's Investor Services, Inc. and a rating of BBB- or better by Standard and Poor's Rating Group and no default or event of default has occurred and is continuing, then beginning on that day and continuing until a rating falls below either of such levels, certain covenants will cease to be applicable to the Notes. See "Terms and Conditions of the Notes-Suspension of Covenants When Notes Rated Investment Grade".

If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or restricted investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

The Notes may not be a suitable investment for all investors.

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets in which they participate; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

We may not have access to sufficient funds to finance a change of control offer required by the Notes.

Upon the occurrence of a change of control, as defined in the Terms and Conditions of the Notes, the Issuer can be required to repurchase the Notes at 101% of their principal amount, plus accrued and unpaid interest. See "Terms and conditions of the Notes—Repurchase at the Option of Holders—Change of Control" for further details.

Upon a change of control, we may also be required to offer to repurchase or repay our other outstanding indebtedness, including the Senior Facilities. We cannot assure you that we would have sufficient resources to repurchase the Notes or repay our other indebtedness, if such debt is required to be repurchased or repaid, upon the occurrence of a change of control. As such, third-party financing most likely would be required in order to provide the funds necessary for the Issuer to make the change of control offer for the Notes. We may not be able to obtain such additional financing on terms favourable to us, if at all. See "Terms and Conditions of the Notes—Repurchase at the Option of Holders—Change of Control".

The change of control provision contained in the Trust Deed may not necessarily afford you protection in the event of certain important corporate events, including a reorganisation, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Trust Deed. Except as described under "Terms and Conditions of the Notes—Repurchase at the Option of Holders—Change of Control", the Trust Deed will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganisation, restructuring, merger, recapitalisation or similar transaction.

The definition of "change of control" in the Conditions will include a disposition of all or substantially all of the properties or assets of the Issuer and its restricted subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

There is currently no active trading market for the Notes and an active trading market for the Notes may not develop. As such, your ability to transfer the Notes may be more limited.

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Notes to be admitted to listing on the Official List of the London Stock Exchange and to trading on the London Stock Exchange's Professional Securities Market, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. Any market for the Notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the Notes.

The liquidity of any market for the Notes will depend on the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as third party recommendations. The Initial Purchasers have informed us that they intend to make a market in the Notes. However, they are not obligated to do so and may discontinue such market-making at any time without notice. As a result, the Issuer cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If no active trading market develops, you may not be able to resell your Notes at fair value, if at all.

The liquidity of, and trading market for, the Notes may also be hurt by declines in the market for non-investment grade securities generally. Such a decline may affect any liquidity and trading of the Notes independent of our or the Issuer's financial performance and prospects.

Transfers of the Notes will be subject to certain restrictions.

The Notes have not been and will not be registered under the US Securities Act or the securities laws of any other jurisdiction. You may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act or any other applicable securities laws of any other jurisdiction. You should read the discussion under the heading "Subscription and Sale" for further information about these transfer restrictions. It is your obligation to ensure that your offers and sales of Notes within the United States and other jurisdictions comply with any applicable securities laws.

Change of law.

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until Notes in definitive registered form, or definitive registered Notes, are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. Instead, Euroclear, Clearstream or their nominee, will be the registered Noteholder for the benefit of its participants. After payment to the registered holder, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and/or Clearstream, and if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a Noteholder under the Trust Deed.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and/or Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters on a timely basis.

Similarly, upon the occurrence of an event of default under the Trust Deed, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and/or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and/or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

You may face foreign exchange risks by investing in the Notes.

The Notes are denominated and payable in sterling. If you measure your investment returns by reference to a currency other than sterling, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of sterling relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which we have no control. Depreciation of sterling against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. There may also be tax consequences for you as a result of any foreign exchange gains or losses resulting from investment in the Notes.

The United Kingdom may join the European Monetary Union prior to the maturity of the Notes.

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event: (i) all amounts payable in respect of the Notes may become payable in euro; (ii) the law may allow or require the Notes to be re-denominated into euro and additional measures to be taken in respect of the Notes; and (iii) there may no longer be available published or displayed rates for deposits in pounds sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest environment, which could adversely affect investors in the Notes.

EU Savings Directive.

Directive 2003/48/EC provides for the tax authorities of the Member States to provide each other with details of payments of interest and similar income made to individuals but permits Austria, Belgium and Luxembourg instead to impose a withholding tax on the payments concerned for a "transitional period" (although it also provides that no such withholding tax should be levied where the beneficial owner of the payment authorises an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the Member State in which the beneficial owner is resident). The Directive does not preclude Member States from levying other types of withholding tax. A number of non-EU countries and territories have adopted similar measures (either provision of information or transitional withholding).

On 13 November 2008, the European Commission published a proposal for amendments to the Directive. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, none of the Issuer, any guarantors nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required, to the extent possible as a matter of law, to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

USE OF PROCEEDS

The net proceeds from the Offering, after deduction of fees and commissions, are expected to be approximately £246.25 million.

Upon the release of the funds from the Escrow Account on the Escrow Date, we will use the net proceeds from the Offering of the Notes, together with the proceeds of the New Facilities and the Fund Facility to:

- prepay in full the Existing Bank Debt together with accrued and unpaid interest;
- redeem all of the outstanding PP Notes and Eurobonds together with accrued and unpaid interest and applicable prepayment premiums;
- make a £75 million contribution to the pension schemes, split between the TWGP&LAF and the GWSPS; and
- pay costs and administrative expenses, taxes, fees and indemnities in connection with, or otherwise related to, any of the foregoing.

Pursuant to the Override Agreement relating to the Existing Bank Debt and the PP Notes and the Intercreditor Agreement relating to the Existing Bank Debt, the PP Notes and the Eurobonds, the Issuer is required to give not less than 5 Business Days notice of its intention to prepay the Existing Bank Debt and redeem the outstanding PP Notes and Eurobonds. Following receipt of the proceeds of the Offering of the Notes, the Issuer will be obliged to prepay the Existing Bank Debt and redeem the outstanding PP Notes and Eurobonds with 50% of the proceeds. On expiry of the notice period, the funds for the prepayment of the Existing Bank Debt and redemption of the PP Notes and Eurobonds will be paid to Wilmington Trust (London) Limited as the restructuring agent who will then distribute those funds to the Existing Banks and the holders of the PP Notes and the Eurobonds. In the period between the issuance of the Notes and the completion of the Refinancing the Existing Bank Debt, the outstanding PP Notes, the Eurobonds and the security granted for certain of the Existing Bank Debt and certain surety facilities will remain in place alongside the New Facilities and the Notes.

For a description of the Issuer's current and anticipated indebtedness following the Refinancing, see "Description of Certain Financing Arrangements".

Sources and uses

The following table shows the sources and uses of funds relating to the Offering, based on the unaudited outstanding balances as at 4 July 2010.

Sources of Funds	(£ million)	Uses of Funds	(£ million)
Notes offered hereby	250.0	Prepayment of PP Notes[2][4]	371.5
Proceeds from Fund Facility	100.0	Redemption of Eurobonds[3][4]	365.3
Proceeds of initial issue of Notes under the New Facilities[1]	850.0	Repayment of the Existing Bank Debt[4][5]	138.8
		Estimated breakage costs, fees and expenses of the Refinancing	120.0
		Contributions to pension schemes	75.0
		Cash and cash equivalents	129.4
Total sources	**1,200.0**	**Total uses**	**1,200.0**

Notes:

(1) For the purposes of this table it is assumed that an initial issue of £850.0 million will be made as a utilisation of the New Facilities. The amount actually issued on the day may be different.

(2) For presentational purposes the PP Notes denominated in US Dollars have been converted into sterling at a rate of USD 1.52 to £1 including capitalised and unpaid breakage costs and PIK interest expense of £15.2 million. Additional breakage costs relating to the PP Notes will be payable on redemption. The actual amounts to be paid will depend on the actual prepayment date. Any additional amount required to fully prepay the PP Notes is expected to be funded with cash in hand.

(3) The amount shown for Eurobonds includes capitalised and unpaid PIK interest expense and deferred prepayment costs totalling £2.6 million. Additional prepayment costs relating to the Eurobonds will be payable on redemption. The actual

amounts to be paid, after application of mandatory redemption amounts, will depend on the actual prepayment date. Any additional amount required to fully redeem the Eurobonds, which will be redeemed at the full applicable voluntary redemption price, is expected to be funded with cash in hand.

(4) No interest accrual from the 4 July 2010 has been included in the figures. The last date interest was paid was 30 September 2010. Any additional interest to the date of redemption will be funded by cash in hand.

(5) The amount outstanding on the repayment date of the Existing Bank Debt may differ from this amount due to subsequent drawings for daily working capital purposes. Any increase is expected to be paid using cash in hand.

CAPITALISATION

The unaudited consolidated table below has been prepared to illustrate (i) the consolidated capitalisation and cash and cash equivalents of the Group as at 4 July 2010 and (ii) the consolidated capitalisation and cash and cash equivalents of the Group as adjusted to reflect the Refinancing as described under "Use of Proceeds" as if these events had occurred on 4 July 2010.

The unaudited consolidated statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

The historical unaudited consolidated financial information has been extracted from our unaudited half year consolidated financial statements for the half year ended 4 July 2010 prepared in accordance with IFRS-EU and included elsewhere in this Offering Circular.

The table should be read in conjunction with the sections entitled "Use of Proceeds", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Certain Financing Arrangements" and the consolidated financial statements and the accompanying notes set out elsewhere in this Offering Circular.

	As at 4 July 2010		
	Actual	**Adjustments**	**As Adjusted**
		(£ million)	
Cash and cash equivalents	254.1	129.4	383.5
Debt			
Notes offered hereby[1]	—	250.0	250.0
Fund Facility	—	100.0	100.0
PP Notes	371.5	(371.5)	—
Existing Bank Debt	138.8	(138.8)	—
Eurobonds	365.3	(365.3)	—
Other balances	12.4	—	12.4
New Facilities[2]	—	850.0	850.0
Total Debt	**888.0**	**324.4**	**1,212.4**
Total Equity	**1,503.8**	**(120.0)**	**1,383.8**
Total Capitalisation[3]	**2,391.8**	**204.4**	**2,596.2**

Notes:

(1) The amount reflects the gross proceeds from the Offering. We intend to use the net proceeds from the Refinancing to refinance certain of our indebtedness. See the section entitled "Use of Proceeds".

(2) For the purposes of this table it is assumed that an initial issue of £850.0 million of notes will be made from the New Facilities, resulting in cash balances of £383.5 million. The amount actually issued on the day may be different.

(3) Total Capitalisation is calculated as the sum of Total Debt and Total Equity.

SELECTED FINANCIAL INFORMATION

The consolidated historical financial information set out in the tables below is extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements of the Group for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the accompanying Notes thereto, which are set out in this Offering Circular and the consolidated half year financial statements of the Group for the half years ended 30 June 2009 and 4 July 2010, and the accompanying notes thereto, which are set out in this Offering Circular.

The summary consolidated income statement, balance sheet and cash flow information for the Issuer set forth below as of and for the years ended 31 December 2007, 2008 and 2009 was extracted from the audited consolidated financial statements of the Issuer, prepared in accordance with IFRS-EU and set out elsewhere in this Offering Circular. The summary consolidated income statement, balance sheet and cash flow information set forth below for the Issuer as of and for the six months ended 30 June 2009 and 4 July 2010, prepared in accordance with IFRS-EU, were extracted from the unaudited half year consolidated financial statements of the Issuer set out elsewhere in this Offering Circular.

The Offering Circular includes consolidated financial data which has been adjusted to reflect certain effects of the Refinancing on the financial position and net financial expenses of the Issuer as of and for the twelve months ended 4 July 2010. The consolidated adjusted financial data has been prepared for illustrative purposes only on a pro forma basis and does not purport to project the Issuer's consolidated financial position and net financial expenses at any future date nor does it purport to represent what the actual consolidated financial position or net financial expenses of the Issuer would have been if the Refinancing had occurred:

- on 4 July 2010 for the purposes of the calculation of net financial position; and
- on 30 June 2009 for the purposes of the calculation of net financial expenses.

The unaudited adjustments and the unaudited adjusted financial data set forth in this Offering Circular are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

The Issuer's consolidated historical financial statements and the summary consolidated historical financial information presented below were prepared on the basis of IFRS-EU, which differs in certain respects from US GAAP. You should read this section together with the information contained in "Use of Proceeds", "Capitalisation", "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements set out elsewhere in this Offering Circular.

The following summary consolidated historical financial information should also be read in conjunction with the sections headed "Presentation of Financial Information", "Capitalisation", "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Summary consolidated income statement information

	Year ended 31 December			Half year ended		12 month period ended
	2007 (restated)[(1)]	2008	2009	30 June 2009	4 July 2010	4 July 2010[(5)]
	(£ million)					
Continuing operations						
Revenue	**4,142.8**	**3,467.7**	**2,595.6**	**1,132.8**	**1,219.3**	**2,682.1**
Cost of sales	(3,443.8)	(3,138.2)	(2,365.4)	(1,036.5)	(1,058.9)	(2,387.8)
Gross profit	699.0	329.5	230.2	96.3	160.4	294.3
Expense before brand amortisation	(259.8)	(240.8)	(192.5)	(95.3)	(84.1)	(181.3)
Share of results of joint ventures[(2)]	23.4	7.6	5.6	1.8	3.0	6.8
Operating profit[(2)]	**462.6**	**96.3**	**43.3**	**2.8**	**79.3**	**119.8**
Brand amortisation	**(3.7)**	**(2.4)**	**—**	**—**	**—**	**—**
Exceptional items[(2)(3)]	(379.7)	(1,895.0)	(603.8)	(603.8)	—	—
Interest receivable	9.0	8.5	10.6	4.8	0.5	6.3
Finance costs	(121.8)	(177.1)	(150.0)	(76.5)	(60.2)	(133.7)
Profit/(loss) on ordinary activities before taxation	**(33.6)**	**(1,969.7)**	**(699.9)**	**(672.7)**	**19.6**	**(7.6)**
Taxation (charge)/credit[(4)]	(173.4)	76.6	59.3	(9.2)	(12.1)	56.4
Profit/(loss) for the year/period from discontinued operations	10.3	53.1	—	—	—	—
Profit/(loss) for the year/period	**(196.7)**	**(1,840.0)**	**(640.6)**	**(681.9)**	**7.5**	**48.8**

Notes:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

(2) These measures are considered Non-IFRS-EU or Non-GAAP Measures. See "Presentation of Financial Information—Non-IFRS-EU Measures" and "Presentation of Financial Information—Financial Measures" for further details.

(3) Exceptional items comprised land and work-in-progress write-downs (net, for the year ended 31 December 2009 and for the half years ended 30 June 2009 and 4 July 2010), restructuring costs, refinancing costs and goodwill and other intangible impairments.

(4) The tax credit for the year ended 31 December 2009 includes an amount in respect of exceptional items of £73.6 million, made up of a credit of £25.4 million in respect of UK tax and a credit of £48.2 million in respect of US tax. The tax credit for the year ended 31 December 2008 includes an amount in respect of exceptional items of £100.0 million, made up of a credit of £91.6 million in respect of UK tax and a credit of £8.4 million in respect of US tax. The tax charge for the year ended 31 December 2007 includes an amount in respect of exceptional items of £70.2 million. this is made up of a credit of £14.9 million in respect of UK tax and a net charge of £85.1 million in respect of US tax. There are no exceptional tax charges or credits for the half years ended 30 June 2009 and 4 July 2010.

(5) These figures represent the aggregation of the results for the half years ended 30 June 2009 and 4 July 2010 and are not indicative of the expected year ending 31 December 2010 results.

Summary consolidated balance sheet information

	At 31 December			As at	
	2007	2008	2009	30 June 2009	4 July 2010
			(£ million)		
Goodwill	699.8	—	2.4	2.3	2.5
Other intangible assets	120.5	—	—	—	—
Other non-current assets	293.0	137.7	244.7	127.3	253.6
Land	3,879.4	3,410.3	2,341.9	2,878.1	2,254.1
WIP	2,138.4	1,480.3	1,261.4	1,123.0	1,291.8
Inventory	6,017.8	4,890.6	3,603.3	4,001.1	3,545.9
Other current assets excluding cash	408.1	271.7	191.5	159.1	135.7
Total assets excluding cash	7,539.2	5,300.0	4,041.9	4,289.8	3,937.7
Land creditors	(829.0)	(645.3)	(325.7)	(411.2)	(315.6)
Pension deficit	(216.4)	(277.2)	(406.4)	(357.1)	(418.1)
Other liabilities	(1,373.2)	(1,175.0)	(1,058.0)	(1,078.8)	(1,066.3)
Net debt[(1)(2)]	(1,415.4)	(1,529.3)	(750.9)	(1,033.7)	(633.9)
Net assets	**3,705.2**	**1,673.2**	**1,500.9**	**1,409.0**	**1,503.8**
Capital employed[(3)]	5,120.6	3,202.5	2,251.8	2,442.7	2,137.7

Notes:

(1) Net debt is considered a Non-IFRS-EU or Non-GAAP measure. See "Presentation of financial information—Non-IFRS-EU Measures" and "Presentation of financial information—Financial Measures" for further details.

(2) Net debt is all bank overdrafts, bank loans and debenture loans (current and non-current) less cash and cash equivalents.

(3) Capital employed is the sum of total equity and net debt.

Summary consolidated cash flow information

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
			(£ million)			
Net cash from/(used in) operating activities	(163.3)	153.6	206.3	(75.6)	123.5	405.4
Net cash from/(used in) investing activities	68.5	5.8	13.6	(4.9)	3.5	22
Net cash from/(used in) financing activities	(21.5)	418.4	(815.7)	(593.6)	(7.6)	(229.7)
Net increase/(decrease) in cash and cash equivalents	(116.3)	577.8	(595.8)	(674.1)	119.4	197.7
Cash and cash equivalents at beginning of year/period	236.5	130.0	752.3	752.3	132.1	72.7
Effect of foreign exchange rate changes	9.8	44.5	(24.4)	(5.5)	2.6	(16.3)
Cash and cash equivalents at end of year/period	130.0	752.3	132.1	72.7	254.1	254.1

Summary financial information by operating division

Revenue

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	3,053.8	2,390.1	1,700.4	744.4	827.1	1,783.1
Housing North America	986.8	981.6	824.3	356.1	373.3	841.5
Housing Spain and Gibraltar	64.4	59.8	61.0	22.3	18.9	57.6
Housing total	4,105.0	3,431.5	2,585.7	1,122.8	1,219.3	2,682.2
Corporate	37.8	36.2	9.9	10.0	—	(0.1)
Consolidated	**4,142.8[1]**	**3,467.7**	**2,595.6**	**1,132.8**	**1,219.3**	**2,682.1**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Operating profit/(loss)

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	418.2	53.0	14.3	(7.3)	62.1	83.7
Housing North America	67.5	59.9	48.1	18.6	28.2	57.7
Housing Spain and Gibraltar	2.2	(2.4)	(1.4)	(0.4)	(1.9)	(2.9)
Housing total	487.9	110.5	61.0	10.9	88.4	138.5
Corporate	(25.3)	(14.2)	(17.7)	(8.1)	(9.1)	(18.7)
Consolidated	462.6[1]	96.3	43.3	2.8	79.3	119.8

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Profit/(loss) on ordinary activities before finance costs after exceptional items

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	366.6	(1,699.8)	(438.5)	(460.1)	62.1	83.7
Housing North America	(253.8)	(16.7)	(31.7)	(61.2)	28.2	57.7
Housing Spain and Gibraltar	(4.1)	(39.8)	(4.7)	(3.7)	(1.9)	(2.9)
Housing total	108.7	(1,756.3)	(474.9)	(525.0)	88.4	138.5
Corporate	(29.5)	(34.3)	(62.5)	(52.9)	(9.1)	(18.7)
Consolidated	79.2[1]	(1,790.6)	(537.4)	(577.9)	79.3	119.8

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Other information

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million (unless otherwise indicated))					
Operating Margin %(1)	11.2%	2.8%	1.7%	0.2%	6.5%	4.5%
ASP-UK PD (£)(2)	208,000	187,000	171,000	163,000	180,000	n/a
ASP-North America (£)	182,000	175,000	171,000	183,000	200,000	n/a
Completions	20,271	19,029	15,166	6,707	6,730	15,189
EBITDA(3)	472.9	108.5	48.0	5.3	81.0	123.7
EBITDA margin	11.4%	3.1%	1.8%	0.5%	6.6%	4.6%
Net debt/EBITDA	3.0x	14.1x	15.6x	20.2x	5.1x	5.1x
Net financial expense	93.3	127.9	109.1	63.2	43.7	89.6
Interest cover ratio(4)	5.1x	0.8x	0.4x	0.1x	1.9x	1.4x
Gearing ratio(5)	38.2%	91.4%	50.0%	73.4%	42.2%	42.2%
Total inventory/net debt	4.3x	3.2x	4.8x	3.9x	5.6x	5.6x
Order book	1,586.8	1,125.6	1,434.0	1,444.0	1,629.0	1,629.0
Owned and controlled plots with planning or resolution to grant						
UK	86,155	74,917	66,089	69,167	63,291	63,291
North America	40,603	29,178	29,062	28,815	30,435	30,435
Pro forma to reflect Refinancing:						
Net debt/EBITDA	—	—	—	—	—	6.7x
Interest cover ratio	—	—	—	—	—	1.6x
Gearing ratio(5)	—	—	—	—	—	59.9%
Total inventory/net debt	—	—	—	—	—	4.3x

Notes:

(1) Operating margin is defined as profit on ordinary activities before amortisation of brands, finance costs and exceptional items, after share of joint ventures as a percentage of turnover.

(2) Average selling price in the United Kingdom on private developments based on completions during the period.

(3) EBITDA is calculated by taking the Group's operating profit after joint ventures and deducting any depreciation and amortisation charged.

(4) Interest cover is the ratio of EBITDA to Net financial expense.

(5) Gearing is the ratio of net debt to total equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the audited consolidated financial statements of the Group for the 2007, 2008 and 2009 financial years and the related notes, which have been prepared in accordance with IFRS endorsed by the European Union, the unaudited consolidated half year financial statements of the Group for the half years ended 4 July 2010 and 30 June 2009 half years and the information relating to the business of the Group included elsewhere in this Offering Circular.

The following discussion contains forward-looking statements that involve risks and uncertainties. Taylor Wimpey's actual results may differ materially from those discussed in such forward looking statements due to various factors, including those described under "Risk Factors". Prospective investors should read the whole of this document and not rely solely on the summarised information set out in this part.

References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "2009", "2008" and "2007" refer to the years ended 31 December 2009, 2008 and 2007, respectively. References to the "H1 2010" or the "2010 half year" and to "H1 2009" or the "2009 half year" refer to the half year financial periods ended 4 July 2010 and 30 June 2009 respectively.

In this Offering Circular we discuss "operating margin" which we define as operating profit expressed as a percentage of revenue. For convenience, unless otherwise specified, where we refer to "operating profit", we refer to profit on ordinary activities before finance costs, exceptional items, brand amortisation and tax, after share of results of joint ventures. In 2007, 2008 and 2009, we recorded significant exceptional items (principally write-downs on land and work-in-progress, impairments of goodwill and other intangible assets, restructuring costs and tax items). Unless the context requires otherwise, we discuss our financial performance before exceptional items. Except where otherwise indicated, in our discussion of our results for comparative periods in "—Operating Results", we discuss our results for continuing operations.

To help the reader understand our operating results better, in certain places in this Management's Discussion and Analysis of Financial Condition and Results of Operations, we refer to certain combined financial information which is designed to show our financial and operating performance as if the Merger had been completed on 1 January 2007. You should not rely on combined financial information as it is an estimate, unaudited, hypothetical and subject to important assumptions. Such estimates do not reflect any restatement of our financial information resulting from the sale of our construction business in 2008.

This discussion and analysis also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Risk Factors".

Overview

We are the second largest homebuilder in the UK, and the ninth largest homebuilder in the US (by completions and revenue, respectively). In North America we operate principally in Arizona, California, Florida and Texas in the US, and Ontario in Canada). We also build homes in Spain (where our operations are focused on certain holiday destinations, such as Costa Blanca, Costa del Sol and Mallorca). We completed 15,166 new homes for the full year 2009, compared to 19,029 new homes in 2008. For the 12 month period ended 4 July 2010, our total revenue was £2,682.1 million and our EBITDA was £123.7 million.

We acquire and develop land and plan, design and construct residential property developments. Our product range spans from affordable entry-level homes to high-rise apartments, full-service country club homes and luxury homes. In the UK, we also build affordable housing (affordable housing is social housing, often owned or managed by local authorities or housing associations, which is provided to specified eligible households at below market price). We build such developments through the use of contractors and sub-contractors and we sell the properties both through agents and our own staff. We employ approximately 5,000 people.

As at 4 July 2010, across all of our markets, we owned, or controlled through options to acquire land and other arrangements, a total of 95,544 plots of land with either partial or full planning consent equivalent to 6.3 years of supply on the basis of the previous 12 months' completions (compared to

100,037 plots equivalent to 5.8 years of supply as at 30 June 2009). Of such plots of land as at 4 July 2010, 63,291 were in the UK, 30,435 were in North America and 1,818 were in Spain and Gibraltar. As at 4 July 2010, the total value of our inventory was £3.5 billion (split between land of £2.2 billion and work-in-progress of £1.3 billion) and we had a total order book of £1,629 million.

We earn revenue principally through the sale of residential properties in our chosen markets, which range from entry level one bedroom apartments to luxury full service country club homes. We optimise the revenue achieved through careful selection of the land we buy, with the aim of matching the homes that we build to market demand and designing communities that people want to live in. Revenues from our homebuilding activities are determined by sales volumes and realised selling prices. We also sell land that is surplus to our own requirements to property developers and to other purchasers.

The UK and US markets in which our homebuilding business operates have (from the second half of 2007 to the first half of 2009 in the UK, and from the fourth quarter of 2005 to the second half of 2009 in the US) experienced a significant downturn characterised by falling sales volumes (due to lower reservation rates and higher cancellation rates) and lower average selling prices for our homes. The housing market in Spain has also experienced a significant downturn (which began during 2006) as a result of oversupply (particularly in Costa Blanca and Costa del Sol), the weakness of sterling against the euro and reduced consumer confidence leading to a decline in the second homes market. Although the UK housing market conditions have been relatively robust for the first half of 2010, the housing markets in our US markets (including, in particular, Arizona, California and Florida) and Spain have been severely weakened by this downturn and remain very challenging.

As a result of the downturn, we progressively moved towards a strong focus on cash generation from late 2007 through 2008. We have also focused on controlling our costs, in particular build costs and reducing the number of sites under development. We have strived to maintain a minimum level of sales and to reduce both current and forward investment in land and work-in-progress, having suspended entering into new commitments to purchase land in the UK from late 2007. We have taken significant action to reduce our overheads in each of our markets.

In April 2009, we concluded negotiations with various of our lenders which resulted in a substantial restructuring of our debt obligations. In May 2009, we raised net proceeds of approximately £510.1 million through the issue of ordinary shares under a placing and open offer, which we used to pay down debt and associated facilities, thereby avoiding additional finance charges.

In the UK, our focus is now on maximising margins and returns rather than looking to accelerate volume growth. We believe this approach remains well-suited to an environment where, in the short term, significant planning risk and wider economic uncertainty remains. We remain concerned about the potential adverse impacts of proposed changes in planning policy, however we are committed to working with the Government and local authorities and are confident that both our approach and our strong land holdings will put us in a strong position. In the longer term, we remain of the view that we will see an even greater imbalance between demand and supply when mortgage availability increases and consumer confidence increases.

In the US, we remain of the view that we will see clearer signs of sustainable recovery towards the end of this year as the underlying impact of the cessation of the Homebuyer Tax Credit programme starts to diminish. This programme, which offered qualifying homebuyers a tax credit of up to USD8,000 where a binding sales contract was signed by 30 April 2010, has had the effect of accelerating reservations that might otherwise have occurred later in the year. The Canadian market has continued to perform well and we expect market conditions to remain stable for the foreseeable future.

Group revenue for the first half of 2010 was £1,219.3 million (as compared to £1,132.8 million for the first half of 2009), with operating profit of £79.3 million (compared to £2.8 million for the first half of 2009). Our pre-exceptional net finance charges in the first half of 2010 were £59.7 million, compared to £71.7 million in the first half of 2009. There were no exceptional items recorded in the first half of 2010, compared to £603.8 million recorded for the first half of 2009. Profit for the first half of 2010 was £7.5 million, as compared to a loss of £681.9 million for the first half of 2009.

Net assets at 4 July 2010 were £1.50 billion (as compared to £1.41 billion at 30 June 2009) equivalent to a tangible net asset value of 47.0 pence per share (as compared to 44.1 pence at 30 June 2009). Net debt reduced from £750.9 million at 31 December 2009 to £633.9 million at 4 July 2010,

reflecting the Group's enhanced profitability in the period and a further net reduction in working capital. Gearing at 4 July 2010 stood at 42.2%, as compared to 50.0% at 31 December 2009.

Summary information relating to our business

Taylor Wimpey, in its current form, was established as a result of the merger of two large public UK based companies, Taylor Woodrow and George Wimpey. The Merger became effective as of 3 July 2007. Our financial information for 2007 reflect the assets, liabilities, revenues and expenses of the George Wimpey Group companies from and including 3 July 2007.

The Group is divided into four operating divisions for the purposes of management reporting and control: Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate. These divisions are the basis on which the Group reports its primary segment information. In September 2008, we disposed of our UK construction business for £74 million in cash resulting in a profit on disposal of £55.6 million. On disposal, we repaid £89.5 million of intercompany balances owing to the business we disposed of. We completed our exit from construction activities with the sale for £1 of our construction business in Ghana on 21 April 2009. Given the small scale of the Ghanaian construction operations in relation to the Group as a whole they are reported as part of the Corporate segment in 2008. We are now a focused homebuilder.

Most of our revenue and operating profit is earned from our operations in the UK and North America. In the first half of 2010, our Housing United Kingdom and Housing North America segments accounted for 68% and 31% of revenue, respectively (compared to 66% and 31% of revenue in the first half of 2009, respectively), and for 70% and 32% of operating profit (before operating loss attributable to our Corporate segment), respectively. In 2009, our Housing United Kingdom and Housing North America segments accounted for 66% and 32% of revenue, respectively (compared to 69% and 28% in 2008, respectively), and for 23% and 79% of operating profit (before operating loss attributable to our Corporate segment), respectively (compared to 48% and 54% in 2008, respectively).

The following tables set out our business segmental information for FY 2007, FY 2008, FY 2009, H1 2009, H1 2010 and the 12 month period ended 4 July 2010 for revenue, operating profit and profit/(loss) on ordinary activities before finance costs:

Revenue

	Year ended 31 December			Half year ended		12 month period ended
	2007	**2008**	**2009**	**30 June 2009**	**4 July 2010**	**4 July 2010**
				(£ million)		
Housing United Kingdom	3,053.8	2,390.1	1,700.4	744.4	827.1	1,783.1
Housing North America	986.8	981.6	824.3	356.1	373.3	841.5
Housing Spain and Gibraltar	64.4	59.8	61.0	22.3	18.9	57.6
Housing total	4,105.0	3,431.5	2,585.7	1,122.8	1,219.3	2,682.2
Corporate	37.8	36.2	9.9	10.0	—	(0.1)
Consolidated	**4,142.8**[1]	**3,467.7**	**2,595.6**	**1,132.8**	**1,219.3**	**2,682.1**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Operating profit/(loss)

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
			(£ million)			
Housing United Kingdom	418.2	53.0	14.3	(7.3)	62.1	83.7
Housing North America	67.5	59.9	48.1	18.6	28.2	57.7
Housing Spain and Gibraltar	2.2	(2.4)	(1.4)	(0.4)	(1.9)	(2.9)
Housing total	487.9	110.5	61.0	10.9	88.4	138.5
Corporate	(25.3)	(14.2)	(17.7)	(8.1)	(9.1)	(18.7)
Consolidated	**462.6**[(1)]	**96.3**	**43.3**	**2.8**	**79.3**	**119.8**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Profit/(loss) on ordinary activities before finance costs after exceptional items

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
			(£ million)			
Housing United Kingdom	366.6	(1,699.8)	(438.5)	(460.1)	62.1	83.7
Housing North America	(253.8)	(16.7)	(31.7)	(61.2)	28.2	57.7
Housing Spain and Gibraltar	(4.1)	(39.8)	(4.7)	(3.7)	(1.9)	(2.9)
Housing total	108.7	(1,756.3)	(474.9)	(525.0)	88.4	138.5
Corporate	(29.5)	(34.3)	(62.5)	(52.9)	(9.1)	(18.7)
Consolidated	**79.2**[(1)]	**(1,790.6)**	**(537.4)**	**(577.9)**	**79.3**	**119.8**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Management considers a variety of metrics to analyse the business. The principal operating metrics we use to analyse our businesses are described in the part of this Offering Circular entitled "Presentation of Financial Information", under the section entitled "Operating Measures".

We also closely monitor customer satisfaction and health and safety metrics, reflecting the importance management places on these issues.

Significant factors affecting operating results

We generate most of our revenue from our homebuilding operations in the UK and North America. Our operating and financial results are affected by a number of external factors, including the economic conditions in the markets in which we operate, the seasonality of demand for our products, government initiatives which have had an impact on our housing markets and changes in interest rates and exchange rates.

General market conditions

The UK housing market, the US housing markets in which we operate and the Spanish housing market have experienced a significant downturn, which may continue or deteriorate further, and the downturn has left our markets in a severely weakened state. In addition, economies around the world, and in particular the UK and US, continue to experience political and economic uncertainty, including rising unemployment, falling production and low to negative economic growth, reduced consumer demand and decreasing consumer confidence. In addition, availability of mortgage finance for our customers has been and remains constrained. These factors have had and are expected to continue to have a material and adverse impact on the UK, US and Spanish housing markets.

Having been subdued in the second half of 2007, the housing market in the UK deteriorated significantly from April 2008, which led to significantly lower sales volumes (due to lower reservation

rates and higher cancellation rates) and lower selling prices, which materially and adversely affected our operating results in 2008. Beginning in late 2005, many US housing markets began to experience a significant downturn which continued through 2006, 2007 and 2008, which directly affected our US business and operating results for that business during 2007 and 2008 in particular. Whilst trading in both the UK and the US has improved since 2009, with a resulting significant growth in our operating profit, wider economic uncertainty remains and we continue to run the business on a cautious basis, with selective land investment and an ongoing focus on cash generation and cost reduction.

The principal factors that we believe have contributed to the significant downturn in the housing markets in the UK and the US include the following, the impact of which varies based upon geographic market and product:

- Lenders: a reduction in the number of mortgage lenders in the UK and US, following the financial difficulties of a number of major mortgage lenders, and more conservative valuations by mortgage providers who remained in the market and reduced their loan to value criteria;
- Finance: the severely restricted availability of, and, at times, increased relative cost of, home buyer finance, which substantially all of our home buyers use to finance the purchase of our homes;
- Confidence: lower consumer confidence and general economic sentiment, particularly as a result of higher unemployment and concerns regarding job security, leading to lower consumer spending and deferral of large purchase decisions, such as buying a home;
- Demand: a decline in home-buyer demand due to lower consumer confidence reflecting, among other things, concerns of prospective buyers of new homes and their perceived direction of home prices, which has increased general uncertainty as to identifying the best time to buy a home;
- Cost: a decrease in the affordability of homes in recent years resulting from historical increases in home prices driven by high consumer confidence, and relatively low interest rates and credit available on relatively favourable terms;
- Supply: increased inventory of new and existing homes for sale, partly caused by speculative buyers not being able to complete or becoming net sellers and by repossession or foreclosure sales; and
- Liquidity: the lack of liquidity in the market resulting in some prospective buyers of new homes not being able to sell their existing homes.

As our markets deteriorated, we implemented strategies in response to the market conditions as appropriate to each market and adjusted these strategies in order to advance the overall objective of maximising cash generation. These strategies include focusing on cost reduction, setting our sales prices to reflect challenging market conditions to seek to maintain consistent sales rates and sell unsold stock, and providing discounts and incentives to prospective home buyers (such as specification upgrades, providing assistance to purchasers of our homes to sell their existing homes and shared equity schemes).

We also acted quickly and reduced our cost base. After the Merger in mid-2007, in the UK we have reduced our staff by approximately 3,500 and reduced our number of regional offices to 24 from the 39 at the start of 2008. We remain cautious in evaluating new site openings, especially where there are significant initial costs to be incurred prior to the completion of the first homes. In the UK, we are continuing to operate with build rates below our current sales rates. For both new and existing sites, we are building in cost reduction targets to seek to ensure that new plots released to construction will contribute an enhanced level of cash generation once the sale is completed, and have achieved a 10% reduction in build costs since 2007. We are also working closely with our suppliers and sub-contractors to identify ways to further increase efficiency and reduce cost.

In North America we have made significant build and overhead cost savings and continue to drive further cost reductions. These savings had commenced before the Merger, but were accelerated by the opportunity to renegotiate contracts on the basis of the enlarged business and also by the rationalization of our operations. More recently we have rolled-out a "lean manufacturing" approach to seven of our business divisions. This has achieved cost reductions in a number of areas, including joint initiatives with sub-contractors to reduce waste material and value-engineer product plans to reduce the number of different materials and components used in our homes.

Recent pricing and market trends are discussed in "Our Business".

Building cost drivers

A significant portion of our costs relate to the cost of building our housing developments, including costs relating to raw materials, labour costs and professional services. Traditionally, our aggregate building costs have moved broadly in line with movements in our revenue.

However, factors within our control, such as the type of properties we build (which determines the composition of the materials required), and factors outside of our control, such as commodity prices and labour costs, can have a significant impact on our building costs and, accordingly, our financial results. During 2007 and most of 2008, commodity prices were high compared to past averages and, accordingly, increased our costs. The broader economic downturn has seen some moderation of commodity prices generally and more competitive contractor and sub-contractor tendering although increases the risk of the failure of one or more of our suppliers. Regulation relating to the building sector, such as those relating to carbon emissions and building standards, have become more stringent and have increased, and we expect will continue to increase, our costs.

Exchange rates

We report our financial results in pounds sterling. However, we have a significant business in North America, as well as a business in Spain. In addition, we have material US Dollar-denominated bank and private placement note debt in order to minimise the impact. Accordingly, our reported results are significantly influenced by movements in the exchange rate of pounds sterling against the US Dollar and (given the recent profitability of our Canadian business) the Canadian Dollar and, to a lesser extent, the Euro.

Movements in the US Dollar have materially affected our financial results in the past and changes in exchange rates are likely to continue to have an effect on our financial results. In particular, 2008 saw increased volatility between the Pound and the US Dollar, with the Pound falling in value relative to the US Dollar, which had the effect of increasing the value in Pounds of our US-Dollar denominated debt and also increasing our revenue earned and costs incurred in US Dollars when stated in Pounds. Exchange rates, including between the Pound and the US Dollar, have been volatile in the past and this may continue.

Our sensitivity to movements in certain exchange rates against the Pound as at and for the years ended 31 December 2009 and 2008 is described below in "Foreign currency risk management".

Interest rates

We are exposed to interest rate risk because we borrow funds at both fixed and floating interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to housing sales.

The Existing Bank Facilities Agreements, among other things, restrict our ability to enter into new hedging transactions in respect of interest rates and, accordingly, have affected the manner in which we manage interest rate risk. Under the New Facilities we will be permitted to use non-speculative derivatives for hedging purposes.

Our sensitivity to movements in interest rates as at and for the years ended 31 December 2009 and 2008 is described below in "—Interest rate risk management".

Seasonality

Weekly sales rates in some of our key markets experience significant seasonal variation. For example, reservations in the UK tend to show their highest levels (in the absence of other factors) in the spring and autumn. This has tended to result in increased working capital around these times as the build process progresses on these reserved homes, with levels falling towards the half year and full year as the sales of these homes are completed. However, in recent years, this pattern has been less pronounced as a result of a number of factors including the housing market downturn and tight control of working capital. Our market in Florida is another which displays seasonality, with the peak times for reservations being the winter and spring. As such, economic weakness which affects these peak selling seasons can have a disproportionate impact on our results for the year.

This pattern of reservations tends to result in higher levels of home completions towards the end of the financial year. As a result, our debt profile has exhibited significant peaks and troughs over the course of the financial year.

Government initiatives

The introduction or cessation of government programmes and initiatives intended to support or stimulate the housing markets in which we operate can affect our sales rates and therefore our results.

In the UK, the government introduced a temporary tax holiday in September 2008, which exempted buyers of properties sold for between £125,000 and £175,000 from paying the 1% stamp duty. This was replaced in the UK government's 2010 budget, which introduced a two-year stamp duty holiday that came into force on 25 March 2010 and applies to first-time buyers for homes costing up to £250,000. However, to pay for the stamp duty relief, the UK government introduced an additional 5% stamp duty rate for homes costing more than £1 million which is 1% higher than presently.

In the US, the Homebuyer Tax Credit programme applied to sales occurring on or after 1 January 2009 and on or before 30 April 2010 on homes priced at USD800,000 or less. The programme granted qualifying home buyers a tax credit (of up to a maximum of USD8,000 for first-time home buyers, and USD6,500 for repeat home buyers).

Such measures may increase the affordability of housing by partially offsetting adverse market factors such as high unemployment, low wage growth, and difficulties in obtaining a mortgage. The cessation or expiry of such measures could, conversely, lead to a decline in sales as affordability decreases.

Certain events affecting our operating results

In addition to being affected by the external factors described above, our operating and financial results have also been affected by internal factors such as the restructuring of our debt obligations, the Merger in July 2007 and our borrowings. In addition, the Merger affects the comparability of our financial and operating results and financial condition.

Debt and equity refinancing

On 7 April 2009 we successfully reached an agreement with our banks and private placement holders regarding a revised covenant and financing package. We also reached a similar agreement with the holders of our two public Eurobond issues on 30 April 2009. The principal terms of the refinancing consisted of an alignment of all debt maturity dates to 3 July 2012, an increase in margin or coupon, an additional interest charge in the form of payment in kind (PIK) and warrants giving all lenders at the time the right to subscribe in cash for a combined total of approximately 5% of the Issuer's ordinary share capital at a fixed price and a revised operating and financial covenant package.

On 1 June 2009, we successfully completed an equity placing and open offer to raise £510.1 million, net of issue costs. We were able to use the proceeds of the equity raise to reduce our borrowings to below a level such that the PIK stopped accruing, the additional interest reduced and restrictive operating covenants relaxed. In addition, the reduction of borrowings resulted in a reduction of the margin payable on our debt.

On 16 November 2010, we agreed with our principal lenders a facility for £950 million which is part of the Refinancing of the above mentioned facilities and this is set out in more detail in the sections entitled "Summary—Refinancing", and "Use of Proceeds".

On 19 November 2010, we entered into a Fund Facility which is available (subject to certain conditions precedent) in a maximum amount of £100 million and is part of the Refinancing as set out in more detail in the sections entitled "Summary—Refinancing", "Use of Proceeds" and "Description of Certain Financing Arrangements".

The Merger

In the Merger, Taylor Woodrow (subsequently renamed Taylor Wimpey plc) acquired 100% of the share capital of George Wimpey for a total consideration of £2,093.9 million in the form of Taylor Woodrow ordinary shares. This resulted in shareholders of Taylor Woodrow and George Wimpey holding approximately 51% and 49%, respectively, of the share capital of the combined company

immediately following the Merger. In 2007, we incurred Merger transaction-related costs of £15.8 million.

At the time of the Merger, George Wimpey's business was of approximately similar size to that of Taylor Woodrow. Accordingly, from 3 July 2007 the Merger had a very significant effect on our operating results, financial performance and financial condition. We recorded significant increases in certain income statement line items, such as revenue and costs of sales from 3 July 2007, and certain balance sheet items as a result of the Merger. Our net debt increased from £706.0 million at 30 June 2007 to £1,415.4 million at 31 December 2007, which increased our net finance costs following the Merger. This increase comprises the effect of the Merger, the completion of a £250 million share buyback programme and land purchases.

We recognised an increase in goodwill of £336.8 million on the acquisition of George Wimpey plc (increasing our goodwill (after taking into account changes in exchange rates) to £699.8 million as at 31 December 2007, compared to £363.1 million as at 31 December 2006). In late 2007, the housing market began a severe downturn due to the financial crisis affecting the banks. Following an impairment test in 2008, Taylor Wimpey wrote off all its goodwill and intangible assets.

The Merger in July 2007 has a significant effect on the comparability of our results for that period.

Operating results

Presentation of financial information

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- *Private housing development properties and land sales*

  Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

- *Cash incentives*

  Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

- *Contracting work*

  Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

  Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

  Our construction businesses have now been wholly disposed of.

Cost of sales

Cost of sales comprises land costs and the costs of construction incurred in connection with building our housing developments, including raw materials, labour costs and costs of professional services as well as the costs of raw materials, labour and professional services incurred by our construction business (which has now been wholly disposed of).

Net operating expenses

Net operating expenses comprise administration expenses (which includes accounting, HR, tax and other office functions) after net other income (which includes profits on the sale of property, plant and equipment and broker fees from mortgage origination services). Where home purchases are cancelled, deposits are retained and the amount of such retained deposits is included in net other income.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in our opinion, are material and unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 Presentation of Financial Statements.

Share of results of joint ventures

Our joint venture holdings represent housing developments in which we partner with either a land owner or another development company.

Finance costs

Finance costs comprise interest on borrowings from financial institutions and mark to market gains or losses on interest rate derivatives. Finance costs also include an amount in respect of the notional interest on pension liabilities and in respect of trade payables on extended terms, particularly in respect of land, which are recorded at their fair value at the date of acquisition of the asset to which they relate, with the discount to nominal value being amortised over the period of the credit term and charged to finance costs. Net finance costs are finance costs net of interest receivable, which represents interest accrued on bank deposits recognised on an accrual basis.

Comparison of the Group financial results for the period ended 4 July 2010 and the period ended 30 June 2009 (as reported in the Group half year results for the period ended 4 July 2010)

Revenue

Our revenue for the first half of 2010 was £1,219.3 million, compared to £1,132.8 million for the first half of 2009.

- *Housing United Kingdom*

  Revenue for the Housing United Kingdom segment increased by 11.1% to £827.1 million in the first half of 2010, as compared to £744.4 million for the first half of 2009, primarily as a result of an increase in completions and sales prices, reflecting improved market conditions and a return to focusing on sales prices rather than sales volumes. We completed a total of 4,804 homes in the first half of 2010, a slight increase on the 4,702 completions achieved in the first half of 2009. Of these, 3,925 were private homes (compared to 3,854 in the first half of 2009), 866 were affordable homes (compared to 840 in the first half of 2009) and 13 were joint venture completions (compared to 8 in the first half of 2009). The overall average selling price of completions rose by 9.8% to £168,000 (compared to £153,000 in the first half of 2009), with private average selling prices up by 10.4% to £180,000 (compared to £163,000 in the first half of 2009) and affordable average selling prices rising 6.4% to £116,000 (compared to £109,000 in the first half of 2009). Whilst mix changes have had a beneficial effect on the prices achieved, we have also achieved underlying price increases, with the average selling price per square foot for private completions increasing by 7.3% to £177 (compared to £165 in the first half of 2009).

  In the Housing United Kingdom segment, private sales rates, net of cancellations, remain broadly in line with those achieved in the first half of 2009, at an average of 0.58 sales per outlet per week, compared to 0.61 in the first half of 2009. Cancellations remain at historic low levels, averaging 16% for the first half, compared to 19% in the first half of 2009. First time buyers continue to represent around 30% of our sales and we have achieved this high proportion despite our relatively limited use of Government-funded and other shared equity schemes.

- *Housing North America*

  Revenue in the Housing North America segment has increased to £373.3 million for the period, as compared to £356.1 million for the first half of 2009, with the increase in average selling price

outweighing the reduction in the number of completions. We completed 1,843 homes in North America during the first half of 2010 (compared to 1,933 in the first half of 2009) of which 1,373 were in the US (compared to 1,279 in the first half of 2009) and 470 were in Canada (compared to 654 in the first half of 2010). Our average selling price on completions for North America as a whole was £200,000 (compared to £183,000 in the first half of 2009), with the average selling price in the US being £172,000 (compared to £173,000 in the first half of 2009) and in Canada being £281,000 (compared to £203,000 in the first half of 2009). The reduction in completions and increase in average selling prices in Canada reflect a higher proportion of high-rise completions during the first half of 2009.

Sales rates for North America as a whole were broadly in line with the equivalent period of 2009, albeit from a reduced average number of active outlets of 148 for the first half, as compared to 171 for the first half of 2009. In the US, sales rates averaged 0.41 net sales per outlet per week in the first half, as compared to 0.46 for the first half of 2009. Our business in Canada has delivered a significant increase to 1.12 net sales per outlet per week, as compared to 1.00 for the first half of 2009.

• *Housing Spain and Gibraltar*

Revenue in the Housing Spain and Gibraltar segment decreased by 15.2% to £18.9 million, compared to £22.3 million for the first half of 2009. While the number of home completions increased by 15.3% to 83 (compared to 72 completions for the first half of 2009), this was more than offset by the 25.3% decrease in average selling prices to £215,000 (compared to £288,000 for the first half of 2009) which was primarily as a result of a change in the mix of completions in Gibraltar.

• *Corporate*

Following the disposal of our remaining construction business in April 2009, revenue in the Corporate segment was £nil, compared to £10.0 million for the first half of 2009.

Cost of sales before exceptional items

Cost of sales before exceptional items in the first half of 2010 increased by 2.2% to £1,058.9 million, compared to £1,036.5 million for the first half of 2009. Certain amounts relating to direct selling expenses in the results for the first half of 2009 were reclassified from net operating expenses to cost of sales to be consistent within the year ended 31 December 2009 and the first half of 2010. The primary factor behind this increase relates to the increase in land costs in the UK, which averaged £37,400 per plot in the first half of 2010 (as compared to £28,100 per plot in the first half of 2009) outweighing the benefit of build and overhead cost savings. This is primarily driven by mix changes (which also had a beneficial impact on average selling prices) and in particular a lower proportion of apartment completions.

Net operating expenses before exceptional items

Net operating expenses before exceptional items in the first half of 2010 decreased by 11.8% to £84.1 million, compared to £95.3 million in the first half of 2009, principally as a result of a decrease in administration expenses arising from ongoing cost measures.

Profit on ordinary activities before finance costs, exceptional items and amortisation of brands after joint ventures

Profit on ordinary activities before finance costs, exceptional items and amortisation of brands in the first half of 2010 increased to £79.3 million, compared to £2.8 million for the first half of 2009, with a material improvement in operating margins, particularly in the Housing United Kingdom segment.

Housing United Kingdom profit on ordinary activities before finance costs, exceptional items and amortisation of brands increased to £62.1 million, compared to a loss of £(7.3) million for the first half of 2009, reflecting an increase in the number of home completions and higher average selling prices, with an underlying operating margin of 6.1%, compared to (1.0)% for the first half of 2009.

Housing North America's profit on ordinary activities before finance costs, exceptional items and amortisation of brands in the first half of 2010 increased by 51.6% to £28.2 million, compared to £18.6 million for the first half of 2009. US operating margins in the first half of 2010 increased to

7.6%, compared to 5.2% for the first half of 2009, reflecting improved US market conditions and primarily driven by the continued profitability of our Canadian business.

In our Housing Spain and Gibraltar segment we recorded a loss on ordinary activities before finance costs, exceptional items and amortisation of brands of £(1.9) million in the first half of 2010, a 375.0% increase on the loss of £(0.4) million in the first half of 2009, reflecting the ongoing difficult market conditions in Spain and the high levels of inventory in the market.

Exceptional items

There were no exceptional items recognised in the first half of 2010 (compared to exceptional items of £603.8 million in the first half of 2009) comprising net land and work in progress write downs totalling £527.0 million, £8.9 million restructuring costs and £67.9 million refinancing costs.

Share of results of joint ventures

Our share of post tax results from joint ventures in the first half of 2010 increased by 66.7% to £3.0 million, compared to £1.8 million for the first half of 2009.

Net finance costs

Our pre-exceptional net finance charges were £59.7 million, compared to £71.7 million for the first half of 2009. The decrease was principally as a result of lower interest payments on our lower level of average borrowings during the period.

Profit/loss on ordinary activities before taxation

As a consequence of the above, in the first half of 2010 we recorded a profit on ordinary activities before taxation of £19.6 million, compared to a loss of £(672.7) million for the first half of 2009.

Taxation

The following table shows the breakdown of current and deferred tax charges for the first half of 2010 and the first half of 2009:

		As at	
		30 June 2009	**4 July 2010**
		(£ million)	
Current tax			
UK Corporation tax:	Current year	0.7	0.4
	Prior years	—	—
Foreign tax			
	Current year	8.5	8.2
	Prior years	—	—
		9.2	8.6
Deferred tax			
UK:	Current year	—	3.7
Foreign:	Current year	—	(0.2)
	Prior years	—	—
		—	3.5
		9.2	12.1

Notes:

(1) Corporation tax for 2010 is calculated at 28.0% (2009: 28.0%), of the estimated assessable profit (2009: loss) for the year in the UK.

(2) Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

(3) The tax charge for the period consists primarily of Canadian tax.

Profit/Loss for the period

Our overall profit for the first half of 2010 was £7.5 million, compared to a loss of £(681.9) million for the first half of 2009.

Comparison of the Group financial results for the years ended 31 December 2009 and 31 December 2008 (as reported in the Group 2009 Financial Statements)

Revenue

Our revenue in 2009 decreased by 25.1% to £2,595.6 million (compared to £3,467.7 million in 2008) primarily as a result of a lower number of home completions and lower average selling prices on completions. There was a decrease of 28.9% in revenue in our Housing United Kingdom segment, a decrease of 16.0% in revenue in our Housing North America segment and a decrease of 72.7% in our Corporate segment (including the Construction business which was fully disposed of in 2009), while revenue in our Housing Spain and Gibraltar segment remained relatively flat (in each case between 2008 and 2009).

In 2009, we recorded revenue from housing of £2,527.4 million (compared to £3,342.1 million in 2008) revenue from our Corporate (including the Construction business) segment of £9.9 million (compared to £36.2 million in 2008) and revenue from land sales of £58.3 million (compared to £89.4 million in 2008).

- *Housing United Kingdom*

  Revenue in 2009 for our Housing United Kingdom segment was £1,700.4 million (compared to £2,390.1 million in 2008), principally as a result of a lower number of home completions and lower average selling prices on completions. There was a 24.0% decrease in completions to 10,186 (compared to 13,394 completions in 2008) and a 6.4% decrease in the average selling price of to £160,000 (compared to £171,000 in 2008).

  Our UK housing business builds private homes and affordable housing. There was a decrease in 2009 in affordable housing as a proportion of completions to 17%, compared to 21% in 2008.

  Our Housing United Kingdom segment achieved a higher average weekly sales rate in respect of private homes (which increased from 0.40 sales per sales outlet per week in 2008 to 0.55 sales per sales outlet per week in 2009) and a lower cancellation rate (which decreased to 18.7% in 2009 from the elevated rate of 37.5% in 2008). UK land sales generated £47.9 million of revenue in 2009, compared to £58.0 million in 2008 with an operating loss of £4.1 million compared to £2.2 million in 2008, with the decrease driven by reduced demand for, and lower pricing of, land.

- *Housing North America*

  Revenue in 2009 for our Housing North America segment decreased by 16.0% to £824.3 million, (compared to £981.6 million in 2008) with the decrease primarily as a result of the lower number of completions achieved in 2009. There was a 12.3% decrease in the total number of home completions in 2009 to 4,755 (compared to 5,421 completions in 2008), consisting of a 16.5% increase in completions in Canada to 1,408 (compared to 1,209 completions in 2008), partially offset against a 20.5% decrease in US completions to 3,347 (compared to 4,212 in 2008). The increase in Canada completions reflects the more robust economic conditions in Canada (with house price increases in 2009 of 7.15% and 6.25% in Toronto and Ottawa, respectively).

  The North America business operated with an average of 172 sales outlets during 2009, compared to 234 outlets in 2008, reflecting the closure of existing outlets. For North America as a whole we achieved an average sales rate of 0.60 per outlet per week, 50% higher than the 0.40 sales per week recorded in 2008. The cancellation rate decreased to 15% for 2009 as a whole, compared to 23% for 2008, reflecting more stable market conditions.

  The average selling price of our North American home completions in 2009 remained relatively stable at £171,000, (compared to £175,000 in 2008), with the average selling price in the US being £161,000 (compared to £163,000 in 2008) and an average selling price in Canada of £195,000 (compared to £220,000 in 2008). The lower pricing in Canada reflects a higher proportion of high-rise completions during the year and also the weaker market conditions in the early part of 2009.

- *Housing Spain and Gibraltar*

  Revenue in 2009 from our Housing Spain and Gibraltar segment remained broadly flat at £61.0 million, compared to £59.8 million in 2008 with completions of 225 homes, (compared to 214 homes in 2008) at an average selling price of £260,000 (compared to £270,000 in 2008). A higher proportion of completions were delivered in mainland Spain as we discounted prices to reduce our level of inventory.

- *Corporate*

  Revenue in 2009 from our Corporate (including the continuing Construction business) segment fell by 72.7% to £9.9 million (compared to £36.2 million in 2008) due to the disposal of our remaining construction business in Ghana in April 2009.

Cost of sales before exceptional items

Cost of sales before exceptional items in 2009 decreased by 24.6% to £2,365.4 million (compared to £3.138.2 million in 2008), principally as a result of lower activity levels across the Group. In 2009, cost of inventories recognised as an expense in cost of sales before exceptional items was £2,244.1 million (compared to £2,946.9 million in 2008). Costs of sale are recognised in line with recognition of revenue for the home.

Net operating expenses before exceptional items

Net operating expenses before exceptional items in 2009 decreased by 20.8% to £192.5 million (compared to £243.2 million in 2008), principally as a result of a decrease in administration expenses to £198.9 million (compared to £269.0 million in 2008). Administration expenses principally relate to the costs of staff and property rental at our regional and corporate offices, and the decrease is primarily as a result of staff reductions.

We also recorded in 2009 net operating expenses a total of £53.7 million (compared to £871.7 million in 2008) in exceptional items other than those related to land and work-in-progress write downs and before finance costs and tax, comprising £8.9 million of restructuring costs (2008: £35.1 million) and £44.8 million of refinancing costs (compared to £20.5 million in 2008) which are discussed below.

Profit on ordinary activities before finance costs, exceptional items and amortisation of brands after joint ventures

Profit on ordinary activities before finance costs, exceptional items and amortisation of brands decreased by 55.0% to £43.3 million (compared to £96.3 million in 2008) due to material reductions in profitability in Housing United Kingdom, as well as reductions in profitability in Housing North America and Housing Spain and Gibraltar.

Housing United Kingdom profit on ordinary activities before finance costs, exceptional items and amortisation of brands after joint ventures was £14.3 million (compared to £53.0 million in 2008), a decrease of 73% against the previous year reflecting lower numbers of home completions, lower average selling prices and a decrease in operating margin to 0.8% (compared to 2.2% in 2008).

Housing North America's profit on ordinary activities before finance costs, exceptional items and amortisation of brands in 2009 decreased by 19.7% to £48.1 million (compared to £59.9 million in 2008) broadly reflecting the decrease in revenue as a result of the ongoing difficult economic conditions in the US market. US operating margins in 2009 decreased to 5.8% (compared to 6.1% in 2008), reflecting the ongoing market weakness.

In our Housing Spain and Gibraltar segment we recorded a loss on ordinary activities before finance costs, exceptional items and amortisation of brands of £(1.4) million in 2009 (compared to a loss of £(2.4) million in 2008) reflecting ongoing market weakness.

The Corporate (including the continuing Construction business) business delivered a loss on ordinary activities before finance costs and exceptional items of £(17.7) million (compared to a loss of £(14.2) million in 2008).

Amortisation of brands before exceptional items

Amortisation of brands before exceptional items was £nil, compared to £2.4 million in 2008. The 2008 amount principally related to amortisation of brands acquired as part of the Merger.

Exceptional items

£580.7 million of exceptional items, before finance costs and tax, were incurred during 2009 compared to £1,884.5 million in 2008.

The majority of the 2009 exceptional items related to £527.0 million of land and work-in-progress write downs (of which there were £1,012.8 million in 2008) as a result of the Group undertaking further reviews of the carrying value of its land and work in progress assets at the 2009 half year. A total of £445.0 million was written off against the carrying value of land assets in the UK during 2009, compared to £904.4 million in 2008. A write down of £78.7 million was recorded against land and work in progress assets in North America during 2009, compared to 71.1 million in 2008. A write down of £3.3 million was recorded in Spain and Gibraltar, compared to £37.4 million in 2008.

Restructuring costs of £8.9 million (compared to £35.1 million in 2008) were predominantly in relation to the ongoing rationalisation of the UK business. The costs incurred in both 2009 and 2008 include redundancy costs and costs incurred in relocating certain functions and operations. Refinancing costs of £44.8 million (compared to £20.5 million in 2008) were predominantly exceptional fees in relation to the refinancing of the Group's debt. There were additional refinancing interest related costs of £23.1 million (compared to £10.5 million in 2008).

There were no impairments to goodwill or other intangible assets during the year (compared to impairments of £816.1 million in 2008).

Share of results of joint ventures

Our share of post tax results from joint ventures in 2009 decreased by 26.3% to £5.6 million, compared to £7.6 million in 2008. Our joint venture holdings represent housing developments in which we partner with either a land owner or another development company. In 2009, we had three principal joint ventures, compared to four joint ventures in 2008.

Net finance costs

Total finance costs for 2009, net of interest receivable of £10.6 million (compared to £8.5 million in 2008) were £162.5 million (compared to £179.1 million in 2008).

Within finance costs, interest on borrowings from financial institutions totalled £109.1 million, compared to £127.9 million in 2008. This decrease was due to the lower average net debt levels the Group carried in 2009 of £1,245.2 million, (compared to £1,821.9 million in 2008), reflecting the cash generation of the business and the placing and open offer in June 2009. Other items included in finance costs are a net pension interest charge of £34.3 million (compared to £11.7 million in 2008), a mark to market gain on interest rate derivatives of £11.8 million (compared to a loss of £10.8 million in 2008) a total of £18.4 million charged for imputed interest on land creditors (compared to £26.7 million in 2008) and exceptional finance charges relating to bank and debenture loans of £23.1 million (compared to £10.5 million in 2008).

Loss on ordinary activities before taxation

As a consequence of the above, we recorded a loss on ordinary activities before taxation of £(699.9) million, compared to a loss of £(1,969.7) million in 2008.

Taxation

The following table shows the breakdown of current and deferred tax charges/(credits) for 2009 and 2008:

		Year ended 31 December	
		2008	2009
		(£ million)	
Current tax			
UK Corporation tax:	Current year	(124.3)	1.1
	Prior years	6.0	(5.5)
Foreign tax			
	Current year	(22.8)	(32.0)
	Prior years	—	2.4
		(141.1)	(34.0)
Deferred tax			
UK:	Current year	32.7	(25.4)
Foreign:	Current year	31.8	0.4
	Prior years	—	(0.3)
		64.5	(25.3)
		(76.6)	(59.3)

Notes:

(1) Corporation tax for 2009 is calculated at 28.0% (2008: 28.5%) of the estimated assessable loss (2008: loss) for the year in the UK.

(2) Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

(3) Deferred tax recognised in our statement of comprehensive income was due to actuarial losses on post-retirement liabilities at the prevailing rate in the relevant jurisdiction, and the reinstatement of the deferred tax asset relating to post-retirement liabilities. The UK rate of corporation tax reduced from 30% to 28% from 1 April 2008.

(4) The tax credit for the year includes an amount in respect of exceptional items of £73.6 million, compared to a credit of £100.0 million in 2008. This is made up of a credit of £25.4 million (compared to a credit of £91.6 million in 2008) in respect of UK tax and a credit of £48.2 million, (compared to a £8.4 million charge in 2008) in respect of US tax. The credit in the UK relates to the reinstatement of the pension deferred tax asset on our defined benefit pension scheme and the credit in the US relates to the five year net operating loss carryback introduced as part of an economic stimulus package in the US in November 2009.

Loss for the period

Our overall loss for 2009 decreased by 65.2% to £(640.6) million, compared to a loss of £(1.840.0) million for 2008.

Comparison of the Group financial results of the Group for the years ended 31 December 2008 and 31 December 2007 (as reported in the Group 2008 Financial Statements)

Except where otherwise indicated, in the following discussion of our results for 2008 and 2007, we discuss our results for continuing operations.

Revenue

Our revenue in 2008 decreased by 16.3% to £3,467.7 million (compared to £4,142.8 million in 2008) as a result of a decrease of 21.7% in revenue in our Housing United Kingdom segment, a decrease of 7.1% in revenue in our Housing Spain and Gibraltar segment and a decrease of 4.2% in revenue in our Corporate (including the continuing Construction business) segment, while revenue in our Housing North America segment remained relatively flat (in each case between 2007 and 2008). In 2008, we recorded revenue from housing of £3,342.1 million (compared to £3,947.5 million in 2007), revenue from our Corporate (including the continuing Construction business) segment of £36.2 million (compared to £37.8 million in 2007) and revenue from land sales of £89.4 million (compared to £157.5 million in 2007). Our 2007 results only reflect George Wimpey's contribution from 3 July 2007.

On an unaudited combined basis, after giving effect to the Merger as if it had been completed on 1 January 2007, our revenue would have been £5,887.5 million in 2007 (such estimate does not reflect any restatement of our financial information resulting from the sale of our UK construction business in 2008).

Revenue in 2008 was negatively affected by a 6.1% decrease in our completions to 19,029 (compared to 20,271 completions in 2007), or by 31.2% from 27,642 completions in 2007 on a combined basis for the Issuer and George Wimpey. Our 2008 completions reflected a lower sales rate and a higher cancellation rate, both due to challenging conditions in the housing markets in the UK and in the US. Although revenue decreased by £675.1 million between 2007 and 2008, the weakening of the Pound against the US Dollar and Euro had a positive impact on our reported revenues by approximately £110 million.

- *Housing United Kingdom*

  Revenue in 2008 for our Housing United Kingdom segment decreased by 21.7% to £2,390.1 million, compared to £3,053.8 million in 2007. This was principally the result of a 9.9% decrease in completions to 13,394 (compared to 14,862 in 2007) and a 10.7% decrease in the average selling price to £170,600 (compared to £191,000 in 2007), reflecting challenging market conditions and a greater proportion of affordable housing completions. Our 2007 results only reflected George Wimpey's contribution from 3 July 2007.

  Our Housing United Kingdom segment recorded a lower average weekly sales rate in respect of private homes (which decreased from 0.55 sales per sales outlet per week in 2007 to 0.40 sales per sales outlet per week in 2008) and a higher cancellation rate, which averaged 37.5% in 2008 compared to a long run average of around 20%. The fall in the average selling price of our private homes to £187,000 (compared to £208,000 in 2007), more than offset the slight increase in the average selling price of our affordable homes (£107,700 in 2008 compared with £105,000 in 2007). Price declines in private housing sales were primarily due to adverse market conditions, with the average private house size of 973 square feet in 2008 broadly similar to that in 2007. Land sales in the UK in 2008 generated £58.0 million of revenue (compared to £130.9 million in 2007) with such decrease being primarily driven by reduced demand in the land market and lower pricing.

  The private homes side of our UK housing business (which accounted for 79.5% of 2008 completions (compared to 84.3% in 2007) was more affected by the downturn in market conditions in 2008. In 2008, completions of affordable homes increased by 17.6% to 2,751 while completions of private homes decreased by 13.4% to 10,585 (the remaining 58 completions came from our joint ventures).

- *Housing North America*

  Revenue in 2008 for our Housing North America segment remained relatively flat at £981.6 million compared to £986.8 million in 2007, as the enlarged scale of the North American business following the Merger and the benefit of a stronger US Dollar against the Pound were more than offset by the effect of continuing weakness in our US markets. Completions from North America in 2008 rose by 4.3% to 5,421 (compared to 5,197 completions in 2007) as a result of the effect of a full year of combined operations in 2008 outweighing the continuing market weakness, with Arizona and Florida continuing to be particularly weak. Average selling prices in 2008 decreased to USD313,000, compared to USD358,000 in 2007. In North America, our average weekly sales continued to be affected by the market weakness. We achieved an average weekly sales rate of 0.40 sales per sales outlet per week in 2008 compared with 0.78 in 2007, while cancellation rates remained high (23.5% during 2008, broadly similar to the level in 2007). Our markets in Canada from which we generated 27.6% of our Housing North America revenue in 2008 remained relatively stable in 2008, although it experienced some softening in the fourth quarter of 2008.

- *Housing Spain and Gibraltar*

  Revenue in 2008 from our Housing Spain and Gibraltar segment decreased by 7.1% to £59.8 million (compared to £64.4 million in 2007), with completions of 214 homes, (compared to 212 homes in 2007). Markets in mainland Spain in particular remained challenging and continued to deteriorate throughout 2008. Average selling prices were relatively stable at £270,000, reflecting a continuing impact of completions from our Gibraltar business.

- *Corporate*

  Revenue in 2008 from our Corporate (including the continuing Construction business) segment fell by 4.2% to £36.2 million (compared to £37.8 million in 2007) due to the reduced revenue from our remaining construction business.

Cost of sales before exceptional items

Cost of sales before exceptional items in 2008 decreased by 8.9% to £3,138.2 million (compared to £3,443.8 million in 2007) principally as a result of lower activity levels across the Group. In 2008, cost of inventories recognised as an expense in cost of sales before exceptional items was £2,946.9 million (compared to £3,285.8 million in 2007).

Net operating expenses before exceptional items

Net operating expenses before exceptional items in 2008 decreased by 7.3% to £240.8 million (compared to £259.8 million in 2007), principally as a result of an increase in the level of net other income (which includes profits on the sale of property, plant and equipment and broker fees from mortgage origination services).

Administration expenses in 2008, which principally relate to the costs of staff and property at our regional and corporate offices, remained relatively flat at £269.0 million compared to £270.7 million in 2007.

Net other income increased by 258.3% to £25.8 million in 2008 (compared to a £7.2 million increase in 2007) due to one-off income items including the retention of deposits on cancelled home purchases, the sale of plant and equipment by our Ghanaian operations and the sale of a golf course in Canada.

We also recorded a total of £871.7 million (compared to £90.0 million in 2007) in exceptional items other than those related to land and work-in-progress write downs and before finance costs and tax, comprising £699.8 million of goodwill impairment (compared to a nil goodwill impairment in 2007), £116.3 million of other intangible impairments (compared to £30.0 million in 2007), £35.1 million of restructuring costs (compared to £60.0 million in 2007) and £20.5 million of refinancing costs in 2008 (compared to nil refinancing costs in 2007).

Profit on ordinary activities before finance costs, exceptional items and amortisation of brands, after joint ventures

Profit on ordinary activities before finance costs, exceptional items and amortisation of brands decreased by 79.2% to £96.3 million (compared to £462.6 million in 2007) due to material reductions in profitability in Housing United Kingdom, as well as reductions in profitability in Housing North America and Housing Spain and Gibraltar.

Housing United Kingdom profit on ordinary activities before finance costs, exceptional items and amortisation of brands was £53.0 million, a decrease of 87.3%, compared to £418.2 million in 2007. This decrease reflected the impact of challenging market conditions on our operations, in terms of lower home completions and average selling prices and decrease in operating margin to 2.2% (compared to 13.7% in 2007) which outweighed the increased scale of the business following the Merger.

Housing North America's profit on ordinary activities before finance costs, exceptional items and amortisation of brands in 2008 decreased by 11.3% to £59.9 million (compared to £67.5 million in 2007) as the increased scale of the business was outweighed by the ongoing deterioration in US market conditions, which caused our revenues to decrease by more than our cost of sales. Operating margins declined marginally from 6.8% in 2007 to 6.1% in 2008, reflecting the ongoing market weakness.

In our Housing Spain and Gibraltar segment we recorded a loss on ordinary activities before finance costs, exceptional items and amortisation of brands of £(2.4) million in 2008 compared to a profit of £2.2 million in 2007, reflecting ongoing market weakness. Operating margins were (4.0)% in 2008, compared to 3.4% in 2007 reflecting the ongoing market weakness.

The Corporate (including the continuing Construction business) business delivered a loss on ordinary activities before finance costs and exceptional items of £(14.2) million (compared to a loss of £(25.3) million in 2007) with the 43.9% decrease reflecting an improved financial performance from the

Ghanaian construction activities. During 2008, exceptional items of £20.5 million (compared to no exceptional items recorded in 2007) were incurred as a result of the refinancing, and are discussed below.

Amortisation of brands before exceptional items

Amortisation of brands before exceptional items was £2.4 million in 2008, principally relating to amortisation of brands acquired as part of the Merger, compared to £3.7 million in 2007.

Exceptional items

£1,884.5 million of exceptional items, before finance costs and tax, were incurred during 2008, compared to £379.7 million in 2007.

Of this, £699.8 million related to the impairment of goodwill and £116.3 million related to the impairment of other intangible assets (see note 13 to the Group 2008 Financial Statements). £35.1 million related to restructuring costs as a result of further restructuring of the Housing United Kingdom business in response to the deteriorating market conditions during 2008 following on from the post-Merger reorganisation of the business in 2007 (the costs incurred in both years include redundancy costs and costs incurred in relocating certain functions and operations; a provision of £22.1 million (compared to £33.6 million in 2007) remains in the balance sheet at 31 December 2008). A further £20.5 million was related to refinancing costs incurred in relation to the proposed equity raising in the first half of 2008 and in relation to refinancing of the Group's debt.

Due to the significant deterioration in market conditions experienced in the US housing market in 2007 and in the UK, US and European housing markets in 2008 (which resulted in lower pricing required to maintain satisfactory sales rates in the UK, US and European markets), we conducted regular reviews of the carrying value of its land holdings. As a result of these reviews, the Group took land and work-in-progress write-downs totalling £1,012.8 million during 2008 (compared to £289.7 million in 2007), which increased costs of sales. Of this, in 2008, we recorded write downs of £904.4 million (compared to no write downs recorded in 2007) in respect of the UK, £71.1 million (compared to write downs of £283.4 million in 2007) in respect of the US and £37.4 million, compared to £6.3 million in 2007, in respect of Spain. The write-downs were required to reduce the carrying value of some of our inventory to the lower of cost and net realisable value.

Share of results of joint ventures

Our share of post tax results from joint ventures in 2008 decreased by 67.5% to £7.6 million, compared to £23.4 million in 2007. Our joint venture holdings represent housing developments in which we partner with either a land owner or another development company. In 2008, we had four principal joint ventures, compared to five in 2007.

Net finance costs

Finance costs, net of interest receivable of £8.5 million (compared to £9.0 million in 2007) for 2008 were £179.1 million (compared to £112.8 million in 2007). This 58.8% increase is explained in terms of its component parts as follows: (1) interest on borrowings from financial institutions and debenture holders totalled £127.9 million), which increased by 37.1% primarily due to the higher average net debt level (our average net debt for 2008 was £1,821.9 million, (compared to £1,197.1 million in 2007) reflecting the first full year of the enlarged business); (2) a notional interest charge on the pension liability of £11.7 million compared to £3.8 million in 2007; (3) a mark-to-market loss on interest rate derivatives of £10.8 million compared to £5.4 million in 2007, relating to revaluing interest rate swaps that were not designated as hedging instruments; and (4) a total of £26.7 million, compared to £19.3 million in 2007, charged for imputed interest on land creditors as required by IFRS and exceptional accelerated amortisation of lenders fees of £10.5 million (nil recorded in 2007).

The £10.5 million exceptional item in finance costs relates to the write-off of the remaining unamortised bank loan and debenture fees relating to our financing arrangements, which were in place throughout 2008. The amortisation of these fees was accelerated due to the refinancing of our debt arrangements.

Loss on ordinary activities before taxation

As a consequence of the above, we recorded a loss on ordinary activities before taxation of £(1,969.7) million, compared to a loss of £(33.6 million) in 2007.

Taxation

The tax credit for 2008 was £76.6 million, compared to a tax charge of £(173.4) million in 2007, primarily as a result of a significant exceptional tax credit in respect of exceptional items of £100.0 million, (compared to a 2007 tax charge of £70.2 million. This exceptional tax credit consisted of a credit of £91.6 million, (as compared to £14.9 million in 2007) in respect of UK tax and a credit of £8.4 million (as compared to a charge of £85.1 million in 2007) in respect of US tax. The pre-exceptional tax rate for 2008 was 31.3%, compared to 29.8% in 2007.

As at 31 December 2008, we had unrecognised potential deferred tax assets relating to inventory write-downs, pension liabilities and tax losses carried forward amounting to £248.3 million (nil recorded in 2007) in the UK, £303.6 million, as compared to £189.4 million in 2007), in the US and £17.3 million, as compared to £9.7 million in 2007), in other jurisdictions. Subject to certain constraints, local tax legislation permits losses to be carried forward 20 years in the US, 15 years in Spain and indefinitely in the UK.

The following table shows the breakdown of current and deferred tax charge for the years ended 31 December 2008 and 2007:

		Year ended 31 December	
		2007	2008
		(£ million)	
Current tax			
UK Corporation tax:	Current year	85.6	(124.3)
	Prior years	(9.4)	6.0
Relief for foreign tax:		(5.0)	—
Foreign tax			
	Current year	18.0	(22.8)
	Prior years	16.9	—
		106.1	(141.1)
Deferred tax			
UK:	Current year	(8.6)	32.7
	Prior years	4.9	—
Foreign:	Current year	80.9	31.8
	Prior years	(9.9)	—
		67.3	64.5
		173.4	(76.6)

Notes:

(1) Corporation tax for 2008 is calculated at 28.5% (2007: 30%) of the estimated assessable loss (2007: profit) for the year in the UK.

(2) Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

(3) Deferred tax recognised in our statement of recognised income and expense is due to actuarial gain on post-retirement liabilities at the prevailing rate in the relevant jurisdiction, and the write-off of the deferred tax asset relating to post-retirement liabilities. This includes the effect of the change in the UK rate of corporation tax from 30% to 28% from 1 April 2008.

Profit for the year from discontinued activities

On 9 September 2008, we disposed of Taylor Woodrow Construction Limited, the results of which have been presented as discontinued. For 2008, we recognised a profit from discontinued activities of

£53.1 million as compared to £10.3 million in 2007. The analysis of the results of operations from Taylor Wimpey Construction Limited is as follows:

	Year ended 31 December	
	2007	2008
	(£ million)	
Revenue	571.5	453.4
Expenses	(558.1)	(451.3)
Profit on ordinary activities before finance costs and taxation	13.4	2.1
Net interest receivable	0.7	0.1
Profit on ordinary activities before taxation	14.1	2.2
Taxation	(3.8)	(4.7)
(Loss) after tax discontinued operation	10.3	(2.5)
Gain on disposal of discontinued operation	—	55.6
Tax on gain on sale	—	—
Profit from discontinued operation	10.3	53.1

Loss for the year

Our overall loss in 2008 increased by 835.4% to a loss of £(1,840.0) million compared to a loss of £(196.7) million in 2007.

Liquidity and Capital Resources

In April 2009 we concluded a significant restructuring of our debt financing arrangements under which we aligned the terms of all of our debt originally scheduled to mature prior to 3 July 2012 to 3 July 2012 (and holders of longer-dated debt have the option to call for redemption on such date) and agreed revised financial and operational covenants and financing terms.

Following an equity raise of £510.1 million in June 2009, we reduced these borrowings and committed facilities by £500 million. As at 4 July 2010, we had access to over £1.9 billion of committed funding either maturing or capable of being called for repayment on 3 July 2012.

Following the Refinancing, our committed funding will further reduce to £1.3 billion which we are confident is sufficient to meet our requirements and commitments for the foreseeable future. The New Facilities and the Fund Facility will also have differing maturity dates in order to reduce the future refinancing risk as set out in the section "Financial Market Risk—Liquidity Risk" below.

The following table shows our net debt position as at 31 December 2007, 2008 and 2009, and 30 June 2009 and 4 July 2010:

	As at 31 December			As at	
	2007	2008	2009	30 June 2009	4 July 2010
			(£ million)		
Cash and cash equivalents	130.0	752.3	132.1	72.7	254.1
Bank overdrafts and bank loans	(720.7)	(1,312.5)	(161.1)	(393.1)	(146.4)
Debenture loans	(824.7)	(969.1)	(721.9)	(713.3)	(741.6)
Net debt	(1,415.4)	(1,529.3)	(750.9)	(1,033.7)	(633.9)
Undrawn committed facilities	1,192.9	410.9	1,078.3	857.0	1,088.0

Net debt was approximately £720 million as at 16 November 2010 compared with £633.9 million at 4 July 2010. There has been no material change to net debt since this date.

Net debt as a percentage of equity was 42.2% at 4 July 2010 compared with 50.0% at 31 December 2009, 91.4% in 2008, and 38.2% in 2007.

Cash flow analysis for the Group

The selected cash flow information for the Group presented for the years ended 31 December 2009, 2008 and 2007 below has been extracted without material adjustment from the Group 2009 Financial Statements and Group 2008 Financial Statements. The selected cash flow information for the

Group presented for the 2010 and 2009 half years has been extracted without material adjustment from unaudited consolidated half year financial statements of the Group for the 2010 and 2009 half years.

	Year ended 31 December			Half year ended		12 month period ended
	2007[1]	2008[1]	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Profit on ordinary activities before finance costs	69.2[2]	(1,796.1) [2]	(543.0)	(579.7)	76.3	113.0
Non-cash exceptional items	319.7	1,828.9	527.5	527.5	—	—
Adjustments for:					—	—
Amortisation and depreciation	14.0	14.6	4.2	2.5	1.7	3.4
Other operating cashflows	33.5	13.8	(1.9)	13.7	(14.0)	(29.6)
Operating cash flows before movements in working capital	436.4	61.2	(13.2)	(36.0)	64.0	86.8
Decrease (increase) in inventories	(316.0)	393.7	735.0	309.1	87.4	513.3
(Increase)/Decrease in receivables	38.9	135.9	25.4	16.3	(0.2)	8.9
(Decrease)/increase in payables	(81.6)	(390.8)	(432.6)	(358.1)	(19.9)	(94.4)
Pension contributions in excess of charge	(30.0)	(44.1)	(44.7)	(12.7)	(11.8)	(43.8)
Cash generated by/(used in) operations	47.7	155.9	269.9	(81.4)	119.5	470.8
Income taxes received/(paid)	(127.3)	112.6	109.1	115.5	44.3	37.9
Interest paid	(83.7)	(114.9)	(172.7)	(109.7)	(40.3)	(103.3)
Net cash from/(used in) operating activities	(163.3)	153.6	206.3	(75.6)	123.5	405.4
Investing activities						—
Interest received	2.3	11.0	10.0	4.8	0.4	5.6
Fixed asset and investment net (expenditure)/proceeds	3.3	4.2	(1.0)	0.4	(2.8)	(4.2)
Interests in Joint ventures	31.9	2.5	7.4	(7.3)	5.9	20.6
Subsidiary acquisitions and disposals	31.0	(11.9)	(2.8)	(2.8)	—	—
Net cash from investing activities	68.5	5.8	13.6	(4.9)	3.5	22.0
Financing activities						—
Dividends paid	(117.3)	(107.9)	—	—	—	—
Dividends paid by subsidiaries to minority shareholders	(1.1)	(0.7)	—	—	—	—
Proceeds from sale of own shares	4.7	2.7	510.1	510.1	—	—
Other	—	—	(0.5)	—	—	(0.5)
Purchase of own shares	(251.6)	—	—	—	(0.1)	(0.1)
Net bank loans	139.2	—	(1,124.9)	(905.3)	(7.5)	(227.1)
Net debentures	204.1	(1.4)	(200.4)	(198.4)	—	(2.0)
Increase/(decrease) in bank overdrafts	0.5	525.7	—	—	—	—
Net cash from/(used in) financing activities	**(21.5)**	**418.4**	**(815.7)**	**(593.6)**	**(7.6)**	**(229.7)**
Net increase/(decrease) in cash and cash equivalents	**(116.3)**	**577.8**	**(595.8)**	**(674.1)**	**119.4**	**197.7**
Cash and cash equivalents at beginning of period	236.5	130.0	752.3	752.3	132.1	72.7
Effect of foreign exchange rate changes	9.8	44.5	(24.4)	(5.5)	2.6	(16.3)
Cash and cash equivalents at end of period	**130.0**	**752.3**	**132.1**	**72.7**	**254.1**	**254.1**

Notes:

(1) The 2007 and 2008 cashflow numbers include cashflows from Taylor Wimpey Construction that was disposed of on 9 September 2008.

(2) These figures represent profit including discontinued operations pursuant to the disposal of Taylor Wimpey Construction.

As a result of the movements detailed in the table above, our net debt position increased from £1,415.4 million at 31 December 2007 to £1,529.3 million at 31 December 2008, and reduced to £1,033.7 at 30 June 2009, £750.9 million at 31 December 2009, and to £633.9 million at 4 July 2010.

Comparison of the cash flows of the Group for the period ended 4 July 2010 and the period ended 30 June 2009 (as reported in the Group half year results for the period ended 4 July 2010)

Cash flows from operating activities

The Group generated £64.0 million of operating cash inflow before working capital movements in the period ended 4 July 2010 compared to £36.0 million cash outflows for the period ended 30 June 2009 due predominantly to improved profitability.

Working capital cash flow was £55.5 million inflow for the period ended 4 July 2010 which was a £100.9 million improvement against the £45.4 million cash outflow recorded in the comparative period. Pension contribution payments have remained relatively similar across the periods.

In both periods the Group benefited from one off tax receipts following the losses from inventory write-downs recorded in earlier years.

Cash flows from investing activities

The Group's cash flows from investing activities for the period ended 4 July 2010 was an inflow of £3.5 million compared to an outflow of £4.9 million in the comparative period, an improvement of £8.4 million.

Cash flows from financing activities

In the period ended 4 July 2010 the Group incurred £7.6 million of cash outflow which was significantly lower than the £593.6 million expended in the period ended 30 June 2009. Which was due to £1,103.7 million debt and debenture repayments offset by £510.1 million generated from the placing and open offer.

Comparison of the cash flows of the Group for the years ended 31 December 2009 and 31 December 2008 (as reported in the Group 2009 Financial Statements)

Cash flows from operating activities

The Group had a £13.2 million cash outflow from operating activities before working capital movements in the year ended 31 December 2009. This was £74.4 million lower than the comparative year of £61.2 million.

Working capital cash inflows were £283.1 million in the year ended 31 December 2009 compared to £94.7 million in the comparative year. This improvement of £188.4 million was predominantly due a decrease in inventories.

Cash flows from investing activities

The Group's cash flows from investing activities for the period ended 31 December 2009 was an inflow of £13.6 million compared to an inflow of £5.8 million in the comparative period, an improvement of £7.8 million.

Cash flows from financing activities

In the year ended 30 December 2009 the Group incurred £815.7 million cash outflow compared to £418.4 million inflow in the year ended 31 December 2008, a reduction of £1,234.1 million. This was due to £1,325.3 million of debt and debenture repayments made in 2009 following the refinancing agreement in April 2009 and the equity raising in June 2009.

Comparison of the cash flows of the Group for the years ended 31 December 2008 and 31 December 2007 (as reported in the Group 2008 Financial Statements)

Cash flows from operating activities

The Group had a £61.2 million cash inflow from operating activities before working capital movements in the year ended 31 December 2008. This was £375.2 million lower than the comparative year of £436.4 million.

Working capital cash inflows were £94.7 million in the year ended 31 December 2008 compared to £388.7 million outflow in the comparative year. This improvement of £483.4 million was predominantly due a decrease in inventories and collection of receivables in the year.

Cash flows from investing activities

The Group's cash flows from investing activities for the period ended 31 December 2008 was an inflow of £5.8 million compared to an inflow of £68.5 million in the comparative period, a reduction of £62.7 million. This reduction was due to lower receipts from joint venture operations and a one-off gain following the acquisition of George Wimpey plc in 2007.

Cash flows from financing activities

In the year ended 30 December 2008 the Group incurred £418.4 million cash inflow compared to £21.5 million outflow in the year ended 31 December 2007, an improvement of £439.9 million.

External sources of funding, financing and indebtedness

We seek to maintain a balance between certainty and flexibility of funding through the use of term borrowings, overdrafts and committed revolving credit facilities.

We operate within policies and procedures approved by the Board. Our capitalisation policy, which was established in 2007, set overall parameters for the consolidated capital structure designed to maintain a strong credit rating for the business and an appropriate funding structure for the assets based on a minimum interest cover and a maximum gearing. Equity, retained profits and long-term fixed interest debt have historically been used to finance intangible assets, fixed assets and land. Short-term borrowings are primarily used to finance net current assets, other than landbank assets of more than one year, and work-in-progress. In addition to term borrowings and overdraft facilities, we have access to committed revolving credit facilities and we have accessed the capital markets from time to time.

We seek to match long-term assets with long-term funding and short-term assets with short-term funding. Strict controls are exercised on the use of financial instruments in managing our financial risk. We do not undertake speculative or trading activity in financial instruments or foreign currencies.

Our main treasury function is centralised in the UK, with local treasury operations in place in the main geographic locations to facilitate cash management. All treasury operations must remain in compliance with our policy and are closely monitored by our treasury department.

External Borrowings

Financial assets and financial liabilities

The Existing Bank Facilities Agreements restrict us from entering into new hedging transactions in respect of interest rates and foreign currency exposure other than spot foreign exchange contracts or forward foreign exchange contracts for a maximum period of three months.

The tables below set out the carrying values of our financial assets and financial liabilities at 31 December 2009 and 2008:

	As at 31 December	
	2008 Carrying Value	2009 Carrying Value
	(£ million)	
Financial assets		
Derivative financial instruments		
Designated as effective hedging instruments[(1)]	0.4	11.1
Held for trading[(1)]	2.7	—
Cash and cash equivalents[(2)]	752.3	132.1
Loans and receivables:		
Land receivables[(2)]	55.6	21.0
Trade and other receivables[(2)]	95.4	121.6
Mortgage receivables[(2)]	31.7	41.7
	938.1	327.5

	As at 31 December	
	2008 Carrying Value	2009 Carrying Value
	(£ million)	
Financial liabilities		
Derivative financial instruments		
Derivative financial instruments[(1)]	1.8	—
Held for trading	12.6	12.9
Amortised cost:		
Bank loans and overdrafts	1,312.5	161.1
Land creditors[(2)]	645.3	325.7
Trade and other payables[(2)]	701.1	577.8
Debentures'	969.1	721.9
	3,642.4	1,799.4

Notes:

(1) Derivative financial instruments are carried at fair value. The fair values are derived from inputs that are observable for the asset or liability either directly or indirectly and relevant for the term, currency and instrument and are therefore Level 2 as described in the IFRS 7 update effective 1 January 2009.

(2) The Directors consider that the carrying amount recorded in the financial statements approximates their fair values.

(3) Details of fair values of debenture loans are provided above under "Liquidity and Capital Resources—External sources of funding, financing and indebtedness—Loan Debentures".

The table below sets out information on our derivatives at 31 December 2009 and 2008:

	2008 Notional amount	2008 Weighted average fixed	2009 Notional amount	2009 Weighted average fixed
	(in millions)		(in millions)	
Financial assets				
Designated as held for trading:				
Floating £ to fixed £ interest	£185.0	5.28%	£185.0	5.28%
Fixed USD to floating USD interest	USD145.0	5.16%	—	—
Designated as hedging instruments:				
USD160.5m floating USD to field USD interest	£100.0	6.63%	£100.0	6.63%

In addition, at 31 December 2009, forward contracts had been entered into to hedge transaction risks on intra-Group loans to buy against Sterling: USD37 million, €2.5 million and CAD54.5 million, as compared to USD nil, €2.5 million and CAD nil in 2008. The fair values of the forward contracts

are not material as they were entered into on or near 31 December 2009 and mature not more than one month later.

	As at 31 December	
	2008	2009
	(£ million)	
Profit before tax has been arrived at after charging/(crediting) the following gains and losses:		
Changes in fair value of financial liabilities designated as effective hedged items	6.9	(0.5)
Change in fair value of derivatives designated as effective hedging instruments	(6.9)	0.5
Change in fair value of derivatives classified as held for trading	(10.8)	(2.1)
	(10.8)	(2.1)

Pensions

We operate both defined benefit and defined contribution pension schemes. The principal defined benefit schemes are in the UK and are the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS). Both the TWGP&LAF and the GWSPS are closed to new members and future accrual. The fair value of the assets less the present value of obligations of the Group's defined benefit schemes, based on assumptions established in accordance with IAS 19, resulted in a gross deficit before deferred tax as at 4 July 2010 of £418.1 million, as compared with a gross deficit of £406.4 million as at 31 December 2009 and £277.2 million as at 31 December 2008. The gross deficit before tax increased to £418.1 million as at 4 July 2010, mainly as a result of a loss on expected asset returns. The 4 July 2010 balance sheet also includes a gross post-retirement health care liability of £2.8 million as compared to £2.9 million as at 31 December 2009 and £2.6 million as at 31 December 2008.

In 2008, we agreed revised funding schedules with the trustees of both schemes under which we will make annual funding contributions of £20 million over eight years in respect of the TWGP&LAF and £25 million over ten years in respect of GWSPS. Following the last valuation of the GWSPS, the ordinary contribution rate was set at 18% of pensionable salaries. These deficit reduction payments remain unchanged.

The Group has agreed that, following the Refinancing becoming effective, it will contribute an additional £37.5 million to the TWGP&LAF and an additional £37.5 million to the GWSPS. It has also agreed that, in the event of any future disposal of its US or Canadian business, it will contribute a sum equal to 5% of the gross proceeds (net of cash sold) to the TWGP&LAF, subject to a cap of £16.25 million in relation to all such disposals and a cap of £3.75 million in relation to any disposal of its Canadian business if that disposal occurs before a disposal of its US business. A similar undertaking in respect of US and Canadian disposals has been given to the trustees of the GWSPS.

Payments to the TWGP&LAF and GWSPS will be reviewed at each financial valuation. The next financial valuations (which will be as at 31 March 2010 for both schemes) are due to be completed no later than 30 June 2011.

Our significant defined benefit schemes were actuarially assessed for the half year ended 4 July 2010. Following the consultation period in respect of the proposed cessation of the defined benefit accrual in the GWSPS, it was closed to future accrual on 31 August 2010. This has resulted in a reduction of £12.0 million in the net deficit and has been reflected in the operating results for the period. We have completed a mortality study of its post retirement benefit participants, which has resulted in the mortality assumption for the GWSPS being reduced by one year with an associated liability reduction of £24.0 million.

As reported in the 2009 Group Financial Statements, formal triennial actuarial valuations of the TWGP&LAF and GWSPS began on 31 March 2010 and are ongoing.

Landbank and Inventory

The following is a summary of our landbank, expressed in number of plots as at 4 July 2010, 31 December 2009 and 2008. The number of plots represented by strategic land represents

management estimates based on assumptions regarding relevant factors such as development, density and planning requirements.

	As at 31 December 2008		As at 31 December 2009		As at 4 July 2010	
	Owned, controlled and pipeline plots of land	Strategic land held	Owned, controlled and pipeline plots of land	Strategic land held	Owned, controlled and pipeline plots of land(1)	Strategic land held(2)
Housing United Kingdom	75,409	90,075	66,800	84,865	64,848	83,924
Housing North America	29,178	—	29,062	—	30,435	—
Housing Spain and Gibraltar	2,121	—	1,901	—	1,818	—
Total	**106,708**	**90,075**	**97,763**	**84,865**	**97,101**	**83,924**

Notes:

(1) Pipeline plots are those plots of land that we are in discussions to acquire but in respect of which we do not have ownership rights. Accordingly, they are not recorded in inventory on our balance sheet. As at 31 December 2009, our pipeline plot holdings were 711 plots, as compared to 492 in 2008 (all in the UK).

(2) Strategic land held comprises land that currently does not have any form of planning consent.

Land is a scarce resource in most of our markets in normal market conditions and we seek to maintain an appropriate level of land either owned or held under options to provide sufficient certainty to plan our business without tying up too much capital.

The use of options provides us with the ability to control land, without the requirement to commit our capital (other than the costs of obtaining options) and in most cases without taking on the risk of obtaining a planning consent. In most cases, the option will become exercisable at the point at which a suitable, implementable planning consent has been obtained. Due to the unpredictable nature of the planning process, there is no guarantee that such a consent will be obtained within a particular timescale or at all. Further detail on the land-buying process is set out in "The Land-buying Process".

As a result of the strength of our landbank, and given an uncertain UK market, we suspended entering into new commitments to purchase land in the UK in late 2007 and did not enter into any commitments to purchase land in the UK in 2008 or in the first half of 2009. As our markets have improved, we have returned to being active in the land markets.

In the UK, we have approved the purchase of 3,841 new plots during the first half of 2010, replenishing the majority of the plots completed during the period. These are in addition to the 3,003 plots approved for purchase in the second half of 2009. The number of such opportunities has started to increase slowly and, whilst we remain sensibly cautious about major land investments, we expect to continue to grow our level of new land purchases.

In North America, as activity levels increase in the US land markets, we remain focused on selective deals where we can earn strong returns over the medium term. We have approved the purchase of 3,723 plots during the second half of 2009 and 2,649 plots during the first half of 2010.

As at 4 July 2010, 31 December 2009 and 31 December 2008, our obligations to land creditors were due as follows:

	As at 31 December		As at 4 July
	2008	2009	2010
		(£ million)	
Due within one year	355.2	124.3	147.3
Due in more than one year	290.1	201.4	168.3
Total	**645.3**	**325.7**	**315.6**

The majority of these obligations are denominated in pounds sterling: £278.2 million for the first half of 2010, as compared to £275.6 million and £552.5 million for 2009 and 2008, respectively; and as at 4 July 2010 £175.7 million, as compared with £195.0 million for 2009 and £492.0 million for 2008, was secured against land acquired for development, or supported by bond or guarantee.

We have a policy of selling land which is surplus to our requirements or where it is otherwise advantageous for us to do so. A number of land sales were undertaken opportunistically during 2009 in respect of land that we identified as surplus to our requirements although generally the market for land was very depressed with sale prices down and sales volumes materially down on previous years. In 2009, land sales generated £58.3 million of revenue, as compared to £89.4 million for 2008. Many potential buyers are either currently out of the market or seeking to buy land at distressed purchase prices.

Where we buy land, we capitalise the full amount of the acquisition cost on the balance sheet on the date of completion of the acquisition. To the extent that deferred payment terms are agreed on land acquisitions, these are recognised as land creditors on the balance sheet. Where we control land through options, we capitalise the cost of the option at the point at which we enter into the option contract. Similarly, subsequent expenditure to enhance the value of the land (for example, planning permission fees) is capitalised. Capitalised option costs and enhancement expenditure are carried at the lower of cost and net realisable value and are reviewed monthly. Where an option is impaired, expired, or where it becomes clear that a purchase of land under option will not proceed to completion, it is expensed as soon as possible through the income statement. At the point at which the option is exercised, the amortised option cost is written back through the income statement and capitalised, together with other expensed costs.

Land is carried on the balance sheet at the lower of historic cost and net realisable value. In housing markets where home price declines are prevalent, there is an increased risk of land write-downs being required as a result of net realisable values falling below historic cost. In 2009, we recorded a write down of the value of our landbank and work-in-progress of £527.0, as compared to £1,012.8 million in 2008, primarily because, whilst market conditions were stable, there remained the possibility of further increases in unemployment, continuing scarcity of mortgage finance and the prospect of interest rates rising from their current historic lows. We considered it appropriate to adjust downward some of the previous assumptions in relation to future selling prices. We also reviewed in detail and revised where appropriate the previous assumptions for costs and other risks.

The following table sets forth our inventory based on carrying value as at 31 December 2009 and 2008 and as at 4 July 2010:

	As at 31 December		As at 4 July
	2008	2009	2010
	(£ million)		
Raw materials and consumables	1.5	1.6	1.6
Finished goods and goods for resale	34.4	12.1	18.7
Residential developments: Land[(1)]	3,410.3	2,341.8	2,254.1
Development and construction costs	1,438.8	1,242.8	1,264.8
Commercial, industrial and mixed development properties	5.6	5.0	6.7
Total	**4,890.6**	**3,603.3**	**3,545.9**

Note:

(1) Non-refundable land option payments of £81.2 million are recorded within residential developments: land as at 31 December 2009, as compared to £81.3 million as at 31 December 2008.

Quantitative and Qualitative Disclosure about Market Risk

Operating leases

As at 31 December 2009, we had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fell due as follows:

	As at 31 December	
	2008	2009
	(£ million)	
Within one year	8.4	7.0
In more than one year but not more than five years	26.6	22.4
After five years	12.3	19.5
Total	**47.3**	**48.9**

Operating lease payments principally represent rentals payable by us for certain office properties and vehicles.

Off Balance Sheet Arrangements and Contingent Liabilities

We had no off balance sheet arrangements at 4 July 2010, 31 December 2009, 31 December 2008 or 31 December 2007, as determined for purposes of IFRS-EU.

We had no funding arrangements in respect of our joint ventures that were classified as a contingent liability under IFRS-EU as at 31 December 2009. The Issuer and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to our own contracts and given guarantees in respect of our share of certain contractual obligations of joint ventures.

Financial Market Risk

Our activities expose us to the financial risks of changes in both foreign currency exchange rates and interest rates. We aim to manage the exposure to these risks by the use of fixed or floating rate borrowings, foreign currency borrowings and, within the terms of its renegotiated debt facilities, derivative financial instruments.

It is our preference to manage market risks without the use of derivatives, but they may be used, if permitted, where we believe necessary and appropriate to reduce the levels of volatility to both income and equity. The Existing Bank Facilities Agreements restrict us from entering into new hedging transactions in respect of interest rates and foreign currency exposure other than spot foreign exchange contracts or forward foreign exchange contracts for a maximum period of three months. The New Facilities will permit the use of non-speculative derivatives for hedging purposes.

Interest rate risk management

We are exposed to interest rate risk as we borrow funds at both fixed and floating interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. A combination of fixed-rate borrowings and interest rate swaps are used to manage the volatility risk such that at the year end, taking all interest rate derivatives into account, fixed rate borrowings are not more than 70% of total borrowings but not less than 50%. Our policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility.

In order to measure the risk, floating rate borrowings and the expected interest cost for the year are forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year although our fixed rate exposure is currently in excess of policy. At 31 December 2009, we had £802.0 million of fixed rate exposure, as compared to £827.1 million for 2008, equivalent to 107% of net debt, as compared to 62% in 2008. After refinancing with the New Facilities, our fixed rate borrowings will reduce by approximately £386 million.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with policy.

The cross-currency, fixed to floating Interest Rate swaps have been bifurcated for hedging purposes and designated as fair value hedges such that we receive interest at a fixed rate of 6.625% based on a nominal value of £100 million matching the underlying borrowing and pays US Dollar floating rates on a nominal value of USD160.5 million. The hedge was 100% effective in 2009 (as it was in 2008), in hedging the fair value exposure to interest rate movements and, as a result, the carrying amount of the loan was increased by £4.9 million, compared to a reduction of £6.9 million in 2008 which was included in the income statement offsetting the fair value movement of the bifurcated interest rate swap.

A number of derivatives are held which, while providing an economic hedge to the volatility of interest rates, do not satisfy the strict requirements for hedge accounting and are therefore designated as held for trading. These existing derivatives will remain in place post-refinancing with the New Facilities.

Interest rate sensitivity

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at 31 December 2009 for an assumed 1% rise in interest rates was £(0.3) million (as compared to £(5.6) million in 2008) before tax, an assumed 1% fall in interest rates giving the same but opposite effect. For derivatives, the fair values have been calculated based on market quoted rates adjusted for the sensitivity as shown in the tables below.

Due to seasonal fluctuations the level of net borrowings at the financial year end is not representative of net borrowings during the year and therefore interest rate sensitivity before tax for a reasonably possible 1% rise or fall in the interest rates on floating rate instruments as shown below is based on a monthly average for the relevant period. The table assumes all other variables remain constant and in accordance with IFRS 7 does not attempt, for example, to include the effects of any resultant change in exchange rates.

	Income sensitivity	
	2008	**2009**
	(£ million)	
1% increase in interest rates		
Derivatives	4.4	3.2
Non-derivatives (based on average for the year)	(9.5)	(4.2)
Total	**(5.1)**	**(1.0)**

	Income sensitivity	
	2008	**2009**
	(£ million)	
1% decrease in interest rates		
Derivatives	(4.6)	(3.3)
Non-derivatives (based on average for the year)	9.5	4.2
Total	**4.9**	**0.9**

Foreign currency risk management

Our overseas activities expose us to the financial risks of changes in foreign currency exchange rates primarily to US Dollars, Canadian Dollars and the Euro.

We are not materially exposed to foreign currency exchange transaction risks as nearly all Group companies conduct their business in their respective functional currencies. Our policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

We are also exposed to the translation risk of accounting for both the income and the net investment held in functional currencies other than the Pound. The net investment risk is partially hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non functional currencies are retranslated each month using the latest exchange rates and resultant exchange gains or losses monitored each month. Income is also measured monthly using the latest exchange rates and compared to a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings the translation risk of income is not hedged using derivatives. The policy is reviewed periodically.

The following table shows how our income and equity would increase/(decrease) on a before tax basis, as a result of 20% (as compared with 20% in 2008 and 10% in 2007) increase in the respective

currencies against the Pound, all other variables remaining constant. A 20% (as compared with 20% in 2008 and 10% in 2007) decrease in the value of the Pound would have an equal but opposite effect.

	Income sensitivity		
	2007	2008	2009
		(£ million)	
US Dollar	(15.1)	(4.4)	(5.4)
Canadian Dollar	0.2	(0.4)	(1.2)
Euro	0.2	0.4	(0.8)
Total	**(14.7)**	**(4.4)**	**(7.4)**

Hedge accounting

We designate the bifurcated cross currency swaps such that the nominal amount of USD160.5 million, the same amount as in 2008, is used to hedge part of the our net investment in US Dollar denominated assets and liabilities.

We have also designated the carrying value of USD287.5 million and €75.0 million, as compared with USD527.5 million and €75.0 million in 2008, borrowings as a net investment hedge of part of our investment in US Dollar and Euro denominated assets, respectively.

Due to net realisable value provisions and derecognition of deferred tax assets in North America, the designated hedging instruments exceeded the carrying value of hedged investments for part of the year 2009 and, in accordance with policy, any exchange gains or losses on the excess hedge were recognised in the income statement. The change in the carrying amount of the derivatives which were effective hedging instruments and the change in the carrying value of the borrowings offset the exchange movement on our US Dollar and Euro net investments were included in the translation reserve.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Our policy is that surplus cash when not used to repay borrowings is placed on deposit with our revolving credit facility syndicate banks and with other banks based on a minimum credit rating. Credit risk on derivatives where the fair value is positive is closely monitored and remains within acceptable limits.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that if the risk is not acceptable then the deferred payment must have adequate security either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management consider that the credit quality of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration risk. A small allowance for credit losses against sundry debtors is held; however, the balance is not material in relation to the gross carrying value of this particular class of financial asset.

Our exposure to credit risk reduced in 2009 compared to the prior year due to the current policy of minimising cash balances in order to reduce carry costs. In 2008, we maintained a higher level of liquidity due to the concerns affecting the banking sector.

The carrying amount of financial assets, as detailed above, represents our maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that we do not have sufficient financial resources available to meet our obligations as they fall due. We manage liquidity risk by regularly monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities and ideally through

the use of term borrowings, overdrafts and committed revolving credit facilities for a minimum of 12 months from maturity. Future borrowing requirements are forecast on a weekly and monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. Following the debt refinancing in April 2009, all bank loans, debentures and revolving credit facilities are capable of being repayable or mature on 3 July 2012. In addition to term borrowings and committed overdraft facilities, we have access to committed revolving credit facilities and cash balances. At 31 December 2009, the total unused committed amount was £1,078.3 million (as compared to £410.9 million in 2008) and cash and cash equivalents of £132.1 million (as compared to £752.3 million in 2008). The total unused committed amount as at 4 July 2010 was £1,088 million.

As at 31 December 2009, the maturity profile of the anticipated future cash flows including interest, using the latest applicable relevant rate available prior to or on 31 December 2009 based on the earliest date on which we can be required to pay financial liabilities on an undiscounted basis, was as follows:

	On demand	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
			(£ million)		
Financial liabilities					
Bank loans and overdraft	12.7	4.4	4.4	150.6	—
Land creditors	—	132.5	90.9	95.4	29.8
Other trade payables	—	414.8	18.1	21.4	—
Debenture loans	—	59.8	59.8	747.3	—
Total	**12.7**	**611.5**	**173.2**	**1,014.7**	**29.8**

Following the debt refinancing with the New Facilities our committed funding will reduce to £1,300 million which we are confident is sufficient to meet our foreseeable needs. The funding will also have different maturity dates in order to reduce the future refinancing risk as set out in the following table.

	Payment Due by Period for New Facilities						
	2010	2011	2012	2013	2014	2015	Total
				(£ million)			
New Facilities							
Tranche A	—	—	—	—	600.0	—	**600.0**
Tranche B	—	—	350.0	—	—	—	**350.0**
New Notes	—	—	—	—	—	250.0	**250.0**
Fund Facility	—	—	—	—	—	100.0	**100.0**
Principal payments	—	—	350.0	—	600.0	350.0	**1,300.0**

The following tables represent the undiscounted cash flow profile of our derivative financial instruments at 31 December 2009 and 2008 and have been calculated using implied interest rates and exchange rates derived from the respective yield curves. Interest rate swaps are settled net and foreign

currency swaps and forward contracts are settled gross except in the case of a default by either party where the amounts may be settled net.

	Net settled derivatives net amount	Gross settled derivatives receivable	Gross settled derivatives payable	Total
	(£ million)			
2009 Derivatives				
Within one year	(7.7)	6.6	(2.6)	**(3.7)**
More than one year and less than two years	(4.7)	6.6	(4.1)	**(2.2)**
More than two years and less than five years	(0.7)	113.3	(107.5)	**5.1**
As at 31 December 2009	(13.1)	126.5	(114.2)	**(0.8)**
2008 Derivatives				
Within one year	(1.6)	9.0	(7.3)	**0.1**
More than one year and less than two years	(4.8)	6.6	(5.4)	**(3.6)**
More than two years and less than five years	(3.4)	113.3	(112.3)	**(2.4)**
In more than five years	(0.8)	—	—	**(0.8)**
As at 31 December 2008	(10.6)	128.9	(125.0)	**(6.7)**

For information on the maturity profile of our non-derivative liabilities, refer to "Contingencies and Commitments".

Critical Accounting Policies and Estimates

The discussion and analysis of our results of operations and financial condition are based on our consolidated financial statements, which have been prepared in accordance with IFRS-EU. The preparation of these financial statements requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. We have summarized below our accounting estimates that require the more subjective judgment of our management in making assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in the combined and consolidated financial statements.

Our significant accounting policies are set forth in Note 1 to the Group 2009 Financial Statements that are set out in this Offering Circular. Revenue recognition and exceptional items are critical accounting policies for us and are discussed above under "Operating results—Description of key income statement items". In addition, the estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value.

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is not probable that they will be exercised.

Estimation of costs to complete

In order to determine the profit that we are able to recognise on the proportion of completions for the period, internal site valuations are carried out for each development at regular intervals throughout the year. The valuations will include an estimation of the costs to complete and remaining revenues which may differ to the actual costs incurred and revenues received on completion.

Carrying value of land and work in progress

In order to assess the appropriateness of the carrying value of land and work-in-progress, we are required to make estimations of sales prices, costs and margins expected on sites in order to determine whether any write-downs are required to ensure inventory is stated at the lower of cost and net realisable value. Given the deterioration in market conditions experienced during 2009, we have undertaken a detailed review on a site-by-site basis of the net realisable value of its land and work-in-progress. As a result, we wrote down the value of its land and work-in-progress in the UK, US and Spain by £527.0 million for the year ended 31 December 2009, as compared to a write-down of £1,012.8 million for the year ended 31 December 2008. If there is further significant weakening in any of our major markets, further write-downs would be required.

Impairment of goodwill and other intangible assets

The determination of whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation involves significant judgement including an estimate of the future cash flows expected to arise from the cash generating unit, the future growth rate of revenue and costs, and a suitable discount rate. The estimates of future cash flows used in the 2008 impairment test performed as at 30 June 2008 reflected the current weak trading conditions in our major markets, and as a result we fully wrote down the value of its goodwill and other intangible assets. Impairment of goodwill may not be reversed. If the current weak trading conditions reverse, the impairment provision relating to other intangible assets may reverse in part or in whole.

Contracting work

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Pensions

The value of plan assets and liabilities is determined based on various long-term actuarial assumptions, including future rates of inflation, salary growth, yields, returns on investments and mortality rates. Changes in these assumptions over time and differences to the actual outcome are required to be reflected in the Group's statement of recognised income and expense.

Note 22 to the Group 2009 Financial Statements provides further detail on the accounting of the Group's defined benefit schemes.

Tax

Aspects of tax accounting require management judgment and interpretation of tax legislation across many jurisdictions, in some cases relating to items which may not be resolved with the relevant tax authority for many years.

In the normal course of our business our tax filings become subject to enquiry and audit by the tax authorities in jurisdictions where we have operations. The enquiries may result in additional tax

assessments, which we aim to resolve through an administrative process with tax authorities and failing that through a judicial process. Forecasting the ultimate outcome involves significant uncertainty.

Management has established internal procedures to review regularly the status of disputed tax assessments and other uncertain tax positions, and utilises such information to determine the range of likely outcomes and establish tax provisions for the most probable outcome. Notwithstanding this, the possibility exists that the amounts of taxes finally agreed could differ from those which have been accrued. In addition we have provided for taxes in situations where tax assessments have not been received, but where it is probable that the tax ultimately payable will be in excess of that filed in tax returns. Such instances can arise where the auditors or representatives of the local tax authorities disagree with our interpretation of the applicable taxation law and practice.

Deferred tax

In determining the carrying amounts of deferred tax assets, management is required to assess the timing of the utilisation of provisions for tax purposes and the extent to which sufficient taxable profit will be available to enable the asset to be recovered.

As at 31 December 2009, we had unused UK capital losses of £409.2 million, as compared to £409.2 million in 2008 of which £271.7 million was agreed as available for offset against future capital profits, same as in 2008. No deferred tax asset was recognised in respect of these losses because the directors did not consider that it was probable that these capital losses would be utilised in the foreseeable future. In addition, some of the capital losses would be further restricted as to offset dependent on the source within the enlarged Group of any gains and previous losses.

In 2009, we did not recognise potential deferred tax assets relating to inventory charges and tax losses carried forward amounting to £375.1 million in the UK (as compared with £248.3 million in 2008), £267.0 million in the US (as compared with £303.6 million in 2008) and £21.4 million in other jurisdictions (as compared to £17.3 million in 2008). Local tax legislation permits losses to be carried forward 20 years in the US, 15 years in Spain and indefinitely in the UK.

Changes in our forecasts of future profitability may change the amount of deferred tax assets that are recognised.

The Finance (No.2) Act 2010, which provides for the reduction in corporation tax rate from 28% to 27% from 1 April 2011, received Royal Assent on 27 July 2010. For accounting periods ending on or after 1 April 2011, the change will need to be accounted for to the extent that deferred tax is recognised on the balance sheet. Further reductions to corporation tax reducing the rate by 1% a year to 24% by 1 April 2014 have been announced but not yet enacted.

Land creditors

As part of our normal operating activities we enter into land purchases where the payment to the seller is on deferred terms that may or not be contingent on achievement of certain planning conditions. These land creditors and the associated land are recorded on our balance sheet only when we are irrevocably committed to purchase the land from the seller or subject to conditions not within our absolute control.

In 2009, we had land creditors of £325.7 million, as compared to £645.3 million in 2008. Where these amounts are payable over more than a year they are discounted using a notional interest rate.

INDUSTRY OVERVIEW

Introduction

Our major homebuilding operations are located throughout the UK and in certain markets in North America (principally Arizona, California, Florida and Texas in the US, and Ontario in Canada). We also build homes in Spain.

The homebuilding industry, which is strongly influenced by the availability of mortgage credit and consumer confidence, was particularly adversely affected by the weakness in the global economy and the recessionary economic and financial environment in 2007 and 2008.

Recent developments in our key markets

The UK

2007

In the UK, the new-build housing market entered into a downturn in the third quarter of 2007, pre-dating the wider recession, when the impact of five successive increases in the Bank of England's base rate of interest between August 2006 and July 2007 and the global credit crisis became evident. Sales rates dropped again after October 2007, when the stability of Northern Rock, one of the UK's largest mortgage lenders, began to be questioned and the Halifax house price index first reported a fall in monthly prices of UK housing.

Four key factors became apparent in the later months of 2007:

- a lack of availability of credit and increased lender restrictions;
- adverse media coverage of the housing market;
- loss of consumer confidence; and
- increasingly cautious mortgage valuations on properties.

2008

In 2008, the UK housing market saw a subdued first quarter followed by a sharp decline in April, and continued to weaken throughout the remainder of the year. This slowdown was driven by an intensification of the four key factors which began in 2007 as described above.

According to the Bank of England, the total value of loans approved for house purchases during 2008 was £69,655 million. This represented a fall of 61.7% compared to £181,822 million in 2007. Whilst the Bank of England's base interest rates fell sharply over the course of 2008, from 5.50% in January to 2.00% in December, the number of applicants able to qualify for new loans was adversely affected by requirements for higher levels of deposits, increasingly cautious mortgage valuations on properties and a general tightening of criteria for mortgage applications.

National house price indices reflected these deteriorating market conditions with sharp declines over the course of 2008. The Nationwide House Price Index showed a fall of 15.9% over the year to an average house price of £153,048, with the Halifax House Price Index recording a fall of 18.9% to an average house price of £159,896.

The housebuilding industry, including housing associations, responded to the downturn by reducing the number of homes started in 2008 to 106,894 (compared to 200,697 in 2007) according to the NHBC. This compares to current forecasts of 252,000 new households being formed per annum in England and Wales alone, and previously stated UK government targets of building 3 million new homes by 2020.

The UK government recognised the importance of the housebuilding industry to the wider UK economy and launched a number of initiatives during 2008 to try to support housebuilding volumes in the face of current downturn. For example, £400 million of UK government funding was allocated to the HomeBuy Direct scheme, which aimed to help up to 18,000 first-time buyers purchase their own homes.

2009

Despite the weak market conditions at the beginning of 2009, the UK housing market showed increased stability over the year. National house price indices reflected this, with annual increases for 2009 following the sharp declines in 2008. The Nationwide House Price Index showed a rise of 5.9% over the year to an average house price of £162,103, with the Halifax House Price Index recording a rise of 1.1% to an average house price of £169,042.

Credit availability gradually improved over the course of 2009, although it remained well below the levels seen in 2007. According to the Bank of England, the total value of loans approved for house purchases during 2009 was £78,398 million, an increase of 11.7% from 2008. During the course of 2009, interest rates were reduced from 2.0% at the start of the year to an historic low of 0.5% in March 2009, where they remained for the rest of the year. However, not all applicants were able to benefit from these rate reductions, as banks continued to charge a significant premium on higher loan to value mortgages. Although there was a slight reduction in the degree of caution in mortgage valuations (which were a downward pressure on prices for much of 2008), reduced valuations remained a constraint on price increases.

Media coverage of the housing market turned more positive during 2009 with a focus on the potential for recovery replacing the concentration on how far prices might fall that was prevalent in 2008. Reflecting this, consumer confidence, whilst still not strong, improved over the course of the year.

Industry volumes fell further during 2009, with the housebuilding industry, including housing associations, starting less than 90,000 homes across the UK during 2009 compared to 106,894 in 2008 and 200,697 in 2007 according to the NHBC. However, the last quarter of 2009 saw an improvement in the number of new starts (up by 64% against the same period of 2008).

The UK government continued its efforts to support the housebuilding industry during 2009. Initiatives included the Kickstart Scheme, which provided funding to start stalled housing developments, HomeBuy Direct, a shared equity scheme to assist first time buyers to purchase a home, and providing additional funding to housing associations.

2010

The UK housing market has shown some volatility in 2010, with monthly rises and falls in average house prices within the period to October 2010.

According to the Nationwide House Price Index, the average house price in October 2010 was £164,381 (a decrease of 1.42% from £166,757 in September 2010, but an increase of 1.41% from £162,103 in December 2009). The Nationwide three-month on three-month rate of change (generally regarded as a smoother indicator of recent price trend) fell to a decline of 1.5% in October 2010 from a decline of 1.0% in September 2010 and from an increase of 2.1% in December 2009. However, the 1.5% rate of decline in October 2010 remains significantly below the 5% to 6% rates of decline on a three-month on three-month measure recorded during the second half of 2008 (the highest rates of decline recorded since the current downturn began).

According to the Halifax House Price Index, the average house price in the third quarter of 2010 was £166,035 (0.9% lower than in the second quarter of 2010, and 1.8% lower than in December 2009). The average house price in October 2010 was £164,919 (1.2% lower than the average house price for the preceding three-month period, and 2.3% lower than at the end of 2009 on a seasonally adjusted basis). However, despite the recent decline, the Halifax House Price Index shows that prices remain above the levels recorded in early 2009, with the average house price in October 2010 being 6.6% (£10,256) higher than in April 2009 (the lowest average house price recorded by the Halifax House Price Index since the recent downturn began in 2007).

The trend in average house prices is consistent with an unwinding of the supply-demand imbalance which drove up prices in 2009 as more sellers returned to the market, buyers had a greater selection of properties to choose from and more bargaining power with which to bid down asking prices. The combination of lower house prices and interest rate reductions to historically low levels has improved housing affordability, but this has been offset by more stringent lending criteria and reduced levels of mortgage approvals.

The housebuilding industry, including housing associations, responded to the current downturn by reducing the number of homes started, from 200,697 homes in 2007 to 106,894 homes in 2008 and controlling stock levels.

Data released by the Department of Communities and Local Government show that there were 98,500 housing starts in England in the 12 months to June 2010 (an increase of 44% over the 12 months to June 2009) and 28,590 seasonally-adjusted housing starts in England in the second quarter of 2010 (an increase of 13% over the first quarter of 2010). However, this compares to the peak of 49,293 seasonally-adjusted housing starts in England in the first quarter of 2007 and to the target published by the UK government in 2007 of 3 million new homes to be built by 2020 (an annual rate of approximately 240,000 new homes). The structural undersupply of new housing in the UK, which existed even before the current downturn began, still remains and industry stock levels remain low.

Mortgage availability remains constrained, with the Bank of England reporting that gross lending for house purchases has been broadly stable over recent months, but below the levels recorded in 2009. In its "Quarterly Bulletin" for the third quarter of 2010, the Bank of England reported that banks had not been passing on the fall in the base rate in full to borrowers. The total number of mortgage products increased by 42% from July 2009 to July 2010, but is still 90% lower than in 2007.

The underlying demand for new housing remains relatively strong, but many of those looking to buy homes are currently unable to obtain an appropriate mortgage or choosing to delay their purchase due to the uncertain economic environment. As such, we believe that the UK housing market remains an attractive environment in which to do business, with a structural undersupply of new housing likely to continue and, when mortgage availability increases and consumer confidence returns, potentially an even greater imbalance between demand and supply.

North America

2007

According to the National Bureau of Economic Research, the expansion of the US economy, which had lasted for 73 months, reached a peak in December 2007 and the US economy subsequently entered recession. However, the housing market downturn started in some states of the US in the fourth quarter of 2005. Initial signs of stabilisation in the first quarter of 2007 were overtaken by the significant reduction in the availability of credit: in March 2007, the NAR recorded a decrease of 13% in sales to 482,000 from the peak of 554,000 in March 2006, and a decrease of 6% in median average selling prices to USD217,000 from a peak of USD230,200 in July 2006.

The NAR further reported that, although total housing inventory decreased by 1.6% month on month to 3.75 million existing homes available for sale at the end of March 2007, this represented 7.3 months' supply at the existing sales pace (compared to the generally accepted view that a stable market would usually have a 5.5 month to 6 month supply).

Of our markets, Texas was the least affected. Whilst Arizona exhibited good demographic and employment trends, it continued to suffer from an oversupply of homes. California saw a sharp increase in the number of foreclosures, although markets in the San Francisco Bay area proved to be more resilient than those in the south of the State. Florida was the worst of our markets, with high levels of housing inventory and potential buyers continuing to delay their purchasing decisions in the expectation of further price falls.

By contrast, our Canadian business continued to benefit from a robust Ontario operating environment. Inventory levels remained in line with normal conditions and the market saw stable volumes and modest price increases over 2007.

2008

Markets in the US continued to be extremely challenging throughout 2008. Although we saw some pockets of stabilisation during the first half, the market weakened during the second half of 2008 and particularly in the wake of the turmoil in the global financial markets.

The NAR reported that the median US house price decreased by 9.6% to USD198,100 in 2008, compared to USD219,000 in 2007, with inventories of homes for sale in the US as at 31 December 2008 representing 10.4 months' supply.

Building permits in Arizona fell by nearly 50% during 2008, with those in California down by nearly 45% (source: US Census Bureau). The Case-Shiller Home Prices Indices reported an average fall of 19% for the 20 metropolitan areas that it covers.

The largest recorded fall of 34% was in Phoenix, Arizona, with markets in California and Florida also showing significant falls. By contrast, the smallest recorded falls for 2008 of approximately 4% were in Texas and Colorado.

There was a significant increase in the number of foreclosures in the US in 2008, which put further pressure on pricing as sellers were forced to compete with discounted foreclosure sales. RealtyTrac reported an 81% increase in US foreclosure activity over 2007 levels, and a 225% increase from 2006 levels.

Nevada, Florida, Arizona and California recorded the highest state foreclosure rates in 2008, according to RealtyTrac. These are states where home prices increased the most during the five-year housing boom before the current downturn.

Our Canadian business, from which we generated 27.6% of our Housing North America revenue in 2008, remained relatively stable in 2008, although it experienced some softening in the fourth quarter.

2009

Housing markets in the US remained very challenging during the early part of 2009, but then showed some improvement. The Case-Shiller Home Price Indices recorded continuing declines for the first four months of 2009, but then an increase in the average home price, albeit with widespread variations between metropolitan areas. For example, markets in Texas and Colorado showed small price increases year on year, with a mixture of small increases and decreases in California. Arizona and Florida showed significant further year on year declines in 2009.

The NAR recorded a median house price of USD172,500 in 2009 (a decrease of 12.9% from 2008). Affordability in many US markets reached record levels. For instance, the affordability ratio (which represents the percentage of households that can afford to buy the median price home) stood at 83.6% in Arizona. In California, which is typically amongst the least affordable markets in the US, the affordability ratio was 52.8% in 2009 compared to 19.9% in 2005. Florida has also shown a marked improvement in affordability, with the ratio rising from 35.2% in 2005 to 66.3% in 2009. Texas, which has not seen such marked fluctuations in house prices over recent years, had an affordability ratio of 63.6% in 2009, broadly in line with the 2005 level of 61.2%.

The number of months of inventory supply continued to fall during 2009. Florida, which was the worst affected of our markets, saw the number of months of supply fall from 19.5 in December 2008 to 11.5 in December 2009. The NAR reported an average of 8.8 months' supply across the US (a decrease of 15.4% from 2008). This was assisted by a further sharp reduction in US single-family housing starts from 622,000 in 2008 to 443,500 in 2009.

RealtyTrac reported a 21% increase in US foreclosures from 2008 levels.

The US government introduced its Homebuyer Tax Credit programme during the year, which entitled qualifying homebuyers to a tax credit of up to USD8,000 if they entered into a binding contract to purchase a home during the life of the programme. This program was initially intended to cease in November 2009, but was subsequently extended to 30 April 2010.

The more robust economic conditions in Canada persisted in 2009. The conservative approach to lending by Canadian banks and the fact that, as in the UK, they have full recourse to customers in the event of default means that there are no significant foreclosure issues in our Canadian markets. House prices in Toronto and Ottawa continued to show growth, rising by 7.15% and 6.25% respectively in 2009. Volumes declined by less than those in the US, with 20,186 detached freehold home starts in the urban centres of Ontario during 2009, down from 28,109 in 2008.

2010

In the second quarter of 2010, the Case-Shiller Home Price Index recorded an increase in average US house prices of 4.4% against the first quarter (a year-on-year increase of 3.6% against the second quarter of 2009). This followed a 1.3% decrease in US house prices in the first quarter of 2010 from

the previous quarter, which (although house prices were still up by 2% compared to the first quarter in 2009) came after three consecutive quarters of increases.

In the third quarter of 2010, the US Department of Housing and Urban Development recorded a median new-home price of USD204,900, a 6.4% decrease from USD218,900 in the second quarter of 2010, and a decrease of 5.1% from the annual median new-home price of USD215,900 in 2009. Department of Housing and Urban Development figures showed a seasonally-adjusted annual rate of 307,000 sales of new single-family houses in September 2010, an increase of 6.6% above the 288,000 annual sales rate in August 2010, but a decrease of 21.5% below the annual sales rate of 391,000 for September 2009.

US Census data shows a seasonally-adjusted annual rate of 610,000 privately-owned housing starts in September 2010 (a 0.3% increase from 608,000 in August 2010 estimate and a 4.1 % increase from September 2009). RealtyTrac reported foreclosure filings on 930,437 properties in the third quarter of 2010 (a 4% increase from the previous quarter, but a 1% decrease from the third quarter of 2009). California recorded the highest foreclosure level in the third quarter of 2010, followed by Florida, Arizona and Illinois. A total of 288,345 properties were repossessed during the third quarter of 2010, an increase of 7% from the previous quarter and an increase of 22% from the third quarter of 2009.

According to the National Association of Home Builders/Wells Fargo Housing Opportunity Index released on 19 August 2010, housing affordability was at its highest level nationwide for the sixth consecutive quarter, with 72.3% of all new and existing homes sold in the second quarter of 2010 being affordable to families earning the national median income of USD64,400. The index for the second quarter of 2010 indicated an increase in affordability from the previous quarter and almost equalled the peak of 72.5% set during the first quarter of 2009.

The Canadian market has continued to perform well and we expect market conditions to remain robust for the foreseeable future. Ontario markets continue to exhibit low levels of supply, and house prices in Toronto and Ottawa have risen over the course of 2010.

Market history

The UK

The UK housing market has historically been cyclical and has experienced two major housing downturns (excluding the current downturn) in the past few decades. During the more recent of these, between 1988 and 1993, annual private completions fell by 29% from 207,423 to 146,700 (source: DCLG). New-build house prices fell by 13% between 1989 and 1992 (source: DCLG). The causes of the downturn experienced in the late 1980s and early 1990s were attributed to several factors including: an artificial boom in both volumes and prices followed by the UK government's removal of double mortgage tax relief (MIRAS) in August 1988; the poor state of the economy, with unemployment rising to 10% in 1992; and an increase in the Bank of England's base interest rates, from 7.5% in May 1988 to 15% in October 1989, as the UK government attempted to keep the exchange rate within the European Exchange Rate Mechanism.

Following the downturn of the late 1980s and early 1990s, new-build house prices remained broadly stable for several years but, between the end of 1997 and the end of 2008, they increased by approximately 170%, representing a compound annual growth rate of 10% (source: DCLG), stimulated by falling borrowing costs and more easily available credit. New-build completions remained relatively stable during the 1990s and then increased by 25% over five years, from 153,312 private completions in 2001–2002 to 191,029 in 2006–2007 (source: DCLG), as private builders increased production to benefit from rising demand and prices.

North America

The US housing market has also been cyclical: for example, between 1987 and 1991, annual new-build completions fell by 35% from 1.7 million to 1.1 million (source: US Census). New-build completions recovered to a peak of two million in 2006 (source: US Census). New-build house prices fell by 6% from a peak in 1990 to a low in 1992, but grew consistently after that until 2007 at a compound average rate of 5% per annum (source: US Census). This growth in prices and volumes in the US was stimulated by low interest rates and the increased availability of credit, particularly to sub-prime borrowers. The market was also stimulated by speculators seeking to benefit from rising prices.

In recent years, the housing market in Ontario, Canada, has been comparatively stable and has not experienced the rapid cyclical rises and falls evident in the UK or the US housing markets. This, in part, is a reflection of conservative bank lending policies and stronger demand dynamics driven by immigration.

Spain and Gibraltar

The Spanish residential construction market has, over the last decade, experienced strong growth tempered by periodic slowdowns. In the last downturn, housing starts fell by 6.1% between 2000 and 2001 (source: Euroconstruct (December 2007)). Demand for new houses reached a high in 2006 and, since then, housing starts have substantially lowered.

We have now completed our exit from the Gibraltar market.

Competitive environment

The housing market in all of the major markets in which we operate is highly competitive, with a large number of competitors for land (in normal conditions), customers and skilled staff.

Driven mainly by a shortage of land and restrictive planning processes, the UK housing market has consolidated significantly in the past few years, resulting in fewer, larger companies operating within the market. Acquisitions were the easiest way for companies to access landbank portfolios. In addition, mergers have allowed economies of scale and cost reduction plans to be implemented while streamlining the interface with the customer and planning authorities.

Since the recent downturn, most companies within the homebuilding sector have been focused on cash flow generation and cutting costs with a number of branch closures and head-count reductions undertaken. In this environment, the Board believes that build quality, customer care, and sales and marketing skills are key differentiators.

Our principal competitors in the UK are: Barratt Developments plc; Bellway plc; Bovis Homes Group plc; Persimmon plc; and Redrow plc. Taylor Wimpey plc is currently the second largest homebuilder in the UK, based on completions.

The US housing market remains relatively fragmented. We are within the top ten US homebuilders by revenue but do not compete nationally. Instead, we aim to operate at scale in a number of large regional markets.

Our chosen markets in North America have historically been characterised by strong population growth and building permit levels. Indeed, we operate in 10 of the 30 largest homebuilding markets in the US and are operations in Canada are in the top three markets in Ontario.

We have a strong position in our chosen markets, with 75% of our 2009 completions in North America coming from markets where we are ranked within the top five. We have grown our market share since 2007 in all of the states in which we operate, with the greatest growth and highest current market shares in Arizona and Florida.

Our principal competitors in the US are: D.R. Horton; Pulte Group; Lennar Corp; KB Home; Ryland; Meritage; Standard Pacific.

In 2009, our market presence in our main North America markets was as follows:

2009 sub-market	Rank	Market Share (%)
Phoenix, Arizona	3	6.3
Sacramento, N California	4	6.9
West Florida	3	6.0
North Florida	5	3.7
Toronto low-rise	4	3.7
Toronto high-rise	5	4.5

OUR BUSINESS

Overview

We are the second largest homebuilder in the UK, and the ninth largest homebuilder in the US (by completions and revenue, respectively). In North America we operate principally in Arizona, California, Florida and Texas in the US, and Ontario in Canada. We also build homes in Spain (where our operations are focused on certain holiday destinations, such as Costa Blanca, Costa del Sol and Mallorca). For the 12 month period ended 4 July 2010, our total revenue was £2,682.1 million and our EBITDA was £123.7 million.

We acquire and develop land and plan, design and construct residential property developments. Our product range spans from affordable entry-level homes to high-rise apartments, full-service country club homes and luxury homes. In the UK, we also build affordable housing (affordable housing is social housing, often owned or managed by local authorities or housing associations, which is provided to specified eligible households at below market price). We build such developments through the use of contractors and sub-contractors and we sell the properties both through agents and our own staff. We employ approximately 5,000 people.

As at 4 July 2010, across all of our markets, we owned, or controlled through options to acquire land and other arrangements, a total of 95,544 plots of land with either partial or full planning consent, equivalent to 6.3 years of supply on the basis of the previous 12 months' completions (compared to 100,037 plots equivalent to 5.8 years of supply as at 30 June 2009). Of such plots of land as at 4 July 2010, 63,291 were in the UK, 30,435 were in North America and 1,818 were in Spain and Gibraltar.

We earn revenue principally through the sale of residential properties in our chosen markets, which range from entry level one bedroom apartments to luxury full service country club homes. We optimise the revenue achieved through careful selection of the land we buy, with the aim of matching the homes that we build to market demand and designing communities that people want to live in. Revenues from our homebuilding activities are determined by sales volumes and realised selling prices. We also sell land that is surplus to our own requirements to property developers and to other purchasers.

The UK and US markets in which our homebuilding business operates have (from the second half of 2007 to the first half of 2009 in the UK, and from the fourth quarter of 2005 to the second half of 2009 in the US) experienced a significant downturn characterised by falling sales volumes (due to lower reservation rates and higher cancellation rates) and lower average selling prices for our homes. The housing market in Spain has also experienced a significant downturn (which began during 2006) as a result of oversupply (particularly in Costa Blanca and Costa del Sol), the weakness of sterling against the euro and reduced consumer confidence leading to a decline in the second homes market. Although the UK housing market conditions have been relatively robust for the first half of 2010, the housing markets in our US markets (including, in particular, Arizona, California and Florida) and Spain have been severely weakened by this downturn and remain very challenging.

As a result of the downturn, we progressively moved towards a strong focus on cash generation from late 2007 through 2008. We have also focused on controlling our costs, in particular build costs and reducing the number of sites under development. We have strived to maintain a minimum level of sales and to reduce both current and forward investment in land and work-in-progress, having suspended entering into new commitments to purchase land in the UK from late 2007. We have taken significant action to reduce our overheads in each of our markets.

In April 2009, we concluded negotiations with various of our lenders which resulted in a substantial restructuring of our debt obligations. In June 2009, we raised net proceeds of approximately £510.1 million through the issue of ordinary shares under the placing and open offer, which we used to pay down debt and associated facilities, thereby avoiding additional finance charges.

In the UK, our focus is now on maximising margins and returns rather than looking to accelerate volume growth. We believe this approach remains well-suited to an environment where, in the short term, significant planning risk and wider economic uncertainty remains. We remain concerned about the potential adverse impacts of proposed changes in planning policy, however we are committed to working with the Government and local authorities and are confident that both our approach and our strong land holdings will put us in a strong position. In the longer term, we remain of the view that we

will see an even greater imbalance between demand and supply when mortgage availability increases and consumer confidence increases.

In the US, after a period of weak trading conditions from the late spring and through the summer, we have seen greater stability in our markets in the autumn as the underlying impact of the cessation of the Homebuyer Tax Credit programme (which entitled qualifying home buyers to receive a one-time tax credit for the purchase of a principal residence in the US) starts to diminish. Affordability levels remain near the highest level in 2 decades in our US markets and the level of inventory remains stable. We believe that, although conditions have been volatile as expected, strong affordability and the gradually reducing level of foreclosures provide the potential for a strong recovery in our US markets as confidence returns. The Canadian market has continued to perform well and we expect market conditions to remain stable for the foreseeable future.

Taylor Wimpey, in its current form, was established as a result of the Merger of two large public UK based companies, Taylor Woodrow and George Wimpey. The Merger became effective as of 3 July 2007. Our financial information for 2007 reflect the assets, liabilities, revenues and expenses of the George Wimpey Group companies from and including 3 July 2007.

History of the Group

We were formed on 3 July 2007 through the nil premium Merger of George Wimpey and Taylor Woodrow.

George Wimpey

George Wimpey was established in London in 1880. Initially a stone-working business and civil engineer, the company moved into homebuilding in the 1920s. In the 1980s, George Wimpey was the largest UK homebuilder, had a large international construction business and acquired an experienced US housing business, Morrison Homes, in 1984. In 1996, David McLean Homes Limited was acquired from Tarmac plc in return for George Wimpey's quarrying, engineering and construction businesses and George Wimpey dedicated itself to homebuilding and became one of the largest private homebuilders. In October 2001, McAlpine Homes was acquired adding to the strength of the UK housing business. In November 2002, George Wimpey acquired Laing Homes to further strengthen the existing UK business by adding a premium brand.

Taylor Woodrow

Taylor Woodrow was established as a homebuilding business in England in 1921. Following a period of rapid growth, by 1935, it had begun to develop homes in the US. During the early 1950s, Taylor Woodrow expanded into Canada, through the acquisition of Monarch Mortgages & Investments Ltd. In addition to housing, Taylor Woodrow developed a substantial property and construction operation and was involved in a range of major international projects including the Hong Kong Ocean Terminal, the Dubai Dry Dock and the Channel Tunnel. Following a strategic review of the company in 2000, Taylor Woodrow began a period of restructuring to transform itself primarily into a focused homebuilder. In 2001, Taylor Woodrow acquired the Bryant Group plc and in 2003 it acquired Wilson Connolly plc, which made it the fourth largest UK homebuilder in terms of annual completions.

Our key competitive strengths

We believe that the following competitive strengths provide us with an advantage in the homebuilding market and position us to capitalise on market opportunities in each of the markets in which we operate.

Substantial high-quality landbank giving significant asset cover

As at 4 July 2010, the total value of our inventory was £3.5 billion (split between land of £2.2 billion and work-in-progress of £1.3 billion) and we had a total order book of £1,629 million. In the UK, the quality of our landbank underpins our confidence in the future prospects of the business. With over 6 years of land supply at current completion levels and an average owned plot cost of 18% of selling prices at current levels, we are well placed to manage the impact of changes in planning policy on the availability of new consented land (see "Risk Factors—Risks relating to our business—our businesses are subject to complex and substantial regulations. The regulatory environment in which we

operate may change in each of the relevant jurisdictions.”). Our landbank contains a high proportion of longer-term sites, from which we expect to deliver higher margins over the market cycle.

We approved the purchase of 3,841 new plots in the UK during the first half of 2010, replenishing the majority of the plots completed during the period. These are in addition to the 3,003 plots approved for purchase in the second half of 2009. The number of such opportunities has started to increase slowly and, whilst we remain sensibly cautious about major land investments, we expect to continue to grow our level of new land purchases. As at 4 July 2010, we had 64,848 owned, controlled or pipeline plots of land in the UK.

In 2009, we made good progress on rebalancing our North America landbank to reduce exposure to less desirable sub-markets. We continue to benefit from a well-balanced landbank in North America, blending finished lots for delivering home completions in the short term with longer term land assets that utilise our expertise in planning and developing large-scale communities. We have over 6 years of land supply at current completion levels and have nearly 42% of our owned landbank in North America is made up of finished lots, which have all of the required infrastructure in place to allow building of a home to commence, and therefore require a limited additional investment.

As activity levels increase in the US land markets, we remain focused on selective deals where we can earn strong returns over the medium term. We approved the purchase of 3,723 plots during the second half of 2009 and 2,649 plots during the first half of 2010. As at 4 July 2010, we had 30,435 owned, controlled or pipeline plots of land in the US.

Active land management

Land which is suitable for development is a scarce resource in the UK and we are focused on enhancing the margins delivered from our existing land assets. We have an ongoing process of replanning existing sites, which we expect to deliver improvements in product mix and reductions in planning obligations across a number of sites.

In North America, most small and medium sized builders buy serviced parcels of land from a land developer. This approach reduces the margin available and makes it difficult to plan the business when competition for serviced land is particularly high. We, however, are less dependent on this approach, having a well established land development business in most of our markets, which we believe aids in delivering higher margins.

Extensive strategic landbank

In the UK, we have one of the largest strategic landbanks in the market. Strategic land is typically land which has not yet been allocated for housing, but which we believe might receive a suitable planning consent over a 10 to 20 year timeframe. In the majority of cases, our strategic land team secures the land under option from the owner and promotes it as housing land through the planning process. Once planning has been secured, we may exercise our option to purchase the land, which, pursuant to our option contract, is usually at a discount to the then prevailing market price pursuant to our option. Our strategic land not only provides land at a reduced price, but also provides us with large sites in prime locations.

Scale positions

In the UK, we have national coverage from 24 regional offices and we are the second largest homebuilder by completions. In North America, we are the ninth largest homebuilder by revenue. In 2009, 75% of our North America completions came from sub-markets in which we rank in the top five.

We believe our scale market positions benefit us in the land-buying process by giving land sellers confidence in us as a counterparty (in terms of our ability to make payments for land purchases, to secure planning consents and to carry out developments) and by giving us greater access to financing (including to capital markets) than non-scale homebuilders.

High customer brand awareness

In the UK, Taylor Wimpey is one of the largest homebuilders, with national coverage from 24 regional offices. We introduced the Taylor Wimpey brand in 2009, and have phased out the Bryant Homes and George Wimpey brands, creating a single brand focus. Our brand awareness is

strengthened by high levels of customer satisfaction: the National New Homes surveys sent to customers by the National House Building Council (both eight weeks and nine months after legal completion) indicated that, during 2009, 87.1% of our customers were satisfied or very satisfied.

In North America, we operate under the Taylor Morrison and Monarch brands in the US and Canada respectively. Both brands are well-respected and the perception of Taylor Morrison is illustrated by the invitation from Disney to partner with Microsoft and HP in the Disneyland Resort in California on the "Innoventions Dream Home". This home showcases the next generation of cutting-edge technology and innovation that our customers can expect in their future homes.

In 2009, Taylor Morrison West Florida won the highly prestigious AVID Award for Best Customer Experience for a large homebuilder in the US, and Monarch Corporation was named the highest performing company in Ottawa in terms of customer satisfaction by JD Power.

Effective cost management

Particularly in the UK, our local and national scale allows us to offer sub-contractors greater volumes of work, a more consistent pipeline of work and more certainty of future work. This has enabled us to collaborate with many of our sub-contractors and find ways to further reduce our costs. We reduced our UK private development build cost per square foot by 8.8% since the first half of 2009.

In North America we have made significant build and overhead cost savings and continue to drive further cost reductions, including by leveraging our scale to implement joint initiatives with sub-contractors to reduce waste material and a review of product plans to reduce the number of different materials and components used in our homes. These savings had commenced before the Merger, but were accelerated by the opportunity to renegotiate contracts on the basis of the enlarged business and also by the rationalization of our operations. More recently we have achieved cost reductions by rolling out a 'lean manufacturing' approach to seven of our divisions.

Experienced and highly qualified management team

The strength and depth of experience of our management teams in both the UK and the US (our key markets) are recognised in the homebuilding industry.

Peter Redfern was appointed to the post of Group Chief Executive following the Merger in 2007, and before that was group chief executive of George Wimpey plc, having previously held the positions of finance director and chief executive of George Wimpey's UK housing business.

Sheryl Palmer is President and CEO of Taylor Morrison, with executive responsibility for our US and Canadian businesses. She has over 20 years' experience of the US housing market, which includes senior regional positions with Pulte, Blackhawk Corporation and, until the Merger, with Morrison Homes. Shortly after the Merger, Sheryl was appointed as President and Chief Executive Officer of Taylor Morrison.

Peter Redfern and Sheryl Palmer are supported by an experienced board of directors and senior management team, further details of which are set out in the "Management" section of this Offering Circular.

In the UK, our management team has extensive experience of the housebuilding industry with Taylor Wimpey and its predecessor companies. In North America, our management team has combined experience in homebuilding of over 160 years.

Our regional management teams have significant local expertise, with a long experience of local markets, government and regulations. In the UK, which has the most complicated planning regulations of our markets, we have national coverage from 24 regional offices which allows our regional management to have detailed local experience of the whole of the development process, from land-buying to planning and sales.

Our strategy

We refocused our strategy in 2008 to ensure that our businesses were well placed to face the unprecedented challenges of the prevailing market conditions. Our focus was on managing costs,

reducing overheads, delivering value from our existing landbank and maintaining sales volumes (including by offering incentives and reducing sales prices).

During 2009, as housing markets in both the UK and the US became more stable, we started to see the benefits of this improvement and our early action resulting in improved financial performance in the second half of 2009. In the half year to 4 July 2010, we saw significant growth in Group operating profit to £79.3 million, as compared to £2.8 million in the first half of 2009, with a material improvement in operating margins.

A combination of actions taken within the business over the last 2 years and our improved financing position now allows us to shift our focus to creating value by delivering enhanced profitability on existing and future sites. Accordingly, our strategy at the Group level is:

Short-term priorities

- Enhancing Group profitability following the recent downturns in both our main markets through:
  —focusing on sales price increases rather than volume growth;
  —continued focus on build cost reduction; and
  —maintaining tight control on overhead costs
- Replanning and delivering value from our existing landbank
- Continue to generate cash from operations through reduced level of investment in land and work in progress spend
- Maximise the potential of our employees through training and development programmes
- Deliver operating cash flows in excess of the levels set out within our financial covenants

Long-term objectives

- Refocusing the business of the Group on the UK market
- Provide growth in earnings per share, in light of market conditions
- Deliver a return on capital employed above the level of our cost of funding
- Return the Group to an investment grade credit rating
- Attract and retain the highest calibre of employees and strive to be a company that people want to work for

Strategy in the current UK housing market

In the UK, with ongoing economic uncertainty and in the current market conditions, our strategy is to remain focused on maximising the value achieved from each home completion rather than looking to grow volumes ahead of underlying improvements in market conditions.

In 2008, we reduced our level of ongoing overheads significantly to reposition the business for lower volumes and sale prices. Following the closure of a final three regional offices in early 2009, we now operate from 24 regional offices, which gives us the capacity to deliver up to 14,000 units per year when market conditions allow without significant additional overhead costs.

Cash management remains an important discipline and we have made further progress in reducing the level of work in progress in the business.

Maximum value is now being achieved through four main factors: pricing; build cost reduction; replanning; and additions to our landbank.

Pricing

We set prices locally and make use of a range of targeted customer incentives in order to deliver competitive offers in each local market. This approach is supported by national marketing initiatives. Having reduced our prices during 2008 to reflect the adverse market conditions, we were able to achieve some price increases during 2009. Average selling prices on reservations increased by around 13% between January 2009 and December 2009, and by 9.8% from the first half of 2009 to the first half of 2010, as a result of mix changes and underlying price improvement. We achieved some further small increases in the first few months of 2010 and pricing has been broadly stable since around the end of the first quarter. Our negotiating position has been strengthened by a strong forward order book

position and our tight management of work in progress. We reduced the number of unsold completed homes from 1,138 as at 31 December 2008 to 219 as at 31 December 2009.

Build cost reduction

Build cost was a key area of operational focus throughout 2008 and 2009 and has continued to be so in 2010. There are three main areas in which we have ongoing opportunities to reduce build costs. Firstly, we are still benefiting from the savings arising from the Merger in 2007, particularly in respect of reducing the costs of the legacy Bryant product portfolio which were higher on average than the equivalent home in the legacy George Wimpey range. Secondly, the weaker market conditions have enabled us to reduce both labour and materials costs. Thirdly, we are delivering savings through an ongoing review of sites to reduce the level of infrastructure costs. We achieved a reduction of 8.8% in the average build cost per square foot of private completions in the first half of 2010 compared to the first half of 2009, despite underlying price increases in some commodities.

We commenced construction of a wide range of prototypes for our new house type range during 2009 and these house types are now available to buy. This range reflects customer preferences and allows the business to offer a range of floorplans on the same footprint. It will enable us to achieve further operational efficiencies and has been designed to allow us to comply with future changes to building regulations and environmental laws, relating mainly to sustainability initiatives, at the lowest possible additional cost.

Replanning

Replanning is an ongoing process, with successes in changing the product mix on sites within the landbank to be more appropriate to the current market conditions and reducing planning obligations to make sites viable at lower average selling prices. We have identified around 70% of the plots in our landbank as being suitable for replanning, with around one-half of those plots having already been replanned successfully.

Additions to our landbank

We have a strong UK landbank. In 2009, 64% of our short-term plots (plots with some form of planning consent) were located in the south of England. Only 23% of the plots in our short-term landbank are apartments, leaving us well placed to reduce the proportion of apartments in our completions further from the 2009 completions level of 33%. This has been achieved through a combination of a revised land purchasing strategy and replanning of the existing landbank. In general, multi-apartment developments take longer to develop than houses, have higher capital requirements and a longer capital lock-up period. There is also lower buyer demand for apartments in the current economic climate.

As at 4 July 2010 our UK landbank was as follows:

Short-term landbank: number of plots owned or controlled: . .	63,291
—cost per owned plot:	£31,000
—weighted ASP in landbank:	£169,000
—plot cost/ASP*:	18%
—plots with detailed planning permission:	54%
Strategic landbank plots:	83,318

* Country-specific measure not used internationally.

Details of how we buy land are set out in "The Land-Buying Process".

Strategy in the current North America housing market

Our North America strategy is focused on maximising value from each home sold through pricing, build cost reduction and selective land purchasing. We remain focused on cost reductions and cash management, whilst preserving the inherent value in our long-term land positions. In the short term, our strategy is to maintain a reduced level of investment in land and work in progress spend where appropriate, driving sensible sales rates for each site.

In the medium term, our objective is to grow volumes through taking advantage of land acquisition opportunities as they arise, with our long-term goal to be the homebuilder of choice in each of our markets.

We continue to evaluate strategic options for the sale of our North America business as part of our long-term strategy to refocus the business of the Group on the UK market.

Increasing market share

We are ranked as a top nine homebuilder in the US by Professional Builder and rank in the top five in a number of our markets in North America. In 2009, 75% of our North America completions came from sub-markets in which we rank in the top five by market share. This regional strength provides significant advantages in the form of lower build cost, greater access to land opportunities and customer brand awareness. We are aiming to grow market share in our key markets.

Retain build costs and overhead savings

Despite having already made significant build and overhead cost savings over the course of the US market downturn, we achieved continued success in reducing costs in 2009 and are striving to retain build cost and overhead savings. Having introduced a 'lean manufacturing' approach into three businesses in 2008, we extended the roll-out to a further four divisions in 2009. This has achieved cost reductions in a number of areas, including joint initiatives with sub-contractors to reduce waste material and value-engineer product plans to reduce the number of different materials and components used in our homes.

Targeted marketing

We have undertaken a thorough review of our sales and marketing costs, achieving savings through tailoring our staffing levels at each outlet closely to visitor levels, revising the number and specifications of showhomes and making greater use of internet-based marketing campaigns.

Additions to our landbank

The benefits of our strategy to reposition our landbank towards high quality holdings are starting to be reflected in our financial performance. As activity levels increase in the US land markets, we remain focused on selective deals where we can earn strong returns over the medium term and approved the purchase of 2,649 plots during the first half of 2010. The benefits of this approach are illustrated by the relatively attractive margins being achieved as we bring to market sites that we bought in the early part of 2009.

As at 4 July 2010 our North America landbank was as follows:

Short-term landbank: number of plots owned or controlled: . .	30,435
—cost per owned plot:	USD31,000
—plots under development/finished lots:	54%

Strategy in the current Spanish housing market

In Spain, where trading conditions remain very challenging, we continue to deliver high quality homes in popular locations that appeal to both foreign and Spanish buyers. Our focus remains on cash generation and cost reduction and we continue to be cautious on land purchasing at the current point in the market cycle.

Business overview/our business divisions

Our operations are divided into the UK, North America and Spain and Gibraltar segments.

UK business

We build a wide range of homes in the UK, from one bed apartments to five bedroom houses, with prices ranging from below £100,000 up to £500,000. The majority of our homes are priced within a range from £100,000 to £200,000. We also build affordable housing across the UK, which represented 17% of our 2009 completions, a reduction from 21% of 2008 completions. Affordable housing is social housing, often owned or managed by local authorities or housing associations, which is provided to

specified eligible households at below market price. This reflects the recovery in demand from private customers over the course of the year.

We introduced the Taylor Wimpey brand during 2009, which will allow us to use our marketing budget more effectively and more accurately reflects the way in which we work as a single business. All new outlets were branded as Taylor Wimpey from July 2009 and 189 existing sites with an anticipated lifespan beyond June 2010 have also been rebranded. The Bryant Homes and George Wimpey brands were phased out during the first half of 2010.

UK customers continue to prefer houses to apartments and we have achieved an increase in the average size of our private home completion from 973 square feet in 2008 to 1,003 square feet in 2009. We saw a further increase in the proportion of our customers who are first time buyers during 2009, with a corresponding fall in the proportion of sales to investors.

Sales, completions and pricing

We achieved substantially better sales rates in 2009, compared to the sharp decline experienced during 2008. Sales rates were much more consistent across the year and we did not experience the usual seasonal drop off in sales over the summer months. The net private sales rate per outlet per week for 2009 as a whole was 0.55 against 0.40 in 2008. Cancellation rates were also substantially improved in 2009 at 18.7% against the elevated levels of 37.5% in 2008.

We completed a total of 10,186 homes in 2009 (as compared to 13,394 in 2008) at an average selling price of £160,000, (as compared to £171,000 in 2008), of which 8,432 were private homes (as compared to 10,585 homes in 2008), and 1,709 were affordable homes (as compared to 2,751 in 2008) with 45 joint venture completions (as compared to 58 in 2008). The average selling price of a private home was £171,000, as compared to £187,000 in 2008, whilst the average selling price of an affordable home was £108,000 (unchanged from 2008). The year on year figures for private selling prices mask the intra-year trend, which saw the average price fall to £163,000 for the first half of 2009, before recovering during the second half.

The timing of the recovery has varied by geography, with the most robust markets being in London and the South-East, with more tentative improvements in the North of the UK. By the end of 2009, this regional variation had started to reduce. We entered 2010 with a very strong order book position, having increased our private order book by 62% to 3,048 homes, as compared to 1,887 homes as at 31 December 2008. Including affordable housing reservations, our 2009 year-end order book was 5,431 homes, an increase of 28% from the order book position at the end of 2008.

Quality and customers

We remain committed to delivering high quality homes for all of our customers.

We continue to measure customer satisfaction using two surveys. The first is the National New Homes survey undertaken by NHBC on behalf of HBF. Each of our customers is sent a survey eight weeks after their legal completion date. The second survey is the NHBC's own survey measuring the same elements but sent to customers nine months after completion. During 2009, 87.1% of our customers were satisfied or very satisfied with the quality of their home, compared with 79.4% in 2008.

These surveys have become a key part of our Customer Service Management (CSM) system and the highest performing regions are entered for our annual Hallmark Awards for customer service.

We have increased our representation in the 2009 NHBC Pride in the Job awards, looking at build quality, with our UK Site Managers winning 70 Quality Awards, 16 Seals of Excellence and two Regional Awards (in 2008, we won 51 Quality Awards, 10 Seals of Excellence and two Regional Awards).

Landbank

We suspended new land purchase commitments in late 2007 and re-entered the UK land market in the second half of 2009. We continue to be active in the land market where we identify opportunities to supplement our existing landbank with attractive investments. We have approved the purchase of 3,841 new plots during the first half of 2010, replenishing the majority of the plots completed during the period. These are in addition to the 3,003 plots approved for purchase in the second half of 2009. The number of such opportunities has started to increase slowly and, whilst we remain sensibly cautious about major land investments, we expect to continue to grow our level of new land purchases.

North America business

In North America, we principally operate in Arizona, California, Florida and Texas (in the US) and Ontario (in Canada), which are some of the largest housing markets in North America. In the US we also have operations in Colorado and Nevada.

Our homes in North America range from high-rise apartments in Toronto to full service country club homes in Florida and from entry level to luxury homes.

Our prices range from below £75,000 to above £500,000. Average selling prices vary by geography from £115,000 in Arizona to £228,000 in California.

In the United States we sell homes under the Taylor Morrison brand and our business in Canada trades under the Monarch brand.

Sales, completions and pricing

The business operated with an average of 172 outlets during 2009 (compared to 234 in 2008, reflecting the closure of existing outlets).

For North America as a whole we achieved an average sales rate of 0.60 per outlet per week, 50% higher than the 0.40 sales per week recorded in 2008. The cancellation rate was 15% for 2009 as a whole, again a substantial improvement against the 2008 rate of 23%. Total home completions were 4,755 (compared to 5,421 in 2008), of which 3,347 were in the US (compared to 4,212 in 2008) and 1,408 were in Canada (compared to 1,209 in 2008).

The average selling price of our North American home completions in 2009 was £171,000 (compared to £175,000 in 2008), with the average selling price in the US being £161,000 (compared to £163,000 in 2008) and an average selling price in Canada of £195,000 (compared to £220,000 in 2008). The lower pricing in Canada reflects a higher proportion of high-rise completions during the year and also the weaker market conditions in the early part of 2009.

Our year-end order book increased to 3,216 homes, compared to 2,789 homes in 2008, with the US order book up 5% and the order book in Canada up by 19%.

Quality and customers

In 2009, Taylor Morrison West Florida received the highly prestigious AVID Award for Best Customer Experience by a large homebuilder in the United States. The region scored 97 out of a possible 100 points with respect to homeowners who said that they would recommend Taylor Morrison to others.

Our North American operations also received accolades from market research specialists JD Power in 2009. Monarch Corporation was named the highest performing company in Ottawa in terms of customer satisfaction while Taylor Morrison was the highest ranked builder in Sacramento in the New Home Quality Survey.

Our customer surveys are undertaken by AVID Advisors, a customer loyalty management firm that works with hundreds of housebuilders across the United States and Canada. We have improved our already strong customer satisfaction scores during 2009. We achieved a score of 91.8 with respect to customers who would recommend us to their family and friends, a score which is above the industry average of 88.8 and our 2008 score of 89.9. Our total homebuyer satisfaction score for 2009 was 86.6 out of a possible 100 points, up from 85.4 in 2008 and ahead of the 2009 industry average of 83.8.

Landbank

We made good progress on rebalancing our landbank during 2009, to reduce exposure to less desirable submarkets, and as we continue to acquire land in the US and Canada where we identify good value opportunities. We have approved new land purchases totalling 3,723 plots during the second half of 2009, with purchases primarily in Arizona, California and Florida.

At the year end, we had a landbank of 29,062 owned and controlled plots, as compared to 29,178 plots at the end of 2008. Nearly 50% of our owned landbank is made up of finished lots, which have all of the required infrastructure in place to allow building of a home to commence, and therefore require a limited additional investment.

Spain and Gibraltar business

Taylor Wimpey operates in three regions in Spain and also in Gibraltar. We have introduced the Taylor Wimpey branding to our operations in Spain.

The housing market in Spain remains very challenging, with a continuing oversupply of new properties on the mainland. Demand from British purchasers has been reduced by the ongoing weakness of pounds sterling against the Euro, and the reduced consumer confidence resulting from the economic uncertainty. Our strategy in Spain is to: focus on delivering high-quality homes in popular locations which appeal to both foreign and Spanish buyers; focus on cash generation and cost reduction; and remain cautious on land purchasing at the current point in the market cycle.

We announced in 2008 that we were planning to wind down our Gibraltar business by trading out our remaining plots and have now completed our exit from the Gibraltar market.

Sales, completions and pricing

In Spain and Gibraltar, we completed a total of 225 homes in 2009 (compared to 214 homes in 2008) at an average selling price of £260,000 (compared to £270,000 in 2008). We delivered a higher proportion of our completions in Spain from the mainland (rather than Mallorca) as we discounted prices to reduce our level of inventory.

Revenue was broadly flat at £61.0 million (compared to £59.8 million in 2008). Operating loss was £1.4 million (compared to a loss of £2.4 million in 2008) as a result of the ongoing market weakness. Our order book as at 31 December 2009 stood at £11 million (compared to £58 million as at 31 December 2008).

Landbank

The landbank has reduced from last year as we have become increasingly cautious in our approach to land purchases. We are not actively making further land purchases.

Summary of our performance

The Group is divided into four operating divisions for the purposes of management reporting and control: Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate. These divisions are the basis on which we report our primary segment information. In September 2008, we disposed of our UK construction business, and we completed our exit from construction activities with the sale of our construction business in Ghana on 21 April 2009.

In the year ended 31 December 2009, our group revenue from continuing operations was £2,595.6 million and our group operating profit was £43.3 million. In the period from 31 December 2009 to 4 July 2010 (the date to which our 2010 half yearly results were prepared), our group revenue from continuing operations was £1,219.3 million and our group operating profit was £79.3 million. For the 12 month period ended 4 July 2010, our group revenue from continuing operations was £2,682.1 million and our group operating profit was £119.8 million.

Most of our revenue and operating profit is earned from our operations in the UK and North America. In the first half of 2010, our Housing United Kingdom and Housing North America segments accounted for 68% and 31% of revenue, respectively (compared to 66% and 31% of revenue in the first half of 2009, respectively), and for 70% and 32% of operating profit (before operating loss attributable to our Corporate segment), respectively. In 2009, our Housing United Kingdom and Housing North America segments accounted for 66% and 32% of revenue, respectively (compared to 69% and 28% in 2008, respectively), and for 23% and 79% of operating profit (before operating loss attributable to our Corporate segment), respectively (compared to 48% and 54% in 2008, respectively).

The following tables set out our business segmental information for FY 2007, FY 2008, FY 2009, H1 2009, H1 2010 and the 12 month period ended 4 July 2010 for revenue, operating profit and profit/(loss) on ordinary activities before finance costs:

Revenue

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	3,053.8	2,390.1	1,700.4	744.4	827.1	1,783.1
Housing North America	986.8	981.6	824.3	356.1	373.3	841.5
Housing Spain and Gibraltar	64.4	59.8	61	22.3	18.9	57.6
Housing total	4,105.0	3,431.5	2,585.7	1,122.8	1,219.3	2,682.2
Corporate	37.8	36.2	9.9	10.0	—	(0.1)
Consolidated	**4,142.8**(1)	**3,467.7**	**2,595.6**	**1,132.8**	**1,219.3**	**2,682.1**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Operating profit/(loss)

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	418.2	53.0	14.3	(7.3)	62.1	83.7
Housing North America	67.5	59.9	48.1	18.6	28.2	57.7
Housing Spain and Gibraltar	2.2	(2.4)	(1.4)	(0.4)	(1.9)	(2.9)
Housing total	487.9	110.5	61.0	10.9	88.4	138.5
Corporate	(25.3)	(14.2)	(17.7)	(8.1)	(9.1)	(18.7)
Consolidated	**462.6**(1)	**96.3**	**43.3**	**2.8**	**79.3**	**119.8**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Profit/(loss) on ordinary activities before finance costs after exceptional items

	Year ended 31 December			Half year ended		12 month period ended
	2007	2008	2009	30 June 2009	4 July 2010	4 July 2010
	(£ million)					
Housing United Kingdom	366.6	(1,699.8)	(438.5)	(460.1)	62.1	83.7
Housing North America	(253.8)	(16.7)	(31.7)	(61.2)	28.2	57.7
Housing Spain and Gibraltar	(4.1)	(39.8)	(4.7)	(3.7)	(1.9)	(2.9)
Housing total	108.7	(1,756.3)	(474.9)	(525.0)	88.4	138.5
Corporate	(29.5)	(34.3)	(62.5)	(52.9)	(9.1)	(18.7)
Consolidated	**79.2**(1)	**(1,790.6)**	**(537.4)**	**(577.9)**	**79.3**	**119.8**

Note:

(1) Please see "Presentation of Financial Information" for details of the restatement of the 2007 financial information.

Net assets at 4 July 2010 were £1.50 billion (as compared to £1.41 billion as at 30 June 2009), equivalent to a tangible net asset value of 47.0 pence per share (as compared to 44.1 pence as at 30 June 2009). Net debt reduced from £750.9 million at 31 December 2009 to £633.9 million at 4 July 2010, reflecting the Group's enhanced profitability in the period and a further net reduction in working capital. Gearing (total net debt to total equity) at 4 July 2010 stood at 42.2% (as compared to 50.0% as at 31 December 2009).

In 2009, we were the second largest homebuilder by number of completions in the UK, with a 9.1% market share, and the ninth largest homebuilder by revenue in the US. In 2009, 75% of our completions in North America came from sub-markets in which we rank in the top five by market share as follows:

2009 sub-market	Rank	Market Share (%)
Phoenix, Arizona	3	6.3
Sacramento, N. California	4	6.9
West Florida	3	6.0
North Florida	5	3.7
Toronto low-rise	4	3.7
Toronto high-rise	5	4.5

Housing/Current trading and prospects

Overview

We announced in our recent Interim Management Statement on 16 November 2010 that the Group had performed well since the half-year, with trading stable against a backdrop of economic uncertainty. We also announced that we were fully sold for 2010, expected Group profit before tax for the full year to 31 December 2010 to be at the upper end of our expectations, and that we looked forward to 2011 with a healthy order book. Our focus remains on driving further margin improvement through cost reductions and prioritising profit over volumes.

We believe that the significant progress we have made on the Refinancing gives us greater operational flexibility and puts us in a strong position as we look forward to 2011.

United Kingdom

The UK housing market remained relatively robust during the first half of 2010, despite the market uncertainties arising from the General Election and the wider uncertain economic environment. In the second half of the year to 16 November 2010 (the date of our recent Interim Management Statement), our Housing United Kingdom business has continued to deliver stable sales rates and pricing, with trading in line with our overall expectations. Sales over the summer were slightly ahead, and in the autumn were marginally below, our expectations, as customers awaited the announcement of the UK government's Comprehensive Spending Review. We have seen an incremental improvement in sales in the period since that announcement to 16 November 2010, but mortgage availability remains a constraint on industry volumes.

Against this backdrop, we have continued to run the business on a cautious basis, with selective land investment and an ongoing focus on cash and costs. Our priority continues to be maximising the value achieved from each home completion rather than looking to grow volumes ahead of underlying improvements in market conditions. In line with the objective of maximising the value of our land assets, we remain focused on optimising planning consents within our existing landbank and, as at 4 July 2010, had identified approximately 29,000 plots within our short term landbank as being suitable for replanning. As at 4 July 2010, we had successfully achieved improved consents on just over half of these plots and expect to deliver further benefits as the process continues. We opened 46 new outlets during the first half of the year, where we have obtained good quality planning consents, and the average number of outlets has reduced to 277 as at 16 November 2010, (down from 295 in the first half of 2010 and from 322 in the second half of 2009).

Private sales rates, net of cancellations, for the second half of 2010 to 16 November 2010 were an average of 0.47 sales per outlet per week, remaining broadly in line with those achieved in the first half of 2010 (at an average of 0.58 sales per outlet per week, compared to 0.61 sales per outlet per week in the first half of 2009). Cancellations for the same period remained at historic low levels, averaging 16% (the same as for the first half of 2010, and down from an average of 19% for the first half of 2009). In the first half of 2010, first time buyers continued to represent around 30% of our sales and we achieved this high proportion despite our relatively limited use of Government-funded and other shared equity schemes.

The quality of our landbank underpins our confidence in the future prospects of the business. With over 6 years of land supply at current completion levels and average owned plot cost of 18% of selling prices at current levels, the Company is well-placed to manage the impact of changes in planning policy on the availability of new consented land. Our landbank contains a high proportion of longer-term sites, from which we expect to deliver higher margins over the market cycle.

We completed a total of 4,804 homes in the first half of 2010, a slight increase on the 4,702 completions achieved in the first half of 2009. Of these, 3,925 were private homes (compared to 3,854 homes in the first half of 2009), 866 were affordable homes (compared to 840 homes in the first half of 2009) and 13 were joint venture completions (compared to 8 completions in the first half of 2009). The overall average selling price of completions rose by 9.8% to £168,000, (compared to £153,000 in the first half of 2009) with private average selling prices up by 10.4% to £180,000 (compared to £163,000 in the first half of 2009) and affordable average selling prices rising 6.4% to £116,000 (compared to £109,000 in the first half of 2009). Whilst mix changes have had a beneficial effect on the prices achieved, we have also been successful in obtaining underlying price increases, with the average selling price per square foot for private completions increasing by 7.3% to £177 (as compared to £165 in the first half of 2009). As a result, revenue in the first half of 2010 increased by 11.1% to £827.1 million, as compared to £744.4 million in the first half of 2009. Average selling prices on reservations have been broadly flat in the second half of the year to 16 November 2010, and we have not experienced the marked swings recorded by some of the national house price indices.

We delivered further reductions in build cost during the first half of 2010, with the total build cost per square foot for private homes averaging £104 during that period, as compared to £114 in the first half of 2009. This represents a total reduction of 9% and we remain confident of delivering further savings over time. In addition, the transition to the Taylor Wimpey brand across the UK business and the refocusing of our product mix has enhanced operational efficiency. Overheads remain tightly managed, although the current organisational structure gives sufficient capacity for volume growth as market conditions allow. We reported on 16 November 2010 that we continue to make good progress with our build cost reduction and replanning initiatives and expect to deliver an operating profit for the full year to 31 December 2010 which is towards the upper end of our expectations, from volumes at the lower end of the range.

The UK operating margin of 7.5% for the first half of 2010 includes a one-off pension curtailment credit of £12.0 million. Adjusting for this, the underlying operating margin of 6.1% shows significant growth against the negative 1.0% achieved in the first half of 2009. This strong performance reflects the successful implementation of the plans that we set out in 2008 focusing on sales price improvement, replans, supplementing our landbank with new purchases on attractive terms, reducing build cost and closely controlling overheads.

In addition, we continue to be active in the land market where we identify opportunities to supplement our existing landbank with attractive investments. We approved the purchase of 3,841 new plots during the first half of 2010 at an average cost per plot of £39,900, replenishing the majority of the plots completed during the period. These were in addition to the 3,003 plots approved for purchase in the second half of 2009 at an average cost per plot of £18,000. The change in cost per plot between the two periods is reflective of the mix of plots required rather than any significant upturn in land values. The number of such opportunities has started to increase slowly and, whilst we remain sensibly cautious about major land investments, we expect to continue to grow our level of new land purchases. We are seeing attractive opportunities in the UK land market and approved new land purchase commitments for 3,055 new plots in the second half of the year to 16 November 2010 (compared to 3,003 plots in the second half of 2009). Included within these commitments is an agreement to develop 378 homes across eight high-quality residential sites in the south-east of England. These sites are all expected to be active outlets in 2011.

Our owned and controlled UK landbank with some form of planning consent totalled 63,291 plots at 4 July 2010, equivalent to 6.2 years of supply on the basis of the previous 12 months' completions. The equivalent figures as at 30 June 2009 were 69,167 plots and 5.9 years of supply.

We have a strong forward order position. As at 16 November 2010, we were fully sold for our full-year targeted completions. In total, including sales for future years, we had an order book of £883 million as at 16 November 2010 (as compared to £964 million in week 44 of 2009, £952.0 million as at 4 July 2010 and £819.0 million as at 31 December 2009).

We announced in our Interim Management Statement on 16 November 2010 that we expected UK trading to continue to be subdued for the remainder of 2010 (owing to the continuing impact of constrained mortgage lending and ongoing wider economic uncertainty), but that we expected to enter 2011 with a solid order book and remained focused on our strategy of maximising margins and returns rather than looking to accelerate volume growth.

Despite our wider economic uncertainty, we believe that our forward order books, cautious approach to land valuations and selective new land acquisitions provide protection against potential downside scenarios and position as well as markets recover.

North America

As expected, published statistics for the US housing market have shown continued volatility in the first half of 2010 and through the summer following the cessation of the Homebuyer Tax Credit programme. However, we have seen greater stability in our US markets in the autumn as the underlying impact of the cessation of the Homebuyer Tax Credit programme starts to diminish. Affordability levels remain historically high, the level of inventory in the market remains stable and there are signs that delinquency levels are reducing. In Canada, the Ontario housing market continues to perform well, with ongoing immigration and a lack of new home supply, supported by a growing economy.

For the second half of the year to 16 November 2010 (the date on which our recent Interim Management Statement was published) sales rates for North America as a whole were an average of 0.47 sales per outlet per week, broadly in line with the sales rates of 0.50 sales per outlet per week for the first half of 2010. These sales rates were also broadly in line with average sales rates in the first half of 2009, albeit from a reduced average number of 148 active outlets during 2010, compared with an average of 171 for the first half of 2009. In the US, sales rates averaged 0.41 net sales per outlet per week in the first half of 2010, compared with 0.46 for the first half of 2009. Our business in Canada has delivered a significant increase to 1.42 net sales per outlet per week in the second half of 2010 to 16 November 2010, compared to 1.12 for the first half of 2010 and 1.00 for the first half of 2009, reflecting the ongoing strength of market conditions.

We completed 1,843 homes in North America during the first half of 2010 (as compared to 1,933 homes in the first half of 2009) of which 1,373 were in the US (as compared with 1,279 in the first half of 2009) and 470 were in Canada (as compared with 654 in the first half of 2009). Our average selling price on completions for North America as a whole in the first half of 2010 was £200,000 (as compared to £183,000 in the first half of 2009), with the average selling price in the US being £172,000 (as compared to £173,000 in the first half of 2009) and in Canada being £281,000 (as compared to £203,000 in the first half of 2009). The reduction in completions and increase in average selling prices in Canada reflect a higher proportion of high-rise completions during the first half of 2009. For North America as a whole, in the second half of the year to 16 November 2010, cancellation rates remained in line with the long-term average at around 17% (compared to 16% in the first half of 2010) and average sales prices remained broadly flat.

Revenue increased to £373.3 million for the first half of 2010, compared to £356.1 million for the first half of 2009, with the increase in average selling price outweighing the reduction in the number of completions. We have achieved an increased operating profit in North America of £28.2 million, compared to £18.6 million for the first half of 2009, reflecting another strong performance from our Canadian business and a return to profitability in the US.

We remain focused on cost reductions and cash management, whilst preserving the inherent value in our long term land positions. Despite having already made significant build and overhead cost savings over the course of the US market downturn, we continue to drive further cost reductions, whilst balancing the need to position the Issuer for future growth as market conditions allow. As we reported in our recent Interim Management Statement, a combination of ongoing cost savings and enhanced margins from recently acquired outlets will enable us to deliver an operating profit for the full year to 31 December 2010 above the upper end of our expectations, despite completions running at around 10% below the 2009 level. Our overhead costs as a percentage of revenue are amongst the lowest in our peer group. Importantly, these savings have not been achieved to the detriment of quality and customer care, for which our North American business continues to be widely recognised.

As at 16 November 2010, we were fully sold for our full-year targeted completions and had an order book of USD1.10 billion (as compared to USD1.05 billion in week 44 of 2009).

We continue to benefit from a well-balanced landbank in North America, blending finished lots for delivering home completions in the short term with longer term land assets that utilise our expertise in planning and developing large-scale communities. In addition, the benefits of our strategy to reposition our landbank towards high quality holdings are starting to be reflected in our financial performance. As activity levels increase in the US land markets, we continue to acquire new land in North America on a selective basis, focusing on longer-term opportunities in attractive sub-markets. We approved new land purchase commitments for 754 plots in the second half of the year to 16 November 2010 (compared to 3,723 plots in the second half of 2009), and approved the purchase of 2,649 plots during the first half of 2010. The benefits of our approach are illustrated by the attractive margins being achieved as we bring to market sites that we bought in the early part of 2009.

Having achieved significant build and overhead cost savings over the last four years, we believe that our business in the US is well positioned for recovery as, although conditions have been volatile as expected in 2010, strong affordability and the gradually reducing level of foreclosures provide the potential for a strong recovery as confidence returns. We will continue to evaluate new land acquisitions in the US and exercise appropriate discipline with all new investment.

Spain and Gibraltar

Our business in Spain continues to perform well in very challenging market conditions, with high levels of inventory in the market, although there continues to be interest amongst second home purchasers. While home completions increased to 83 in the first half of 2010 (compared to 72 in the first half of 2009), the average selling price declined to £215,000 (compared to £288,000 in the first half of 2009) primarily as a result of a change in the mix of completions in Gibraltar. We have now completed our exit from the Gibraltar market.

Additional Information

Employees

In the financial year ended 31 December 2009, we employed an average of 4,698 people, compared with 8,069 people at the end of 2008, approximately two-thirds of whom were employed in our UK operations. 1,102 employees were part of the Construction business which was disposed of in April 2009.

Disposal of our construction business

We announced on 9 September 2008 that we had sold the UK business of our construction operation to VINCI PLC for £74 million in cash. We also announced in April 2009 that we had sold our construction business in Ghana. Whilst our construction business was well respected in the industry and had a strong leadership team, the Board took the decision that the Issuer should focus on its housebuilding activities.

THE LAND-BUYING PROCESS

Access to quality land is where house builders can gain the most competitive advantage. Land can be bought in competitive tender, obtained opportunistically through contacts and land agents or can be realised from our strategic landbank.

The UK land-buying process

Land obtained on the open market

Land obtained on the open market (that is, not sourced from our strategic landbank) is mostly purchased with outline or detailed planning consent (as described below in "Overview of the UK planning process").

When valuing a potential development site our land valuation appraisal considers the type of product and sales price that could be achieved by developing the land and also the time and cost it will take to obtain reserve matters planning consent (if bought with outline planning consent) and build and sell completed homes. Our land valuation appraisal also takes into account any additional cost of satisfying any planning gain package required through Section 106 Agreement[(1)] requirements.

The appraisal process, after taking into account the timing and quantum of all costs and revenues using current day prices and current absorption rates, also takes account of profit requirements to satisfy the risk and reward of the project in terms of profit margin and return on capital employed for the whole of the development. The resulting figure is the land value and the maximum price we will pay. This process is known as a residual land valuation.

Land realised from our strategic landbank

Land realised from our strategic landbank is often the result of exercising an option taken out 10 or more years earlier, where we agreed with the land owner an option to acquire the land at a discount (typically in a range of 5% to 15% to open market value once planning consent has been achieved, taking into account of any infrastructure and planning gain that may need to be paid).

A land owner will choose the developer most likely to be able to add value to his land and have the resources and skills to obtain planning consent over the lengthy period.

Land creditors

Land is often purchased on contracts which are conditional on the satisfaction of certain conditions prior to legal completion. As land is a current asset of stock, the deferral of land payments gives rise to land creditors which are essentially trade creditors in the normal course of housing business. The deferral of land payments is a common occurrence within the housebuilding industry. Examples of instances where land payments may be deferred are set out below:

- *Events within the control of a seller*

  The whole or a part of the land purchase price is conditional on some event occurring that is within the control of a seller of land and payment is delayed until such an event takes place.

  Conditions could include obtaining satisfactory planning permission, vacant possession, the completion of infrastructure or the satisfaction of outstanding legal issues.

- *Events within the control of a buyer*

  The whole or a part of the land purchase price is conditional on some event occurring that is in control of a buyer.

  Payment for the land will be made at the time the conditions are satisfied. However, there is usually a long stop date by which payment is made in any event and remains subject to a buyer achieving a planning consent or satisfying certain conditions.

(1) Section 106 Agreements are required where the local authority gives planning consent subject to certain conditions such as requiring a number of affordable units to be provided or requiring contributions to support local amenities such as education, transport, highways and other amenities.

- *Phased land development*

  Payments may be made on a periodic basis in instances involving staged site possession where land development is phased.

- *Tax requirements*

  Phased payments may be made in order to allow sellers to manage their tax affairs, for example for the purposes of Capital Gains Tax.

- *Budgetary requirements*

  Phased payments may be made in order to allow sellers to manage their budgetary requirements.

- *Financial return for buyers*

  Payment may be deferred in order to maximise the financial return for a buyer because the deferral of land payments can provide a higher return on capital employed, reduce net present value and reduce cash flow.

- *Maximising price for a seller*

  Payment may be deferred in order to maximise the headline price for a seller where, for example, some sellers require a maximum price over a period of time rather than a lower price at the start.

- *Payment of overage*

  There may also be additional payments for land legally acquired such as overage which are conditional on the value of detailed planning or conditional on generating a profit from a land development.

  Where land contracts have an agreed overage calculation, a seller will receive a share of enhanced returns from the development over and above those anticipated at the time of agreeing the deal. These enhancements are typically sales revenue above a base figure or increased developable area. A land creditor will be accrued at the earlier of either when overage is forecast or achieved.

Overview of the UK planning process

- *Outline planning consent*

  A land parcel gains consent for development under certain use categories (for example, residential) following the successful completion of certain development assessments (such as environmental impact assessments or transport and highways assessments). Where this is subject to details to be finalised that are conditions on the consent—known as reserve matters—this is known as outline planning consent. Details to be finalised can include the site layout and type of product, or the number of homes to be built. It is not possible to commence building with only outline consent (although it may be possible to undertake demolition and remediation).

  We utilise outline planning consent on large sites, including sites in our strategic landbank, so that we can agree the principle of the development in outline, and separate reserve matters consents can then be sought on parcels of the site either by us as we proceed with development, or by other developers.

- *Reserve matters consent*

  This is linked to an outline consent described above, but requires the submission of the reserve matters to the local planning authority for approval. In some instances, this process can be as lengthy as obtaining outline planning consent.

- *Detailed consent*

  An application for detailed planning consent is effectively undertaking both of the above at the same time, and as such can be subject to a higher degree of risk that consent will not be given. We typically apply for detailed consent on smaller sites which have an established development use which we wish to change to residential use.

Detailed planning consent may still be subject to some reserve matters, but they will be for minor issues such as building material choices, play equipment or landscape design, among other things.

The North America land-buying process

US land-buying process

Locating and vetting suitable land positions is by far the most critical challenge for any homebuilder and we have developed substantial expertise in this area, which we believe creates a significant competitive advantage by giving us the ability to locate and acquire land that is in strategic locations. Key success factors include local relationships with crucial market sellers, brokers and investors, a deep knowledge of the local market, positioning us to be first to market both in terms of identifying property and in gaining access to the decision makers, Taylor Morrison's long held reputation as a leading homebuilder and developer which we believe gives brokers and sellers confidence that they can close a transaction on a timely basis with minimal execution risk, and our a track record of sourcing and acquiring larger scale developments.

Canadian land-buying process

Monarch, our Canadian operation, has in recent years utilised JVs with third parties (including the seller or developers) as an effective means of acquiring land. This is done for both low-rise land development and the high-rise segment, where JVs have extended their business to include the building itself. JV structures are beneficial because they allow us to acquire land from a seller who wants to remain in the deal and is therefore incentivised, keep land under control in some instances without a significant cash outlay until the land is ready for future development or delivered to the end user, mitigate risk on large projects and, in some instances, provide a market for finished lots on low-rise land projects by allowing us to sell to the JV partner.

GENERAL CORPORATE INFORMATION

General information about the Issuer

The Issuer was incorporated and registered in England and Wales as a private company limited by shares on 1 February 1935 with registered number 00296805 with the name Taylor Woodrow Estates Limited. On 16 October 1943, the Issuer's name was changed to Taylor Woodrow Limited. On 23 December 1981, the Issuer was re-registered as a public company limited by shares and its name was changed to Taylor Woodrow plc. On 3 July 2007, Taylor Woodrow and George Wimpey merged their operations. Taylor Woodrow (subsequently renamed Taylor Wimpey) acquired 100% of the share capital of George Wimpey. The principal legislation under which the Issuer operates are the Companies Act 2006 and the regulations made thereunder.

The Issuer's registered office is at 80 New Bond Street, London W1S 1SB. The telephone number of the Issuer's registered office is 0207 355 8100.

The Issuer is the holding company of the Group.

General information about the Initial Guarantor

The Initial Guarantor is a private limited company incorporated in England and Wales on 6 October 1978 with company number 01392762. It changed its name to Taylor Wimpey UK Limited from George Wimpey UK Limited upon the Merger on 3 July 2007.

The Initial Guarantor's registered office is at Second Floor Beech House, 551 Avebury Boulevard, Milton Keynes MK9 3DR. The telephone number of the Initial Guarantor's registered office is +44 (0) 19 0854 4800. The Initial Guarantor is part of the Group's Housing United Kingdom business, and its activities form part of that business as described above in this part of the Offering Circular.

MANAGEMENT

Board of Directors of the Issuer

The Directors of the Issuer as at 22 November 2010 are listed below, together with an indication of the principal activities performed by them outside the Issuer.

Name	Age	Position
Kevin Beeston	48	Chairman
Peter Redfern	40	Group Chief Executive
Ryan Mangold	39	Group Finance Director
Sheryl Palmer	49	President & CEO, Taylor Morrison
Baroness Dean of Thornton-le-Fylde	67	Independent Non-Executive Director
Andrew Dougal	59	Independent Non-Executive Director
Katherine Innes Ker	50	Independent Non-Executive Director
Anthony Reading MBE	67	Independent Non-Executive Director
Rob Rowley	61	Senior Independent Director

Kevin Beeston was appointed a Director and Chairman in July 2010. He chairs the Nomination Committee. His current appointments include a Non-Executive Directorship of IMI plc and the Chairmanship of Domestic & General Limited and Partnerships in Care Limited.

Peter Redfern was appointed a Director and Group Chief Executive in July 2007 following the Merger with George Wimpey. He is a member of the Nomination Committee. In addition, he has full day to day operational responsibility for the Housing United Kingdom division. Prior to the Merger he was Group Chief Executive of George Wimpey and before that he successively held the posts of Finance Director and Chief Executive of George Wimpey's Housing United Kingdom business. He was also previously Finance Director of Rugby Cement.

Ryan Mangold was appointed a Director and Group Finance Director in November 2010. He joined the Issuer as Group Financial Controller in April 2009. Before joining the Issuer, Ryan was the Group Financial Controller of Mondi Group for five years, prior to which he held various other senior finance roles with Anglo American plc.

Sheryl Palmer was appointed a Director in August 2009. She has over 20 years experience of the US housing market which includes senior regional positions with Pulte, Blackhawk Corporation and, until the Merger, with Morrison Homes. Shortly after the Merger she was appointed as President and Chief Executive Officer of Taylor Morrison with executive responsibility for the US and Canadian businesses.

Baroness Dean of Thornton-le-Fylde was appointed as a Non-Executive Director in July 2007. She is a member of the Remuneration and Nomination Committees. She is a member of the House of Lords and is active in a number of public areas, including the House of Lords Appointments Commission. She is a Chairman of the New Covent Garden Market Authority, a Partnership Director of National Air Traffic Services and a Non-Executive Director of Dawson Holdings plc. She was a Non-Executive Director of George Wimpey Plc prior to the Merger.

Andrew Dougal was appointed a Non-Executive Director in November 2002. A Chartered Accountant, he is a member of the Audit and Nomination Committees. He is a Non-Executive Director of Premier Farnell plc and Creston plc. He was formerly Group Finance Director of Hanson, the Anglo-American diversified industrial group until it demerged and subsequently Group Chief Executive of Hanson plc, the international building materials company. He was also a Non-Executive Director of BPB plc.

Katherine Innes Ker was appointed a Non-Executive Director in July 2001. She is a member of the Remuneration and Nomination Committees. She has considerable experience as a financial analyst in the media sector. She is a Non-Executive Director of St. Modwen Properties PLC, Tribal Group plc and was formerly Chairman of Shed Media plc and a Non-Executive Director of the Ordnance Survey.

Anthony Reading MBE was appointed a Non-Executive Director in July 2007. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He was previously a director of Tomkins Plc and Chairman and Chief Executive of Tomkins Corp. USA. He was a Non-Executive Director of George Wimpey prior to the Merger. He is a Non-Executive Director of Laird Plc and e2v Technologies plc.

Rob Rowley was appointed a Non-Executive Director on 1 January 2010. He is the Senior Independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. He was previously a Director of Reuters Plc, Deputy Chairman of Cable and Wireless plc and a Non-Executive Director of Prudential plc and Taylor Nelson Sofres plc. He is a Non-Executive Director and Chairman of the Audit Committee of both Liberty International plc and moneysupermarket.com.

Board committees of the Issuer

The Board of the Issuer is fully committed to high standards of corporate governance and corporate responsibility throughout the Group. The Board of the Issuer supports the principles of corporate governance contained in the Combined Code. The Combined Code sets out the governance rules which continue to apply to all UK companies with financial years beginning before 29 June 2010 which are listed on the London Stock Exchange.

In June 2010, the Financial Reporting Council issued the UK Corporate Governance Code which applies to all companies with financial years beginning on or after 29 June 2010 and which, as a result of the new listing regime introduced on 6 April 2010, applies to all companies with a premium listing of equity shares. Accordingly, the Issuer will, in respect of its accounting period beginning on 1 January 2011, be required to comply with the UK Corporate Governance Code or explain its reasons for not doing so. The Board has already reviewed in detail the requirements of the UK Corporate Governance Code.

There are three board committees of the Issuer: Audit, Remuneration and Nomination. Each committee has its own clearly defined terms of reference which can be obtained from the Company Secretary and each committee reports directly to the Board of the Issuer.

Audit Committee

The objective of the Audit Committee is to assist the Board in fulfilling its corporate governance responsibilities relating to the Group's internal control framework and any other matters referred to it by the Board. The Audit Committee's remit includes reviewing the internal control framework, the internal audit process, the financial reporting practices, the external audit process and recommending to the Board whether to re-appoint the external auditor. It ensures that the Board regularly assesses business risks, and their management and mitigation. In doing so, the Audit Committee places reliance on regular reports from executive management, internal and external audit. In monitoring the financial reporting practices the Audit Committee reviews accounting policies, areas of judgement, the going concern assumption and compliance with accounting standards and the requirements of the Combined Code.

Remuneration Committee

The objective of the Remuneration Committee is to establish and maintain formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual directors, and to monitor and report on them. The Remuneration Committee is constituted in accordance with the Combined Code and all members are independent non-executive directors. The key remit of the Remuneration Committee is to recommend to the Board the remuneration strategy and framework for executive directors and senior management in line with the Combined Code. Within this framework, the Remuneration Committee's main role and responsibilities are to determine the remuneration, including pension arrangements, of the Executive Directors and the Group Company Secretary and General Counsel; to monitor and make recommendations in respect of remuneration for the tier of senior management one level below that of the Board; to approve annual and long term incentive arrangements together with their targets and levels of awards, and to determine the level of fees for the Chairman of the Board.

Nomination Committee

The objective of the Nomination Committee is to ensure that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, its Committees and other senior offices in the Issuer. The Nomination Committee is chaired by the Chairman of the Board and is comprised of a majority of Non-Executive Directors as required by the Combined Code. The Nomination Committee has processes in place with regard to the appointment of new Directors to the

Board in order to ensure that appointments are made on merit. For the appointment of Non-Executive Directors, the use of recruitment consultants will usually be incorporated as part of the process. The Nomination Committee is responsible for succession planning for the Board and senior management and assesses the balance of the Board's composition.

Senior Management of the Issuer

In addition to the directors discussed above, we consider the following personnel to represent our key and senior management:

Name	Age	Position
James Jordan	49	Company Secretary and General Counsel
Peter Andrew	51	Land and Planning Director (UK Management)
Fergus McConnell	48	Divisional Chairman for the North (UK Management)
Peter Truscott	48	Divisional Chairman for the South (UK Management)
Lou Steffens	43	President, East Region (North America Management)
Steve Wethor	44	President, West Region (North America Management), and Chief Financial Officer

James Jordan joined the Issuer in 2007 from George Wimpey upon completion of the Merger where he had held the role of Group Company Secretary and General Counsel since February 2002. He qualified as a solicitor in 1987 and prior to joining George Wimpey had held a number of senior legal and secretarial positions with publicly quoted companies, including with The Rugby Group and English China Clays.

Peter Andrew joined Taylor Woodrow in 1987. Before his appointment as Land and Planning Director (of the Initial Guarantor) in July 2007 he held a variety of roles within Taylor Woodrow the last of which was Regional Managing Director for the Thames Valley region. He is a member of the Royal Institution of Chartered Surveyors.

Fergus McConnell is a Director of the Initial Guarantor and was appointed Divisional Chairman for the North in January 2006. Prior to this, he held a variety of roles within George Wimpey including Divisional Managing Director. He is a member of the Chartered Association of Certified Accountants.

Peter Truscott is a Director of the Initial Guarantor and was appointed Divisional Chairman for the South in October 2006. Prior to this he held a number of positions within George Wimpey including various regional directorships and manager roles including the position of Divisional Managing Director.

Lou Steffens was appointed President for the East Region of Taylor Morrison, Inc. in January 2008. Prior to this he was Regional President (Florida Region) for Taylor Morrison. Prior to this he held roles with Beazer Home Corporation (2002-2006) and Pulte Homes Corporation (1992-2002).

Steve Wethor joined Taylor Morrison as Division President for Phoenix in March 2007 and was named President of the Southwest Region in August 2007 where he was responsible for the development and execution of strategic, operational and financial business plans for the West Region which includes the Phoenix, Southern California, Northern California and Denver markets. Steve was appointed Chief Financial Officer in August 2010. Prior to joining Taylor Morrison, he spent 12 years with Pulte Homes/Del Webb and seven years at Deloitte & Touche.

The contact address of each of the Directors of the Issuer and each of the members of senior management of the Issuer listed above is 80 New Bond Street, London, England, W1S 1SB, save for Lou Steffens and Steve Wethor whose contact address is Phoenix Division, 9000 E. Pima Center Parkway, Suite 350, Scottsdale, United States, AZ 85258.

There are no potential conflicts of interest between the duties of the Directors of the Issuer or the members of senior management of the Issuer listed above to the Issuer and their private interests and/ or other duties.

Board of Directors of the Initial Guarantor

The directors of the Initial Guarantor as at 22 November 2010 are listed below, together with an indication of the principal activities performed by them outside the Group.

Name	Age	Position
Peter Redfern	40	Director and Group Chief Executive
Fergus McConnell	48	Director, Divisional Chairman (North)
Peter M Truscott	48	Director, Divisional Chairman (South)
Peter Andrew	51	Director, Land and Planning
Christopher Carney	36	Director, Finance
Maria B Pilfold	47	Director, Human Resources

Peter Redfern was appointed Director of the Initial Guarantor in April 2008. See above under the section entitled "Board of Directors of the Issuer".

Fergus McConnell was appointed Director of the Initial Guarantor in November 2005. See above under the section entitled "Senior Management of the Issuer".

Peter Truscott was appointed Director of the Initial Guarantor in July 2004. See above under the section entitled "Senior Management of the Issuer".

Peter Andrew was appointed Director of the Initial Guarantor in July 2007. See above under the section entitled "Senior Management of the Issuer".

Chris Carney is currently the UK Finance Director having taken over this role on 1 May 2008. Prior to this he was the Group Financial Controller with Taylor Wimpey and the pre-Merger George Wimpey. Between 2004 and 2006, he was Group Finance Manager at Associated British Foods before which he held various roles within the accountancy profession, including as an Assistant Director at Deloitte LLP. He is a member of the Institute of Chartered Accountants of England and Wales.

Maria B Pilfold became Group Human Resources Director in January 2007, prior to this she was HR Executive and then HR Director with George Wimpey. Before joining George Wimpey, she held HR positions with Pfizer and Taylor Woodrow. She is a fellow of the Chartered Institute of Personnel and Development and has been an Employment Tribunal Member for Central London since 2004.

The contact address of each of the directors of the Initial Guarantor is Second Floor Beech House, 551 Avebury Boulevard, Milton Keynes, Buckinghamshire, MK9 3DR, save for Peter Redfern, Fergus McConnell, Peter Truscott and Peter Andrew whose contact address is 80 New Bond Street, London W1S 1SB.

There are no potential conflicts of interest between the duties of the directors of the Initial Guarantor to the Issuer and their private interests and/or other duties.

MAJOR SHAREHOLDERS

Issuer

As at 19 November 2010 and so far as is known to the Issuer by virtue of the notifications made to it pursuant to the Companies Act 2006 and/or the Disclosure Rules and Transparency Rules, the name of each person who, directly or indirectly, is interested in 3% or more of the Issuer's share capital, and the amount of such person's interest, is as follows:

Name	Approximate percentage of the voting rights attached to the issued share capital as at 19 November 2010
Schroder Investment Management Limited and Schroders plc	13.064
BlackRock, Inc.	9.94
J.P. Morgan Chase & Co	4.68
Legal & General Group Plc	3.97
Polaris Capital Management, LLC	3.67
Deutsche Bank AG	3.179
Ignis Asset Management Limited	3.05
Standard Life Investments Limited	3.015

* The holdings above may include both beneficial and non-beneficial interests.

As at 25 November 2010 (the latest practicable date prior to the publication of this Offering Circular), the Issuer is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Issuer nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer.

Initial Guarantor

The Initial Guarantor is an indirect subsidiary of the Issuer, with Taylor Wimpey Developments Limited as its sole shareholder. As at 25 November 2010 (the latest practicable date prior to the date of this Offering Circular), the Initial Guarantor is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Initial Guarantor.

RELATED PARTY TRANSACTIONS

Save as disclosed in Notes 40, 36 and 32 of the audited consolidated financial statements of the Issuer as of and for each of the twelve months ended 31 December 2007, 2008 and 2009 respectively, Note 10 of the unaudited half year consolidated financial statements of the Issuer for the half year ended 4 July 2010 and in the paragraph below, no member of Taylor Wimpey Group entered into related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) with any related party during the period between 1 January 2007 and 25 November 2010 (the last practicable date prior to the publication of this document).

Group companies have purchased £5.9 million of land from joint ventures, which are related parties, since 5 July 2010. Such purchases were based on open market values and in the ordinary course of housing business.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of our New Facilities and the Fund Facility does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, see "Use of Proceeds", "Capitalisation," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Negotiation of New Facilities subject to completion of debt capital markets issue

On 16 November 2010 Taylor Wimpey entered into a syndicated facilities agreement arranged by Lloyds TSB Bank plc, The Royal Bank of Scotland plc, Barclays Bank PLC, HSBC Bank plc, BNP Paribas, JP Morgan Chase Bank, N.A. and Santander UK plc, with Lloyds TSB Bank plc acting as agent, pursuant to which various lenders have agreed to provide the New Facilities (subject to certain conditions precedent).

The terms of the New Facilities are described below but it is a condition precedent to their availability that Taylor Wimpey has outstanding debt capital market instruments with a maturity of not earlier than 16 November 2014 in a minimum aggregate amount of £350,000,000. This condition precedent will be satisfied following the utilisation of the Fund Facility and the issue of the Notes.

On 19 November 2010, Taylor Wimpey entered into a facility agreement with Prudential/M&G UK Companies Financing Fund LP. The Fund Facility is available (subject to certain conditions precedent) in a maximum amount of £100,000,000, and proceeds will be a debt capital market instrument for the purposes of the New Facilities. It is a condition precedent to the availability of the Fund Facility that Taylor Wimpey has outstanding additional debt capital market instruments in a minimum aggregate amount of £250,000,000. This condition precedent will be satisfied following the issue of the Notes.

Terms of the New Facilities

The New Facilities

The New Facilities consist of a Facility A, £350,000,000 revolving facility which matures on 3 July 2012 and a Facility B, £600,000,000 revolving facility which matures on 16 November 2014. The New Facilities will be used to refinance Taylor Wimpey's existing debt and thereafter for general corporate purposes. However: (i) neither Facility A nor Facility B can be used to redeem or repay any debt capital markets issue other than the PP Notes and the Eurobonds; and (ii) Facility B can only be used to repay indebtedness if Facility A has been cancelled in full and that indebtedness does not form part of the £350,000,000 in aggregate of debt capital market instruments used to satisfy the condition precedent described above or any refinancing thereof.

Repayments and Prepayments

Facility A must be repaid on 3 July 2012 and Facility B must be repaid on 16 November 2014. A lender can require Taylor Wimpey to cancel and repay its commitments if there is a change of control of Taylor Wimpey. Taylor Wimpey also has an obligation to apply certain of the proceeds in repayment and cancellation of Facility A in the event of any future disposal of the US, Canadian or Spanish businesses.

Interest and fees

The rate of interest payable for an interest period is LIBOR for the relevant period plus a margin which varies between 225 and 375 basis points according to Taylor Wimpey's gearing level in ratchets ranging from less than 40% to higher than 90%. The gearing level will be tested quarterly on the last day of Taylor Wimpey's financial quarters.

Taylor Wimpey is also required to pay a commitment fee, quarterly in arrear, on available but unused commitments under the Facilities Agreement at a rate of 45% of the then applicable margin.

Guarantee and Security

Taylor Wimpey will be the original borrower under the New Facilities. The New Facilities will be guaranteed by the Initial Guarantor; this guarantee will be on substantially the same terms as the guarantee to be given by the Initial Guarantor in respect of the Notes (see "Description of the

Guarantee of Taylor Wimpey UK Limited") and will therefore be limited to the amount of the lenders' shortfall in respect of actual and prospective recoveries from other Group members. The New Facilities will be unsecured and will not benefit from a lien over any of the property of the Issuer or any other Group member.

Representations and covenants

The New Facilities Agreement contains customary representations and operating and negative covenants, including a negative pledge and a restriction on guarantees, each subject to certain exceptions.

Under the New Facilities Agreement Taylor Wimpey will also be subject to financial covenants requiring a minimum consolidated tangible net worth of £1,000,000,000, a maximum level of adjusted gearing (the ratio of group borrowings plus land creditors to adjusted consolidated tangible net worth) and, at its option (as more fully described below), either:

- 3:1 interest cover (the ratio of operating profit to interest payable); or
- 1:1 cash flow cover (the ratio of cash flow (including certain permitted cashflow add-backs) to interest payable). Excess cash flow may be carried forward to subsequent test periods.

Taylor Wimpey is deemed to be in compliance with the interest cover test for so long as it is in compliance with the cash flow test and may, subject to certain conditions, elect for all following test dates to replace compliance with the cash flow test with compliance with the interest cover test (and the cash flow test would, following such election, no longer apply). The interest cover or cash flow cover covenants will be tested semi annually.

The covenants as to consolidated tangible net worth and adjusted gearing will be tested based on a rolling twelve month measuring period quarterly.

The maximum adjusted gearing covenant percentage applicable is for tests ending December 2010, 100%; March, June and September 2011, 105%; December 2011, 90%; March, June and September 2012, 95%; December 2012, 90%; March 2012, 90%; June 2013 and thereafter, 80%. The maximum adjusted gearing covenant falls to 80% for all subsequent quarters following the sale of the US business.

Events of Default

The New Facilities Agreement will contain customary events of default.

Terms of the Fund Facility

The Fund Facility

The Fund Facility consists of a £100,000,000 term credit facility which matures on the earlier of: (i) the fifth anniversary of the first utilisation thereof; and (ii) in the event that Taylor Wimpey issues debt capital market instruments in connection with the Refinancing which mature less than 5 years and 6 months after the first utilisation of the Fund Facility (as will be the case if Taylor Wimpey issues the Notes), 6 months prior to the maturity of such debt capital markets instruments. Accordingly if the Notes are issued the Fund Facility will mature on 30 June 2015. The Fund Facility will be used to refinance Taylor Wimpey's existing debt and thereafter for general corporate purposes.

Repayments and Prepayments

The Fund Facility must be repaid on its maturity as described above. The lender can require Taylor Wimpey to cancel and repay its commitments if there is a change of control of Taylor Wimpey.

Interest and fees

The rate of interest payable for an interest period is LIBOR for the relevant period plus a margin of 500 basis points (reducing to 450 basis points following a sale of the US business provided Taylor Wimpey has applied the proceeds in accordance with the New Facilities).

Guarantee and Security

Taylor Wimpey will be the borrower under the Fund Facility. The Fund Facility will be guaranteed by the Initial Guarantor; this guarantee will be on substantially the same terms as the guarantee to be given by the Initial Guarantor in respect of the Notes (as described in the section headed "Description of the Guarantee of Taylor Wimpey UK Limited") and will therefore be limited to the amount of the lender's shortfall in actual and prospective recoveries from other Group members. The Fund Facility will be unsecured and will not benefit from a lien over any of the property of the Issuer or any other Group member.

Representations and covenants

The Fund Facility will contain customary representations and operating and negative covenants, including a negative pledge and a restriction on guarantees, subject to certain exceptions and on substantially the same terms as the equivalent provisions in the New Facilities Agreement.

Under the Fund Facility Taylor Wimpey will also be subject to financial covenants on substantially the same terms as those as set out in the New Facilities Agreement (as described above).

Events of Default

The Fund Facility will contain customary events of default on substantially the same terms as those as set out in the New Facilities Agreement.

DESCRIPTION OF OTHER FINANCIAL LIABILITIES

Land creditors

Land creditors are amounts owed by us to sellers of land where land is purchased on either conditional or deferred payment terms.

Where land is purchased on conditional terms, the outstanding balance constitutes a contingent liability of the Group until the applicable conditions are satisfied. If or when conditions are outside of our control or are reasonably likely to result in the purchase of the land or additional payment, then IFRS-EU requires us to recognise the land cost as an asset and the corresponding land's creditor at its fair value, and an interest cost is imputed over its expected duration.

Land creditors are not treated as debt for the purposes of the Issuer's financial statements; instead they are accounted for in accordance with IFRS-EU as trade creditors (as land is an item of inventory) and are shown as a separate item. Land creditors will typically be amounts owed by the Initial Guarantor or another operating company rather than the Issuer. As at 4 July 2010, the amount of land creditors outstanding was £315.6 million (compared to £411.2 as at 30 June 2009, £325.7 million as at 31 December 2009 and £645.3 million as at 31 December 2008).

Common conditions include the delivery of vacant possession by the seller, the obtaining of planning approvals, the period for review of planning approvals expiring without an appeal having been lodged and completion of infrastructure works by other parties. A particular form of conditional payment arises where the Issuer promises to pay additional amounts where certain criteria relating to the site are met or exceeded; for example, if more than a certain number of units are built. This is referred to as "overage".

Conditional payment terms form part of the normal economics of the land market and are not used to raise finance; no funds are generated.

Where land is purchased on deferred terms without any element of conditionality, the outstanding balance is an unconditional liability of the relevant Group company. The deferred element sometimes attracts interest and is frequently secured by a charge on the land in favour of the seller.

Parties may agree to sell and purchase land on deferred terms for a number of reasons. A number of the Issuer's land purchases involve government entities or quasi-government entities. As sellers, such entities are focussed on the overall price and not immediate receipt of cash. Payments may also be made in instalments that coincide with the phasing of the development and deferring payment of all or part of the purchase price can improve the financial viability of a site, for example, by reducing the net present value of the cost of the purchase. In addition to these generic considerations there may be factors relating to a specific site (for example, relating to the seller's capital gains tax planning) which make deferred payment advantageous to one or both parties.

In summary, the Issuer utilises deferred payment terms because they are available in the market and they reduce the amount of capital that has to be employed in its business.

Defined Benefit Pension Schemes

The Group operates both defined benefit and defined contribution pension schemes in the United Kingdom and overseas.

In the UK, the TWGP&LAF and the GWSPS are funded defined benefit schemes. Both schemes are managed by boards of trustees and the TWGP&LAF and GWSPS are closed to new entrants and to future accrual. The Group also operates a number of small overseas pension schemes including defined benefit schemes in the US and Canada.

The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006. A stakeholder pension arrangement, the Taylor Woodrow Personal Choice Plan, was offered to new monthly paid employees who joined Taylor Woodrow after the TWGP&LAF was closed to new entrants and to members of the TWGP&LAF from 1 December 2006. The GWSPS was closed to future pension accrual with effect from 31 August 2010. Monthly paid new entrants who joined George Wimpey were offered a UK stakeholder arrangement provided by Scottish Widows. From 1 September 2010 all monthly paid employees were offered membership of the Taylor Wimpey Personal Choice Plan, which is a UK stakeholder pension arrangement.

The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002 and with the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) on 27 August 2004.

Of the defined benefit pension scheme net IAS19 deficit of £406.4 million at 31 December 2009 (as compared to £277.2 million as at 31 December 2008), £401.4 million (as compared to £268.3 million as at 31 December 2008) related to the TWGP&LAF and GWSPS schemes in the UK and £5.0 million (as compared to £8.9 million at 31 December 2008) related to defined benefit schemes in the US and Canada.

The pension scheme assets of the TWGP&LAF and the GWSPS are each held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees is determined by each scheme's trust documentation. The Group has a policy that at least one-third of all trustees are required to be nominated by members of the scheme, including at least one member by current pensioners.

The most recent actuarial valuations of the GWSPS and the TWGP&LAF were completed in June and August 2008 respectively. The actuarial valuation of the GWSPS showed a deficit calculated on the basis of the scheme's technical provisions as at 31 March 2007 of £215 million. The actuarial valuation of the TWGP&LAF showed a deficit calculated on the basis of the scheme's technical provisions as at 1 June 2007 of £162.5 million. As at 31 December 2009 the combined IAS 19 deficit of all schemes net of deferred tax was £406.4 million.

The Group has agreed to make deficit reduction payments to the TWGP&LAF of £20 million per annum before December each year from 2007 to 2015 (inclusive). The Group has agreed to make £2 million per month deficit reduction payments to the GWSPS from July 2008 to October 2018 (inclusive). The Group also made an additional one-off deficit reduction payment of £5 million to the GWSPS in July 2008. Payments to the TWGP&LAF and the GWSPS will be reviewed at each actuarial valuation. The next triennial valuations (which will be as at 31 March 2010 for both the TWGP&LAF and the GWSPS) are due to be completed no later than 30 June 2011. It is open to the trustees of each scheme to call for a fresh valuation at any time.

Taylor Wimpey has given a guarantee to the trustees of the TWGP&LAF subject to a cap based on the amount required to ensure the TWGP&LAF is 105% funded on the greater of (i) the basis set out in section 179 of the Pensions Act 2004 and (ii) a basis using the methods and assumptions adopted in the most recent actuarial valuation.

GWL has given a guarantee of the obligations of Taylor Wimpey UK Limited to the GWSPS subject to a cap based on the amount required to ensure the GWSPS is 105% funded on the basis set out in section 179 of the Pensions Act 2004. In addition, Taylor Wimpey has given a guarantee of the obligations of Taylor Wimpey UK Limited to the GWSPS subject to a cap based on the amount required to ensure the GWSPS is 105% funded on the greater of (i) the basis set out in section 179 of the Pensions Act 2004 and (ii) a basis using the methods and assumptions adopted in the most recent actuarial valuation. The cap under the Taylor Wimpey guarantee is reduced by any amount paid under the GWL guarantee.

The guarantees given by Taylor Wimpey in relation to the TWGP&LAF and the GWSPS and the guarantee given by GWL in relation to the GWSPS each contain a non-compete provision. These provisions allow the trustees of TWGP&LAF to either: (i) prohibit Taylor Wimpey from claiming or proving as a creditor of TWD; or (ii) direct Taylor Wimpey to prove as a creditor of TWD and turn over any amounts recovered. Similarly, the trustees of the GWSPS may either prohibit Taylor Wimpey or GWL or both from proving as creditors of Taylor Wimpey UK Limited or direct one or both of them to prove as creditors of Taylor Wimpey UK Limited and turn over any amounts recovered.

In connection with the 2009 restructuring of the Group's financing arrangements, Taylor Wimpey, GWL and Taylor Wimpey UK Limited entered into a deed of covenant with the trustees of the GWSPS under which they gave certain undertakings in favour of the trustees. These include obligations to provide financial information about the Group, restrictions on granting additional security (subject to exceptions, including for new debt advanced under the Group's revised financing arrangements), restrictions on incurring additional indebtedness, restrictions on GWL and Taylor Wimpey UK Limited giving guarantees, restrictions on making changes to intra-group borrowings between Taylor Wimpey, GWL and Taylor Wimpey UK Limited, and obligations to give the trustees prior notice of asset

disposals, payment of dividends and other distributions and changes to the Group's financing arrangements.

The Group has agreed that, following the Refinancing becoming effective, it will contribute an additional £37.5 million to the TWGP&LAF and an additional £37.5 million to the GWSPS. It has also agreed that, in the event of any future disposal of its US or Canadian business, it will contribute a sum equal to 5% of the gross proceeds (net of cash sold) to the TWGP&LAF, subject to a cap of £16.25 million in relation to all such disposals and a cap of £3.75 million in relation to any disposal of its Canadian business if that disposal occurs before a disposal of its US business. A similar undertaking in respect of US and Canadian disposals in the same amounts has been given to the trustees of the GWSPS.

Payments to the TWGP&LAF and GWSPS will be reviewed at each financial valuation. The next financial valuations (which will be as at 31 March 2010 for both schemes) are due to be completed no later than 30 June 2011.

Taylor Wimpey, TWD and the trustee of the TWGP&LAF have entered into a deed of covenant on similar terms to that given to the trustees of the GWSPS.

TERMS AND CONDITIONS OF THE NOTES

The £250 million in aggregate principal amount of 10.375% senior notes due 2015 (including any further notes issued pursuant to Condition 3.2 (*Further Issues*) and forming a single series therewith) of Taylor Wimpey plc, a company incorporated under the laws of England and Wales (the "**Issuer**"), are constituted by a trust deed (the "**Trust Deed**") dated on or about 2 December 2010 (the "**Issue Date**") made between the Issuer, Taylor Wimpey UK Limited (the "**Initial Guarantor**")) and HSBC Corporate Trustee Company (UK) Limited (the "**Trustee**", which expression shall include its successor(s) as trustee or trustees appointed pursuant to the Trust Deed) for the Noteholders. Terms used but not defined herein shall have the meanings given thereto in Condition 19 (*Definitions*).

The Issuer and the Initial Guarantor have entered into an agency agreement (the "**Agency Agreement**") dated the Issue Date with the Trustee, HSBC Bank plc as registrar (the "**Registrar**") and HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**" and, together with any other paying agents appointed under the Agency Agreement from time to time, the "**Paying Agents**", and such Paying Agents together with the Registrar, together the "**Agents**" and each, an "**Agent**").

The statements in these terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the specified office of the Trustee for the time being, being at the date hereof at 8 Canada Square, London E14 5HQ, and at the specified office of the Principal Paying Agent. The Noteholders are entitled to the benefit of the Trust Deed and are bound by and are deemed to have notice of all the provisions of the Trust Deed and those provisions of the Agency Agreement that are applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 each. The Notes will be represented by beneficial interests in a global note (the "**Global Note**") in registered form without interest coupons.

The Global Notes will be exchangeable for Notes in definitive, fully registered, form (the "**Definitive Notes**" and each, a "**Definitive Note**") without coupons, in the limited circumstances specified in the Global Note.

1.2 Title

Title to the Notes will pass by transfer and upon registration in the Register. Each registered holder of any Notes shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as the absolute owner of such Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest therein, any writing on the Definitive Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Definitive Note) and no person shall be liable for so treating such Noteholder.

2. STATUS

2.1 Status of the Notes

The Notes constitute direct, unconditional, senior unsecured obligations of the Issuer and will rank *pari passu* among themselves and in right of payment to all other existing and future unsecured senior Indebtedness of the Issuer, including Indebtedness under the Senior Credit Facilities, and senior in right of payment to any existing or future subordinated Indebtedness of the Issuer save, in the event of a winding up, for such obligations as may be preferred by provisions of law that are mandatory and of general application.

2.2 Status of the Note Guarantees

The Notes are Guaranteed by the Initial Guarantor pursuant to the Standalone Guarantee and by the other Guarantors as described in Condition 7 (*Note Guarantee*) and are effectively subordinated to all Obligations of the Issuer's Subsidiaries, other than the Guarantors, and to all existing and future

secured Indebtedness of the Issuer and its Subsidiaries to the extent of the assets securing such Indebtedness.

3. PRINCIPAL AMOUNT, MATURITY AND INTEREST

3.1 Principal Amount and Maturity Date

The Notes are issued in aggregate principal amount of £250 million on the Issue Date. The Notes will mature on 31 December 2015 (the "**Maturity Date**").

3.2 Further Issues

The Issuer may from time to time, without the consent of the Noteholders (but subject to compliance with all of the covenants in these Conditions to the extent applicable, including the covenant described in Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*)), create and issue additional notes having the same terms and conditions as the Notes (or the same terms and conditions as the Notes save for the first payment of interest thereon ("**Additional Notes**")). Any issuance of Additional Notes will be constituted by a deed supplemental to the Trust Deed. The Additional Notes may be issued in one or more series. The Notes and any Additional Notes subsequently issued will be treated as a single class for all purposes under these Conditions and the Trust Deed, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in these Conditions or the Trust Deed.

3.3 Interest

(a) Interest will accrue on the outstanding principal amount of each Note from, and including, the Issue Date at the rate of 10.375% per annum and will be payable semi-annually in arrear in equal instalments on 30 June and 31 December in each year, commencing on 30 June 2011 (each, an "**Interest Payment Date**") until the Maturity Date, subject to Condition 3.3(c). Each period beginning on, and including, the Issue Date or any Interest Payment Date and ending on, but excluding, the next Interest Payment Date is herein called an "**Interest Period**". Where interest is to be calculated in respect of a period which is longer or shorter than an Interest Period or in respect of the First Interest Period, it will be calculated on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due divided by 365.

(b) Interest in respect of a Note will be paid to the person shown as the Noteholder in the Register on 15 June and 15 December, as applicable, immediately preceding the relevant Interest Payment Date.

(c) Interest on each Note will cease to accrue with effect on, and including, its due date for redemption unless, after surrender of such Note, payment of the principal or accrued interest (if any), including Additional Amounts, in respect of the Note is improperly withheld or refused, in which case interest will continue to accrue as provided in Clause 2.2 (*Covenant to Repay*) of the Trust Deed.

(d) Interest on overdue principal and interest, including Additional Amounts, if any, will accrue (to the extent lawful) at a rate that is 1% higher than the interest rate on the Notes.

4. REDEMPTION

4.1 Optional Redemption Prior to Three Years from the Issue Date

At any time and from time to time prior to 31 December 2013 (the "**First Call Date**"), the Issuer may, at its option, redeem the Notes, in whole or in part, on any one or more occasions upon giving not less than 30 nor more than 60 days' prior notice to the Noteholders at a redemption price equal to 100% of the principal amount of such Notes, or part thereof to be redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts thereon, if any, to, the applicable redemption date (subject to the right of Noteholders on the relevant record date to receive interest due on the relevant interest payment date prior to the redemption date).

4.2 Optional Redemption after First Call Date

At any time and from time to time on or after the First Call Date, the Issuer may, at its option, on any one or more occasions upon giving not less than 30 nor more than 60 days' prior notice to the Noteholders, redeem all or part of the Notes at the redemption prices (expressed as percentages of principal amount of such Notes (or part thereof) to be redeemed) set forth below, plus accrued and unpaid interest and Additional Amounts thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on 31 December of the years indicated below (subject to the right of Noteholders on the relevant record date to receive interest due on the relevant interest payment date prior to the redemption date):

Year	Percentage
2013	105.1875%
2014 and thereafter	100.0000%

4.3 Optional Redemption upon Equity Offering

At any time, from and after the Issue Date and prior to 31 December 2013, the Issuer may, at its option, on any one or more occasions upon giving not less than 30 nor more than 60 days' prior notice, redeem up to 35% of the aggregate principal amount of the Notes issued under the Trust Deed at a redemption price equal to 110.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts thereon, if any, to the redemption date (subject to the right of Noteholders on the relevant record date to receive interest due on the relevant interest payment date), using for this purpose an amount equal to all or part of the net cash proceeds received by the Issuer from one or more Equity Offerings; *provided*, that:

(a) at least 65% of the aggregate principal amount of Notes originally issued under the Trust Deed (excluding Notes held by the Issuer and its Subsidiaries) would remain outstanding immediately after the occurrence of such redemption; and

(b) the redemption occurs within 90 days of the closing of such Equity Offering.

4.4 Special Mandatory Redemption

(a) If (i) the conditions to the release of the Escrowed Property have not been satisfied by the date which is 15 Business Days following the Issue Date or (ii) the Standalone Guarantee is not effective as of the Escrow Date, unless a Payment Disruption Event is continuing, the Issuer will, in the case of (i), on or before the next succeeding Business Day and in the case of (ii), on or before the Business Day following the Escrow Date (if no Payment Disruption Event is continuing) or on or before the Business Day following the Payment Disruption Event ceasing to continue (if a Payment Disruption Event had occurred) (such date, the "**Special Mandatory Redemption Date**"), redeem all of the Notes (the "**Special Mandatory Redemption**") at a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to, but not including, the Special Mandatory Redemption Date (the "**Special Mandatory Redemption Price**"). Such redemption may be made earlier than the Special Mandatory Redemption Date if the Issuer determines in good faith at such time that the conditions to the release of the Escrowed Property are not capable of being satisfied by the Special Mandatory Redemption Date. For the avoidance of doubt, any failure to redeem when required to do so pursuant to this Condition 4.4 will be deemed an event of default due to a default in payment when due of the principal of the Notes pursuant to Condition 10(b) (*Events of Default*).

(b) Notice of the Special Mandatory Redemption will be sent by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*), with copies to the Trustee and the Escrow Agent.

4.5 Selection; Notice

If the Issuer partially redeems the Notes, the Notes will be redeemed on a *pro rata* basis unless otherwise required by law or applicable stock exchange or depositary requirements. No Note of a denomination of £100,000 in aggregate principal amount will be redeemed in part. If the Issuer redeems any Notes in part only, the notice of redemption relating to such Notes shall state the portion of the principal amount thereof to be redeemed. In case of any Definitive Notes, a new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the

Noteholder thereof upon cancellation of the original Note. In case of the Global Note, an appropriate notation will be made on the Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Once notice of redemption is sent to the Noteholders in accordance with Condition 16 (*Notices*), Notes or portions thereof called for redemption become due and payable at the redemption price on the redemption date (subject to the satisfaction of the conditions precedent stated in the redemption notice), and, commencing on the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption unless payment or the redemption moneys and/or accrued interest is improperly withheld or refused.

Any redemption notice given under this Condition 4 (*Redemption*) may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions, including in the case of a redemption pursuant to Condition 4.3 (*Optional Redemption upon Equity Offering*), the completion of the related Equity Offering.

5. TAXATION

5.1 Additional Amounts

(a) All payments made by the Issuer under or with respect to the Notes or any of the Guarantors with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organised, engaged in business for tax purposes or resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "**Tax Jurisdiction**") will at any time be required to be made from any payments made by the Issuer under or with respect to the Notes or by any of the Guarantors with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by each Noteholder after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(i) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the Noteholder or the beneficial owner of the Notes and the relevant Tax Jurisdiction, including, without limitation, the Noteholder or beneficial owner being, or having been, a citizen, national, or resident, being, or having been, engaged in a trade or business, being, or having been, physically present in or having or having had a permanent establishment in a Tax Jurisdiction (but not including any connection arising from the holding of such Note, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee);

(ii) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the Relevant Date (except to the extent that the Noteholder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(iii) any estate, inheritance, gift, sales, transfer or similar Taxes;

(iv) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;

(v) any Taxes imposed on or with respect to a payment made to a Noteholder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by

presenting the relevant Note to another Paying Agent in a member state of the European Union;

(vi) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(vii) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the Noteholder or beneficial owner of Notes, following the Issuer's written request addressed to the Noteholder or beneficial owner (and made at a time that would enable the Noteholder or beneficial owner acting reasonably to comply with that request), to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the Noteholder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the Noteholder or beneficial owner is legally entitled to provide such certification or documentation; or

(viii) any combination of items (i) through (vii) above.

(b) In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the Noteholders for any present or future stamp, issue, registration, court or documentary Taxes, or any other similar taxes, charges or levies (including penalties and interest related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, any Note Guarantee or any other document referred to therein or enforcement of, any of the Notes or any Note Guarantee (other than any such Taxes on or in connection with a transfer of the Notes other than the initial resale by the Initial Purchasers).

(c) If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee and the Principal Paying Agent promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate(s) must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to Noteholders on the relevant payment date. The Trustee and the Paying Agents shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary.

(d) The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. Upon written request by the Trustee or a Noteholder, the Issuer or the relevant Guarantor will use its reasonable efforts to furnish to the Trustee (or Noteholder, as applicable), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing such payment by the Issuer or a Guarantor, as the case may be, in such form as provided in the normal course by the relevant Tax authority. If, notwithstanding such entity's reasonable efforts to obtain receipts, receipts are not obtained, the Issuer or Guarantor will provide the Trustee (or such Noteholder) with other evidence of payments (reasonably satisfactory to the Trustee or the Noteholder as applicable) by such entity.

(e) Whenever in the Trust Deed or in these Conditions there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

5.2 Redemption for Changes in Taxes

(a) The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the Noteholders (which notice will be irrevocable and given in accordance with the Condition 16 (*Notices*)) at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Noteholders on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer (or, if any Note Guarantee were called, the relevant Guarantor) is or would be required to pay Additional Amounts, and the Issuer or such Guarantor cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

(i) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment is announced and becomes effective on or after the date of the Trust Deed (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of the Trust Deed, such later date); or

(ii) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the date of the Trust Deed (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the date of the Trust Deed, such later date).

(b) The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer (or, if any Note Guarantee were called, the relevant Guarantor) would be obligated to make such payment of Additional Amounts. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee:

(i) an opinion of independent tax counsel (who shall be of recognised standing and reasonably satisfactory to the Trustee) to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder; and

(ii) an Officers' Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer (or the relevant Guarantor) taking reasonable measures available to it.

(c) The Trustee will accept and shall be entitled to rely on such Officers' Certificate and opinion of tax counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, and such reliance by the Trustee on such Officers' Certificate and opinion of tax counsel will be conclusive and binding on the Noteholders.

6. REPURCHASE AT THE OPTION OF THE HOLDERS

6.1 Change of Control

(a) If a Change of Control occurs, each Noteholder will have the right to require the Issuer to repurchase all or any part (in integral multiples of £1,000; *provided* that Notes of a denomination of £100,000 may only be redeemed in whole and not in part) of that Noteholder's Notes pursuant to an offer (the "**Change of Control Offer**"), at the times and otherwise in compliance with the requirements set forth in these Conditions. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "**Change of Control Payment**"), subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will notify each Noteholder in accordance with Condition 16 (*Notices*), stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the

"**Change of Control Payment Date**") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by these Conditions or the Trust Deed and described in such notice. The Issuer will comply with the requirements of any applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of these Conditions, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under these Conditions by virtue of such compliance.

(b) On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(ii) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(iii) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

(c) The Principal Paying Agent will promptly mail (or cause to be delivered) to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Principal Paying Agent will promptly authenticate and mail (or cause to be transferred by book-entry) to each Noteholder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(d) The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of these Conditions are applicable. Except as described above with respect to a Change of Control, these Conditions do not contain provisions that permit the Noteholders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalisation or similar transaction.

(e) The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Condition applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to Condition 16 (*Notices*), unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

(f) The provisions under this Condition relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Notes outstanding prior to the occurrence of the Change of Control.

6.2 Asset Sale Offers

(a) Any Net Proceeds from Asset Sales that are not applied or invested as provided in clause (b) of Condition 8.5 (*Limitation on Asset Sales*) will constitute "**Excess Proceeds**." When the aggregate amount of Excess Proceeds exceeds £20.0 million, within ten Business Days thereof, the Issuer will make an offer (an "**Asset Sale Offer**") to all Noteholders and may make an offer to any and all holders of other Indebtedness that is *pari passu* with the Notes or any Note Guarantees to purchase, prepay or redeem with the Excess Proceeds the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess

Proceeds. For the avoidance of doubt, the Issuer may also make an Asset Sale Offer at its own election at any time prior to the expiration of the 365 day period described in Condition 8.5(b). The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the date of purchase, prepayment or redemption subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash in accordance with the procedures set forth in the Trust Deed. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Conditions. If the aggregate principal amount of the Notes and the other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, Notes will be selected for purchase on a *pro rata* basis (or as otherwise required by applicable law or stock exchange requirements), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(b) The Issuer will comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes pursuant to this Condition. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this Condition, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Condition by virtue of its compliance with such securities laws or regulations.

7. NOTE GUARANTEE

7.1 Standalone Guarantee of the Initial Guarantor

The Initial Guarantor has, in the Standalone Guarantee, guaranteed the Issuer's obligations under the Notes less all contingent, prospective and actual amounts recovered or to be recovered by the Trustee and the Noteholders from the Issuer or its Restricted Subsidiaries (other than the Initial Guarantor) as set forth in and subject to the terms and conditions, including the limitations thereof, provided for in the Standalone Guarantee.

7.2 Optional Guarantors

The Issuer shall be permitted to add Guarantors and remove any Guarantors subject to and in accordance with this Condition 7.2 and the provisions of the Trust Deed and these Conditions. For the avoidance of doubt, the Issuer shall be permitted after the Issue Date to cause additional Restricted Subsidiaries to become Guarantors under the Trust Deed or pursuant to any separate deed of guarantee (such Guarantors ("**Optional Guarantors**"). The Issuer will be entitled to release any such Optional Guarantor from its Note Guarantee obligations hereunder pursuant to Condition 7.4 (*Release of Guarantors*); *provided* that the Issuer provides an Officers' Certificate to the Trustee certifying that no Event of Default would result from such release, no other Indebtedness is at that time guaranteed by the relevant Guarantor that would have otherwise given rise to an obligation to guarantee the Notes pursuant to Condition 8.7 (*Limitation on Issuance of Guarantees of Indebtedness*) and such release does not cause Priority Indebtedness to exceed the amount specified in Condition 8.3(c) (*Incurrence on Indebtedness and Issuance of Preferred Stock*).

7.3 Note Guarantee (other than the Standalone Guarantee)

Any Guarantors (other than the Initial Guarantor) which become Guarantors after the Issue Date will, by way of a supplement to the Trust Deed or pursuant to any separate deed of guarantee, jointly and severally Guarantee with each other Guarantor (other than the Initial Guarantor) the Issuer's obligations under the Trust Deed and the Notes.

7.4 Release of Guarantors

In addition, a Guarantor will automatically and unconditionally be released from all obligations under its Note Guarantee, and such Note Guarantee shall thereupon terminate and be discharged and be of no further force or effect:

(a) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the provisions contained in paragraph (b) of Condition 8.5 (*Limitation on Asset Sales*);

(b) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the provisions contained in paragraph (b) of Condition 8.5 (*Limitation on Asset Sales*) and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(c) if the Issuer designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with Condition 8.8 (*Designation of Restricted and Unrestricted Subsidiaries*); or

(d) upon repayment of the Notes.

Upon any such release of a Note Guarantee pursuant to this Condition 7.4 (*Release of Guarantors*), the Trustee shall execute any documents required in order to evidence such release, discharge and termination in respect of such Note Guarantee.

7.5 Maintenance of Guarantor Cover

The Guarantors shall at all times be the beneficial owners of not less than 90% of the gross assets (being the sum of non-current and current assets, as defined in the Issuer's most recent audited consolidated financial statements, excluding any intercompany assets) of the UK business of the Issuer and its Restricted Subsidiaries.

8. COVENANTS

8.1 Suspension of Covenants when Notes Rated Investment Grade

If on any date following the Issue Date:

(a) the Notes have achieved Investment Grade Status; and

(b) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "**Suspension Period**"), the following Conditions will no longer be applicable and any related default provisions under Condition 10 (*Events of Default and Remedies*) will cease to be effective and will not be applicable to the Issuer or its Restricted Subsidiaries:

(a) Condition 6.2 (*Asset Sale Offers*);

(b) Condition 8.2 (*Restricted Payments*);

(c) Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(d) Condition 8.5 (*Limitation on Asset Sales*);

(e) Condition 8.6 (*Transactions with Affiliates*);

(f) Condition 8.8 (*Designation of Restricted and Unrestricted Subsidiaries*); and

(g) sub-clause (iv) in paragraph (a) of Condition 8.10 (*Merger, Consolidation or Sale of Assets*).

Such covenants will not be of any effect with regard to the actions of the Issuer and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to any Restricted Payments made after any reinstatement as of and from the first day after the end of the Suspension Period, the amount of Restricted Payments will be calculated as though Condition 8.2 (*Restricted Payments*) had been in effect prior to, but not during, the Suspension Period;

and (2) all Indebtedness incurred, or Disqualified Stock or preference shares issued, during the Suspension Period will be classified to have been incurred or issued pursuant to sub-clause (ii) in paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*). Upon the occurrence of, and during, a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

8.2 Restricted Payments

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(i) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer or any of its Restricted Subsidiaries and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary);

(ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent entity of the Issuer;

(iii) make any principal payment on or with respect to, or purchase, redeem or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries), except (i) a payment of principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition; or

(iv) make any Restricted Investment,

(all such payments and other actions set forth in the preceding sub-clauses (i) through (iv) above shall be referred to as "**Restricted Payments**"), unless, at the time of any such Restricted Payment:

(A) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(B) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of such Restricted Payment, have been permitted to incur at least £1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in paragraph (a) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*); and

(C) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by sub-clauses (ii), (iii), (iv), (vi), (vii) and (ix) of paragraph (b) of Condition 8.2 (*Restricted Payments*) below), is less than the sum, without duplication, of:

(1) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if the Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(2) 100% of the aggregate net proceeds received in cash and/or Cash Equivalents by the Issuer since the Issue Date as a contribution to its common equity capital or

from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case that have been converted into or exchanged for Equity Interests of the Issuer (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Issuer); *plus*

(3) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated, returned or repaid, 100% of the aggregate amount received in cash and/or Cash Equivalents, or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the Fair Market Value of the Restricted Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(4) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the lesser of (a) the Fair Market Value of the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation or (b) such Fair Market Value of the Issuer's Investment in such Subsidiary as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the Trust Deed, to the extent such Investments reduced the restricted payments capacity under this sub-clause (C) of paragraph (a) of Condition 8.2 (*Restricted Payments*) and were not previously repaid or otherwise reduced; *plus*

(5) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period.

(b) The provisions of paragraph (a) of Condition 8.2 (*Restricted Payments*) will not prohibit:

(i) the payment of any dividend or the consummation of any redemption within 120 days after the date of announcement of the dividend or giving of the redemption notice, as the case may be, if at the date of announcement or notice, the dividend or redemption payment would have complied with the provisions of these Conditions;

(ii) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from subsequent calculations under sub-clause (C)(2) of paragraph (a) of Condition 8.2 (*Restricted Payments*) and will not be considered to be net cash proceeds from an Equity Offering for the purposes of Condition 4.3 (*Optional Redemption upon Equity Offering*);

(iii) the repurchase, redemption or other acquisition or retirement for value of Indebtedness of the Issuer, or any Restricted Subsidiary that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(iv) the repurchase, redemption or other acquisition of shares of Capital Stock of the Issuer (including purchases by employee trusts and similar Persons funded by the Issuer or any Restricted Subsidiary) purchased in the open market for future delivery to employees, directors and other persons under agreements or plans approved by the Board of Directors or a committee of the Board of Directors; *provided* that the aggregate amount of such Restricted Payments shall not exceed £10 million in any calendar year (with amounts unused in any calendar year available to be used in any subsequent calendar year);

(v) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(vi) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preference shares of any Restricted Subsidiary in issue on or issued on or after the Issue Date in accordance with Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) of these Conditions;

(vii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(viii) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Issuer or any Restricted Subsidiary) on no more than a *pro rata* basis; or

(ix) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed £40.0 million since the Issue Date.

(c) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

8.3 Incurrence of Indebtedness and Issuance of Preferred Stock

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, Guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any preference shares; *provided*, *however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Issuer's Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preference shares if the Fixed Charge Coverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preference shares are issued, as the case may be, would have been at least 2.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preference shares had been issued, as the case may be, at the beginning of such four-quarter period.

(b) The foregoing paragraph (a) of this Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) shall not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Indebtedness**"):

(i) the incurrence by the Issuer and any Restricted Subsidiary of additional Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this sub-clause (i) not to exceed £1,100.0 million, *plus* in the case of any refinancing of any Indebtedness permitted under this sub-clause (i) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing; *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Issuer or any of its Restricted Subsidiaries since the Issue Date to repay any Indebtedness under Credit Facilities and effect a corresponding commitment reduction thereunder pursuant to Condition 8.5 (*Limitation on Asset Sales*);

(ii) Indebtedness of the Issuer or any Restricted Subsidiary outstanding on the Issue Date after giving *pro forma* effect to the use of proceeds of the Notes, the Senior Credit Facilities and the Fund Facility;

(iii) the incurrence by the Issuer and the Guarantors of Indebtedness (A) represented by the Notes issued on the Issue Date and the related Note Guarantees and (B) under the Fund Facility;

(iv) Indebtedness or Disqualified Stock of the Issuer, Disqualified Stock of any Guarantor and Indebtedness or preference shares of any Restricted Subsidiary, in each case, representing Capital Lease Obligations, mortgage financings or purchase money obligations incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Issuer or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness, Disqualified Stock and preference shares incurred to renew, refund, refinance, replace or discharge any Indebtedness, Disqualified Stock and preference shares incurred pursuant to this sub-clause (iv), not to exceed £25.0 million at any time outstanding;

(v) Permitted Refinancing Indebtedness or Disqualified Stock of the Issuer or any Guarantor and Permitted Refinancing Indebtedness or preference shares of any Restricted Subsidiary in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge any Indebtedness, Disqualified Stock and preference shares (other than intercompany Indebtedness) that was permitted to be incurred by the Issuer, Guarantor or Restricted Subsidiary, as the case may be, by paragraph (a) of this Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) or sub-clauses (ii), (iii), (v) or (xiii) of paragraph (b) of this Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(vi) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer or any Restricted Subsidiary; *provided* that:

(A) if the Issuer or any Guarantor is the obligor of such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured (except (i) to the extent prohibited by pension benefit plans or (ii) otherwise not permitted under applicable law after having been limited as necessary to recognise certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally)) and, to the extent practicable, in no event senior to the prior payment in full in accordance with the Trust Deed of all Obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; and

(B) (1) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary and (2) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this sub-clause (vi);

(vii) the issuance by any Restricted Subsidiary to the Issuer or to any of its Restricted Subsidiaries of preference shares; *provided* that:

(A) any subsequent issuance or transfer of Equity Interests that results in any such preference shares being held by a Person other than the Issuer or a Restricted Subsidiary; and

(B) any sale or other transfer of any such preference shares to a Person that is not either the Issuer or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such preference shares by such Restricted Subsidiary that was not permitted by this sub-clause (vii);

(viii) the incurrence by the Issuer or any Restricted Subsidiary of Hedging Obligations not for speculative purposes;

(ix) the Guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the Guaranteed Indebtedness was permitted to be incurred by another provision of this Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*); *provided* that if the Indebtedness being Guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed;

(x) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(xi) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(xii) Indebtedness represented by Guarantees of any Management Advances;

(xiii) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Indebtedness Incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary); *provided*, *however*, with respect to this sub-clause (xiii), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred (x) the Issuer would have been able to incur £1.00 of additional Indebtedness pursuant to paragraph (a) of this Condition after giving effect to the incurrence of such Indebtedness pursuant to this sub-clause (xiii) or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(xiv) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary; *provided* that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(xv) Indebtedness of the Issuer and its Restricted Subsidiaries in respect of (A) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax Guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money by such Person, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (B) any customary cash management, cash pooling or netting or setting off arrangements; *provided*, *however*, that in the event of any payment being made pursuant to such letters of credit or other instrument by the relevant credit support provider, such obligations are reimbursed within 30 days following such payment;

(xvi) Guarantees by the Issuer or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of Directors of the Issuer, so long as the proceeds of the Indebtedness so Guaranteed is used to purchase Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the amount of any net cash proceeds from the sale of such Equity Interests of the Issuer will be excluded from sub-clause (C)(2) of paragraph (a) of Condition 8.2 (*Restricted Payments*)

above and will not be considered to be net cash proceeds from an Equity Offering for purposes of Condition 4.3 (*Optional Redemption upon Equity Offering*);

(xvii) Indebtedness represented by Guarantees of pension fund obligations of the Issuer or any Restricted Subsidiary;

(xviii) Indebtedness incurred by a Restricted Subsidiary, the net cash proceeds of which are used for the purposes of providing loans to a customer to fund the purchase of a property where those loans are subsequently sold at not less than par to a mortgage funder other than the Issuer or any Restricted Subsidiary within 10 Business Days; or

(xix) Indebtedness or Disqualified Stock of the Issuer, Disqualified Stock of any Guarantor and Indebtedness or preference shares of any Restricted Subsidiary in an aggregate principal amount at any time outstanding, including all Indebtedness, Disqualified Stock and preference shares incurred to renew, refund, refinance, replace or discharge any Indebtedness, Disqualified Stock and preference shares incurred pursuant to this sub-clause (xix) not to exceed £50.0 million.

(c) Notwithstanding the foregoing, the aggregate principal amount of Priority Indebtedness that the Issuer or any of its Restricted Subsidiaries may incur or have at any time outstanding will not exceed £50.0 million.

(d) Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Indebtedness) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

(e) For the purposes of determining compliance with this Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*), in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in sub-clauses (i) through (xix) of paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) above, or is entitled to be incurred pursuant to paragraph (a) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*), the Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such sub-clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in paragraphs (a) and (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*), from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*). Indebtedness under the Senior Credit Facilities and the Ancillary Facilities outstanding on the Issue Date will initially be deemed to have been incurred on such date in reliance on sub-clause (i) of paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*).

(f) The accrual of interest or preference share dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preference shares as Indebtedness due to a change in accounting principles, and the payment of dividends on preference shares or Disqualified Stock in the form of additional shares of the same class of preference shares or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preference shares or Disqualified Stock for purposes of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*).

(g) For the purposes of determining compliance with any sterling-denominated restriction on the incurrence of Indebtedness, the Sterling Equivalent principal amount of Indebtedness denominated in a different currency shall be utilised, calculated based on the relevant

currency exchange rate in effect on the date such Indebtedness was incurred; *provided*, *however*, that (i) if such Indebtedness denominated in a non-sterling currency is subject to a Currency Agreement with respect to sterling the amount of such Indebtedness expressed in sterling will be calculated so as to take account of the effects of such Currency Agreement; and (ii) the Sterling Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any Permitted Refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced (which is denominated in a currency other than sterling) will be the Sterling Equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(i) such Sterling Equivalent was determined based on a Currency Agreement, in which case the Permitted Refinancing Indebtedness will be determined in accordance with the preceding sentence; and

(ii) the principal amount of the Permitted Refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the Sterling Equivalent of such excess will be determined on the date such Permitted Refinancing Indebtedness is being incurred.

(h) Notwithstanding any other provision of this Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*), the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

(i) The amount of any Indebtedness outstanding as of any date will be:

(i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(ii) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Indebtedness of the other Person; and

(iii) the principal amount of the Indebtedness, in the case of any other Indebtedness.

8.4 Liens

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets (including Capital Stock of any other Person), now owned or hereafter acquired, except Permitted Liens, unless all payments due under the Trust Deed and the Notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien.

8.5 Limitation on Asset Sales

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(i) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(ii) at least 75% of the consideration received from the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For the purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as recorded on the balance sheet of the Issuer or any Restricted Subsidiary (other than contingent liabilities), that are assumed by the transferee of any such assets and as a result of which the neither Issuer nor any of its Restricted

Subsidiaries remain obligated with respect to such liabilities or are indemnified against further liabilities;

(B) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(C) any Capital Stock or assets of the kind referred to in sub-clauses (ii), (iv) or (v) of paragraph (b) of this Condition 8.5 (*Limitation on Asset Sales*);

(D) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale; and

(E) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Issuer or Restricted Subsidiary):

(i) to purchase the Notes pursuant to an offer to all Noteholders at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the date of purchase (a "**Notes Offer**");

(ii) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(iii) to make capital expenditures;

(iv) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used or useful in a Permitted Business;

(v) to acquire land or interests in land and to discharge liabilities in respect of land (whether or not such liabilities relate to deferred payments);

(vi) to (A) repurchase, prepay, redeem or repay Indebtedness (1) which is *Pari Passu* Indebtedness in right of payment with the Notes or the Note Guarantee; (2) which is Priority Indebtedness or (3) which is secured by a Lien on the asset which is the subject of the Asset Sale or (B) make contributions to pension schemes in an aggregate amount since the Issue Date not to exceed £50.0 million;

(vii) to enter into a binding commitment to apply the Net Proceeds pursuant to sub-clauses (ii), (iii), (iv), (v) or (vi) of this paragraph (b) of Condition 8.5 (*Limitation on Asset Sales*); *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365 day period; or

(viii) any combination of (i) through (vii) above.

(c) Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by these Conditions.

(d) Any Net Proceeds from Asset Sales that are not applied or invested as provided in sub-clause (b) of this Condition 8.5 (*Limitation on Asset Sales*) will constitute "**Excess Proceeds**". When the aggregate amount of Excess Proceeds exceeds £20.0 million, the Issuer will make an Asset Sale Offer as provided in Condition 6.2 (*Asset Sale Offers*) within ten Business Days.

8.6 Transactions with Affiliates

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or Guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an "**Affiliate Transaction**") involving aggregate payments or consideration in excess of £2.0 million, unless:

(i) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(ii) the Issuer delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of £5.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this Condition 8.6 (*Transactions with Affiliates*) and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Issuer; and, in addition,

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of £20.0 million, an opinion of an accounting, appraisal or investment banking firm of international standing, or other recognised independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of paragraph (a) of this Condition 8.6 (*Transactions with Affiliates*):

(i) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(ii) transactions between or among the Issuer and/or its Restricted Subsidiaries;

(iii) transactions with a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(iv) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Issuer or any of its Restricted Subsidiaries;

(v) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer;

(vi) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of Condition 8.2 (*Restricted Payments*);

(vii) any Permitted Investment described in paragraphs (e), (f), (g), (i), (j) and (m) of the definition thereof;

(viii) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not-materially more disadvantageous to the Noteholders of the Notes than the original agreement as in effect on the Issue Date;

(ix) Management Advances; and

(x) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labour, in each case in the ordinary course of business and otherwise in compliance with the terms of the Trust Deed that are fair to the Issuer or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person.

8.7 Limitation on Issuances of Guarantees of Indebtedness

(a) The Issuer will not permit any of its Restricted Subsidiaries, directly or indirectly, to Guarantee (the "**Triggering Guarantee**") the payment of any Material Indebtedness incurred pursuant to any Credit Facilities or consisting of Public Debt unless such Restricted Subsidiary simultaneously executes and delivers a supplement to the Trust Deed or, at the option of the Restricted Subsidiary, a separate deed of guarantee providing for the Note Guarantee by such Restricted Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Triggering Guarantee.

(b) Each additional Note Guarantee will be limited as necessary to recognise certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law and, to the extent such additional Note Guarantee is given by a Restricted Subsidiary with liabilities in respect of the defined benefit pension schemes of the Issuer and its Restricted Subsidiaries, further limited in the same manner as the Triggering Guarantee is limited in respect to such defined pension scheme.

(c) Notwithstanding the preceding paragraph (a), the Issuer shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent that such Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary or any liability for the officers, directors or shareholders of such Restricted Subsidiary; *provided* that the Issuer will procure that the relevant Restricted Subsidiary becomes a Guarantor at such time as such restriction would no longer apply to the providing of the Guarantee or no longer would prohibit such Restricted Subsidiary from becoming a Guarantor (or prevent the Issuer from causing such Restricted Subsidiary to become a Guarantor).

8.8 Designation of Restricted and Unrestricted Subsidiaries

(a) The Board of Directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Issuer and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Condition 8.2 (*Restricted Payments*) or under one or more paragraphs of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

(b) Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions of this Condition 8.8 and was permitted by Condition 8.2 (*Restricted Payments*). If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements of this Condition 8.8 as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for the purposes of the Trust Deed and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as

of such date and, if such Indebtedness is not permitted to be incurred as of such date under Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*), the Issuer will be in default of such Condition. The Board of Directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (i) such Indebtedness is permitted under Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*), calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (ii) no Default or Event of Default would be in existence following such designation.

8.9 Maintenance of Listing

The Issuer will use its reasonable endeavours to procure the admission of the Notes to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Professional Securities Market as promptly as practicable and, for so long as such Notes are outstanding, will use its reasonable endeavours to maintain the same; *provided* that if at any time the Issuer is unable to do so having used such reasonable endeavours or if the Issuer determines that it is unduly burdensome to maintain such listing, it will use its best endeavours to procure, prior to the delisting of the Notes from the Official List of the UK Listing Authority and from trading on the London Stock Exchange's Professional Securities Market, and, thereafter, to maintain a listing of such Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom or any other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written consent of the Trustee) decide.

8.10 Merger, Consolidation or Sale of Assets

(a) The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving company) and whether or not by scheme of arrangement, or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of the Issuer and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) either:

(A) the Issuer is the surviving company; or

(B) the Person formed by or surviving any such consolidation or merger or scheme of arrangement (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organised or existing under the laws of England and Wales, any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(ii) the Person formed by or surviving any such consolidation or merger or scheme of arrangement (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made expressly assumes, by a supplement to the Trust Deed, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Trust Deed, and each Guarantor, unless it is the aforementioned Person, has, by way of execution of a supplement to the Trust Deed or a separate deed of guarantee, confirmed that its Note Guarantee (unless otherwise released in accordance with, and only to the extent not limited by, Condition 7.4 (*Release of Guarantors*)) will apply to such Person's obligations under the Notes and the Trust Deed;

(iii) immediately after such transaction, no Default or Event of Default exists;

(iv) the Issuer or the Person formed by or surviving any such consolidation or merger or scheme of arrangement (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the Issuer's most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the

date of such transaction (i) be permitted to incur at least £1.00 of additional Indebtedness pursuant to paragraph (a) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) or (ii) have a Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and

(v) the Issuer delivers to the Trustee an Officers' Certificate and Opinion of Counsel, in each case (subject to customary and/or reasonable assumptions and reservations) stating that such consolidation, merger or transfer complies with this Condition 8.10 (*Merger, Consolidation or Sale of Assets*), and if a supplemental Trust Deed or a separate deed of guarantee is required in connection with such transaction, such supplemental Trust Deed or a separate deed of guarantee will, comply with the requirements of the Trust Deed and has been duly authorised, executed and delivered by the applicable Issuer and/or Surviving Entity and constitutes a legal, valid, binding and enforceable obligation of each such party thereto.

(b) A Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and Condition 7.3 (*Release of Guarantors*)) will not, directly or indirectly: (i) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving company), or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the assets of such Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) either:

(A) such Guarantor is the surviving company; or

(B) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Guarantor under its Note Guarantee;

(ii) immediately after giving *pro forma* effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving company as a result of such transaction as having been incurred by the surviving company at the time of such transaction or transactions), no Default or Event of Default exists; and

(iii) the Issuer delivers to the Trustee an Officers' Certificate, in form and substance reasonably satisfactory to the Trustee, and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and complies with this Condition 8.10 (*Merger, Consolidation or Sale of Assets*), and if a supplemental Trust Deed or a separate deed of guarantee is required in connection with such transaction, such supplemental Trust Deed will, comply with the requirements of the Trust Deed or a separate deed of guarantee and has been duly authorised, executed and delivered by the applicable Issuer and/or Surviving Entity and constitutes a legal, valid, binding and enforceable obligation of each such party thereto.

(c) Paragraphs (a) and (b) of this Condition 8.10 (*Merger, Consolidation or Sale of Assets*) will not apply to (i) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor into the Issuer or a Guarantor, (ii) any consolidation or merger among Guarantors, (iii) any consolidation or merger among the Issuer and any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor is an entity organised or existing under the laws of England and Wales, any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia and expressly assumes, by a supplement to the Trust Deed, executed and delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Trust Deed, and each Guarantor, unless it is the aforementioned Person, confirms, by way of execution of a supplement to the Trust Deed or a separate deed of guarantee, that its Note Guarantee (unless otherwise released in accordance with, and only to the extent not limited by, Condition 7.3 (*Release of Guarantors*)) will apply to such Person's obligations under the Notes or (iv) any sale, assignment, transfer, conveyance, lease or other disposition of assets among the Issuer and its Restricted Subsidiaries. Sub-clauses (iii) and (iv) of paragraph (a) of Condition 8.10 (*Merger,*

Consolidation or Sale of Assets) and sub-clause (ii) of paragraph (b) of Condition 8.10 (*Merger, Consolidation or Sale of Assets*) will not apply to any merger or consolidation of the Issuer or any Guarantors with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction.

8.11 Reports

(a) So long as any Notes are outstanding and in accordance with the Listing Rules applicable to any company whose ordinary shares are admitted to the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange, the Issuer will furnish to the Trustee (whether or not the Issuer's shares continue to be listed):

(i) within 120 days after the end of the Issuer's financial year, the Issuer's annual report and accounts (including audited year end financial statements prepared in accordance with IFRS and an explanatory statement) prepared in accordance with the Listing Rules (and, notwithstanding the foregoing shall include the following financial information with a comparison against the prior year: (1) operating margin, (2) net debt/EBITDA, (3) net financial expense, (4) interest coverage ratio, (5) gearing ratio and (6) total inventory/net debt);

(ii) within 90 days after the end of the first semi-annual period of the Issuer's financial year (commencing with the first semi-annual interim financial year following the Issue Date), an interim report (including a condensed set of semi-annual interim financial statements prepared in accordance with IFRS and an explanatory statement) prepared in accordance with requirements of the Listing Rules or a half-yearly report (and, notwithstanding the foregoing shall include the following financial information with a comparison against the prior semi-annual period: (1) operating margin, (2) net debt/EBITDA, (3) net financial expense, (4) interest coverage ratio and (5) gearing ratio); and

(iii) within 15 days following its issuance, all information that is required to be provided to the holders of the ordinary shares of the Issuer under the Listing Rules or the Companies Act,

provided, *however*, that the reports set forth in sub-clauses (i), (ii) and (iii) of this paragraph (a) of Condition 8.11 (*Reports*) will not be required to include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Issuer.

(b) If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the semi-annual and annual financial information required by paragraph (a) of Condition 8.11 (*Reports*) will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

(c) All financial statements shall be prepared in accordance with IFRS.

(d) Contemporaneously with the furnishing of each such report discussed in this Condition 8.11 (*Reports*), the Issuer will post such report on the Issuer's website.

(e) The Issuer will, at its discretion, either (i) within three Business Days after the delivery of each report referred to in sub-clauses (i) and (ii) of paragraph (a) of this Condition 8.11 (*Reports*), conduct a conference call to discuss such report and answer questions about such report, which conference call will be open to all Noteholders or (ii) after the delivery of each report invite the Noteholders to all public calls held for the Issuer's equity holders to discuss the contents of that report, which call shall be substantially concurrent with the delivery of that report. Details of such conference calls will either (1) be delivered with each report or (2) posted on an electronic website that is used by the Issuer to communicate to the equity holders generally for which the Noteholders have been, prior to the posting of such notice, informed of the website address and relevant password specifications, which notice shall constitute reasonable notice of such public calls for the purpose of this paragraph (e).

8.12 Escrow of Proceeds; Release

(a) On the Issue Date, the Issuer will enter into an Escrow Agreement with the Trustee, the Escrow Agent and the Initial Purchasers, pursuant to which the Initial Purchasers will deposit with the Escrow Agent an amount equal to the net proceeds of the offering of the Notes and the Issuer will deposit in the same escrow account an additional amount in cash (collectively, the "**Escrowed Property**") sufficient to pay the Special Mandatory Redemption Price.

(b) The Escrowed Property shall be released to the Issuer promptly upon satisfaction of the conditions set forth in the Escrow Agreement. Upon such release, the escrow account under the Escrow Agreement shall be reduced to zero and the Escrowed Property and interest thereon paid out in accordance with the Escrow Agreement.

(c) If (i) the conditions to the release of the Escrowed Property have not been satisfied by the date which is 15 Business Days following the Issue Date or (ii) the Standalone Guarantee is not effective as of the Escrow Date, unless a Payment Disruption Event is continuing, the Issuer will redeem all of the Notes pursuant to Condition 4.4 (*Special Mandatory Redemption*) and the Escrowed Property will be released to the Paying Agent.

9. SUCCESSORS

Upon any consolidation or merger or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries or any Guarantor and its Restricted Subsidiaries, in a transaction that is subject to, and that complies with the provisions of, Condition 8.10 (*Merger, Consolidation or Sale of Assets*), the successor Person formed by such consolidation or into or with which the Issuer or any Guarantor, as applicable, is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of these Conditions referring to the "Issuer" or the "Guarantor", as applicable, shall refer instead to the successor Person and not to the Issuer or the Guarantor, as applicable), and may exercise every right and power of the predecessor Issuer or Guarantor, as applicable, under the Trust Deed and the Notes with the same effect as if such successor Person had been named as the Issuer or Guarantor, as applicable, herein and the predecessor Issuer or Guarantor, as applicable, shall be discharged from all obligations under the Notes, the Note Guarantees, the Trust Deed and any supplemental Trust Deed or a separate deed of guarantee, as applicable; *provided*, *however*, that the predecessor Issuer shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale, conveyance, transfer or lease of all of the assets of or a consolidation or merger of the Issuer in a transaction that is subject to, and that complies with the provisions of, Condition 8.10 (*Merger, Consolidation or Sale of Assets*).

10. EVENTS OF DEFAULT AND REMEDIES

The following events constitute "**Events of Default**":

(a) default for 30 days in the payment when due of interest on, or Additional Amounts (if any) with respect to, the Notes;

(b) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(c) failure by the Issuer or any relevant Guarantor for 60 days after written notice to the Issuer by the Trustee or the Noteholders holding at least 25% in aggregate principal amount of the Notes then outstanding, voting as a single class, to comply with any of the agreements in these Conditions, the Trust Deed, the Standalone Guarantee (including any additional standalone guarantees in respect of the Notes) or any other separate deed of guarantee in respect of the Notes (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in paragraphs (a) or (b) of this Condition 10 (*Events of Default and Remedies*);

(d) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or

any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(i) is caused by a failure to pay principal of such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "**Payment Default**"); or

(ii) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated aggregates £15.0 million or more;

(e) failure by the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of £15.0 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(f) except as permitted by these Conditions or the Trust Deed (including with respect to any limitations), any Note Guarantee of the Issuer or a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or the Issuer or any Guarantor which is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or any Person acting on behalf of any such Guarantor, denies or disaffirms its obligations under such Note Guarantee;

(g) the Issuer, or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary:

(i) is declared by a court of competent jurisdiction to be insolvent, bankrupt or unable to pay its debts; or

(ii) stops, suspends, threatens to stop or suspend payment of, or admits in writing its inability to pay, all or a material part of its debts as they mature; or

(iii) applies for or consents to or suffers the appointment of an administrator, liquidator or receiver or other similar person in respect of the Issuer or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary or over the whole or any material part of their respective undertakings, property, assets or revenues pursuant to any insolvency law (other than for a solvent liquidation of a Restricted Subsidiary); or

(iv) takes any proceedings under any law for a readjustment or deferment of its obligations or any material part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an extraordinary or written resolution of the Noteholders, and in any such case, the order or decree remains unstayed and in effect for 60 consecutive days;

(h) an order of a court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary ceases to carry on all or any material part of their respective businesses or operations (other than in connection with any consolidation, amalgamation or merger of the Issuer with, or the sale of all or substantially all the assets of the Issuer to, any other company where all relevant trust deeds, deeds of guarantee and supplemental trust deeds are executed pursuant to, and to give full effect to, the rights of a Noteholder pursuant to

Condition 8.10 (*Merger, Consolidation or Sale of Assets*)) except, in any such case, (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an extraordinary or written resolution of the Noteholders or (B) for a solvent liquidation of a Restricted Subsidiary;

(i) it becomes unlawful for any of the Issuer or the Guarantors to comply with its obligations under the Notes or the Trust Deed; or

(j) any event occurs which under English law has an analogous effect to any of the events referred to in paragraphs (d) to (i) above.

In the case of an Event of Default arising under paragraphs (g)(i), (g)(iii), (g)(iv) or (h) of this Condition 10 (*Events of Default and Remedies*) with respect to the Issuer, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee may or shall on the instruction of the Noteholders holding at least 25% in aggregate principal amount of the then outstanding Notes declare all the Notes to be due and payable immediately.

Subject to certain limitations, Noteholders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of certain trusts or powers. The Trustee may withhold from Noteholders notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Trust Deed relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Trust Deed at the request or direction of any Noteholders unless such Noteholders have provided the Trustee with indemnity and/or security and/or pre-funding to its satisfaction against any loss, liability or expense. Except (subject to the provisions described under Condition 12.1 (*Meetings of Noteholders*)) to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Noteholder may pursue any remedy with respect to the Trust Deed or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Noteholders of at least 25% in aggregate principal amount of the then outstanding Notes have provided a clear request the Trustee to pursue the remedy;

(3) such Noteholders have provided the Trustee with indemnity and/or security and/or pre-funding to its satisfaction against any loss, liability or expense;

(4) the Trustee has not complied with such request (without informing the Noteholders that it would not so comply) within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) Noteholders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The Noteholders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the Noteholders of all outstanding Notes, waive any past default under these Conditions or the Trust Deed and its consequences, except a continuing default in the payment of the principal or premium, if any, any Additional Amounts or interest on any Note held by a non-consenting Noteholder (which may only be waived with the consent of each Noteholder affected).

11. PRESCRIPTION

Claims against the Issuer or any Guarantor for payment of principal and interest in respect of the Notes, or under any Note Guarantee, will be prescribed and become void unless made, in the case of principal and premium, within ten years or, in the case of interest, within five years after the relevant date for payment thereof.

12. MEETINGS OF NOTEHOLDERS AND MODIFICATION

12.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by extraordinary or written resolution (as defined in the Trust Deed) of any of these Conditions, the Notes or any of the provisions of the Trust Deed. The quorum at any meeting for passing an extraordinary resolution will be one or more Persons present holding 50% in aggregate principal amount of the Notes for the time being outstanding; *provided*, however, that any such extraordinary resolution requires the consent of the Noteholders of at least 50% in aggregate principal amount of the Notes for the time being outstanding to vote in favour of such extraordinary resolution to be binding on the Noteholders, except that, at any meeting the business of which includes any proposal relating to a Reserved Matter (as defined in Condition 12.2 (*Reserved Matters*) below), the necessary quorum for passing an extraordinary resolution will be one or more persons present holding or representing not less than 90% of the principal amount of the Notes for the time being outstanding; *provided*, however, that not less than 90% of the aggregate principal amount of the Notes for the time being outstanding must vote in favour of such Reserved Matter for such Reserved Matter to be binding on the Noteholders. An extraordinary resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

The Trust Deed also provides that a resolution in writing and signed (or where the Notes are held through a clearing system, an electronic consent by or on behalf of relevant accountholders provided in accordance with the standard procedures of such clearing system, to a resolution which is in writing and signed by a person with authority to represent the relevant accountholders) by or on behalf at least 50% in aggregate principal amount of Notes for the time being outstanding (or in respect of a Reserved Matter, at least 90% in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes)), without the consent of each Noteholder affected, an amendment, supplement or waiver shall (with respect to any Notes held by a non-consenting Noteholder)) be valid and effective as an extraordinary resolution passed at a meeting as described above. Such resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

12.2 Reserved Matters

In these Conditions, "**Reserved Matter**" means any proposal to:

(a) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than the provisions set out in Condition 6 (*Repurchase at the Option of the Holders*));

(c) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(d) restrict or impede the right of any Noteholder to receive payment of principal of and interest on such Noteholder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Noteholder's Notes or any Note Guarantee in respect thereof;

(e) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the Noteholders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment Default that resulted from such acceleration);

(f) make any Note payable in a currency other than that stated in the Notes (other than as a result of the United Kingdom becoming a participating member state in the European economic and monetary union);

(g) make any change in the provisions of these Conditions or the Trust Deed relating to waivers of past payment Defaults or the rights of Noteholders to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(h) waive a redemption payment with respect to any Note (other than payments required by Condition 6 (*Repurchase at the Option of the Holders*));

(i) release all or substantially all of the Guarantors from any of their payment obligations (including reducing or limiting such payment obligations) under their respective Note Guarantees or the Trust Deed, except in accordance with the terms of these Conditions and the Trust Deed; or

(j) make any change to the preceding paragraphs of this definition.

12.3 Modification and Waiver

(a) The Trustee may, without the consent of the Noteholders, agree with the Issuer and/or the Guarantors to amend or supplement any of the provisions of the Trust Deed, the Notes or the Note Guarantees (i) which is, in the opinion of the Trustee, proper to make if such modification will not be materially prejudicial to the interests of the Noteholders (other than in respect of a Reserved Matter) or (ii) which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach of the Notes, the Trust Deed or the Note Guarantees (other than a proposed breach or breach relating to the subject matter of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

(b) The Trustee may call for and shall be entitled to rely upon an Officers' Certificate and/or Opinion of Counsel in formulating its opinion on the matters set out in this Condition 12, Condition 8 (*Covenants*) or Condition 10 (*Events of Default and Remedies*) as at any given time or for any specified period to which the Conditions, covenants and/or matters relate, as applicable, or as to compliance by the Issuer and/or the Guarantors with any of the covenants and/or matters contained in these Conditions, in which event such Opinion of Counsel and/or Officers' Certificate shall, in the absence of manifest error, be conclusive and binding on all parties and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any liability that may be occasioned by it or any other person acting on such Officers' Certificate and/or Opinion of Counsel.

(c) Any such modification, authorisation, or waiver shall be binding on the Noteholders and, unless the Trustee otherwise so requires, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notices*).

12.4 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 5 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 5 (*Taxation*) pursuant to the Trust Deed.

13. TRUSTEE

13.1 Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

13.2 Trustee contracting with the Issuer, Guarantors or the Issuer's Subsidiaries

The Trust Deed contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any Guarantor and/or any of the Issuer's other Subsidiaries and/or any other entity related to the Issuer or any Guarantor and to act as trustee for the holders of any other securities issued or Guaranteed by, or relating to, the Issuer and/or any Guarantor and/or any of the Issuer's other Subsidiaries and/or any other entity related to the Issuer or any Guarantor, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. AGENTS

The initial Agents and their initial specified offices are set out in the Agency Agreement. Subject to the terms of the Agency Agreement, the Issuer reserves the right at any time with the prior written approval of the Trustee, which approval shall not be unreasonably withheld, to remove the Registrar and any Paying Agent and to appoint other or further Registrars and Paying Agents, provided that it will at all times maintain one or more Paying Agents having a specified office in Europe for payments on Notes. As long as the Notes remain outstanding, the Issuer has also agreed that, pursuant to the European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive, the Issuer will, to the extent possible as a matter of law, ensure that it maintains a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions. Notice of any such removal or appointment and of any change in the specified office of the Registrar or any Paying Agent will be given to the Noteholders in accordance with Condition 16 (*Notices*).

Subject to the terms of the Agency Agreement, in acting hereunder and in connection with the Notes, the Agents shall act solely as agents of the Issuer and the Guarantors and will not thereby assume any obligations towards, or relationship of agency or trust for, any of the Noteholders.

15. REPLACEMENT OF NOTES

If any Definitive Note is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the costs incurred in connection with such replacement and on such terms as to evidence, security, indemnity or otherwise as the Issuer may require. Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

16. NOTICES

Notices to the Noteholders shall be valid if mailed to them at their respective addresses in the Register and will be deemed to have been given on the fourth Business Day after the date of mailing.

So long as the Notes are represented by the Global Notes and such Global Note is held on behalf of a clearing system, notices to the Noteholders may alternatively be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a Noteholder does not have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of these Conditions.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

The Trust Deed, the Notes and the Note Guarantees, including any non-contractual obligations arising out of or in connection with the Notes, are governed by, and shall be construed in accordance with, English law.

18.2 Jurisdiction of English Courts

(a) Subject to paragraph (b) below, the courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (including a dispute relating to any non-contractual obligation arising out of or in connection with the Notes) ("**Proceedings**") may be brought only in such courts. The Issuer and each of the Guarantors irrevocably submits to the exclusive jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(b) The provisions of paragraph (a) above are made for the benefit of the Trustee and Noteholders only and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

19. DEFINITIONS

"**Acquired Debt**" means, with respect to any specified Person:

(a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"**Additional Amounts**" has the meaning set forth in Condition 5.1 (*Additional Amounts*).

"**Additional Notes**" has the meaning set forth in Condition 3.2 (*Further Issues*).

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For the purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"**Ancillary Facilities**" means (i) the £20 million overdraft facility to be entered into with the Royal Bank of Scotland plc, (ii) the £15 million bonding facility to be entered into with The Royal Bank of Scotland plc, (iii) the £10 million bonding facility to be entered into with HSBC Bank plc, (iv) the £15 million bonding facility to be entered into with Lloyds Banking Group, (v) the £15 million bonding facility to be entered into with Barclays Bank PLC, (vi) the C$80 million facility entered into with Toronto Dominion Bank and (vii) the C$40 million facility entered into with HSBC Bank plc.

"**Applicable Premium**" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; or

(b) the excess of:

   (i) the present value at such redemption date of (i) the redemption price of the Note at 31 December 2013, (such redemption price being set forth in the table appearing in Condition 4.2 (*Optional Redemption after First Call Date*)) *plus* (ii) all required interest payments due on the Note through 31 December 2013 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Gilt Rate as of such redemption date plus 50 basis points; over

(ii) the principal amount of the Note.

"**Asset Sale**" means:

(a) the sale, lease, conveyance or other disposition of any assets by the Issuer or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions in Condition 6.1 (*Change of Control*) and/or Condition 9.1 (*Merger, Consolidation or Sale of Assets*) and not by Condition 8.5 (*Limitation on Asset Sales*); and

(b) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Issuer or any of its Restricted Subsidiaries of Equity Interests in any of the Restricted Subsidiaries (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than £10.0 million;

(b) a sale, lease, conveyance, asset swap, other disposition or transfer of assets or Equity Interests between or among the Issuer and any Restricted Subsidiary;

(c) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to a Restricted Subsidiary;

(d) the sale, leaseback, lease conveyance, asset swap or other disposition or other transfer of accounts receivable, inventory, or other assets in the ordinary course of business or pursuant to a compulsory purchase order including, without limitation, sales (directly or indirectly), leases, leasebacks, conveyances, asset swaps and other dispositions of (i) homes and developments, improved land, unimproved land and other improvements and (ii) real estate (including related amenities and improvements) and Equity Interests in Real Estate Holding Companies;

(e) licenses and sublicenses by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

(f) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(g) the granting of Liens not prohibited by Condition 8.4 (*Liens*);

(h) the sale, lease, conveyance, asset swap or other disposition of cash or Cash Equivalents;

(i) a Restricted Payment that does not violate Condition 8.2 (*Restricted Payments*), a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

(j) the sale, lease, conveyance, asset swap or other disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(k) the foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(l) the sale, lease, conveyance, asset swap or other disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets; or

(m) any sale, lease, conveyance or other disposition of damaged, worn-out, surplus or obsolete assets or assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries.

"**Asset Sale Offer**" has the meaning set forth in paragraph (d) of Condition 6.2 (*Asset Sale Offers*).

"**Beneficial Owner**" means any person who, even if not the record owner of the Voting Stock, has or shares the underlying benefits of ownership. These benefits include the power to direct the voting or the disposition of the securities or to receive the economic benefit of ownership of the securities. A

person also is considered to be the Beneficial Owner of Voting Stock that the person has the right to acquire within 60 days by option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through companies in which they have a "controlling interest," which means the direct or indirect power to direct the management and policies of the entity.

"**Board of Directors**" means

(a) with respect to a public limited company, the board of directors of the public limited company or any committee thereof duly authorised to act on behalf of such board;

(b) with respect to a partnership, the board of directors of the general partner of the partnership;

(c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or committee of such Person serving a similar function.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which commercial banking institutions in London are authorised or required by law to close on which commercial banks are open for business and settle payments.

"**C$**" means the Canadian dollar, the lawful currency for the time being of Canada.

"**Canadian Restricted Subsidiary**" means any Restricted Subsidiary of the Issuer organised in and primarily engaged in conducting the business activities of the Issuer in Canada, including Taylor Wimpey Holdings of Canada, Corporation and its Restricted Subsidiaries.

"**Capital Lease Obligation**" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet (excluding the footnotes thereto) prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"**Capital Stock**" means:

(a) in the case of a limited company, share capital;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of share capital;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"**Cash Equivalents**" means:

(a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally Guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organised under, or authorised to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of £500.0 million (or the foreign currency equivalent

thereof as of the date of such investment) and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognised rating agency;

(c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in paragraphs (a) and (b) above entered into with any financial institution meeting the qualifications specified in paragraph (b) above;

(d) commercial paper at the time of investment having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(e) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in paragraphs (a) through (d) of this definition.

"**Change of Control**" means the occurrence of any of the following:

(a) any Person or Person acting in concert (as defined in the City Code on Takeovers and Mergers), or any Person or Persons acting on behalf of any such Person(s), at any time (i) is or become(s) interested (within the meaning of Part 22 of the Companies Act) in (A) more than 50 per cent. of the Equity Interests of the Issuer; or (B) Equity Interests of the Issuer carrying more than 50 per cent. of the Voting Stock normally exercisable at a general meeting of the Issuer (other than by insertion of a new holding company with substantially the same shareholders as the Issuer) or (ii) gains the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to appoint or remove all, or the majority, of the directors or other equivalent officers of the Issuer;

(b) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation or scheme of arrangement), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole to any Person (which, for the purpose of this definition, shall include any Person or group of Persons acting in concert (whether or not having a separate legal personality)); or

(c) the adoption of a legal procedure (including a scheme of arrangement) relating to the liquidation or dissolution of the Issuer.

"**Change of Control Offer**" has the meaning set forth in paragraph (a) of Condition 6.1 (*Change of Control*).

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*.

"**Companies Act**" means the Companies Act 2006 (as amended, restated or re-enacted from time to time).

"**Consolidated EBITDA**" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(a) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(b) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(c) depreciation, amortisation (including, without limitation, amortisation of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets (including, without limitation, real estate) and the impact of purchase accounting on the Issuer and its Restricted Subsidiaries for such period) of the Issuer and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortisation of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(d) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalisation or listing or the incurrence of Indebtedness permitted to be incurred under Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) (including refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence; *plus*

(e) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) of the Issuer and its Restricted Subsidiaries; *plus*

(f) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *minus*

(g) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to paragraphs (a) through (m) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"**Consolidated Net Income**" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) after tax of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (or loss) of any Unrestricted Subsidiary), determined in accordance with IFRS and without any reduction in respect of preference share dividends; *provided* that:

(a) any goodwill or other intangible asset impairment charges will be excluded;

(b) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(c) solely for the purpose of determining the amount available for Restricted Payments under sub-clause (C)(1) of paragraph (a) of Condition 8.2 (*Restricted Payments*), any net income (or loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's articles of association or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Notes or the Trust Deed and (iii) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favourable to the Noteholders than such restrictions in effect on the Issue Date except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this paragraph (c));

(d) any net gain (or loss) realised upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) or in connection with the sale or disposition of securities will be excluded;

(e) (i) any extraordinary, exceptional or unusual gain, loss or charge, (ii) any asset impairments charges, or the financial impacts of natural disasters (including fire, flood and storm and

related events), (iii) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (iv) any expenses, charges, reserves or other costs related to the Refinancing, in each case, will be excluded;

(f) any non-cash compensation charge or expense arising from any grant of shares, share options or other equity-based awards will be excluded;

(g) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (or loss) from any write-off or forgiveness of Indebtedness will be excluded;

(h) any one time non-cash charges or any increases in amortisation or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganisation or restructuring involving the Issuer or its Subsidiaries will be excluded;

(i) any non-cash imputed interest on any long term liability in relation to (i) acquisitions or (ii) future pension contributions or liabilities;

(j) any unrealised gains or losses in respect of Hedging Obligations or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value or changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(k) any unrealised foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealised foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies will be excluded;

(l) any unrealised foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary will be excluded; and

(m) the cumulative effect of a change in accounting principles will be excluded.

"**Credit Facilities**" means, one or more debt facilities, instruments or arrangements incurred by the Issuer, any Restricted Subsidiary or any Finance Subsidiary (including, without limitation and for the avoidance of doubt, the Senior Credit Facilities, the Ancillary Facilities, the Fund Facility or commercial paper facilities and overdraft facilities) with banks and other financial institutions or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, notes or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the Senior Credit Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (a) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder, (c) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"**Currency Exchange Protection Agreement**" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other

similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"**Default**" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Condition 8.2 (*Restricted Payments*). For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to these Conditions and the Trust Deed, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"**dollars**" or "**$**" means United States dollars, the lawful currency for the time being of the United States of America.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Offering**" means an offering of Capital Stock (other than Disqualified Stock) of the Issuer pursuant to (a) a prospectus approved by the UK Listing Authority and admitted to trading on the London Stock Exchange or approved by another competent authority and/or admitted to trading on, another internationally recognised stock exchange, or (b) Rule 144A and/or Regulation S or other private placement exemption under the U.S. Securities Act to professional market investors or similar persons.

"**Escrow Agreement**" means the escrow agreement entered into on or around the Issue Date among the Issuer, the Trustee, the Escrow Agent and the Initial Purchasers.

"**Escrow Agent**" means HSBC Bank plc as escrow agent under the Escrow Agreement.

"**Escrow Date**" means the date on which the escrow conditions to the Escrow Agreement are satisfied, which date shall be no later than fifteen Business Days after the Issue Date.

"**Escrowed Property**" has the meaning given to it in Condition 8.12(a) (*Escrow of Proceeds; Release*).

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Event of Default**" has the meaning set forth in Condition 10 (*Events of Default and Remedies*).

"**Existing Bank Debt**" means all amounts outstanding under (a) the £1,650,000,000 syndicated revolving credit agreements facility agreement dated 25 April 2007 (as reduced and amended) between, among others, the Issuer and HSBC Bank plc as facility agent and (b) the £50,000,000 bilateral term facility dated 29 August 2007 (as amended) between the Issuer and The Royal Bank of Scotland (Ireland).

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Issuer's Chief Executive Officer, Chief Finance Director or responsible accounting or financial officer of the Issuer.

"**Finance Subsidiary**" means a wholly owned Subsidiary of the Issuer that is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Issuer or a Guarantor and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

"**Fixed Charge Coverage Ratio**" means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems or otherwise discharges any Indebtedness or issues, repurchases or redeems preference shares subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Calculation Date**"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, Guarantee, repayment, repurchase, redemption or other discharge of Indebtedness, or such issuance, repurchase or redemption of preference shares, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*).

In addition, for the purposes of calculating the Fixed Charge Coverage Ratio:

(a) acquisitions that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the four-quarter reference period;

(b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(c) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Subsidiaries which are Restricted Subsidiaries following the Calculation Date;

(d) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(e) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(f) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

"**Fixed Charges**" means, with respect to any specified Person for any period, the sum, without duplication, of:

(a) the consolidated interest expense (net of interest income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortisation of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations, the

interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings but excluding any non-cash imputed interest on any long term liability in relation to (i) Land Creditors, (ii) future pension contributions or liabilities or (iii) other long term creditors not in respect of Indebtedness; *plus*

(b) the consolidated interest expense of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period; *plus*

(c) any interest on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries; *plus*

(d) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortisation of fees) with respect to Indebtedness; *plus*

(e) the product of (i) all dividends, whether paid or accrued and whether or not in cash, on any series of preference shares of any Restricted Subsidiary, other than dividends on Equity Interests payable to the Issuer or a Restricted Subsidiary, *times* (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer.

"**Fund Facility**" means the £100 million term credit facility to be provided pursuant to a facility agreement between the Issuer, the Initial Guarantor and Prudential/M&G UK Companies Financing Fund LP dated 19 November 2010.

"**Gilt Rate**" means, with respect to any redemption date, the yield to maturity as of such redemption date of UK Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to 31 December 2013; *provided, however*, that if the period from such redemption date to 31 December 2013 is less than one year, the weekly average yield on actually traded UK Government Securities denominated in sterling adjusted to a fixed maturity of one year shall be used.

"**Guarantee**" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise) and "**Guaranteed**" shall be construed accordingly.

"**Guarantor**" means (a) Taylor Wimpey UK Limited pursuant to the Standalone Guarantee and (b) each Restricted Subsidiary that becomes a guarantor in respect of the Notes after the date of the Trust Deed pursuant to Condition 7.2 (*Optional Guarantors*), Condition 8.7 (*Limitation on Issuances of Guarantees of Indebtedness*) or clause 8.4 (*Optional Guarantors*) of the Trust Deed, in each case, until such time as such Guarantor is released from its obligations as a guarantor in accordance with the provisions of these Conditions, the Trust Deed and any applicable deed of guarantee.

"**Hedging Obligations**" means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"**Holder**" or "**Noteholder**" means the Person in whose name a Note is registered in the register of holders kept by the Registrar.

"**IFRS**" means International Financial Reporting Standards as endorsed by the European Union and in effect on the date hereof, or, with respect to the Condition 8.11 (*Reports*), as in effect from time to time.

"**Incur**" or "**incur**" has the meaning set forth in Condition 8.3 (*Incurrence of indebtedness and Issuance of Preferred Stock*), and "**incurred**" shall be construed accordingly.

"**Indebtedness**" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses, trade payables, customer deposits and deferred income taxes):

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar debt instruments for which such Person is responsible or liable;

(c) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(d) representing Capital Lease Obligations;

(e) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed; and

(f) representing any Hedging Obligations;

all without double counting and if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others to the extent secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, any Guarantee by the specified Person of any Indebtedness of any other Person. The amount of any such Indebtedness under Hedging Obligations will be equal at any time to either (i) at any time prior to such Hedging Obligation being or becoming capable of being by virtue of an event of default of such Person (or a credit event occurs with respect to a reference entity or reference obligation) liquidated or terminated by the hedging counterparty before it otherwise would have been terminated, either (A) zero if such Hedging Obligation is incurred pursuant to sub-clause (viii) of paragraph (b) in Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) or (B) if not incurred pursuant to such sub-clause, the mark-to-market value of such Hedging Obligation, or if the mark-to-market value is not available at such time, the close-out amount that would be payable by such specified Person (or if no amount would be payable, zero) pursuant to such Hedging Obligation as a result of early liquidation or termination or (ii) at any time upon such Hedging Obligation being or becoming capable of being by virtue of an event of default of such Person (or a credit event occurs with respect to a reference entity or reference obligation) liquidated or terminated by the hedging counterparty before it otherwise would have been terminated (whether or not such Hedging Obligation is incurred pursuant to sub-clause (viii) of paragraph (b) in Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*)), the amount which becomes payable by such specified Person (or if no amount would be payable, zero) as a result of such liquidation or termination of such Hedging Obligation.

The term "Indebtedness" shall not include:

(a) any lease of property which would be considered an operating lease under IFRS;

(b) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;

(c) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(d) Project Finance Indebtedness; and

(e) any amount (whether actual or contingent) owed to any Land Creditor.

"**Initial Purchasers**" means each of The Royal Bank of Scotland plc, Barclays Bank PLC, Lloyds TSB Bank plc and HSBC Bank plc.

"**Investment Grade Status**" shall occur when the Notes are rated Baa3 or better by Moody's and BBB– or better by S&P (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other nationally recognized statistical rating organisation acceptable to the Trustee).

"**Investments**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, payroll, pension contributions, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in paragraph (d) of Condition 8.2 (*Restricted Payments*). The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in paragraph (d) of Condition 8.2 (*Restricted Payments*). For the avoidance of doubt, joint ownerships of land, joint development arrangements, collaboration arrangements, other land or site development arrangements and any retained partial ownership of properties sold to customers, in each case, in the ordinary course of business and where not carried out through a jointly owned vehicle (save in the case of such a vehicle which holds that land on trust for the Issuer or a Restricted Subsidiary on terms that the Issuer or Restricted Subsidiary retains the beneficial interest in such land), shall not constitute Investments for the purposes of this definition. Except as otherwise provided in these Conditions and the Trust Deed, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"**Issue Date**" means the date of issuance of the Notes (other than Additional Notes).

"**Land Creditors**" means obligations of the Issuer and/or any Restricted Subsidiary of the Issuer owed to any person in the ordinary course of business consisting of or arising in relation to the deferred, unpaid or contingent consideration for the acquisition of land or interests in land; in any such case to the extent such types of obligations are classified as "land creditors" on the face of the Issuer's consolidated balance sheets.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"**Listing Rules**" means the listing rules as published by the Financial Services Authority of the United Kingdom pursuant to their authority under part 6 VI of the Financial Services and Market Act 2000.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of any Issuer or any Restricted Subsidiary:

(a) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(b) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(c) in the ordinary course of business and (in the case of this paragraph (c)) not exceeding £2.0 million in the aggregate outstanding at any time.

"**Material Indebtedness**" means Indebtedness the aggregate principal amount of which is £25.0 million or more (including the amount of all undrawn commitments and actual and contingent reimbursement obligations).

"**Maturity Date**" has the meaning set forth in Condition 3.1 (*Principal Amount and Maturity Date*).

"**Moody's**" means Moody's Investors Service, Inc. and any successor to its rating business.

"**Net Proceeds**" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, and all distributions and other payments required to be made to minority interest holders (other than the Issuer or any Subsidiary) in Subsidiaries or joint ventures as a result of such Asset Sale, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS.

"**Non-Recourse Debt**" means Indebtedness as to which neither the Issuer nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise.

"**Note Guarantee**" means (a) each Note guarantee by a Guarantor (other than the Initial Guarantor), which shall include any separate deed of guarantee in respect of the Notes, of the Issuer's obligations under the Trust Deed, these Conditions and the Notes, executed pursuant to the provisions of the Trust Deed and these Conditions and (b) the Standalone Guarantee by the Initial Guarantor of the Issuer's obligations under the Trust Deed and the Notes less all contingent, prospective and actual amounts recovered or to be recovered by the Trustee and the Noteholders from the Issuer or its Restricted Subsidiaries (other than the Initial Guarantor) as set forth in and subject to the terms and conditions, including the limitations thereof, provided for in the Standalone Guarantee, executed pursuant to the provisions of the Trust Deed and these Conditions.

"**Noteholders**" means the several persons who are for the time being registered as the holders of the Notes save that, for so long as such Notes or any part thereof are represented by the Global Note deposited with, and registered in the name of, a common depositary for Euroclear and Clearstream, Luxembourg or, in respect of Definitive Notes held in an account with Euroclear or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular principal amount of the Notes shall be deemed to be the holder of such principal amount of such Notes (and the holder of the Global Note shall be deemed not to be the holder) for all purposes of these Conditions other than with respect to the payment of principal or interest on such principal amount of such Notes, the rights to which shall be vested, as against the Issuer, the Note Guarantors and the Trustee, solely in such common depositary and for which purpose such common depositary shall be deemed to be the holder of such principal amount of such Notes in accordance with and subject to its terms and the provisions of these Conditions.

"**Notes**" means the £250 million 10.375% senior notes due 2015 of the Issuer (including any further notes issued pursuant to Condition 3.2 (*Further Issues*) and forming a single series therewith) in registered form constituted by the Trust Deed (and represented by the Global Note or Definitive Notes, as the case may be) or the principal amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes any replacements for Notes issued pursuant to Condition 15 (*Replacement of Notes*).

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"**Offering Circular**" means the offering circular, dated as of 27 November 2010 relating to the offering of the Notes issued on the Issue Date.

"**Officer**" means, with respect to any Person, the Chief Executive Officer and the Chief Financial Officer of such Person or a senior accounting or financial officer or director of such Person.

"**Officers' Certificate**" means a certificate signed by two Officers or authorised persons.

"**Opinion of Counsel**" means a written opinion from legal counsel of international repute who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer or the Trustee.

"**Outstanding**" or "**outstanding**" means in relation to the Notes all the Notes (including Additional Notes, if any) issued other than:

(a) those Notes which have been redeemed or purchased and cancelled;

(b) those Notes in respect of which the date for redemption in accordance with these Conditions has occurred and the redemption moneys (including premium (if any) and all interest payable thereon) have been duly paid to the Trustee or to the relevant Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*)) and remain available for payment (against presentation of the relevant Note, if required);

(c) those Notes which have become void under Condition 11 (*Prescription*);

(d) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 15 (*Replacement of Notes*);

(e) (for the purpose only of ascertaining the principal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 15 (*Replacement of Notes*); and

(f) any Global Note (within the meaning of the Trust Deed) to the extent that it shall have been exchanged for another Global Note in respect of the Notes or for Definitive Notes pursuant to its provisions;

provided, that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the Noteholders or any of them, an extraordinary resolution or any written consent and any direction or request by the holders of the Notes;

(ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Conditions 10 (*Events of Default and Remedies*) and 12 (*Meetings of Noteholders and Modification*);

(iii) any discretion, power or authority (whether contained in these presents or vested by operation of law) which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders or any of them; and

(iv) the determination by the Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held or beneficially owned by the Issuer, any Guarantor or any other Subsidiary of the Issuer shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

"***Pari Passu* Indebtedness**" means (a) any Indebtedness of the Issuer that is *pari passu* in right of payment to the Notes and (b) with respect to any Guarantee, Indebtedness which ranks *pari passu* in right of payment to such Guarantee.

"**Payment Disruption Event**" means a failure to make a payment:

(a) by the Escrow Agent (or the escrow agent in respect of the Fund Facility) to the Issuer on the Escrow Date; or

(b) in respect of which the Issuer has, on or before the Escrow Date, given an irrevocable payment instruction to prepay and cancel its Existing Bank Debt, private placement notes and eurobonds,

which failure pursuant to paragraphs (a) or (b) of this definition is caused by administrative or technical error or a disruption to those payment or communication systems which are required to operate in order for the relevant payment to be made and payment is made within 2 Business Days of

the Escrow Date. If payment is not made within 2 Business Days of the Escrow Date, the Payment Disruption Event shall no longer be 'continuing'.

"**Permitted Business**" means (a) any businesses, services or activities engaged in by the Issuer or any of the Restricted Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Permitted Indebtedness**" has the meaning set forth in paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*).

"**Permitted Investments**" means:

(a) any Investment in a Restricted Subsidiary;

(b) any Investment in cash and Cash Equivalents;

(c) any Investment by the Issuer or any Restricted Subsidiary in a Person, if as a result of such Investment:

(i) such Person becomes a Restricted Subsidiary; or

(ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Condition 8.5 (*Limitation on Asset Sales*);

(e) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;

(f) any Investments received in compromise or resolution of (i) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (ii) litigation, arbitration or other disputes;

(g) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business (including receivables and loans in connection with the sale of homes, developments, land, amenities and other improvements, including sales on deferred terms);

(h) Investments represented by Hedging Obligations, which obligations are permitted by sub-clause (viii) of paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(i) Investments in the Notes and any other Indebtedness of the Issuer or any Restricted Subsidiary;

(j) any Guarantee of Indebtedness permitted to be incurred by Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(k) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification, renewal or replacement in substantially the same form and of the same type in the same Person of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (i) as required by the terms of such Investment as in existence on the Issue Date or (ii) as otherwise permitted under these Conditions or the Trust Deed;

(l) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by Condition 8.10 (*Merger, Consolidation or Sale of Assets*) after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(m) Investments in any joint ventures having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (m) that are at the time outstanding not to exceed an amount equal to £100.0 million; *provided* that if an Investment is made pursuant to this paragraph in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to Condition 8.2 (*Restricted Payments*), such Investment, if applicable, shall thereafter be deemed to have been made pursuant to paragraphs (a) or (c) of the definition of "Permitted Investments" and not this paragraph;

(n) Management Advances; or

(o) Investments in a trust, entity or fund which provides defined retirement benefits to current or former employees or the Issuer and its Subsidiaries or any trustee thereof;

(p) Investments made by a Canadian Restricted Subsidiary to any joint ventures in Canada in the ordinary course of business; *provided* that any such Investments (i) are non-recourse to the Issuer or any Restricted Subsidiary (including, without limitation the providing of credit support of any kind) and for which the Issuer and any of its Restricted Subsidiaries are not directly or indirectly liable, in each case, other than a Canadian Restricted Subsidiary and (ii) did not originate from and was not funded by any of the Issuer or any of its Restricted Subsidiaries other than a Canadian Restricted Subsidiary;

(q) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (q) that are at the time outstanding not to exceed £100.0 million; *provided* that if an Investment is made pursuant to this paragraph in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to Condition 8.2 (*Restricted Payments*), such Investment shall thereafter be deemed to have been made pursuant to paragraph (a) or (c) of the definition of "Permitted Investments" and not this paragraph.

"**Permitted Liens**" means:

(a) Liens in favour of the Issuer or any of the Restricted Subsidiaries;

(b) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary or such merger or consolidation, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary;

(c) Liens on property at the time the Issuer or any of its Restricted Subsidiaries acquires the property, including any acquisition by means of merger or consolidation; *provided* that such Liens were in existence prior to the contemplation of such property being acquired and not incurred in contemplation of such acquisition and that the Liens may not extend to any other property owned by such Person or any of its Subsidiaries (other than assets or property affixed or appurtenant thereto);

(d) Liens to secure the performance of statutory obligations, trade contracts, contracts to acquire land, development licenses, insurance, surety or appeal bonds, workers compensation obligations, leases, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(e) Liens to secure Indebtedness permitted by (i) sub-clause (iv) of paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) covering only the assets acquired with or financed by such Indebtedness, or (ii) sub-clauses (viii) and (xviii) of paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*);

(f) Liens existing on the Issue Date or created pursuant to obligations to grant a Lien on the Issue Date;

(g) Liens for taxes, assessments or governmental charges or claims that (i) are not yet due and payable or (ii) are being contested in good faith by appropriate proceedings;

(h) Liens (i) arising by operation of law, including, without limitation, carriers', warehousemen's, landlord's and mechanics' Liens, (ii) created pursuant to the terms of, or in connection with, any government incentivisation or funding scheme or (iii) created for the benefit of any regulatory authority, governmental authority (including local authorities) or agency or any landlord or any site occupied, owned or leased by the Issuer or any of its Restricted Subsidiaries in respect of remediation, after-care, planning, taxation, community development districts or similar obligations of that Person, in each case, incurred or arising in the ordinary course of business;

(i) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, licenses or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(j) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(k) Liens to secure any Permitted Refinancing Indebtedness (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to paragraph (dd) of this definition) permitted to be incurred under the Trust Deed; *provided*, *however*, that:

  (i) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

  (ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement or discharge;

(l) (i) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, (ii) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, and (iii) Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(m) Liens on cash, Cash Equivalents or other property arising in connection with the discharge or redemption of Indebtedness;

(n) (i) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods, and (ii) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(o) (i) leases, licenses, subleases and sublicenses of assets in the ordinary course of business, and (ii) filing of Uniform Commercial Code financing statements under U.S. state law (or equivalent filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;

(p) Liens (i) arising out of, or in connection with, conditional sale, title retention, consignment, disposal of property or similar arrangements for the sale or disposal of assets entered into in the ordinary course of business, and (ii) on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(q) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(r) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(s) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary, any acquisitions of interest in land or any developments of land, in each case, in the ordinary course of business;

(t) (i) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures, and (ii) Liens arising from a declaration of trust by the Issuer or any of its Restricted Subsidiaries over land in connection with consortium or collaboration agreements;

(u) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(v) Liens over treasury stock of the Issuer or a Restricted Subsidiary purchased or otherwise acquired for value by the Issuer or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(w) Liens securing Project Finance Indebtedness permitted to under the terms of these Conditions and the Trust Deed; *provided* that such Liens are limited to the relevant asset in respect to which the Project Finance Indebtedness is incurred, any revenues attributable to the exploration of such assets and the shares of any Project Finance Vehicle;

(x) Liens granted in favour of a Land Creditor in relation to interests or rights to land existing at the date of the Trust Deed or acquired after the date of the Trust Deed, which acquisition is permitted by these Covenants and the Trust Deed and where such Lien is required to be given under the original terms of such contract for the acquisition of land;

(y) Liens incurred by the Issuer or any Restricted Subsidiary to secure Indebtedness in an aggregate amount not to exceed £50.0 million at any one time outstanding;

(z) Liens incurred by a Canadian Restricted Subsidiary to secure Indebtedness in an aggregate amount not to exceed £25.0 million at any one time outstanding and in respect of which neither the Issuer nor any of its Restricted Subsidiaries (other than another Canadian Restricted Subsidiary) (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise; and

(aa) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing paragraphs (a) through (z) (but excluding paragraphs (e)(i), (p)(ii), (y) and (z); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced.

"**Permitted Refinancing Indebtedness**" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund,

refinance, replace, exchange or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(l) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(m) such Permitted Refinancing Indebtedness has (i) a final maturity date that is either (A) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged or discharged or (B) after the final maturity date of the Notes and (ii) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced or discharged;

(n) if the Indebtedness being renewed, refunded, refinanced, replaced or discharged is expressly, contractually, subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, on terms at least as favourable to the Noteholders or the Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged or discharged; and

(o) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced or discharged, such Indebtedness is incurred either by the Issuer, a Finance Subsidiary or by a Guarantor.

"**Person**" means any individual, public limited company, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, limited liability company or government or other entity.

"**Pre-Expansion European Union**" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"**Priority Indebtedness**" means Indebtedness (without double counting) (a) directly issued by, or that has the benefit of, a Guarantee of any Restricted Subsidiary of the Issuer that is not a Guarantor outstanding at any time under paragraph (a) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) and sub-clauses (i) and (xix) of paragraph (b) of Condition 8.3 (*Incurrence of Indebtedness and Issuance of Preferred Stock*) or (b) incurred by the Issuer or any Restricted Subsidiary and secured by any Lien permitted in accordance with paragraph (y) of the definition of "Permitted Liens"; *provided* that the following shall not be deemed Priority Indebtedness for purposes hereof:

(a) Indebtedness of any Canadian Restricted Subsidiary in respect of which neither the Issuer nor any of its Restricted Subsidiaries (other than another Canadian Restricted Subsidiary) (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise in an aggregate amount at any time outstanding not to exceed £50.0 million; and

(b) Indebtedness of any US Restricted Subsidiary in respect of which neither the Issuer nor any of its Restricted Subsidiaries (other than another US Restricted Subsidiary) (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise in an aggregate amount at any time outstanding not to exceed £50.0 million.

"**Project Finance Indebtedness**" means any Indebtedness incurred by a Project Finance Vehicle to finance the ownership, acquisition, construction, development or operation of an asset in respect of which the Person or Persons to whom such Indebtedness is, or may be, owed have no recourse whatsoever for the repayment of or payment of any sum relating to such indebtedness other than:

(a) recourse to such Project Finance Vehicle for amounts limited to the cash flow from such asset;

(b) recourse to such Project Finance Vehicle generally, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty, or an obligation, representation or warranty to procure payment by another, or an obligation, representation or warranty to comply, or to procure compliance by another, with any financial ratios or other test of financial condition) by the Person against whom such recourse is available; or

(c) if such Project Finance Vehicle has been established specifically for the purpose of constructing, developing, owning or operating the relevant asset and such borrower owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of such Project Finance Vehicle and the shares in the capital of such Project Finance Vehicle.

"**Project Finance Vehicle**" means any special purpose company, joint venture, partnership or legal person none of whose Indebtedness or other liabilities (other than Project Finance Indebtedness) benefit from any recourse whatsoever to any of the Issuer or any of its Restricted Subsidiaries (other than to that Person or to another Project Finance Vehicle) in respect of repayment thereof.

"**Public Debt**" means any Indebtedness constituting bonds, debentures, notes or other similar debt securities either issued in (a) a public offering registered under the U.S. Securities Act, (b) the eurobond market or (c) a private placement to institutional investors, whether or not such investors are granted registration rights, in connection with which, in any such case, the relevant security is settled and cleared through DTC, Euroclear or Clearstream. The term "**Public Debt**" shall not include any Indebtedness that is not underwritten by an intermediary.

"**Real Estate Holding Company**" means a Person whose assets primarily consist of one or more of land, interests in land or shares in another Real Estate Holding Company.

"**Refinancing**" shall have the meaning as defined in the Offering Circular.

"**Register**" means the register maintained by the Registrar in relation to the Notes in accordance with the provisions of the Agency Agreement.

"**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 16 (*Notices*).

"**Regulation S**" means Regulation S under the U.S. Securities Act.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., and any successor to its ratings business.

"**Senior Credit Facilities**" means the loan facility agreement for an amount of up to £950.0 million entered into on 16 November 2010 among, *inter alios*, the Issuer, as borrower, Lloyds TSB Bank PLC, as Agent, and certain financial institutions.

"**Significant Subsidiary**" means any Subsidiary which meets any of the following conditions:

(a) The Issuer and its Restricted Subsidiaries' investments in and advances to such Subsidiary exceed ten percent (10%) of the total consolidated assets of the Issuer as of the end of the most recently completed financial year; or

(b) The Issuer and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Subsidiary exceeds ten percent (10%) of the total consolidated assets of the Issuer as of the end of the most recently completed financial year; or

(c) The Issuer and its Restricted Subsidiaries' equity in the consolidated income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in

accounting principle of such Subsidiary exceeds ten percent (10%) of such consolidated income of the Issuer for the most recently completed financial year.

"**Standalone Guarantee**" means the *pari passu* Guarantee provided by the Initial Guarantor for the benefit of the Trustee, in the form set out in Schedule 5 to the Trust Deed.

"**Stated Maturity**" means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**sterling**" or "**£**" means British pounds sterling, the lawful currency of the United Kingdom.

"**Sterling Equivalent**" means with respect to any monetary amount in a currency other than sterling, at any time for determination thereof, the amount of sterling obtained by converting such foreign currency involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable foreign currency as published in the Financial Times in the "Currency Rates" section (or, if the *Financial Times* is no longer published or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"**Subsidiary**" means, with respect to any specified Person:

(a) any company, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the company, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Tax**" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any similar liabilities related thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax).

"**Taxes**" and "**Taxation**" shall be construed to have corresponding meanings.

"**UK Government Securities**" means direct obligations of, or obligations Guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"**Unrestricted Subsidiary**" means any Subsidiary of the Issuer (other than the Issuer or any successor to the Issuer) that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that such Subsidiary:

(a) has no Indebtedness other than Non-Recourse Debt;

(b) except as permitted by Condition 9.2 (*Successor Company Substituted*), is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favourable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer; and

(c) is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation (i) to subscribe for additional Equity Interests or (ii) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

"**US Restricted Subsidiary**" means any Restricted Subsidiary of the Issuer organised in and primarily engaged in conducting the business activities of the Issuer in the United States of America, including Taylor Woodrow Holdings (USA), Inc. and its Restricted Subsidiaries.

"**Voting Stock**" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the sum of the products obtained by multiplying (a) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(b) the then outstanding principal amounts of such Indebtedness.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Note contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions of the Notes set out in this document. The following is a summary of those provisions. Terms defined in the Terms and Conditions of the Notes have the same meaning when used below.

Exchange for Definitive Notes

The Global Note is exchangeable, free of charge to the holder, in whole but not in part, for Definitive Notes if: (i) Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no successor or alternative clearing system satisfactory to the Trustee is available, or (ii) upon a Noteholder becoming entitled to proceed directly against the Issuer or any Guarantor pursuant to clause 9.1 of the Trust Deed, by the holder giving notice to the Registrar, or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 5 which would not be suffered were the Notes held in the form of Definitive Notes, and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee. Thereupon (in the case of (i) or (ii)) the holder of the Global Note (acting on the instructions of (an) Accountholder(s) (as defined below)) may give notice to the Issuer and (in the case of (iii)), the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Global Note for Definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date, the holder of the Global Note may surrender the Global Note to or to the order of the Registrar. In exchange for the Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes.

"**Exchange Date**" means a day specified in the notice requiring exchange falling not less than 45 days and not more than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar is located and, except in the case of exchange pursuant to (i) above, in the city in which each relevant clearing system is located.

Except as otherwise described therein, the Global Note is subject to the Terms and Conditions of the Notes and the Trust Deed and, until the exchange of the whole of the Global Note as aforesaid, the registered holder thereof shall in all respects be entitled to the same benefits as if it were the registered holder of Definitive Notes.

Accountholders

Subject as provided in the Trust Deed, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream Luxemburg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream Luxemburg) as entitled to a particular principal amount of the Notes represented by the Global Note (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such Notes for all purposes other than with respect to payments of principal, premium (if any) and interest on the Notes for which purpose the registered holder of the Global Note shall be deemed to be the holder of such principal amount of the Notes in accordance with and subject to the terms of the Global Note and the Trust Deed.

Transfers

Notes represented by the Global Note are exchangeable, and transferable only in accordance with, and subject to, the provisions hereof and the rules and operating procedures of Euroclear and Clearstream, Luxembourg and in accordance with the provisions of the Agency Agreement.

Payments

Payments of amounts falling due in respect of the Global Note will be made to the registered holder of the Global Note. A record of each payment so made will be endorsed on the appropriate schedule to the Global Note, which endorsement will be prima facie evidence that such payment has been made.

Notices

For so long as all of the Notes are represented by the Global Note and such Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by notification as required by Condition 16 (Notices). Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg.

Whilst all the Notes are represented by the Global Note, notices to be given by and options to be exercised by Noteholders may be given or exercised by Accountholders giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) or in such a manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

For so long as all of the Notes are represented by the Global Note and such Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg, in the event that the Issuer exercises its option pursuant to Condition 4.1 (*Optional Redemption Prior to Three Years from the Issue Date*), Condition 4.2 (*Optional Redemption after First Call Date*) or Condition 4.3 (*Optional Redemption upon Equity Offering*) or paragraph (a) of Condition 6.2 (*Asset Sales*) in respect of less than the aggregate principal amount of the Notes outstanding at such time, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Note are to be subject to such option.

Prescription

Claims against the Issuer or any Guarantor in respect of principal or premium and interest on the Notes represented by the Global Note will be prescribed and become void unless made, in the case of principal and premium, within ten 10 years or, and in the case of interest, within five years of the relevant date for payment thereof.

Euroclear and Clearstream, Luxembourg

References in the Global Note and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

DESCRIPTION OF THE ESCROW AGREEMENT

The following summary of the material terms of the Escrow Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying document.

On the Issue Date, the Issuer will enter into the escrow agreement with HSBC Bank plc in its capacity as escrow agent (the "**Escrow Agent**") and the Initial Purchasers pursuant to which the Initial Purchasers will deposit the aggregate net proceeds from the Offering into an escrow account held by the Escrow Agent and the Issuer will contribute to the same escrow account an amount in cash so that the total escrowed funds will be sufficient to pay the special mandatory redemption price for the Notes described below, when and if due. If (i) the conditions to the release of the escrowed property have not been satisfied by the date which is 15 Business Days following the Issue Date or (ii) the Standalone Guarantee is not effective as of the Escrow Date, unless a payment disruption event is continuing, the Issuer will, in the case of (i), on or before the next succeeding Business Day and in the case of (ii), on or before the Business Day following the Escrow Date (if no payment disruption event is continuing) or on or before the Business Day following the payment disruption event ceasing to continue (if a payment disruption event had occurred), redeem all of the Notes at a redemption price equal to 100% of the aggregate principal amount of the Notes plus accrued interest, and additional amounts, if any, to but not including, the redemption date. The Notes may also be redeemed at the Issuer's option, in whole but not in part, at any time prior to the Special Redemption Date if, in the Issuer's good faith judgement, the release of the escrowed property will be incapable of being fulfilled by the Special Redemption Date.

A "**payment disruption event**" means a failure to make a payment:

(a) by the Escrow Agent (or the escrow agent in respect of the Fund Facility) to the Company on the Escrow Date; or

(b) in respect of which the Company has, on or before the Escrow Date, given an irrevocable payment instruction to prepay and cancel its Existing Bank Debt, private placement notes and eurobonds,

which failure pursuant to paragraphs (a) or (b) of this definition is caused by administrative or technical error or a disruption to those payment or communication systems which are required to operate in order for the relevant payment to be made and payment is made within 2 Business Days of the Escrow Date. If payment is not made within 2 Business Days of the Escrow Date, the Payment Disruption Event shall no longer be 'continuing'.

The escrow and security agreement will provide that the escrow agent will release the funds from the escrow account:

(A) to the Issuer upon the satisfaction of the following conditions (and delivery to the Escrow Agent of a certificate from two officers of the Issuer confirming that these conditions have been satisfied):

- the proceeds of the Fund Facility in an amount of £100 million having been paid into an escrow account;
- delivery of an irrevocable prepayment notice in respect of the whole of the Existing Bank Debt and such other debt as we are obliged to prepay concurrently;
- funds from the initial utilisation of the New Facilities having been received by the Issuer;
- no Event of Default having resulted or continuing under the Trust Deed; and
- delivery of irrevocable prepayment instructions for payments sufficient to prepay all outstanding principal and interest in relation to the Existing Bank Debt and such other debt as we are obliged to prepay concurrently with the Existing Bank Debt;

(B) to the Paying Agent for payment to the Noteholders in connection with a special mandatory redemption.

If at any time the escrow account contains cash having an aggregate value in excess of the special mandatory redemption price on the Special Mandatory Redemption Date, such excess funds may be released to the Issuer upon confirmation of the special mandatory redemption.

DESCRIPTION OF THE GUARANTEE OF TAYLOR WIMPEY UK LIMITED

*The following summary of the material terms of the guarantee of Taylor Wimpey UK Limited (the "**Standalone Guarantee**") does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding the Standalone Guarantee, refer to "Terms and Conditions of the Notes".*

The Initial Guarantor and the Trustee will enter into a guarantee and indemnification deed on or about the Issue Date in which the Initial Guarantor, after the Effective Date (as described below), will guarantee certain of the Issuer's obligations under the Notes.

Except as set out in the Standalone Guarantee, no Noteholder shall be entitled to proceed directly against the Initial Guarantor or to enforce the provisions of the Standalone Guarantee unless the Trustee, having become bound to do so, fails to take action against the Initial Guarantor within a reasonable time and such failure is continuing and the references to 'Noteholders' making a claim under the Standalone Guarantee below must be read accordingly.

The exercise of any rights and/or discretions of the Trustee under the Standalone Guarantee will be subject to the same protections and immunities, *mutatis mutandis*, as are conferred upon the Trustee in the Trust Deed (including, without limitation, those protections and immunities contained in clauses 9.1 (Enforcement), 15 (Remuneration and Indemnification of Trustee) and 16 (Provisions supplemental to the Trustee Acts) of the Trust Deed).

Standalone Guarantee

The Initial Guarantor guarantees to the Trustee and the Noteholders, subject to and in accordance with the terms and conditions of the Standalone Guarantee, the performance by the Issuer of its obligations in respect of the Shortfall such that if the Issuer does not pay any amount in respect of the Shortfall which is due, the Initial Guarantor shall forthwith pay that amount.

"**Effective Date**" means the date on which all amounts in respect of principal and interest payable to the Existing Banks (other than in their capacity as providers of certain ancillary facilities) and the holders of the PP Notes pursuant to the Existing Facilities Agreements and the PP Notes (each as amended by an override agreement dated 7 April 2009) have been repaid and cancelled in full or otherwise discharged by the relevant member(s) of the Group.

"**GW Trustees**" means George Wimpey Pension Trustees Limited and Law Debenture (No.3 Scheme) Pension Trust Corporation as trustees for the time being of the George Wimpey Staff Pension Scheme.

"**Insolvency Event**" means, with respect to the Issuer or the Initial Guarantor, the appointment of any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of it or any of its assets.

"**Note Creditors**" means Noteholders of at least 50% in aggregate principal amount of the Notes for the time being outstanding in accordance with the Trust Deed;

"**Relevant Instrument**" means the Trust Deed and the Terms and Conditions of the Notes and the Notes.

"**Shortfall**" means the guaranteed obligations less all amounts recovered or entitled to be recovered by the Trustee and the Noteholders (including any amounts recovered or entitled to be recovered directly or indirectly from the Initial Guarantor other than pursuant to the Standalone Guarantee) from any member of the Group all as more particularly calculated in accordance with the calculation of Shortfall as set forth in the Standalone Guarantee and for these purposes any amounts owing in a currency other than sterling shall be converted into sterling at the rate prevailing on the date on which the Trigger Event occurs.

"**Shortfall Guarantee**" means a guarantee given by the Initial Guarantor in favour of any beneficiary provided that any such guarantee must be on substantially the same terms as the Standalone Guarantee.

"**Trigger Event**" means the earliest to occur of:

- an Insolvency Event; or

- the date on which the Initial Guarantor is obliged to make a contribution under (i) applicable law; (ii) the trust deed relating to the George Wimpey Staff Pension Scheme; or (iii) any other circumstance, in respect (in any such case) of all or substantially all of the deficit owing to the George Wimpey Staff Pension Scheme; or
- the date on which a beneficiary of a Shortfall Guarantee has made a valid claim against the Initial Guarantor under that instrument and such claim has been copied to the GW Trustees and, if applicable, the TWD Trustee in accordance with the provisions calculation of Shortfall provisions in the Standalone Guarantee.

"**TWD Trustee**" means Team Nominees Limited as trustee for the time being of the Taylor Woodrow Group Pension and Life Assurance Fund.

Indemnity

The Initial Guarantor agrees with each of the Trustee and the Noteholders that if any amount payable by it under the Standalone Guarantee in respect of the Shortfall is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Trustee and the Noteholders against any cost, loss or liability it incurs as a result of the Issuer or the Initial Guarantor not paying such amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under the Standalone Guarantee. The amount payable by the Initial Guarantor under the indemnity will not exceed the amount it would have had to pay had the amount claimed been recoverable on the basis of the guarantee in respect of the Shortfall as set out in Standalone Guarantee and the time periods for making any such claim and receiving payment from the Initial Guarantor under the indemnity shall be the same as if such claim was on the basis of the guarantee in respect of the Shortfall as set out in the Standalone Guarantee.

Calculation of Shortfall

The Shortfall shall be calculated by reference to the position as at the date on which the Trigger Event occurs.

The Trustee on behalf of the Noteholders and any Noteholder shall only be entitled to make a claim for payment in respect of the Shortfall on or after the date on which the Trustee (on behalf of such Noteholders) has demanded payment by the Issuer of the guaranteed obligations when entitled to do so under, and in accordance with, Condition 10 (*Events of Default and Remedies*) under the Terms and Conditions (or any analogous clause in any amended Relevant Instrument). The Initial Guarantor shall ensure that a copy of such demand is promptly provided to the TWD Trustee and the GW Trustees.

If the Trustee (on behalf of the Noteholders) or any Noteholder submits any such claim following such demand to the Initial Guarantor, the Trustee or such Noteholder shall forthwith provide a copy of the claim to each of the GW Trustees and the TWD Trustee, which claim shall be accompanied by a statement of the outstanding amounts owed to it by the Issuer under the Relevant Instrument as at the date of such claim. If it is not then practicable to carry out a calculation or estimate of the Shortfall, it is acknowledged that the claim may be submitted for the full amount of the guaranteed obligations then outstanding, but that (i) the claim for which the Initial Guarantor shall be liable (and which will ultimately be payable by the Guarantor) shall be limited always to the Shortfall, calculated strictly in accordance with the provisions of the Standalone Guarantee; and (ii) the claim so submitted shall be deemed to be a claim for the Shortfall in respect of the guaranteed obligations so claimed. The Guarantor shall not be obliged to make any payment of such Shortfall prior to the earlier of: (a) the date on which an Insolvency Event in respect of the Issuer occurs; (b) the date on which all or substantially all of the deficit owing to the George Wimpey Staff Pension Scheme has become due and payable; or (c) the date on which an Insolvency Event in respect of the Guarantor occurs and provided always that no payment shall be made in any circumstances prior to the earlier of: (A) 21 days after notice of any claim under the Standalone Guarantee has been given to each of the GW Trustees and the TWD Trustee in accordance with the terms of the Standalone Guarantee; and (B) the date on which any payment is made in respect of all or substantially all of the deficit owing to the George Wimpey Staff Pension Scheme following a claim being made under the Standalone Guarantee.

Subject to the next succeeding paragraph, the amount of the Shortfall claimed by the Trustee and the Noteholders from the Initial Guarantor under the Standalone Guarantee shall be calculated by any

of Deloitte LLP, PricewaterhouseCoopers LLP, KPMG LLP and Ernst & Young LLP (or any successors to those firms) and the parties agree that in calculating the Shortfall there shall be deducted from the amount of the Trustee's and/or any Noteholder's claims:

- any and all amounts recovered or entitled to be recovered in the future from any member of the Group by the Trustee or any such Noteholder in respect of the guaranteed obligations taking into account actual recoveries and the probability of receipt and the likely quantum in respect of contingent and/or prospective recoveries and including, without limitation, any distributions or dividends received or to be received by the Trustee and/or any such Noteholder in any administration, liquidation or other insolvency process relating to any member of the Group;
- any and all amounts recovered or entitled to be recovered in the future directly or indirectly from the Initial Guarantor, other than pursuant to the Standalone Guarantee, in respect of the guaranteed obligations taking into account actual recoveries and the probability of receipt and the likely quantum in respect of contingent and/or prospective recoveries and including, without limitation, any distributions or dividends received or to be received by the Trustee and/or any such Noteholder in any administration, liquidation or other insolvency process relating to the Initial Guarantor,

and all of the amounts referred to shall be deemed to have been actually received by the Trustee and/or any such Noteholder when calculating the amount of the Shortfall even if they have not then actually been received.

The Note Creditors shall, together with each beneficiary of any other Shortfall Guarantee, appoint any of Deloitte LLP, PricewaterhouseCoopers LLP, KPMG LLP and Ernst & Young LLP (or any successors to those firms) to perform the calculations referred to in the preceding paragraph and the calculations in the equivalent provision of any such other shortfall guarantee on behalf of the Note Creditors and each such beneficiary provided that in the absence of agreement between the Note Creditors and such beneficiaries as to such appointment the Note Creditors shall be entitled to appoint one of the accounting firms mentioned above in respect of the calculation of the Shortfall under the Standalone Guarantee only.

Release and Termination

Release

The liability of the Initial Guarantor in respect of the Shortfall shall terminate on the discharge in full of the Shortfall.

Termination

The Initial Guarantor may by written notice to each of the Trustee and the Noteholders terminate its liability in respect of the Shortfall as from the date specified in the notice (the "**Cessation Date**") provided that:

- such date is not less than 3 calendar months after the date of receipt by the Trustee on behalf of the Noteholders of the notice; and
- the Initial Guarantor has arranged for security or a guarantee for an amount not less than the Shortfall to be provided by a person other than the Initial Guarantor in substitution, such security, guarantee and such other person to be, in each case, acceptable to the Noteholders in accordance with Condition 12.1, but subject to Condition 12.2(i) of the Notes, to take effect from such date, except to the extent that such Noteholders do not require the Initial Guarantor to provide such security or guarantee in respect of the portion of the Shortfall which would be due to the Noteholders.

Following a termination as set forth above by the Initial Guarantor, on the Cessation Date, the Initial Guarantor shall not be liable under the Standalone Guarantee with respect to any amount of the Shortfall which may become due after the Cessation Date.

Disputes

The Standalone Guarantee will contain provisions which will apply in the event that there is a dispute in relation to any calculation of the Shortfall pursuant to the calculation of Shortfall procedures

set forth in the Standalone Guarantee, as between (i) the Initial Guarantor and (ii) the Note Creditors or the Trustee on behalf of all the Noteholders. A "**Dispute**" shall be treated as having occurred upon the relevant party (the "**Dissenting Party**") serving notice upon (a) where the Dissenting Party is the Initial Guarantor, the Trustee on behalf of the Note Creditors and (b) where the Dissenting Party is the Note Creditors, the Initial Guarantor.

Upon receipt of a notice, each Dissenting Party and each party to whom a Dispute Notice has been sent (an "**Affirming Party**") shall meet and discuss in good faith the matter in dispute and shall seek in good faith to resolve the dispute. In the absence of any agreement between each Dissenting Party and each Affirming Party within 10 business days, they must instruct an expert or experts agreed upon by each Dissenting Party and each Affirming Party or, if no agreement can be reached, then an expert chosen by the President for the time being of the Law Society of England and Wales (if the grounds for a Dispute Notice were, in the reasonable opinion of the person(s) delivering such notice, legal grounds) or the President for the time being of the Institute of Chartered Accountants (if the grounds for such notice were, in the reasonable opinion of the person(s) delivering such notice, economic or financial grounds) (the "**Appropriate Expert**").

TAXATION

United Kingdom Taxation

The following is a general description of certain UK tax consequences of acquiring, holding and disposing of the Notes and is based on the Issuer's understanding of current UK law and the practice of HMRC as at the date hereof, both of which are subject to change, possibly with retrospective effect. This description is not exhaustive and relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain classes of persons, such as brokers, dealers in securities, persons connected with the Issuer or certain professional investors, to whom special rules may apply. The description does not address the tax consequences of any payment under the Standalone Guarantee. Furthermore, it does not purport to constitute legal or tax advice and any prospective holders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their independent professional advisors.

Withholding Tax

Payments of interest on the Notes may be made without withholding or deduction for or on account of UK income tax so long as they are and remain listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List by the UK Listing Authority and are admitted to trading on the London Stock Exchange's Professional Securities Market.

Interest on the Notes may also be paid without withholding or deduction for or on account of UK income tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer (and any person by or through whom interest on the Notes is paid) reasonably believes that the beneficial owner is within the charge to UK corporation tax as regards the payment of interest or the payment is made to one of the classes of exempt bodies or persons set out in sections 935 to 937 of the Income Tax Act 2007, provided that HMRC has not given a direction that the interest should be paid under deduction of tax.

In all other cases, interest will generally be paid under deduction of UK income tax at the basic rate (currently 20%) subject to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty and subject to any other exemption that may be available to particular Noteholders.

If interest is paid under deduction of UK income tax (for example, if the Notes cease to be listed on a recognised stock exchange), Noteholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Any premium payable on redemption may be treated as a payment of interest for UK tax purposes and may accordingly be subject to the withholding tax treatment described above.

Interest on the Notes may be subject to UK income tax or corporation tax by direct assessment even where paid free of any withholding or deduction. Liability to such direct assessment will depend on the residency of the Noteholder for tax purposes, and whether the Noteholder carries on a trade, profession or vocation through a UK branch or agency or carries on a trade through a UK permanent establishment in connection with which the interest is received or to which the Notes are attributable.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution.

References herein to "interest" are to "interest" as understood in UK tax law. The statements above do not take any account of any different definitions of "interest" which may prevail under any other law.

UK holders subject to corporation tax

In general, Noteholders who are within the charge to UK corporation tax will be charged to tax on income in respect of all profits, gains and losses on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) measured and recognised in each accounting period broadly in accordance with their statutory accounting treatment.

UK holders not subject to corporation tax

It is likely that the Notes will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. On this basis, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules relating to accrued income profits as set out in Part 12 of the Income Tax Act 2007 if that Noteholder is resident or ordinarily resident in the UK or carries on a trade in the UK through a branch or agency to which the Notes are attributable. Those provisions will not apply to Notes which are deemed to be "deeply discounted securities".

HMRC may consider that the Notes constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. If the Notes do constitute deeply discounted securities, individual holders who are resident for tax purposes in the UK or who carry on a trade, profession or vocation in the UK through a branch or agency to which the Notes are attributable will generally be held liable to UK income tax on any gain made on the sale or other disposal (including redemption) of the Notes.

Provision of Information

Noteholders may wish to note that, in certain circumstances, HMRC has power to require any person paying interest to, or receiving interest on behalf of, a Noteholder to disclose the name and address of that Noteholder and to provide information regarding the amounts paid to him or received on his behalf. These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the Noteholder is resident in the UK for UK taxation purposes. Where the Noteholder is not so resident, the details provided to HMRC may, in certain cases, be passed on to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

UK Stamp Duty and Stamp Duty Reserve Tax

No UK stamp duty or stamp duty reserve tax will be payable on the issue or transfer of (or agreement to transfer) any Notes.

EU Savings Directive

Directive 2003/48/EC provides for the tax authorities of the Member States to provide each other with details of payments of interest and similar income made to individuals but permits Austria, Belgium and Luxembourg instead to impose a withholding tax on the payments concerned for a "transitional period" (although it also provides that no such withholding tax should be levied where the beneficial owner of the payment authorises an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the Member State in which the beneficial owner is resident). The Directive does not preclude Member States from levying other types of withholding tax.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Barclays, Lloyds, HSBC and RBS (together, the "**Initial Purchasers**") have entered into a purchase agreement dated 25 November 2010 with the Issuer and the Initial Guarantor (the "**Purchase Agreement**"). Upon the terms and subject to the conditions contained therein, the Initial Purchasers have jointly and severally agreed to subscribe or procure subscribers for the aggregate principal amount of the Notes at the issue price of 100% of their principal amount (the "**Issue Price**").

The Purchase Agreement may be terminated in certain circumstances prior to the issue of the Notes. The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers are entitled in certain circumstances to be released and discharged from their obligations under the Purchase Agreement prior to the closing of the issue of the Notes.

The Initial Purchasers and their respective affiliates have, in the past, provided banking, investment banking and advisory services for the Issuer, the Initial Guarantor and the Group for which they have received customary fees and expenses. Any or all of the Initial Purchasers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer, the Initial Guarantor and the Group in the ordinary course of their respective businesses.

In particular, each of Barclays, RBS, Lloyds and HSBC was a lender, mandated lead arranger, and bookrunner in connection with the Existing Bank Debt and HSBC was the agent in connection with the Existing Bank Debt and RBS was a manager in connection with the Eurobonds due in 2019. In addition, Barclays, RBS, Lloyds and HSBC are arrangers or lenders (or have other similar roles) under various of the Company's financial obligations. Each of Barclays, RBS, Lloyds and HSBC is also a bookrunner, arranger and lender in connection with the New Facilities and Lloyds is the agent under the New Facilities.

Purchase of Notes

The Notes will constitute a new class of securities with no established trading market. Accordingly, there can be no assurance that as to the liquidity of the trading market for the Notes. See the section entitled "Risk Factors".

Application has been made for the Notes to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Professional Securities Market of the London Stock Exchange. However, the Issuer cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

Purchasers who purchase Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Issue Price.

In connection with the Offering of the Notes, each Initial Purchaser and/or its affiliates may act as an investor for its own account or the accounts of others and may take up Notes in the Offering and in that capacity may retain, purchase or sell for its own account or the accounts of others such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references herein to the Notes being offered should be read as including any Offering of Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market. It is expected that admission of the Notes to the Official List and admission of the Notes to trading on the London Stock Exchange's Professional Securities Market will be granted on or about 2 December 2010, subject to the issue of the Notes.

Authorisation

Each of the Issuer and the Initial Guarantor has obtained all necessary consents, approvals and authorisations in connection with, as applicable, the issue and performance of the Notes and the giving of the Standalone Guarantee. The creation and issue of the Notes has been authorised by a resolution of a committee of the Board of Directors of the Issuer passed on 15 November 2010 (such committee having been established by a resolution of the Board of Directors of the Issuer passed on 26 July 2010). The giving of the Standalone Guarantee by the Initial Guarantor has been authorised by a resolution of the Board of Directors of the Initial Guarantor passed on 15 November 2010.

Expenses

The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately £17,625.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0565386231 and the Common Code is 056538623.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Yield

The yield of the Notes is 10.375% per annum calculated on the basis of the Issue Price and as at the Closing Date. It is not an indication of future yield.

No significant change

There has been no material adverse change in the prospects of the Issuer, the Initial Guarantor or the Group since 31 December 2009. Save for the Refinancing as described in "Summary—Refinancing" on page 22 and "Use of Proceeds" on page 56, there has been no significant change in the financial or trading position of the Issuer or the Group since 4 July 2010. There has been no significant change in the financial or trading position of the Initial Guarantor since 31 December 2009.

Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer and/or the Initial Guarantor is, or as the case may be, are aware) during the 12 months before the date of this Offering Circular, which may have, or have had in the recent past, significant effects on the Issuer's and/or the Initial Guarantor's and/or the Group's financial position or profitability.

Material contracts

Save as set out below, other than contracts entered into in the ordinary course of business, none of the Issuer, the Initial Guarantor or any member of the Group is a party to any contract which contains a provision that could result in any member of the Group being under an obligation or entitlement which is material to the Issuer's ability to meet its obligations to the Noteholders in respect of the Notes or the Initial Guarantor's ability to meet its obligations under the Standalone Guarantee.

The following contracts directly concerning the issue of the Notes will, shortly after the date of this Offering Circular, be, or have already been, entered into by the Issuer and the Initial Guarantor (where relevant) and are, or may be, material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes or the Initial Guarantor's ability to meet its obligations under the Standalone Guarantee:

(a) the Trust Deed to be dated 2 December 2010 between the Issuer, the Initial Guarantor and the Trustee, constituting the Notes and appointing the Trustee to act in that capacity and under which such fees in respect of the services of the Trustee as shall be agreed between the Issuer and the Trustee are to be paid;

(b) the Agency Agreement to be dated 2 December 2010 between the Issuer, the Initial Guarantor, the Principal Paying Agent, the Registrar and the Trustee setting out, *inter alia*, the terms of appointment and duties of HSBC Bank plc in its capacity as Principal Paying Agent and under which such fees in respect of the services of the agents as shall be agreed between them and the Issuer are to be paid;

(c) the Purchase Agreement dated 25 November 2010, details of which are set out in the section entitled "Subscription and Sale";

(d) the New Facilities, details of which are set out in the section headed "Description of Certain Financing Arrangements";

(e) the Fund Facility, details of which are set out in the section headed "Description of Certain Financing Arrangements";

(f) the deed of covenant entered into on 6 April 2009 between Taylor Wimpey and TWD in relation to the TWGP&LAF and the deed of covenant entered into on 7 April 2009 between Taylor Wimpey, the Guarantor, GWL and the trustee of the GWSPS in relation to the GWSPS details of which are set out in the section headed "Description of other Financial Liabilities";

(g) the guarantees in relation to pension schemes, details of which are set out below:

    (1) under a deed dated 13 August 2008, Taylor Wimpey has guaranteed to the trustee of the TWGP&LAF the payment by certain current and former employers of their obligations to the TWGP&LAF. Taylor Wimpey's liability under the guarantee is subject to a cap based on the amount required to ensure the TWGP&LAF is 105% funded on the greater of (i) the basis set out in section 179 of the Pensions Act 2004 and (ii) a basis using the methods and assumptions adopted in the TWGP&LAF's most recent actuarial valuation. The cap is calculated at the date on which liability under the guarantee arises. The guarantee is in Pension Protection Fund format and, as such, includes restrictions on it being cancelled or amended and restrictions on the guarantor claiming any payment from the current and former employers whose obligations are guaranteed until all amounts owed by them to the TWGP&LAF have been paid;

    (2) under a deed dated 30 March 2006, GWL has guaranteed to the trustees of the GWSPS the payment by the Guarantor of its obligations to the GWSPS. GWL's liability under the guarantee is subject to a cap based on the amount required to ensure the GWSPS is 105% funded on the basis set out in section 179 of the Pensions Act 2004. The cap is calculated at the date on which liability under the guarantee arises. The guarantee is in Pension Protection Fund format and, as such, includes restrictions on it being cancelled or amended and restrictions on the guarantor claiming any payment from the Guarantor until all amounts owed by the Guarantor to the GWSPS have been paid;

    (3) under a deed dated 3 July 2008, Taylor Wimpey has guaranteed to the trustees of the GWSPS the payment by the Guarantor of its obligations to the GWSPS. Taylor Wimpey's liability under the guarantee is subject to a cap based on the amount required to ensure the GWSPS is 105% funded on the greater of (i) the basis set out in section 179 of the Pensions Act 2004 and (ii) a basis using the methods and assumptions adopted in the GWSPS' most recent actuarial valuation. The cap is reduced by any amount paid under the GWL guarantee (see previous paragraph). The cap is calculated at the date on which liability under the guarantee arises. The guarantee is in Pension Protection Fund format and, as such, includes restrictions on it being cancelled or amended and restrictions on

the guarantor claiming any payment from the Guarantor until all amounts owed by the Guarantor to the GWSPS have been paid;

(h) the memorandum of understanding entered into on 19 November 2010 between Taylor Wimpey and the trustee of the TWGP&LAF and the memorandum of understanding entered into on 19 November 2010 between Taylor Wimpey and the trustees of the GWSPS, details of which are set out below:

    (1) the memorandum in respect of the TWGP&LAF will become effective on the Effective Date (as defined in the section headed "Description of other Financial Liabilities"). Pursuant to the memorandum, the trustee of the TWGP&LAF has agreed to provide its consent to the provision of certain guarantees by the Initial Guarantor (including the guarantee in respect of the Notes) and the Parent has agreed to make the contributions described in the section headed "Risk Factors—Risks relating to our business". In addition, Taylor Wimpey and the trustee have agreed to enter into a new deed of covenant in replacement of the deed of covenant in relation to the TWGP&LAF described at (f) above; and

    (2) the memorandum in respect of the GWSPS will become effective on the Effective Date (as defined in the section headed "Description of other Financial Liabilities"). Pursuant to the memorandum, the trustees of the GWSPS have agreed to provide their consent to the provision of certain guarantees by the Initial Guarantor (including the guarantee in respect of the Notes) and the Parent has agreed to make the contributions described in the section headed "Risk Factors—Risks relating to our business". In addition, Taylor Wimpey and the trustee have agreed to enter into a new deed of covenant in replacement of the deed of covenant in relation to the GWSPS described at (f) above.

(i) the standalone guarantee dated 18 November 2010 in relation to the New Facilities, in substantially the same form as the Standalone Guarantee;

(j) the Standalone Guarantee to be dated on or about 2 December 2010, details of which are set out in the section entitled "Description of the Guarantee of Taylor Wimpey UK Limited";

(k) the standalone guarantee dated 24 November 2010 in respect of certain of the Issuer's obligations to the TWGP&LAF; and

(l) the Escow Agreement, details of which are set out in the section headed "Description of Certain Financing Arrangements".

Third party information

Where information in this Offering Circular has been sourced from third parties, this information has been accurately reproduced and as far as each of the Issuer and the Guarantor is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of the third party information has been identified where used. Unless otherwise stated, such information has not been audited.

Auditor

The auditor of the Issuer for each of the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009 was Deloitte LLP, 2 New Street Square, London, EC4A 3BZ, which is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales.

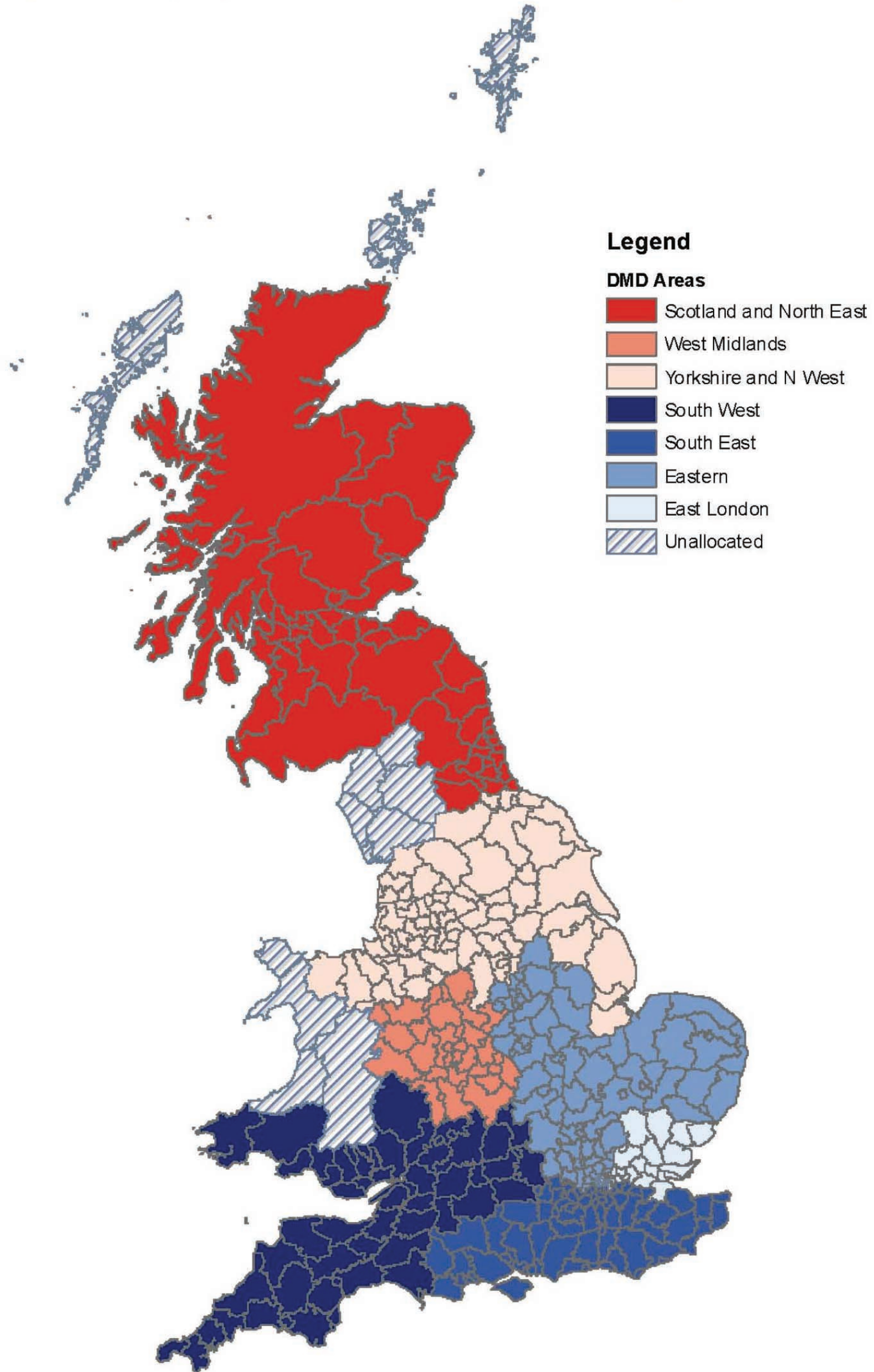
The auditor of the Guarantor for the financial year ended 31 December 2007 was PricewaterhouseCoopers of 1 Embankment Place, London WC2N 6RH and for each of the financial years ended 31 December 2008 and 31 December 2009 was Deloitte LLP, 2 New Street Square, London, EC4A 3BZ, which is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales.

Documents available for inspection

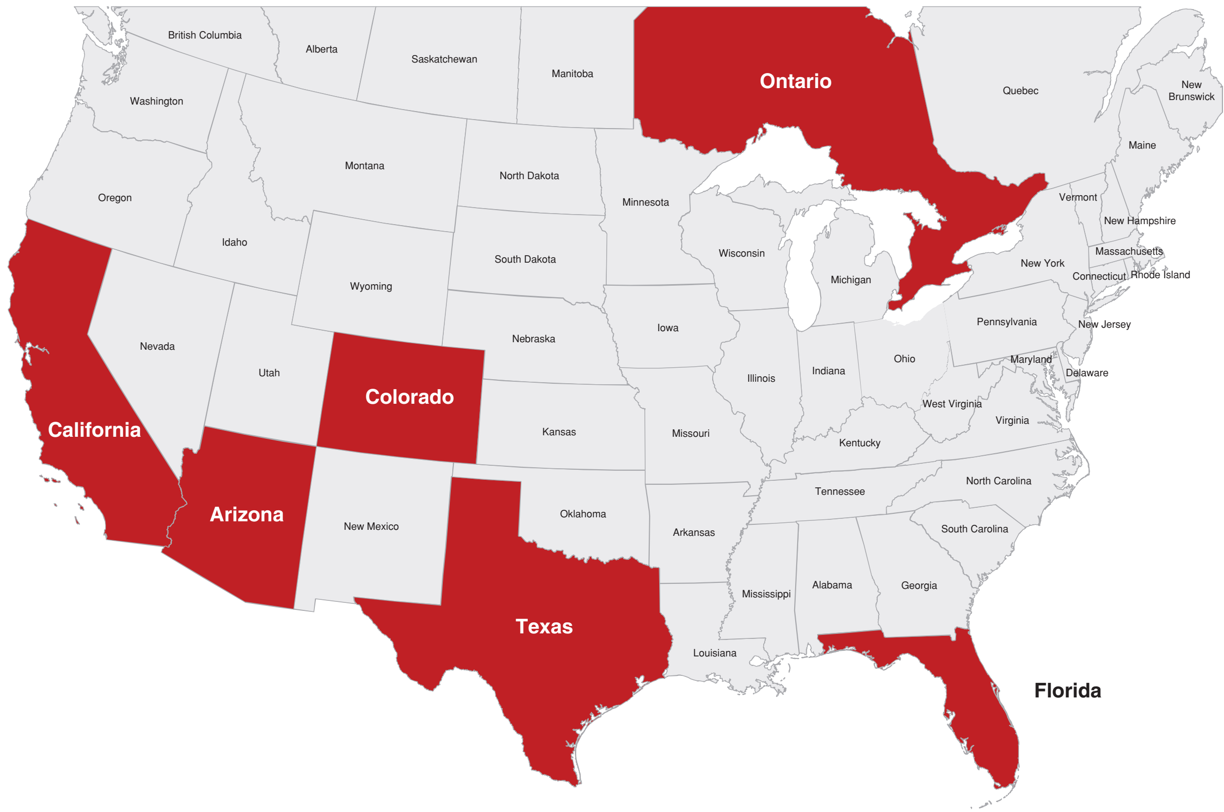
Copies of the documents set out below are available for inspection during usual business hours on any weekday (public holidays excepted) for a period of 12 months from the date of this Offering Circular at the registered office of Taylor Wimpey plc at 80 New Bond Street, London W1S 1SB:

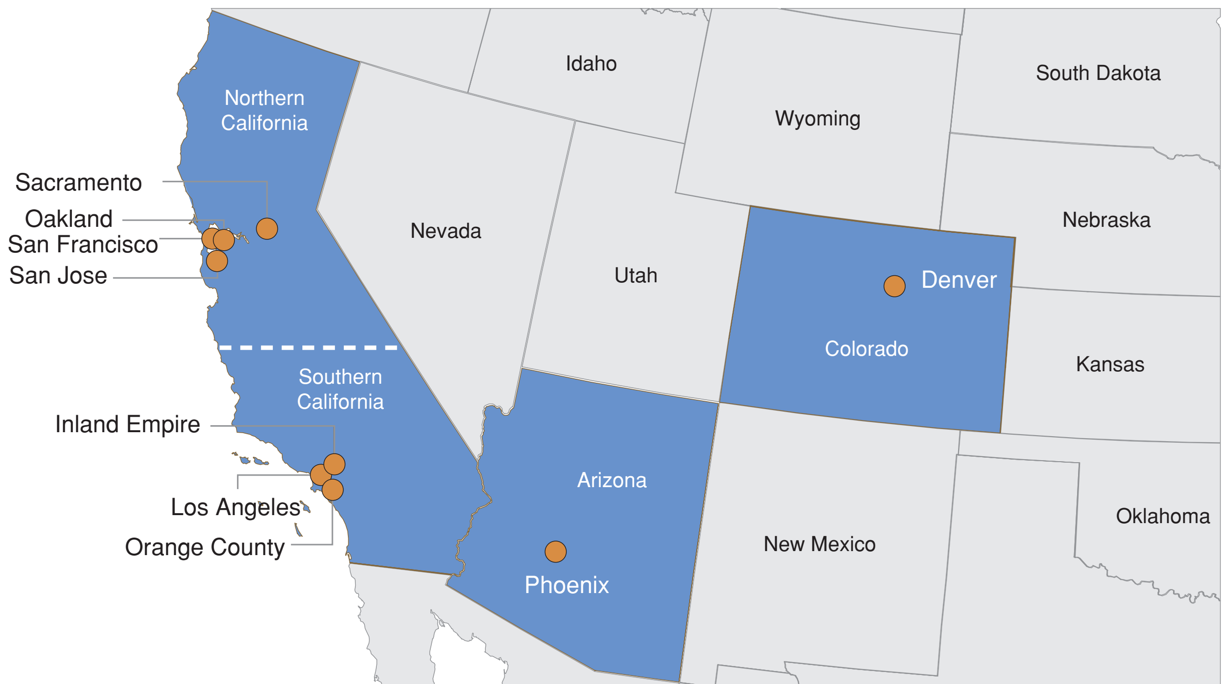
- the Memorandum of Association and the Articles of Association of the Issuer;
- the Memorandum of Association and Articles of Association of the Guarantor;
- a copy of this Offering Circular;
- the audited consolidated financial statements of the Issuer for the year ended 31 December 2007;
- the audited consolidated financial statements of the Issuer for the year ended 31 December 2008;
- the audited consolidated financial statements of the Issuer for the year ended 31 December 2009;
- the unaudited half year consolidated financial statements of the Issuer for the half year ended 4 July 2010;
- audited financial statements of the Guarantor for the year ended 31 December 2007;
- audited financial statements of the Guarantor for the year ended 31 December 2008;
- audited financial statements of the Guarantor for the year ended 31 December 2009;
- the material contracts agreement is in the section headed "— Material Contracts" above;
- from 2 December 2010, the Trust Deed; and
- from 2 December 2010, the Agency Agreement.

In addition, this Offering Circular is also available at the website of the Regulatory News Service operated by the London Stock Exchange at *www.londonstockexchange.com*.


Taylor Wimpey Business Boundaries, May 2010
Legend
DMD Areas
Scotland and North East
West Midlands
Yorkshire and N West
South West
South East
Eastern
East London
Unallocated

ANNEX II—HOUSING NORTH AMERICA BUSINESS BOUNDARIES





Colorado
Kansas
Missouri
Kentucky
Virginia
New Mexico
Oklahoma
Arkansas
Tennessee
North Carolina
South Carolina
Mississippi
Alabama
Georgia
Texas
Austin
Houston
Louisiana
Florida
Jacksonville
Orlando
Tampa
Sarasota
Fort Myers
Palm Beach
Mexico

Ontario
Kitchener-
Waterloo
Ottawa
Toronto

Note: page references within the financial statements are to pages in the Taylor Wimpey plc Annual Report and Accounts. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at www.taylorwimpeyplc.com. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

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TAYLOR WIMPEY PLC

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TAYLOR WIMPEY PLC

EXTRACT FROM THE DIRECTORS' REMUNERATION REPORT

Part 2: Audited Information

Directors' emoluments

	Basic salary/ fees	Salary supplement in lieu of pension	Benefits-in-kind*	Bonus in respect of 2007	Other benefits	2007 total	2006 total	Basic salary/fee p.a. with effect from 1 January 2008
	£000	£000	£000	£000	£000	£000	£000	£000
Executive								
Pete Redfern (Appointed 3 July 2007)	346	93	14	558	—	1,011	—	700
Peter Johnson	423	89	13	282	—	807	761	440
Ian Sutcliffe (Appointed 3 July 2007)	198	—	15	450	—	663	—	400
Ian Smith (Resigned 3 July 2007)†	313	100	9	—	1,451	1,873	—	—
John Landrum (3 July 2007—31 July 2007)‡	24	—	1	—	813	838	—	—
Graeme McCallum (Resigned 16 January 2007)	24	3	—	—	—	27	696	—
Iain Napier (Former Director)°	—	—	—	—	1,083	1,083	1,452	—
Non Executive								
Norman Askew	219	—	—	—	—	219	170	270
Mike Davies	50	—	—	—	—	50	44	50
Brenda Dean (Appointed 3 July 2007)	25	—	—	—	—	25	—	50
Andrew Dougal	57	—	—	—	—	57	49	60
Katherine Innes Ker	55	—	—	—	—	55	44	60
Anthony Reading (Appointed 3 July 2007)	30	—	—	—	—	30	—	60
David Williams (Appointed 3 July 2007)	30	—	—	—	—	30	—	60
Vernon Sankey (Resigned 3 July 2007)††	23	—	—	—	11	34	39	—
Aggregate emoluments	1,817	285	52	1,290	3,358	6,802	—	
2006:						—	3,255	

Aggregate emoluments of the Executive Committee (excluding Executive Directors)

	Basic salary	Salary supplement in lieu of pension	Benefits-in-kind	Bonus in respect of 2007	Company contribution to pension	Other benefits	2007 total°°	2006 total°°	Basic salary p.a. with effect from 1 January 2008
	£000	£000	£000	£000	£000	£000	£000	£000	£000
10 members	1,715	71	81	1,044	962	2,321	6,194	3,388	634**

Notes:

* Includes non-cash payments.

The above salary details in respect of Messrs Redfern and Sutcliffe reflect the salaries paid for the period 3 July 2007 to 31 December 2007.

The above bonus details are in respect of the full year 2007.

For the period 1 January to 3 July 2007, Pete Redfern's base salary received from George Wimpey Plc was £480,000 per annum and Ian Sutcliffe's base salary was £320,000 per annum. With effect from 3 July 2007, their salaries were increased to £700,000 and £400,000 respectively per annum.

† Ian Smith received a base salary at the rate of £610,000 p.a. for the period 1 January 2007 to completion of the Merger on 3 July 2007 plus bonus for 2007 to that date as shown above. On leaving, he also received contractual payments for loss of office of one year's salary and an amount equal to his target bonus which together amounted to £1,451,000 (2006: £0).

‡ John Landrum who was a Director for the period 3 July 2007 to 31 July 2007 had a base salary of $650,000 (£325,000) at the time of his resignation. He left the Company on 31 October 2007, following which he was paid the sum of $1,625,824 (£812,912) by way of a termination payment consisting principally of 12 months salary in lieu of notice (paid monthly) and an amount equal to 1.5x salary in respect of his bonus arrangements.

° Iain Napier left the Board on 31 December 2006 and remained an employee until 30 April 2007. He received contractual pay, benefits-in-kind, salary supplement in lieu of pension and 2006 performance bonus aggregating £918,000 (2006 £1,452,000 as shown above). During the second half of 2007 he also received a contractual payment of £165,340 being a pro rata bonus for the period 1 January 2007 to his date of leaving in April 2007. See page 51 for further details. (2006: £0).

†† Vernon Sankey received a contractual payment for loss of office of £11,000 (2006: £0) following completion of the Merger.

°° In addition, a charge of £30,000 (2006: £467,000) was booked in respect of share based payments.

‡‡ Contractual payments for loss of office, targeted bonus, redundancy and ex-gratia payments for those members of the Executive Committee who left as a result of the Merger.

** There are only two members of the Executive Committee going forward other than the Executive Directors.

No expense allowances are paid.

Directors' share-based reward and options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company and any other share-based reward granted to or held by the Directors. Details of the options exercised during the year are:

Name of Director	Plan	Number of option shares exercised	Exercise price	Market price at exercise date	Gains on exercise 2007	Gains on exercise 2006
			(pence)	(pence)	£	£
Peter Johnson	Performance Share Plan	65,376	—	486	317,727	0
	Bonus Plan	52,636	—	502	264,232	0
	Executive Share Option	—	—	—	—	186,203
					581,959	186,203

Details of options and conditional awards over shares held by Directors who served during the year are as follows:

Name of Director	Plan	1 January 2007[d]	Granted	Lapsed	Exercised	31 December 2007	Exercise price	Date of Grant	Dates from which exercisable	Expiry date
			(number)	(number)	(number)		(pence)			
Peter Johnson	Sharesave	8,037	—	—	—	8,037	197.2	7.10.03	1.12.08	31.5.09
	Bonus Plan:									
	Matching award	52,636	—	—	52,636[j]	—	—	2.4.04	2.4.07	1.4.14
	Matching award	9,858	—	—	—	9,858	—	7.4.06	7.4.09	6.4.12
	Matching award	—	59,253[a]	—	—	59,253	—	10.4.07	10.4.10	9.4.13
	Performance Share Plan	84,905	—	19,529	65,376[k]	—	—	10.5.04	10.5.07	9.5.09
	Performance Share Plan	132,410	—	—	—	132,410	—	7.9.05	7.9.08	6.9.10
	Performance Share Plan	92,406	—	—	—	92,406	—	12.4.06	12.4.09	11.4.11
	Performance Share Plan	—	82,941[b]	—	—	82,941	—	2.4.07	2.4.10	1.4.12
	Total	380,252	142,194	19,529	118,012	384,905				
John Landrum	Performance Share Plan	—	59,672[b]	—	—	59,672	—	2.4.07	2.4.10	1.4.12
	Total	—	59,672	—	—	59,672				
Graeme McCallum	Sharesave	4,177	—	—	—	4,177	226.8	7.10.04	16.1.07	15.7.07
	Performance Share Plan	80,862	—	—	—	80,862	—	10.5.04	1.3.07	—
	Performance Share Plan	100,078	—	—	—	100,078	—	7.9.05	—	—
	Total	185,117	—	—	—	185,117				
Pete Redfern	Long Term Incentive Plan	131,217[e]	—	131,217	—	—	—	26.5.04	26.5.07	25.5.09
	Long Term Incentive Plan	200,068[c][g]	—	—	—	200,068	—	25.5.05	25.5.08	24.5.10
	Long Term Incentive Plan	179,007[g]	—	—	—	179,007	—	23.5.06	23.5.09	22.5.11
	Long Term Incentive Plan	231,940[c][h]	—	—	—	231,940	—	2.4.07	2.4.10	1.4.12
	Total	742,232	—	131,217	—	611,015				
Ian Sutcliffe	Sharesave	3,410[c][i]	—	—	—	3,410	276.9827	21.9.06	1.12.11	31.5.12
	Long Term Incentive Plan	222,480[c][g]	—	—	—	222,480	—	23.5.06	23.5.09	22.5.11
	Long Term Incentive Plan	156,626[c][h]	—	—	—	156,626	—	2.4.07	2.4.10	1.4.12
	Total	382,516	—	—	—	382,516				

(a) Market value per share on date of grant 10 April 2007 was 518.5p

(b) Market value per share on date of grant 2 April 2007 was 492p. These conditional awards lapsed on 31 October 2007

(c) Taylor Wimpey shares after roll over as part of the Merger and application of the Merger ratio of 1.3914 Taylor Wimpey shares for each George Wimpey share entitlement

(d) Or date of appointment

(e) Market-value per George Wimpey ordinary share on date of award 26 May 2004 was 371.25p

(f) Market-value per George Wimpey ordinary share on date of award 25 May 2005 was 414.25p

(g) Market-value per George Wimpey ordinary share on date of award 23 May 2006 was 456.5p

(h) Market-value per George Wimpey ordinary share on date of award 2 April 2007 was 575.9p

(i) Market-value per George Wimpey ordinary share on date of award 21 Sept 2006 was 481.75p

(j) Market-value per share on date of exercise 4 April 2007 was 502p

(k) Market-value per share on date of vesting 11 May 2007 was 486p

There have been no variations to the terms and conditions or performance criteria for outstanding share options during the financial year.

The performance criteria relating to the Deferred Bonus Plan appear earlier in this Directors' Remuneration Report. These plans replaced the Executive Bonus Plan and Executive Share Option Plan, which were subject to EPS-related performance conditions.

Awards vesting under the Executive Bonus Plan in 2007 achieved the EPS-related performance conditions and were consequently able to be exercised in full. Awards vesting under the Performance Share Plan in 2007 were scaled back to 77 per cent of the original award.

Awards made pursuant to the George Wimpey LTIP are conditional and do not vest in whole or part unless predetermined performance conditions are satisfied over a three year period. The performance conditions are explained in detail on page 49. The number of awards made to each participant is calculated with reference to a formula based on a maximum of 2 × salary as at 1 January in each year and the average closing share price for each dealing day within a 90 day period ending on the day before the award is made. For 2004, 2005, 2006 and 2007, the relevant share prices were 403.4 pence, 437.1 pence, 544.1 pence and 575.9 pence. The TSR Performance in respect of those shares conditionally awarded under the 2005 George Wimpey LTIP was not met. No vesting has taken place and the award has now lapsed. These shares are however indexed in the final column above for Pete Redfern.

The market price of the ordinary shares at 31 December 2007 was 203.25 pence and the range during the year was 182 pence to 518.5 pence.

Directors' interests in shares of the Company

Directors' interests in 25 pence ordinary shares held (fully paid):

	At 1 January 2007 25p ordinary shares†	At 31 December 2007 25p ordinary shares	Executive Directors' share interests at 31 December 2007 expressed as a percentage of basic salary
Norman Askew	9,974	15,674	
Pete Redfern	57,526†	92,705	27%
Peter Johnson	94,407*	322,443*	149%
Ian Sutcliffe	0†	5,341	3%
Mike Davies	5,000	15,000	
Brenda Dean	8,348†	8,348	
Andrew Dougal	5,000	5,000	
Katherine Innes Ker	1,000	1,000	
Anthony Reading	14,107†	20,000	
David Williams	8,269†	8,269	

† or date of appointment and after applying the Merger ratio of 1.3914 Taylor Wimpey shares for each George Wimpey share.

* Includes 1,250 ordinary shares held by Halifax Corporate Trustees Limited under the Taylor Wimpey 2004 Share Purchase Plan.

Directors' pension entitlements

Defined benefit schemes

George Wimpey Staff Pension Scheme

Pete Redfern is a member of the George Wimpey Staff Pension Scheme. The following table sets out the transfer value of his accrued benefits under the Scheme calculated in a manner consistent with

'Retirement Benefit Schemes—Transfer Values (GN11)' published by the Institute of Actuaries and the Faculty of Actuaries.

Accrued pension as at 31 December 2006	Increase in accrued pension from 31 December 2006 to 31 December 2007	Accrued pension as at 31 December 2007(1)	Transfer value gross of Directors' contributions at 31 December 2007(2)	Transfer value gross of Directors' contributions at 31 December 2006(2)	Increase in transfer value from 31 December 2006 to 31 December 2007 less Directors contributions(3)	Increase in accrued pension from 31 December 2006 to 31 December 2007 less inflation	Transfer value of accrued pension increase less director's contribution(4)
£	£	£	£	£	£	£	£
14,480	3,067	17,547	162,100	127,300	23,690	2,502	9,578

Notes:

(1) Pension accrual shown is the amount which would be paid annually on retirement based on service to 31 December 2007.

(2) Transfer values have been calculated in accordance with version 9.2 of the actuarial guidance note GN11.

(3) The increase in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements.

(4) The transfer value of accrued pension increase less Director's contribution represents the incremental value to the Director of his service during the period, calculated on the assumption service terminated at the year end. It is based on the increase in accrued pension (less inflation) after deducting the Director's contribution

Money purchase schemes

Peter Johnson is a member of a money purchase scheme, to which contributions were paid by the Company as follows:

	2007	2006
	£	£
Peter Johnson	146,395	98,833

Non-Group Pension Arrangements

Ian Sutcliffe has non-Group pension arrangements, to which contributions were paid by the Company as follows:

	2007	2006
	£	£
Ian Sutcliffe	104,265	—

TAYLOR WIMPEY PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLOR WIMPEY PLC

We have audited the group financial statements of Taylor Wimpey plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 40 and the reconciliation of changes in shareholders' equity. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Taylor Wimpey plc for the year ended 31 December 2007.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether

the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

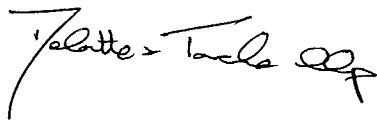
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the group financial statements.

Separate opinion in relation to IFRSs

As explained in the accounting policies note to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, UK
5 March 2008

The complete Taylor Wimpey plc Annual Report and Accounts are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

TAYLOR WIMPEY PLC

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR TO 31 DECEMBER 2007

Continuing Operations	Note	Before exceptional items 2007	Exceptional items* 2007	Total 2007	2006
		£m	£m	£m	£m
Revenue	3	4,714.3	—	4,714.3	3,572.1
Cost of sales		(3,975.9)	(289.7)	(4,265.6)	(2,933.4)
Gross profit		738.4	(289.7)	448.7	638.7
Net operating expenses	5	(289.5)	(90.0)	(379.5)	(191.0)
Share of results of joint ventures	14	23.4	—	23.4	22.1
Profit on ordinary activities before finance costs and amortisation of brands		476.0	(349.7)	126.3	469.8
Amortisation of brands		(3.7)	(30.0)	(33.7)	—
Profit on ordinary activities before finance costs		472.3	(379.7)	92.6	469.8
Interest receivable		9.7	—	9.7	9.1
Finance costs	7	(121.8)	—	(121.8)	(73.3)
(Loss)/profit on ordinary activities before taxation		360.2	(379.7)	(19.5)	405.6
Taxation	8	(107.0)	(70.2)	(177.2)	(115.0)
(Loss)/profit for the year		253.2	(449.9)	(196.7)	290.6
Attributable to:					
Equity holders of the parent	33			(197.9)	289.5
Minority interest				1.2	1.1
				(196.7)	290.6
Proposed/paid dividends per ordinary share					
Interim	9			5.5p	5.0p
Final	9			10.25p	9.75p
(Loss)/earnings per ordinary share—basic	10			(24.2p)	50.5p
(Loss)/earnings per ordinary share—diluted	10			(24.2p)	50.1p

* The current period items relate to restructuring costs, brand impairments and land and work in progress write-downs (note 5). There were no exceptional items in 2006.

TAYLOR WIMPEY PLC

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR TO 31 DECEMBER 2007

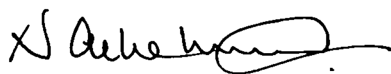
	2007	2006
	£m	£m
Exchange differences on translation of foreign operations	21.7	(49.0)
Actuarial gains/(losses) on defined benefit pension schemes	91.3	(1.6)
Surplus on revaluation	—	1.0
Tax on items taken directly to equity	(28.5)	0.5
Net income/(expense) recognised directly in equity	84.5	(49.1)
(Loss)/profit for the year	(196.7)	290.6
Total recognised (expense)/income for the year	(112.2)	241.5
Attributable to:		
Equity holders of the parent	(113.4)	240.4
Minority interests	1.2	1.1
	(112.2)	241.5

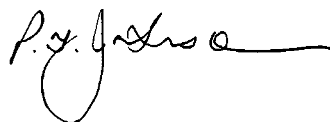
TAYLOR WIMPEY PLC

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2007

	Note	2007	2006
		£m	£m
Non-current assets			
Goodwill	11	699.8	363.1
Other intangible assets	12	120.5	—
Property, plant and equipment	13	39.0	25.5
Interests in joint ventures	14	59.9	56.2
Trade and other receivables	18	76.4	56.0
Deferred tax assets	15	117.7	95.4
		1,113.3	596.2
Current assets			
Inventories	16	6,017.8	2,946.5
Trade and other receivables	18	391.3	294.9
Tax receivables		16.8	19.7
Cash and cash equivalents	18	130.0	236.5
		6,555.9	3,497.6
Total assets		7,669.2	4,093.8
Current liabilities			
Trade and other payables	21	(1,540.3)	(926.0)
Tax payables		(154.4)	(74.1)
Debenture loans	20	(1.4)	(2.5)
Bank loans and overdrafts	19	(12.2)	(12.3)
Provisions	24	(48.2)	—
		(1,756.5)	(1,014.9)
Net current assets		4,799.4	2,482.7
Non-current liabilities			
Trade and other payables	21	(388.4)	(123.1)
Debenture loans	20	(823.3)	(610.6)
Bank loans	19	(708.5)	(2.4)
Retirement benefit obligation	23	(219.1)	(208.6)
Deferred tax liabilities	15	(29.8)	(0.8)
Provisions	24	(38.4)	(27.9)
		(2,207.5)	(973.4)
Total liabilities		(3,964.0)	(1,988.3)
Net assets		3,705.2	2,105.5
Equity			
Share capital	25	289.6	148.5
Share premium account	26	758.1	758.8
Merger relief reserve	27	1,934.2	—
Revaluation reserve	28	0.5	1.5
Own shares	29	(282.0)	(45.0)
Share-based payment tax reserve	30	5.6	8.2
Capital redemption reserve	31	31.5	31.5
Other reserve		4.8	4.8
Translation reserve	32	3.7	(19.1)
Retained earnings	33	957.1	1,214.3
Equity attributable to equity holders of the parent		3,703.1	2,103.5
Minority interests		2.1	2.0
Total equity		3,705.2	2,105.5

The financial statements were approved by the Board of Directors and authorised for issue on 5 March 2008. They were signed on its behalf by:





N B M Askew
Director

P T Johnson
Director

TAYLOR WIMPEY PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR TO 31 DECEMBER 2007

	Note	2007 £m	2006 £m
Net cash (used in)/from operating activities	36	(163.3)	57.0
Investing activities			
Interest received		2.3	9.1
Dividends received from joint ventures		24.4	22.6
Amounts invested in software development		(0.4)	—
Proceeds on disposal of property, plant and investments		17.3	48.0
Purchases of property, plant and investments		(13.6)	(6.7)
Amounts invested in joint ventures		(3.1)	(9.2)
Amounts repaid by joint ventures		10.6	5.3
Acquisition of George Wimpey Plc	35	28.1	—
Net cash inflow on acquisition of remaining 50% of North Central Management Limited		2.9	—
Net cash from investing activities		68.5	69.1
Financing activities			
Dividends paid		(117.3)	(79.7)
Dividends paid by subsidiaries to minority shareholders		(1.1)	(0.1)
Proceeds on issue of ordinary share capital		—	3.3
Proceeds from sale of own shares		4.7	15.9
Purchase of own shares		(251.6)	(12.4)
New bank loans raised		2,083.8	608.7
New debenture loans raised		256.2	—
Repayment of debenture loans		(52.1)	(4.3)
Repayment of bank loans		(1,944.6)	(600.9)
Increase/(decrease) in bank overdrafts		0.5	(2.7)
Net cash used in financing activities		(21.5)	(72.2)
Net (decrease)/increase in cash and cash equivalents		(116.3)	53.9
Cash and cash equivalents at beginning of year		236.5	197.3
Effect of foreign exchange rate changes		9.8	(14.7)
Cash and cash equivalents at end of year		130.0	236.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR TO 31 DECEMBER 2007

1. Significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with applicable International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as adopted for use in the European Union, IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee relevant to its operations and effective for accounting periods beginning on 1 January 2007.

The consolidated financial statements have been prepared on the historical cost basis, except where stated below. The principal accounting policies adopted, which have been applied consistently unless otherwise stated, are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

1. Significant accounting policies (Continued)

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Segmental reporting

The Group is divided into five operating divisions for management reporting and control:

- Housing United Kingdom
- Housing North America
- Housing Spain and Gibraltar
- Construction
- Corporate

The Corporate component has been added in 2007 to reflect better the way the Group is managed following the acquisition of George Wimpey Plc. Corporate costs of £19.6m (including exceptional restructuring costs) have been separately identified in 2007 (2006: £13.2m).

These divisions make up the primary segmental analysis in the financial statements. A secondary segmental analysis is provided by geographical split.

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group.

Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

1. Significant accounting policies (Continued)

(c) Contracting work

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material and unusual in nature and of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 Presentation of financial statements.

Foreign currencies

The individual statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are classified as reserves and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as assets and liabilities denominated in the functional currency of the company in which they arise.

The Group enters into forward contracts in order to hedge its exposure to certain foreign exchange transaction risks relating to the functional currency in accordance with Group policy. It also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to certain overseas subsidiaries (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

Operating leases

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

1. Significant accounting policies (Continued)

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Other intangible assets

Brands

Internally generated brands are not capitalised. Brands that have been acquired are capitalised as intangible assets. Acquired brand values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. The George Wimpey brand is considered to have a finite life and is therefore amortised over its estimated useful life of 15 years on a straight line basis.

Software development costs

Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight-line basis over three to five years from the time of implementation.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Plant and equipment is stated at cost less depreciation.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives. Depreciation is charged, where material, on buildings over the expected useful life of the asset. Other assets are depreciated using the straight-line method, on the following bases:

- Plant, fixtures and equipment 20-25 per cent; and
- Computer equipment 33 per cent.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

1. Significant accounting policies (Continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. Trade receivables on extended terms, particularly in respect of land, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Derivative financial instruments are measured at fair value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest

1. Significant accounting policies (Continued)

method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs. Derivative financial instruments are measured at fair value.

Derivative financial instruments and hedge accounting

The Group uses forward exchange contracts to hedge transactions denominated in foreign currencies. The Group also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than sterling which is the functional currency of the parent company. Interest rate derivatives are used to manage interest rate risk in respect of borrowings. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the income statement.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to the income statement for the period.

Customer deposits

Customer deposits are recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value.

1. Significant accounting policies (Continued)

Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is not probable that they will be exercised.

Tender costs for construction

Significant tender costs are treated as recoverable once the Directors consider that it is probable that the contract will be won. This is presumed to be when preferred bidder status is awarded.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the forseeable future.

Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

1. Significant accounting policies (Continued)

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 Employee benefits. In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense.

Payments to defined contribution schemes are charged as an expense as they fall due.

Key sources of estimation uncertainty and critical accounting judgments

Site valuations and work in progress

Internal site valuations are carried out at regular intervals throughout the year. The valuations will include an estimation of the costs to complete and remaining revenues, in order to determine the profit that the Group is able to recognise on the proportion of completions in the period, for each development. In addition, the carrying value of land and work in progress can involve considerable judgment around future margins from sites in assessing whether any impairment provisions need to be recognised.

Impairment of goodwill

The determination of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the cash generating unit, the future growth rate of revenue and costs and a suitable discount rate. The carrying amount of goodwill at the balance sheet date was £699.8m (2006: £363.1m).

Contracting work

Profits in respect of contracts will be recognised by reference to the stage of completion when an estimate of a profitable outcome can be measured reliably. Determining the outcome of a contract will require a survey. This includes an estimate of the value of costs to complete and in certain instances estimates of the contract price as well as any variations in the contract work.

Pensions

The value of plan assets and liabilities is determined based on various actuarial assumptions. Note 23 details the main assumptions made for the accounting of the Group's defined benefit pension schemes.

1. Significant accounting policies (Continued)

Tax

Aspects of tax accounting require management judgment and interpretation of tax legislation across many jurisdictions.

Deferred tax

In determining the carrying amounts of deferred tax assets management is required to assess the timing of the utilisation of provisions for tax purposes and the extent to which sufficient taxable profit will be available to enable the asset to be recovered.

Acquisition accounting

On acquisition, the assets, liabilities and contingent liabilities are measured at their fair values on the date of acquisition. On the merger with George Wimpey Plc, particular judgment was required around the valuation of inventory and brands (see note 35).

Adoption of new and revised standards and interpretations

Standards, amendments and interpretations effective in 2007

IFRS 7, Financial instruments: Disclosures, and the complementary amendment to IAS 1, 'Presentation of financial statements—Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial statements, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, Scope of IFRS 2, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

IFRIC 10, Interim financial reporting and impairment, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IRFS 4, Insurance contracts;
- IFRIC 7, Applying the restatement approach under IAS 29, financial reporting in hyper-inflationary economies; and
- IFRIC 9, Re-assessment of embedded derivatives.

Standards and interpretations in issue but not yet effective

Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Group

IAS 23 (Amendment) Borrowing costs (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that

1. Significant accounting policies (Continued)

asset. The option of immediately expensing borrowing costs is removed. The Group will apply the amendment from the annual period commencing 1 January 2009 and its impact is currently being assessed.

IFRS 8 Operating segments (effective from 1 January 2009). IFRS 8 amends the current segmental reporting requirements of IAS 14 and requires 'management approach' to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes. This standard will apply from the annual period commencing 1 January 2009 and is expected to impact the Group by requiring additional disclosures in the financial statements.

IFRIC11, IFRS 2—Group and treasury share transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

IFRIC 14, IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations:

- IFRIC 12 Service concession arrangements; and
- IFRIC 13 Customer loyalty programmes.

2. General information

Taylor Wimpey plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 113.* The nature of the Group's operations and its principal activities are set out in note 4 and in the Chief Executive's Review on pages 14 to 21.*

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on page 60.*

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

3. Revenue

An analysis of the Group's revenue is as follows:

	2007	2006
	£m	£m
Housing	3,947.5	2,716.6
Construction	609.3	550.6
Land sales	157.5	304.9
Consolidated revenue	4,714.3	3,572.1
Interest receivable	9.7	9.1
	4,724.0	3,581.2

Housing revenue includes £180.9m (2006: £171.0m) in respect of the value of properties accepted in part exchange by the Group.

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into five operating divisions—Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, Construction and Corporate. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2007	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Construction	Corporate	Consolidated
	£m	£m	£m	£m	£m	£m
Revenue:						
External sales	3,053.8	986.8	64.4	609.3	—	4,714.3
Inter-segment sales	—	—	—	34.5	—	34.5
Eliminations	—	—	—	(34.5)	—	(34.5)
Total revenue	3,053.8	986.8	64.4	609.3	—	4,714.3
Result:						
Operating profit/(loss) before joint ventures, brand amortisation and exceptional items	409.1	53.3	2.2	3.4	(15.4)	452.6
Share of results of joint ventures	9.1	14.2	—	0.1	—	23.4
Profit/(loss) on ordinary activities before finance costs, exceptional items and amortisation of brands	418.2	67.5	2.2	3.5	(15.4)	476.0
Brand amortisation	(3.7)	—	—	—	—	(3.7)
Exceptional items	(47.9)	(321.3)	(6.3)	—	(4.2)	(379.7)
Profit/(loss) on ordinary activities before finance costs	366.6	(253.8)	(4.1)	3.5	(19.6)	92.6
Finance costs (net)						(112.1)
Taxation						(177.2)
Loss for the year						(196.7)

4. Business and geographical segments (Continued)

Inter-segment Construction and Housing revenue relates to contracts conducted on an arm's-length basis.

2007	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Construction	Corporate	Consolidated
	£m	£m	£m	£m	£m	£m
Asset and liabilities:						
Segment assets	5,350.1	976.7	182.1	96.6	39.5	6,645.0
Joint ventures	39.6	20.0	0.2	0.1	—	59.9
Segment liabilities	(1,548.7)	(316.4)	(66.7)	(232.0)	(70.6)	(2,234.4)
Net operating assets/ (liabilities)*	3,841.0	680.3	115.6	(135.3)	(31.1)	4,470.5
Goodwill						699.8
Current taxation (net)						(137.6)
Deferred taxation (net)						87.9
Net debt						(1,415.4)
Net assets						3,705.2

* The Group is unable to allocate the defined benefit pension scheme assets and liabilities of the Taylor Woodrow Group Pension and Life Assurance Fund on an actuarial basis by entity. However, for the purposes of the segmental analysis above the Group has allocated the deficit on the basis of members in the plan. This allocation is performed solely for the purposes of providing a more meaningful segmental analysis and is not an appropriate apportionment in accordance with IAS 19 Retirement benefits. The assets and liabilities of the George Wimpey Staff Pension Scheme have been allocated in their entirety to UK Housing.

2007	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Construction	Corporate	Consolidated
	£m	£m	£m	£m	£m	£m
Other information:						
Property, plant and equipment additions	6.2	5.8	0.3	1.3	—	13.6
Amortisation of intangibles*	15.7	20.0	—	—	—	35.7
Depreciation—plant and equipment	3.3	3.6	0.1	1.3	—	8.3
Other non-cash expenses:						
Provisions provided	48.7	28.7	0.6	—	—	78.0

* The amortisation of intangibles includes impairment losses of £10.0m on the Laing Homes brand (Housing United Kingdom) and £20.0m on the Morrison Homes brand (Housing North America) following their current retirements.

2006	Housing United Kingdom*	Housing North America*	Housing Spain and Gibraltar*	Construction*	Corporate*	Consolidated
	£m	£m	£m	£m	£m	£m
Revenue:						
External sales	1,759.2	1,170.2	92.1	550.6	—	3,572.1
Inter-segment sales	4.1	—	—	60.8	—	64.9
Eliminations	(4.1)	—	—	(60.8)	—	(64.9)
Total revenue	1,759.2	1,170.2	92.1	550.6	—	3,572.1

* Restated see note 1.

4. Business and geographical segments (Continued)

2006	Housing United Kingdom*	Housing North America*	Housing Spain and Gibraltar*	Construction*	Corporate*	Consolidated
	£m	£m	£m	£m	£m	£m
Result:						
Operating profit/(loss) before joint ventures	215.4	209.1	26.8	9.6	(13.2)	447.7
Share of results of joint ventures	8.6	13.5	—	—	—	22.1
Profit/(loss) on ordinary activities before finance costs	224.0	222.6	26.8	9.6	(13.2)	469.8
Finance costs, net						(64.2)
Taxation						(115.0)
Profit for the year						290.6

* Restated see note 1.

2006	Housing United Kingdom*	Housing North America*	Housing Spain and Gibraltar*	Construction*	Corporate*	Consolidated
	£m	£m	£m	£m	£m	£m
Assets and liabilities:						
Segment assets	2,160.0	865.0	173.7	106.1	18.1	3,322.9
Joint ventures	33.5	19.4	—	3.3	—	56.2
Segment liabilities	(609.5)	(318.9)	(82.2)	(249.1)	(25.9)	(1,285.6)
Net operating assets/(liabilities)†	1,584.0	565.5	91.5	(139.7)	(7.8)	2,093.5
Goodwill						363.1
Current taxation (net)						(54.4)
Deferred taxation (net)						94.6
Net debt						(391.3)
Net assets						2,105.5

* Restated see note 1.

† The Group is unable to allocate the defined benefit pension scheme assets and liabilities of the Taylor Woodrow Group Pension and Life Assurance Fund on an actuarial basis by entity. However, for the purposes of the segmental analysis above, the Group has allocated the deficit on the basis of members in the plan. This allocation is performed solely for the

4. Business and geographical segments (Continued)

purposes of providing a more meaningful segmental analysis and is not an appropriate apportionment in accordance with IAS 19 Retirement benefits.

2006	Housing United Kingdom*	Housing North America*	Housing Spain and Gibraltar*	Construction*	Corporate*	Consolidated
	£m	£m	£m	£m	£m	£m
Other information:						
Property, plant and equipment additions	2.5	1.7	0.3	2.2	—	6.7
Depreciation—plant and equipment	1.1	1.1	0.1	5.4	—	7.7
Other non-cash expenses:						
Provisions provided	11.2	10.2	0.3	—	—	21.7

* Restated see note 1.

Geographical segments

The Group's operations are located primarily in the United Kingdom and North America. The Group's Housing divisions are already segmented geographically above. The Construction division is primarily located in the United Kingdom.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2007	2006
	£m	£m
United Kingdom	3,614.7	2,243.6
North America	986.8	1,170.1
Rest of the world	112.8	158.4
	4,714.3	3,572.1

The following is an analysis of the carrying amount of segment assets, and additions to property and plant, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property and plant	
	2007	2006	2007	2006
	£m	£m	£m	£m
United Kingdom	6,205.9	2,854.9	6.9	2.6
North America	1,231.8	1,012.3	5.8	1.7
Rest of the world	231.5	226.6	0.9	2.4
	7,669.2	4,093.8	13.6	6.7

5. Net operating expenses and profit on ordinary activities before finance costs

Net operating expenses	2007	2006
	£m	£m
Administration expenses	302.4	200.1
Net other income	(12.9)	(9.1)
Exceptional items	90.0	—
	379.5	191.0

Net other income includes profits on the sale of property, plant & equipment and broker fees from mortgage origination services.

Exceptional items	2007	2006
	£m	£m
Restructuring costs	60.0	—
Brand impairments	30.0	—
Land and work in progress write-downs	289.7	—
Exceptional items	379.7	—

The exceptional charge in respect of restructuring costs arose following the merger with George Wimpey Plc on 3 July 2007. It consists of costs relating to the reorganisation and restructuring of the UK and US Housing businesses, including redundancy costs.

Profit on ordinary activities before financing costs has been arrived at after charging/(crediting):

	2007	2006
	£m	£m
Cost of inventories recognised as expense in cost of sales	4,148.0	2,903.8
Specific write-downs of inventories	289.7	35.3
Reversal of specific write-downs of inventories	—	(5.7)
Depreciation—plant and equipment	8.3	7.7
Amortisation—intangibles*	35.7	—
Minimum lease payments under operating leases recognised in income for the year	6.1	13.6

* The amortisation of intangibles includes impairment losses of £10.0m on the Laing Homes brand and £20.0m on the Morrison Homes brand following their current retirements.

The remuneration paid to Deloitte & Touche LLP, the Group's principal auditors, is as follows:

	2007	2006
	£m	£m
Fees payable to the company's auditors for the audit of the company's annual accounts and consolidated financial statements	0.3	0.3
The audit of the company's subsidiaries pursuant to legislation	0.7	0.4
Total audit fees	1.0	0.7
Other services pursuant to legislation	0.1	0.1
Tax services	0.3	0.1
Corporate finance services	0.7	—
Other services	0.1	0.1
Total non-audit fees	1.2	0.3
Total fees	2.2	1.0

Corporate finance services include reporting accountants' work performed in connection with the merger.

6. Staff costs

	2007	2006
	Number	Number
Average number employed		
Housing United Kingdom including Corporate	4,744	2,658
Housing North America	1,173	1,108
Housing Spain and Gibraltar	171	157
Construction	3,639	4,235
	9,727	8,158
United Kingdom	6,175	4,079
Overseas	3,552	4,079
	9,727	8,158

	£m	£m
Remuneration		
Wages and salaries	314.2	245.6
Redundancy costs	15.4	—
Social security costs	34.0	23.3
Other pension costs	16.3	15.2
	379.9	284.1

Key management comprises the Board and other employees who serve on the Executive Committee. The Executive Committee advises the Chief Executive on issues pertaining to the business and the implementation of Board policy.

The information required by the Companies Act 1985 and the Listing Rules of the Financial Services Authority is contained on pages 46 to 55 in the Directors' Remuneration Report.*

7. Finance costs

	2007	2006
	£m	£m
Interest on bank overdrafts and loans	45.9	22.9
Interest on debenture loans	47.4	41.2
Movement on interest rate derivatives	5.4	—
	98.7	64.1
Amortisation of discount on land creditors	19.3	6.5
Notional interest on pension liability (note 23)	3.8	2.7
	121.8	73.3

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors' Remuneration report at F-2. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

8. Tax

		2007	2006
		£m	£m
Current tax:			
UK corporation tax:	Current year	88.9	58.8
	Prior years	(9.8)	(9.9)
Relief for foreign tax		(5.0)	(8.3)
Foreign tax:	Current year	18.0	80.4
	Prior years	16.9	(8.3)
		109.0	112.7
Deferred tax:			
UK:	Current year	(9.1)	(3.0)
	Prior years	6.3	(0.2)
Foreign:	Current year	80.9	(4.8)
	Prior years	(9.9)	10.3
		68.2	2.3
		177.2	115.0

Corporation tax is calculated at 30 per cent (2006: 30 per cent) of the estimated assessable profit for the year in the UK.

Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax recognised in the Group statement of recognised income and expense is due to actuarial gains on post-retirement liabilities at the prevailing rate in the relevant jurisdiction. This includes the effect of the change in the UK rate of corporation tax from 30 per cent to 28 per cent from 1 April 2008.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2007	2006
	£m	£m
(Loss)/profit before tax	(19.5)	405.6
Tax at the UK corporation tax rate of 30% (2006: 30%)	(5.9)	121.7
Under/(over) provision in respect of prior years	3.5	(8.1)
Tax effect of share of results of joint ventures	(2.6)	(4.8)
Tax effect of expenses that are not deductible in determining taxable profit	14.0	4.8
Non taxable income	(18.9)	(22.5)
Effect of higher rates of tax of subsidiaries operating in other jurisdictions	(14.5)	19.8
Losses not recognised	12.1	—
Net reduction in US tax assets recognised	189.4	—
Other	0.1	4.1
Tax charge for the year	177.2	115.0

The tax charge for the year includes an amount in respect of exceptional items of £70.2m. This is made up of a credit of £14.9m in respect of UK tax and a net charge of £85.1m in respect of US tax.

The charge in the US reflects a write-off of US deferred tax assets held by the Group which are not seen as capable of usage in the forseeable future primarily due to the significant weakening of the US market in the second half of 2007.

9. Dividends

	2007	2006
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2006 of 9.75p (2005: 8.9p) per share	56.6	51.0
Interim dividend for the year ended 31 December 2007 of 5.5p (2006: 5.0p) per share	60.7	28.7
	117.3	79.7
Proposed final dividend for the year ended 31 December 2007 of 10.25p (2006: 9.75p) per share	107.7	56.6

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

10. Earnings per share

From continuing operations

	2007	2006
Basic	(24.2p)	50.5p
Diluted	(24.2p)	50.1p
Adjusted basic	30.8p	50.5p
Adjusted diluted	30.7p	50.1p

Adjusted basic and adjusted diluted earnings per share, which exclude the impact of exceptional items and the associated net tax charges, are shown to provide clarity on the underlying performance of the Group.

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings:	2007	2006
	£m	£m
Earnings for basic earnings per share and diluted earnings per share	(197.9)	289.5
Add exceptional items (note 5)	379.7	—
Add tax effect of exceptional items	70.2	—
Earnings for adjusted basic and adjusted diluted earnings per share	252.0	289.5

Weighted average number of shares:	2007	2006
	m	m
For basic earnings per share	818.5	572.9
Weighted average of dilutive options	2.5	5.0
Weighted average of dilutive awards under bonus plans	—	0.5
For diluted earnings per share	821.0	578.4

11. Goodwill

	£m
Cost and carrying amount	
At 1 January 2006	363.9
Changes in exchange rates	(0.8)
At 31 December 2006	363.1
Changes in exchange rates	(0.1)
Acquired on acquisition of George Wimpey Plc	336.8
At 31 December 2007	699.8

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

Goodwill of £694.3m (2006: £357.5m) is allocated to the UK Housing business. Goodwill of £5.5m (2006: £5.6m) is allocated to the US Housing business. The recoverable amount in respect of UK Housing has been determined on the basis of the business' value in use. The value in use is the present value of the future cash flows expected to be derived from the cash-generating unit over the next 20 years. Key assumptions used in the calculation are:

(i) Gross margins are based upon past experience and latest forecasts which incorporate expectations of future changes in the market.

(ii) Growth rate applied for the period beyond three years is 0 per cent.

(iii) A pre-tax discount rate of 12 per cent based on the Group's weighted average cost of capital.

As a result of this review no impairment was recorded.

12. Other intangible assets

	Brands	Software development costs	Total
	£m	£m	£m
Cost			
At 1 January 2006 and 31 December 2006	—	—	—
Acquired on acquisition of George Wimpey Plc	140.0	15.8	155.8
Additions	—	0.4	0.4
Changes in exchange rates	0.2	—	0.2
At 31 December 2007	140.2	16.2	156.4
Amortisation			
At 1 January 2006 and 31 December 2006	—	—	—
Impairment loss for the period (note 5)	(30.0)	—	(30.0)
Charge for the period	(3.7)	(2.0)	(5.7)
Changes in exchange rates	(0.2)	—	(0.2)
At 31 December 2007	(33.9)	(2.0)	(35.9)
Carrying amount			
31 December 2007	106.3	14.2	120.5
31 December 2006	—	—	—

13. Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Total
	£m	£m	£m
Cost or valuation			
At 1 January 2006	7.2	59.6	66.8
Additions	—	6.7	6.7
Disposals	—	(2.0)	(2.0)
Net surplus on revaluation	2.4	—	2.4
Changes in exchange rates	—	(0.7)	(0.7)
At 31 December 2006	9.6	63.6	73.2
Acquired on acquisition of George Wimpey Plc	1.2	15.2	16.4
Additions	—	13.6	13.6
Disposals	(1.5)	(13.3)	(14.8)
Changes in exchange rates	—	0.3	0.3
At 31 December 2007	9.3	79.4	88.7
Comprising:			
Properties valued			
Cost	8.8	—	8.8
Net surplus	0.5	—	0.5
Valuation in 2006	9.3	—	9.3
Plant and equipment—cost	—	79.4	79.4
	9.3	79.4	88.7
Accumulated depreciation			
At 1 January 2006	—	42.4	42.4
Disposals	—	(2.0)	(2.0)
Charge for the year	—	7.7	7.7
Changes in exchange rates	—	(0.4)	(0.4)
At 31 December 2006	—	47.7	47.7
Disposals	—	(6.5)	(6.5)
Charge for the year	—	8.3	8.3
Changes in exchange rates	—	0.2	0.2
At 31 December 2007	—	49.7	49.7
Carrying amount			
At 31 December 2007	9.3	29.7	39.0
At 31 December 2006	9.6	15.9	25.5

The fixed asset properties of the Group were valued as at 31 December 2006 by Knight Frank LLP, independent valuers not connected with the Group, on a fair value basis in accordance with RICS valuation methodology, and that valuation was £9.6m. The prior year income statement was credited with £1.4m of the £2.4m net surplus on revaluation in line with prior years' deficit treatment.

The revaluation surplus arises in a subsidiary and cannot be distributed to the parent due to legal restrictions in the United Kingdom.

14. Interests in joint ventures

	2007	2006
	£m	£m
Aggregated amounts relating to share of joint ventures		
Non-current assets	—	30.0
Current assets	101.6	80.7
Total assets	101.6	110.7
Current liabilities	(40.9)	(46.5)
Non-current liabilities	(27.6)	(23.6)
Total liabilities	(68.5)	(70.1)
Carrying amount	33.1	40.6
Loans to joint ventures	26.8	15.6
Total interests in joint ventures	59.9	56.2
Share of post tax profits from joint ventures		
Revenue	81.3	106.9
Cost of sales	(51.4)	(76.3)
Gross profit	29.9	30.6
Net operating expenses	(1.6)	(1.0)
Profit on ordinary activities before finance costs	28.3	29.6
Finance costs	(0.6)	(3.9)
Profit on ordinary activities before tax	27.7	25.7
Taxation	(4.3)	(3.6)
Share of joint ventures' post tax results for the year	23.4	22.1

The Group has five (2006: four) principal joint ventures.

Particulars of principal joint ventures are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts (*interest held by subsidiary undertakings)	Taylor Wimpey plc interest in the issued ordinary share capital
Great Britain	Greenwich Millennium Village Limited*	50%
	GN Tower Limited*	50%
	Falcon Wharf Limited*	50%
	Academy Central Limited Liability Partnership*	62%
USA	Taylor Woodrow Communities/Steiner Ranch Limited*	50%

* GN Tower Limited, Falcon Wharf Limited and Academy Central Limited Liability Partnership were acquired as part of the George Wimpey plc merger on the 3 July 2007. In the same transaction the Group acquired the remaining 50% shareholding of North Central Management Limited (NCM) which is now accounted for as a subsidiary. The book value of the assets and liabilities of NCM approximates the fair value as at the date of acquisition.

15. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	Capital allowances	Short-term timing differences	Brands	Inventory adjustments	Retirement benefit obligations	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2006	1.5	32.3	—	—	66.5	100.3
Credit/(charge) to income	1.6	(16.6)	—	8.9	1.6	(4.5)
Credit/(charge) to equity	—	(1.4)	—	—	0.5	(0.9)
Changes in exchange rates	—	(0.3)	—	—	—	(0.3)
At 31 December 2006	3.1	14.0	—	8.9	68.6	94.6
Acquired on acquisition of a subsidiary	0.7	12.8	(41.2)	85.6	34.5	92.4
Credit/(charge) to income	0.4	(15.0)	11.4	(54.9)	(10.1)	(68.2)
Credit/(charge) to equity	—	(2.6)	—	—	(29.6)	(32.2)
Changes in exchange rates	—	0.8	—	0.5	—	1.3
At 31 December 2007	4.2	10.0	(29.8)	40.1	63.4	87.9

The recognition of deferred tax assets on short-term timing differences and inventory write-downs takes into account the reduced expected usage in the US in future years, which has been assessed in light of the weakening market conditions in the second half of 2007.

In addition the total asset has reduced by £3.9m due to the re-evaluation of share schemes yet to vest at the end of 2007. £2.6m of this has been recorded as a reduction in the share-based payment tax reserve (see note 30).

Deferred tax on the UK timing differences has been calculated at the rate of 28 per cent (2006: 30 per cent). The effect of the reduction in the UK corporation tax rate from 30 per cent to 28 per cent from 1 April 2008 has resulted in a reduced net deferred tax asset at the end of 2007 of an amount of £2.5m. Of this £2.5m, £2.3m has been charged directly to the statement of recognised income and expense.

The net deferred tax balance is analysed into assets and liabilities as follows:

	2007	2006
	£m	£m
Deferred tax assets	117.7	95.4
Deferred tax liabilities	(29.8)	(0.8)
	87.9	94.6

At the balance sheet date the Group has unused UK capital losses of £418.0m (2006: £187.2m), of which £296.8m (2006: £62.5m) are agreed available for offset against future capital profits. No deferred tax asset has been recognised in respect of these losses because the directors do not consider that these capital losses will be utilised in the foreseeable future. In addition some of the capital losses would be further restricted as to offset dependent on the source within the enlarged Group of any gains and previous losses.

The Group has not recognised potential deferred tax assets of £189.4m (2006: £nil) (primarily relating to inventory adjustments) in respect of the US and a further £9.7m (2006: £3.9m) (relating to tax losses) in other jurisdictions. These are not recognised principally due to the uncertainty of future profits against which to offset such potential deductions and losses.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

16. Inventories

	2007	2006
	£m	£m
Raw materials and consumables	2.3	2.3
Finished goods and goods for resale	106.4	58.7
Residential developments		
Land*	3,879.4	1,857.2
Development and construction costs	2,019.6	999.1
Commercial, industrial and mixed development properties	10.1	29.2
	6,017.8	2,946.5

* Details of land creditors are in note 21.

The Directors consider all inventory to be current in nature. The operational cycle is such that the majority of inventory will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

Non-refundable land option payments of £59.6m (2006: £28.2m) are recorded within Residential developments:Land.

17. Construction contracts

	2007	2006
	£m	£m
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	57.3	65.2
Amounts due to contract customers included in trade and other payables	(39.1)	(26.1)
	18.2	39.1
Contract costs incurred plus recognised profits less recognised losses to date.	3,684.8	3,571.4
Less: progress billings	(3,666.6)	(3,532.3)
	18.2	39.1

At 31 December 2007, retentions held by customers for contract work amounted to £11.1m (2006: £12.6m).

18. Other financial assets

Trade and other receivables

	Current		Non-current	
	2007	2006	2007	2006
	£m	£m	£m	£m
Trade receivables	257.1	210.0	41.9	37.8
Joint ventures	9.0	9.6	—	—
Currency and interest rate derivatives	—	—	19.9	15.2
Other receivables	125.2	75.3	14.6	3.0
	391.3	294.9	76.4	56.0

The average credit period taken on sales is 15 days (2006: 15 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £2.2m (2006: £3.7m). This allowance has been determined by reference to past default experience.

18. Other financial assets (Continued)

Cash and cash equivalents

	2007	2006
	£m	£m
Cash and cash equivalents	130.0	236.5

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

19. Bank loans and overdrafts

	2007	2006
	£m	£m
Bank overdrafts repayable on demand	12.2	0.2
Bank loans	708.5	14.5
	720.7	14.7
Amount due for settlement within 12 months	12.2	12.3
Amount due for settlement after 12 months	708.5	2.4

	Bank overdraft	Bank loans
	£m	£m
Analysis of borrowings by currency:		
31 December 2007		
Sterling	0.7	295.0
Canadian dollars	8.0	—
Ghanaian cedis	3.5	—
US dollars	—	413.5
	12.2	708.5
31 December 2006		
Sterling	0.2	—
Canadian dollars	—	8.4
Ghanaian cedis	—	3.9
US dollars	—	2.2
	0.2	14.5

Bank borrowings are arranged at floating rates of interest, from 5.25 per cent to 18.0 per cent (2006: 1.95 per cent to 20.6 per cent).

Secured bank loans and overdrafts totalled £4.5m (2006: £14.5m). Secured bank loans and overdrafts are secured on certain fixed asset properties and land.

At 31 December 2007, the Group had available £1,192.9m (2006: £629.5m) of undrawn committed revolving credit facilities.

There were no defaults or breaches of loan terms during the current or preceding period.

20. Debenture loans

	2007 Book value	2007 Fair value	2006 Book value	2006 Fair value
	£m	£m	£m	£m
Unsecured				
6.59% US $81m notes 2008	—	—	41.3	41.8
Floating rate notes 2008	1.4	1.4	2.0	2.0
9.00% US $35m notes 2009	18.5	19.0	—	—
5.73% US $110m notes 2009	55.2	56.5	—	—
5.53% US $75m notes 2011	37.6	38.7	38.2	38.2
6.625% £250m guaranteed bonds 2012*	245.8	253.0	243.6	257.0
6.21% US $70m notes 2012	35.4	36.5	—	—
6.80% £30m notes 2012	30.0	30.6	—	—
4.72% US $28m notes 2013	13.2	13.6	—	—
6.31% US $110m notes 2014	55.4	57.1	—	—
6.03% US $175m notes 2014	87.7	90.0	89.0	89.2
4.98% US $38m notes 2015	17.7	18.0	—	—
6.72% US $30m notes 2017	15.4	15.6	—	—
5.29% US $30m notes 2018	13.9	13.9	—	—
6.375% £200m bonds 2019	197.5	194.0	197.3	199.0
Secured				
Other secured loans	—	—	1.7	1.8
	824.7	837.9	613.1	629.0

* The guarantee in respect of the 6.625% £250m guaranteed bonds due 2012 was released on th 16 January 2004.

	2007	2006
	£m	£m
Repayable		
Total falling due in more than one year	823.3	610.6
Within one year or on demand	1.4	2.5

Interest rates and currencies of debenture loans:

		Fixed rate debt		
	Floating rate	Fixed rate	Weighted average interest rate	Weighted average time until maturity
	£m	£m	%	years
31 December 2007				
Sterling	1.4	473.3	6.53	7.2
US dollars	—	350.0	6.05	5.4
	1.4	823.3	6.33	6.4
31 December 2006				
Sterling	2.0	440.9	6.7	8.6
US dollars	—	168.5	6.1	5.3
Canadian dollars	—	1.7	11.4	3.0
	2.0	611.1	6.5	7.7

20. Debenture loans (Continued)

Interest on debenture loans of £100.0m (2006: £100.0m) has been swapped from 6.625 per cent to floating rates based on US$ LIBOR applicable to periods of three months. The above table does not reflect the impact of these swaps.

Charges for secured loans have been given principally on certain development properties.

There were no defaults or breaches of loan terms during the current or preceding period.

21. Trade and other payables

	Current		Non-current	
	2007	2006	2007	2006
	£m	£m	£m	£m
Trade payables	920.6	608.4	376.6	122.7
Joint ventures	3.4	2.8	—	—
Currency and interest rate derivatives	1.5	9.1	—	—
Other payables	614.8	305.7	11.8	0.4
	1,540.3	926.0	388.4	123.1

Trade payable days were 43 days (2006: 32 days), based on the ratio of year-end trade payables (excluding sub-contract retentions and unagreed claims of £ 23.8m (2006: £13.2m) and land creditors) to amounts invoiced during the year by trade creditors.

Other payables include customer deposits for reserving plots of £90.1m (2006: £84.2m).

Land creditors (included within trade payables) are due as follows:

	2007	2006
	£m	£m
Due within one year	453.7	252.0
Due in more than one year	375.3	121.0
	829.0	373.0

Land creditors are denominated as follows:

	2007	2006
	£m	£m
Sterling	711.0	239.7
US dollars	42.4	57.9
Canadian dollars	38.4	24.9
Euros	37.2	50.5
	829.0	373.0

Land creditors of £570.9m (2006: £350.4m) are secured against land acquired for development.

22. Financial instruments

Capital management

The Group operates within policies and procedures approved by the Board. The Group's capitalisation policy established last year sets overall parameters for the consolidated capital structure designed to maintain a strong credit rating and an appropriate funding structure.

The Group seeks to match long term assets with long term funding and short term assets with short term funding. Equity, retained profits and long term fixed interest debt are used primarily to finance intangible assets, fixed assets and land. Short term borrowings are required primarily to finance net current assets, other than landbank assets of more than one year, and work in progress. Cash balances made available by our construction business are used to reduce our short term borrowing requirements.

22. Financial instruments (Continued)

Net debt as a percentage of equity was 38.2% (2006: 18.6%) however, the Group aims to maintain a strong credit rating by seeking to keep year end modified net gearing (defined as borrowings less cash or cash equivalents as a percentage of tangible net assets adjusted for deferred tax assets and retirement benefit obligations) between 40% and 60% and interest cover greater than 5 times but less than 7 times. The forecast numbers are reviewed regularly. Modified net gearing on this basis was 46.9% (2006: 21.1%) . Interest cover (profit on ordinary activities before exceptional items and finance costs divided by finance costs less interest receivable) was 4.2 (2006: 7.3).

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets	Note	2007 Carrying value	2006 Carrying value
		£m	£m
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	17.7	15.2
Held for trading	(a)	2.2	—
Loans and receivables:			
Cash and cash equivalents	(b)	130.0	236.5
Land receivables	(b)	108.6	121.2
Trade and other receivables	(b)	192.3	124.7
Joint ventures	(b)	26.8	15.6
		477.6	513.2

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non current amounts.

Current and non-current trade and other receivables, as disclosed, in note 18 include £146.9m (2006: £89.9m) of non financial assets.

Financial liabilities	Note	2007 Carrying value	2006 Carrying value
		£m	£m
Held for trading:			
Derivative financial instruments	(a)	1.5	9.1
Amortised cost:			
Bank loans and overdrafts	(b)	720.7	14.7
Land creditors	(b)	829.0	373.0
Trade and other payables	(b)	892.0	560.3
Debentures	(c)	824.7	613.1
		3,267.9	1,570.2

Land creditors and trade and other payables are included in the balance sheet as trade and other payables for current and non current amounts.

Current and non current trade and other payables, as disclosed in note 21, include £206.2m (2006: £106.7m) of non financial liabilities.

(a) Derivative financial instruments are carried at fair value. The fair values are calculated using quoted market prices relevant for the term, currency and instrument.

22. Financial instruments (Continued)

(b) The Directors consider that the carrying amount recorded in the financial statements approximates their fair values.

(c) Details of fair values of debenture loans are provided in note 20.

The Group has the following types of derivatives:

	2007 Notional amount	2007 Weighted average fixed	2006 Notional amount	2006 Weighted average fixed
Designated as held for trading:				
Floating £ to fixed £ interest	£235.0m	5.10%	£35.0m	5.80%
Fixed US$ to floating US$ interest	US$145.0m	5.16%	—	—
Floating US$ to fixed US$ interest	US$50.0m	5.63%	—	—
Fixed US$ to fixed £ interest	—	—	US$(81.0)m	6.59%
			£49.5m	7.04%
Designated as hedging instruments:				
US$160.5m floating US$ to fixed £ interest	£100.0m	6.63%	£100.0m	6.63%

In addition, forward contracts have been entered into to hedge transaction risks and intra Group loans to buy or (sell) against £, US$55m, €(70.9m) and C$90.0m (2006: US$(2.2m), €(16.0m) and C$ nil). The fair values of the forward contracts are not material as they were entered into on or near the 31 December 2007 and mature not more than one month later.

Profit before tax has been arrived at after charging/(crediting) the following gains and losses:

	2007 £m	2006 £m
Changes in fair value of financial liabilities designated as effective hedged items	1.7	(3.7)
Change in fair value of derivatives designated as effective hedging instruments	(1.7)	3.7
Change in fair value of derivatives classified as held for trading	5.4	4.0
Net foreign exchange (gains)/losses on financial liabilities at amortised cost	—	(5.8)
	5.4	(1.8)

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks by the use of fixed or floating rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land acquisitions. A combination of fixed rate borrowings and interest rate swaps are used to manage the volatility risk such that at the year end, taking all interest rate derivatives into account, fixed rate borrowings are not more than 70% of total borrowings but not less than 50%.

In order to measure the risk, floating rate borrowings and the expected interest cost for the year is forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits

22. Financial instruments (Continued)

throughout the year. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility.

The Group's exposure to, and the way in which it manages interest rate risk, has not changed from the previous year.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with policy.

The cross currency, fixed to floating interest rate swaps have been bifurcated for hedging purposes and designated as fair value hedges such that the Group receive interest at a fixed rate of 6.625% based on a nominal of £100m matching the underlying borrowing and pay US$ floating rates on a nominal of US$160.5m. During the period the hedge was 100% effective (2006: 100%) in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was increased by £1.7m (2006: reduced by £3.7m) which was included in the income statement offsetting the fair value movement of the bifurcated interest rate swap.

As a result of the merger in July 2007 the Group acquired a number of derivatives which, while providing an economic hedge to the volatility of interest rates, do not satisfy the strict requirements for hedge accounting and are therefore designated as held for trading.

Interest rate sensitivity

The effect on both income and equity determined based on exposure to non derivative floating rate instruments at the balance sheet date for a 1% rise in interest rates is £(5.8)m (2006: £2.3m), before tax, a 1% fall in interest rates gives the same but opposite effect. For derivatives the fair values have been calculated based on market quoted rates adjusted for the sensitivity as shown in the tables below.

Due to seasonal fluctuations the level of net borrowings at the financial year end are not representative of net borrowings during the year and therefore interest rate sensitivity before tax for a reasonably possible 1% rise in floating rate instruments as shown below is based on a monthly average for the current period. The table assumes all other variables remain constant and in accordance with IFRS 7 does not attempt, for example, to include the effects of any resultant change in exchange rates.

1% increase in interest rates	Income sensitivity 2007	Equity sensitivity 2007	Income sensitivity 2006	Equity sensitivity 2006
	£m	£m	£m	£m
Derivatives	5.3	1.8	1.6	(2.7)
Non derivatives (based on average for the year)	(4.6)	(4.6)	(1.8)	(1.8)
	0.7	(2.8)	(0.2)	(4.5)

1% decrease in interest rates	Income sensitivity 2007	Equity sensitivity 2007	Income sensitivity 2006	Equity sensitivity 2006
	£m	£m	£m	£m
Derivatives	(5.6)	(1.9)	(2.1)	2.4
Non derivatives (based on average for the year)	4.6	4.6	1.8	1.8
	(1.0)	2.7	(0.3)	4.2

22. Financial instruments (Continued)

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates primarily to US dollars, Canadian dollars and the Euro.

The Group is not materially exposed to transaction risks as nearly all Group companies conduct their business in their respective functional currencies. Construction has certain contracts in non functional currencies and aims to match its expenditure in the same currency to reduce risk and these risks are not material in relation to the Group. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is also exposed to the translation risk of accounting for both the income and the net investment held in functional currencies other than £. The net investment risk is partially hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non functional currencies are retranslated each month using the latest exchange rates and resultant exchange gains or losses monitored each month. Income is also measured monthly using the latest exchange rates and compared to a budget held at historic exchange rates. Other than the natural hedge provided by foreign currency borrowings the translation risk of income is not hedged using derivatives. The policy is kept under periodic review.

The Group's exposure to, and the way in which it manages, exchange rate risk has not changed from the previous year.

Hedge accounting

The Group designates the bifurcated cross currency swaps such that the nominal amount of US$160.5m (2006: US$160.5m) is used to hedge part of the Group's net investment in US$ denominated assets and liabilities.

The Group has also designated the carrying value of US$982.5m (2006: US$250.0m) borrowings as a net investment hedge of part of the Group's investment in US$ denominated assets.

During the period the hedges were 100% effective (2006: 100%) and as a result the change in the carrying amount of the derivatives and the change in the carrying value of the borrowings offset the exchange movement on the Group's US dollar net investment and are therefore included in the translation reserve.

Foreign currency sensitivity

The Group is primarily exposed to US dollars, Canadian dollars and the Euro. The following table details how the Group's income and equity would increase (decrease) on a before tax basis, to a 10% increase in the respective currencies against £ and in accordance with IFRS 7 all other variables remaining constant. A 10% decrease in the value of £ would have an equal but opposite effect.

The 10% change represents a reasonably possible change in the specified foreign exchange rates in relation to £.

	Income sensitivity 2007	Equity sensitivity 2007	Income sensitivity 2006	Equity sensitivity 2006
	£m	£m	£m	£m
US$	(15.1)	(20.2)	(0.1)	16.2
Canadian $	0.2	(15.6)	—	(13.5)
Euro	0.2	0.2	—	—
	(14.7)	(35.6)	(0.1)	2.7

22. Financial instruments (Continued)

The sensitivity analysis does not extend to the retranslation of the Group's US dollar net investments as had such changes been included they would have offset equity sensitivity in respect of the hedging instruments included above.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Surplus cash, when not used to repay borrowings, is placed on deposit with banks in accordance with a policy that specifies the minimum acceptable credit rating and the maximum exposure to each counterparty. Credit risk on derivatives where the fair value is positive is closely monitored and remains within acceptable limits.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that if the risk is not acceptable then the deferred payment must have adequate security either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be in excess of the carrying amount of the receivable to which it relates. No amounts outstanding are past due.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management consider that the credit quality of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low. No material amounts are past due and there is no significant concentration risk. A small allowance for credit losses against sundry debtors is held, however, the balance is not material in relation to the gross carrying value of this particular class of financial asset.

Loans made to joint ventures are in most cases part of the investment and carry equity like risk. Other loans to joint ventures are made on normal arms length terms which will include security where appropriate and are usually repayable from sales proceeds.

There has been no change in the Group's exposure to credit risk or how that risk is managed from the prior year. The merger with George Wimpey Plc did not create any new classes of financial asset with different risk profiles for the Group.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities and through the use of term borrowings, overdrafts and committed revolving credit facilities with a range of maturity dates to ensure continuity of funding. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events.

There have been no adverse changes in the Group's exposure to liquidity risk or how it is managed from the prior year.

In addition to term borrowings and on demand overdraft facilities the Group has access to committed revolving credit facilities. The total unused committed amount is £1,192.9m (2006: £629.5m) and management believe it is adequate to meet both forecast and unforseen requirements.

22. Financial instruments (Continued)

The maturity profile of the anticipated future cash flows including interest where using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis is as follows:

Financial liabilities	Bank loans and overdraft	Land creditors	Other trade payables	Debenture loans	Total
	£m	£m	£m	£m	£m
On demand	12.3	—		—	12.3
Within one year	40.8	444.3	848.6	54.1	1,387.8
More than one year and less than two years	42.2	250.3	8.3	124.7	425.5
More than two years and less than five years	809.6	143.5	3.8	430.6	1,387.5
In more than five years	—	30.6	—	514.8	545.4
31 December 2007	904.9	868.7	860.7	1,124.2	3,758.5

Financial liabilities	Bank loans and overdraft	Land creditors	Other trade payables	Debenture loans	Total
	£m	£m	£m	£m	£m
On demand	12.3	—	—	—	12.3
Within one year	0.8	252.0	541.2	39.9	833.9
More than one year and less than two years	0.1	86.9	0.4	81.2	168.6
More than two years and less than five years	1.8	42.1	0.2	80.2	124.3
In more than five years	—	5.8	0.4	651.5	657.7
31 December 2006	15.0	386.8	542.2	852.8	1,796.8

The following table represents the undiscounted cash flow profile of the Group's derivative financial instruments and has been calculated using implied interest rates and exchange rates derived from the respective yield curves. Interest rate swaps are settled net and foreign currency swaps and forward contracts are settled gross.

Derivatives	Net settled derivatives net amount	Gross settled derivatives receivable	Gross settled derivatives payable	Total
	£m	£m	£m	£m
Within one year	2.0	132.1	(130.8)	3.3
More than one year and less than two years	0.1	6.6	(4.5)	2.2
More than two years and less than five years	(1.4)	119.9	(96.4)	22.1
In more than five years	—	—	—	—
31 December 2007	0.7	258.6	(231.7)	27.6

Derivatives	Net settled derivatives	Gross settled derivatives receivable	Gross settled derivatives payable	Total
	£m	£m	£m	£m
Within one year	(0.1)	14.6	(14.7)	(0.2)
More than one year and less than two years	(0.1)	48.6	(56.2)	(7.7)
More than two years and less than five years	(0.6)	19.9	(17.8)	1.5
In more than five years	(0.3)	106.6	(84.6)	21.7
31 December 2006	(1.1)	189.7	(173.3)	15.3

23. Retirement benefit schemes

Retirement benefit obligation comprises gross pension liability of £216.4m (2006: £205.9m) and gross post-retirement health care liability of £2.7m (2006: £2.7m).

The Group operates Defined Benefit and Defined Contribution pension schemes. In the UK the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF), the George Wimpey Staff Pension Scheme (GWSPS) and the Taylor Woodrow NHS Pension Scheme (TWNHSPS) are funded Defined Benefit schemes. The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002 and with the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) on 27 August 2004. These schemes are managed by Boards of trustees. With the exception of the TWNHSPS, the Defined Benefit schemes are closed to new entrants. The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006. An alternative Defined Contribution arrangement, the Taylor Woodrow Personal Choice Plan, is offered to new employees and from 1 December 2006 to employees who previously accrued benefits in the TWGP&LAF. Legacy George Wimpey staff are members of a UK Stakeholder arrangement. Contributions of £11.2m (2006: £6.7m) were charged to income in respect of defined contributions schemes. The Group also operates a number of overseas pension schemes of the defined benefit and defined contribution type.

The pension scheme assets of TWGP&LAF, GWSPS and TWNHSPS are held in a separate trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees is determined by each scheme's trust documentation. The Group has a policy that at least one-third of all trustees should be nominated by members of the scheme, including at least one member by current pensioners.

The most recent formal actuarial valuation of the TWGP&LAF was carried out at 1 June 2004 and updated to 1 September 2004 to take account of subsequent mergers. The TWNHSPS commenced in December 2003 and the Actuary completed his initial valuation with an effective date of 31 December 2003. The most recent formal actuarial valuation of the GWSPS was carried out at 31 March 2005. The projected unit method was used in all valuations and assets were taken into account using market values.

The next formal valuations of the TWGP&LAF, TWNHSPS and GWSPS are taking place at 1 June 2007, 31 December 2006 and 31 March 2008 respectively. These will be undertaken in accordance with new legislation and have not yet been completed.

The statutory funding objective is that each scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principles adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

As part of the discussions with the Trustees of the TWGP&LAF around the closure of the scheme to future accrual, the Group has agreed to increase deficit reduction payments to £20m p.a. for 10 years. These payments will be reviewed at each valuation. The first such payment was made on 19 December 2006.

Following the valuation of the GWSPS as at 31 March 2005, the ordinary contribution rate increased to 15.7% of pensionable salaries. The Group has agreed with the trustees it will aim to eliminate the deficit over the next 16 years by means of contributions of £15m per annum paid monthly.

The contribution rate to the TWNHSPS has been agreed as 18% of pensionable salaries.

23. Retirement benefit schemes (Continued)

The main financial assumptions, which were used for the triennial funding valuation and are all relative to the inflation assumption, are as set out below:

Assumptions	TWGP&LAF	TWNHSPS	GWSPS
RPI Inflation	2.5% p.a.	2.5% p.a.	2.75% p.a.
Discount rate — pre/post retirement	5.0/3.0% p.a.	3.0/3.0% p.a.	4.25/2.25% p.a.
General real pay inflation	N/A	1.0% p.a.	2.0% p.a.
Real pension Increases	0% p.a.	0% p.a.	0% p.a.

Valuation results	TWGP&LAF	TWNHSPS	GWSPS
Market value of assets	£563.3m	£0.05m	£591.0m
Past service liabilities	£627.9m	£0.09m	£739.0m
Scheme funding levels	90%	58%	80%

The valuations of the Group's pension schemes have been updated to 31 December 2007 and the position of overseas schemes has been included within the IAS 19 disclosures. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	United Kingdom		North America	
	2007	2006	2007	2006
As at 31 December				
Discount rate for scheme liabilities	5.80%	5.10%	5.30-5.80%	5.0-5.7%
Expected return on scheme assets	6.20-6.25%	5.87%	5.50-6.60%	5.5-6.6%
General pay inflation	4.60%	2.75%	2.60%	3.5-4.0%
Deferred pension increases	3.10%	3.00%	0%	2.5-3.5%
Pension increases	2.25-3.35%	2.75%	0-3.00%	3.5-4.0%

The basis for the above assumptions are prescribed by IAS 19 and do not reflect the assumptions that may be used in future funding valuations of the Group's pension schemes.

The current life expectancies (in years) underlying the value of the accrued liabilities for the main UK plans are:

Life expectancy at age 65	Male	Female
Member currently age 65	19.4	22.2
Member currently age 45	20.3	23.1

23. Retirement benefit schemes (Continued)

The fair value of assets and present value of obligations of the Group's defined benefit pension schemes are set out below:

	Expected rate of return	United Kingdom	North America	Total plans	Percentage of total plan assets held
	% p.a.	£m	£m	£m	
31 December 2007					
Assets:					
Equities	8.1%	488.0	8.3	496.3	35%
Bonds/Gilts	5.8/4.6%	836.0	4.4	840.4	58%
Other assets	5.5%	97.5	—	97.5	7%
		1,421.5	12.7	1,434.2	100%
Present value of defined benefit obligations		1,638.7	11.9	1,650.6	
Surplus/(deficit) in schemes recognised as non-current liability		(217.2)	0.8	(216.4)	
31 December 2006					
Assets:					
Equities	8%	346.9	7.5	354.4	47%
Bonds/Gilts	5.1%/4.5%	376.4	4.0	380.4	51%
Other assets	5.12%	14.7	0.2	14.9	2%
		738.0	11.7	749.7	100%
Present value of defined benefit obligations		(944.4)	(11.2)	(955.6)	
Surplus/(deficit) in schemes recognised as non-current liability		(206.4)	0.5	(205.9)	

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on investments (particularly government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold bonds issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered 'riskier' investments. It is generally accepted that the yield on equity investments will contain a premium 'the equity risk premium' to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

23. Retirement benefit schemes (Continued)

A summary of the target asset allocations of the major defined benefit schemes are shown below:

	TWGP&LAF	GWSPS
UK Equities	15%	18%
Non-UK Equities	30%	12%
Index-Linked Gilts	15%	30%
Fixed-Interest Gilts	10%	20%
Other UK bonds	25%	20%
Property	5%	0%

	2007	2006
	£m	£m
Amount (charged against)/credited to income:		
Current service cost	(5.1)	(10.3)
Curtailment gain	—	2.4
Settlement loss	—	(1.2)
Operating cost	(5.1)	(9.1)
Expected return on scheme assets	66.1	40.1
Interest cost on scheme liabilities	(69.9)	(42.8)
Finance charges	(3.8)	(2.7)
	(8.9)	(11.8)

Of the charge for the year, £1.0m (2006: £6.8m) has been included in cost of sales and £4.1m (2006: £3.5m) has been included in administrative expenses. The actual return on scheme assets was £53.4m (2006: £64.3m).

	2007	2006
	£m	£m
Actuarial (losses)/gains in the statement of recognised income and expenses:		
Difference between actual and expected return on scheme assets	(12.7)	24.2
Experience gains arising on scheme liabilities	26.7	0.2
Changes in assumptions	77.3	(26.0)
Total gains/(loss) recognised in the statement of recognised income and expense	91.3	(1.6)

	2007	2006
	£m	£m
Movement in present value of defined benefit obligations		
1 January	955.6	925.9
Changes in exchange rates	0.4	(1.6)
Service cost	5.1	10.3
Curtailment gain	—	(2.4)
Plan settlements	—	(5.9)
Benefits paid and expenses	(58.6)	(41.3)
Contributions	1.2	2.0
Interest cost	69.9	42.8
Acquisition of George Wimpey Plc	781.0	—
Actuarial (gains)/losses	(104.0)	25.8
31 December	1,650.6	955.6

23. Retirement benefit schemes (Continued)

	2007	2006
	£m	£m
Movement in fair value of scheme assets		
1 January	749.7	706.1
Changes in exchange rates	0.8	(1.6)
Expected return on scheme assets and expenses	63.6	36.7
Contributions	31.2	29.3
Benefits paid	(56.1)	(37.9)
Plan settlements	—	(7.1)
Acquisition of George Wimpey Plc	657.7	—
Actuarial gains/(losses)	(12.7)	24.2
31 December	1,434.2	749.7

	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
History of experience gains and losses:					
Fair value of scheme assets	1,434.2	749.7	706.1	627.0	581.6
Present value of defined benefit obligations	(1,650.6)	(955.6)	(925.9)	(769.5)	(764.7)
Deficit in the scheme	(216.4)	(205.9)	(219.8)	(142.5)	(183.1)
Difference between actual and expected return on scheme assets					
Amount	(12.7)	24.2	61.4	22.0	44.9
Percentage of scheme assets	1%	3%	9%	4%	8%
Experience adjustments on scheme liabilities					
Amount	26.7	0.2	(32.6)	(6.5)	(43.6)
Percentage of scheme liabilities	2%	0%	4%	0.8%	5.7%

The estimated amounts of contributions expected to be paid to the TWGP&LAF during 2008 is £20.0m, to the GWSPS is £19.9m and to the TWNHSPS is £0.3m.

The Group liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value so there is no net effect on the company liability.

Assumption	Change in assumption	Impact on scheme liabilities £m
Discount rate	Increase by 0.1% p.a.	Decrease by 25.2
Rate of inflation	Increase by 0.1% p.a.	Increase by 23.3
Rate of pay inflation	Increase by 0.1% p.a.	Increase by 1.6
Rate of mortality	Members assumed to live 1 year longer	Increase by 45.7

The projected liabilities of the defined benefit scheme are apportioned between members' past and future service using the projected unit actuarial cost method. The defined benefit obligation makes allowance for future earnings growth. If all active members were assumed to leave the company and the allowance for future earnings growth was replaced by an allowance for statutory revaluation, the liabilities would reduce by £22m.

23. Retirement benefit schemes (Continued)

An alternative measure of liability is the cost of buying out benefits at the balance sheet date with a suitable insurer. This amount represents the amount that would be required to settle the scheme liabilities at the balance sheet date rather than the Group continuing to fund the on-going liabilities of the scheme. The Group estimates the amount required to settle the schemes' liabilities at the balance sheet date is £1,177m in excess of the assets held by the schemes.

The gross post-retirement liability also includes £2.7m at 31 December 2007 (2006: £2.7m) in respect of continuing post-retirement health care insurance premiums for retired long-service employees. The liability is based upon the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 2007. The cost is calculated assuming a discount rate of 5 per cent per annum and an increase in medical expenses of 10 per cent per annum. The premium cost to the Group in respect of the retired long-service employees for 2007 was £0.2m (2006: £0.2m).

24. Provisions

	Housing maintenance	Restructuring	Other	Total
	£m	£m	£m	£m
At 1 January 2006	30.8	—	—	30.8
Additional provision in the year	21.7	—	—	21.7
Utilisation of provision	(22.3)	—	—	(22.3)
Changes in exchange rates	(2.3)	—	—	(2.3)
At 31 December 2006	27.9	—	—	27.9
Acquired on acquisition of George Wimpey Plc	5.8	—	13.9	19.7
Additional provision in the year	23.5	52.8	1.7	78.0
Utilisation of provision	(18.7)	(19.2)	(1.2)	(39.1)
Changes in exchange rates	—	—	0.1	0.1
At 31 December 2007	38.5	33.6	14.5	86.6

	£m
Amount due for settlement within 12 months	48.2
Amount due for settlement after 12 months	38.4
31 December 2007	86.6

The housing maintenance provision arises principally from warranties and other liabilities on housing sold. Whilst such warranties extend to a period of ten years, payment of these costs is likely to occur within a period of two years. The Group has a restructuring provision relating to the redundancies and relocation costs which arise as a result of the George Wimpey Plc merger. It is anticipated that the majority of this provision will be utilised in 2008. Other provisions consist of a remedial work provision and rental guarantee provision. The remedial work provision covers various obligations, including aftercare at Springfield Environmental Limited which has a legal responsibility of a long term nature for the management of old, completed sites and provisions for losses on construction contracts for which responsibility was retained by George Wimpey Plc group following an asset swap with Tarmac Plc in 1996.

25. Share capital

	2007	2006
	£m	£m
Authorised:		
2,000,000,000 (2006: 780,000,000) ordinary shares of 25p each	500.0	195.0

	Number of shares	£m
Issued and fully paid:		
1 January 2006	591,891,384	148.0
Options exercised	2,227,950	0.5
US Employee Stock Purchase Plan	30,573	—
Long service awards	189	—
31 December 2006	594,150,096	148.5
Acquisition of George Wimpey Plc	563,919,759	141.0
Options exercised	194,175	0.1
US Employee Stock Purchase Plan	30,678	—
31 December 2007	1,158,294,708	289.6

During the year, options were exercised on 4,347,240 (2006: 8,562,360) ordinary shares of which 194,175 (2006: 2,227,950) were new issues with the balance coming from Treasury/ESOT at varying prices from 125.2p to 278.8p and shares were issued for a total consideration of £4.2m (2006: £1.6m). Additionally nil (2006: 189) ordinary shares were issued and awarded to employees for twenty-five or forty years' long service. Under the Group's senior executives' share option scheme and executive share option plan, employees held options at 31 December 2007 to purchase 855,810 shares (2006: 1,821,306) at prices between 153.0p and 252.8p per share exercisable up to 8 October 2013. Under the Group's savings related share option schemes, employees held options at 31 December 2007 to purchase 7,043,437 shares (2006: 5,135,009) at prices between 127.2p and 278.8p per share exercisable up to 31 May 2013. Under the Group's cash bonus deferral plan and executive bonus plan, employees held options at 31 December 2007 in respect of 716,604 shares (2006: 991,217) at nil p per share exercisable up to 1 April 2014. Under the Group's performance share plan employees held conditional awards at 31 December 2007 in respect of 4,512,837 shares (2006: 6,750,224) at nil p per share exercisable up to 30 June 2010. Under the Group's share purchase plan employees held conditional awards at 31 December 2007 in respect of 871,812 shares (2006: 687,045) at nil p per share. The former George Wimpey plans were acquired as part of the merger. The awards were adjusted by the merger ratio of 1.3914 shares for each George Wimpey share. Under the George Wimpey Sharesave Scheme, employees held options at 31 December 2007 to purchase 3,378,282 shares at prices between 164.2p and 277.0p per share exercisable up to 31 May 2012. Under the George Wimpey Executive Option Scheme, employees held awards at 31 December 2007 in respect of 4,182,473 shares at prices between 212.6p and 456.7p per share exercisable up to 2 April 2017. Under the George Wimpey Long Term Incentive Plan, employees held awards at 31 December 2007 in respect of 3,990,182 shares at nil p per share exercisable up to 2 April 2017.

26. Share premium account

	£m
Balance at 1 January 2006	756.2
Amortisation of debt transferred from retained earnings	(0.7)
Premium on ordinary shares issued during the year less expenses of issues	3.3
Balance at 31 December 2006	758.8
Amortisation of debt transferred from retained earnings	(0.7)
Balance at 31 December 2007	758.1

27. Merger relief reserve

	£m
Balance at 1 January 2006 and 31 December 2006	—
Premium on ordinary shares issued on acquiring 100% equity in George Wimpey Plc	1,934.2
Balance at 31 December 2007	1,934.2

In accordance with Section 131 of the Companies Act 1985, the premium on ordinary shares issued on the merger with George Wimpey Plc was recorded as a merger relief reserve. The reserve is not distributable but can be used to:

- Make a bonus issue of fully paid shares;
- Transfer to the profit and loss account reserve an amount equal to the amount that has become realised by virtue of either:
  - The disposal of the related investment; or
  - An amount written off the related investment and charged against the profit and loss account.

28. Revaluation reserve

	£m
Balance at 1 January 2006	0.5
Net surplus on revaluation	1.0
Balance at 31 December 2006	1.5
Transfer to retained earnings	(1.0)
Balance at 31 December 2007	0.5

The revaluation reserve is not a distributable reserve until realised.

29. Own shares

	£m
Balance at 1 January 2006	53.9
Acquired in the year	8.1
Disposed of on exercise of options	(17.0)
Balance at 31 December 2006	45.0
Acquired in the year	251.6
Disposed of on exercise of options	(14.6)
Balance at 31 December 2007	282.0

29. Own shares (Continued)

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market and held as treasury shares and held by the Taylor Wimpey plc Employee Benefit Trust to satisfy options under the Group's share options schemes.

During the year Taylor Wimpey plc purchased 94.8m of its shares consistent with the announcement of the share buy back program in July 2007.

	2007	2006
	Number	Number
These comprise ordinary shares of the company:		
Treasury shares	102.7m	12.2m
Shares held in trust for bonus, option and performance award plans	4.5m	5.1m
	107.2m	17.3m

Employee Share Ownership Trusts ('ESOTs') are used to hold the company's shares ('shares') which are either acquired on the market or (during 2007) transferred out of the company's holding of shares in Treasury. These shares are used to meet the valid exercise and/or vesting of conditional awards (under the DBP and PSP) and options (under the Savings-Related, Executive Share Option, George Wimpey LTIP and Executive Bonus Plans) over shares, and the matching award of shares under the Share Purchase Plan.

During 2007, 4.3m shares were transferred out of the company's Treasury holding to the ESOTs for this purpose.

The ESOTs' entire holding of shares at 31 December 2007, aggregating 4.5m shares, was covered by outstanding options and conditional awards over shares at that date.

30. Share-based payment tax reserve

	£m
Balance at 1 January 2006	4.0
Increase for the year	4.2
Balance at 31 December 2006	8.2
Decrease for the year	(2.6)
Balance at 31 December 2007	5.6

As explained in the statement of accounting policies, an expense is recorded in the Group's income statement over the period from the grant date to the vesting date of share options granted to employees. As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the company's share price at the balance sheet date) with the cumulative amount of the expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory tax rate, the excess is recorded directly in equity, in this share-based payment tax reserve.

A decrease for the year has been recorded as a result of the revaluation of share schemes at the end of 2007. This has resulted in a smaller amount of tax relief obtained and expected than previously considered. This decreases the amount of the deferred tax asset held in respect of share schemes yet to vest as indicated in note 15.

31. Capital redemption reserve

	£m
Balance at 31 December 2007 and 31 December 2006	31.5

32. Translation reserve

	£m
Balance at 1 January 2006	29.9
Exchange differences on translation of overseas operations	(61.2)
Increase in fair value of hedging derivatives	12.2
Balance at 31 December 2006	(19.1)
Exchange differences on translation of overseas operations, net of tax	22.0
Increase in fair value of hedging derivatives	0.8
Balance at 31 December 2007	3.7

Translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging derivatives where such instruments are designated and effective as hedges of investment in overseas operations.

33. Retained earnings

	£m
Balance at 1 January 2006	1,006.8
Dividends paid	(79.7)
Transfers to share premium account	0.7
Share-based payment credit	6.1
Cash cost of satisfying share options	(8.0)
Actuarial losses net of deferred tax	(1.1)
Net profit for the year	289.5
Balance at 31 December 2006	1,214.3
Dividends paid	(117.3)
Transfers to share premium account	0.7
Share-based payment credit	0.6
Cash cost of satisfying share options	(8.9)
Actuarial gain net of deferred tax	61.7
Transfer from revaluation reserve	1.0
Replacement options granted on acquisition of George Wimpey Plc	2.9
Net loss for the year	(197.9)
Balance at 31 December 2007	957.1

34. Reconciliation of movements in consolidated equity

	2007	2006
	£m	£m
Total recognised income for the year	(112.2)	241.5
Dividends on equity shares	(117.3)	(79.7)
New share capital subscribed	2,075.3	3.8
Replacement options granted on acquisition of George Wimpey Plc	2.9	—
Disposal of own shares	14.6	15.0
Purchase of own shares	(251.6)	(6.1)
(Decrease)/Increase in share-based payment tax reserve	(2.6)	4.2
Share-based payment charge	0.6	6.1
Cash cost of satisfying share options	(8.9)	(8.0)
Decrease in other reserve	—	(0.6)
Dividends to minority shareholders	(1.1)	—
Net increase in equity	1,599.7	176.2
Opening equity	2,105.5	1,929.3
Closing equity	3,705.2	2,105.5

35. Merger with George Wimpey Plc

On 3 July 2007, Taylor Woodrow plc and George Wimpey Plc merged their operations. Taylor Woodrow plc (subsequently renamed Taylor Wimpey plc) acquired 100% of the share capital of George Wimpey Plc for a total consideration of £2,093.9m. George Wimpey Plc is the parent company of a group of companies involved in housebuilding in the UK and USA. This transaction has been

35. Merger with George Wimpey Plc (Continued)

accounted for using the purchase method of accounting. The book values, fair value adjustments and provisional fair values are set out in the table below.

	Book value	Fair value adjustments	Provisional fair value
	£m	£m	£m
Goodwill	5.4	(5.4)	—
Brand values	—	140.0	140.0
Other intangible assets	20.0	(4.2)	15.8
Property, plant and equipment	16.1	0.3	16.4
Joint ventures	28.7	—	28.7
Deferred tax (net)	70.3	22.1	92.4
Inventories	3,208.6	(188.1)	3,020.5
Trade and other receivables	120.8	—	120.8
Current tax (net)	(102.0)	—	(102.0)
Derivative financial instruments (net)	6.9	—	6.9
Cash and cash equivalents	43.9	—	43.9
Financial liabilities	(569.8)	1.1	(568.7)
Trade and other payables	(917.1)	2.6	(914.5)
Deficit on defined benefit pension schemes	(123.3)	—	(123.3)
Provisions	(19.7)	—	(19.7)
	1,788.8	(31.6)	1,757.2
Goodwill			336.7
			2,093.9
Satisfied by:			
Issue of Taylor Woodrow plc shares			
—issued			2,075.2
—to be issued			2.9
Directly attributable costs			15.8
			2,093.9
Net cash inflow arising on acquisition			
Cash and cash equivalents			43.9
Directly attributable costs			(15.8)
			28.1

Taylor Woodrow plc issued 563,919,759 shares of 25p nominal value to shareholders of George Wimpey Plc. The fair value of the shares issued was £2,075.2m, which was determined using the opening mid-market price of Taylor Woodrow plc on 3 July 2007. In addition, at 3 July 2007, the company has a liability to issue shares with a fair value using the Monte Carlo method of £2.9m for the period up to 3 July to satisfy the remaining George Wimpey share option holders. The number of shares issuable under share options is 12,463,543. The directly attributable costs relate chiefly to legal and banking costs.

The most significant fair value adjustments comprise:

- £140.0m related to the valuation of the George Wimpey, Laing Homes and Morrison Homes brands. The valuations were £110m, £10m and £20m respectively. See note 5.
- A £188.1m reduction in inventories to reflect the fair value of land and work in progress. Of this amount, £154.2m relates to the US and £33.9m to the UK.
- The adjustment to deferred tax mainly relates to the brand values and adjustments to inventory referred to above.

The total provisional goodwill arising is £336.7m and reflects anticipated synergy benefits from the merger. This includes build cost efficiencies, rationalisation of operating divisions, greater operational flexibility from a larger landbank, elimination of duplication in head office functions, an expanded portfolio of strategic land and benefits from merging the skills and experience of the Taylor Woodrow and George Wimpey workforce.

George Wimpey Plc contributed £1,647m of revenue and £65m (after charging restructuring costs of £15m and brand impairments of £30m) to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

It is not practicable to restate George Wimpey's results to 3 July because of the impact of fair value adjustments. However, if the acquisition of George Wimpey Plc had been completed on the first day of the financial year Group revenue for the period on a pro forma basis would have been £5,887.5m and Group profit on ordinary activities before taxation and exceptional items on a pro forma basis, would have been £535.6m. The pro forma basis combines George Wimpey Plc's adjusted interim results and the full year results of Taylor Wimpey plc.

The operating review gives details of how the Taylor Woodrow and George Wimpey businesses have been combined together following the merger, including details of certain regional offices which have been closed.

36. Notes to the cash flow statement

	2007	2006
	£m	£m
Profit on ordinary activities before finance costs	92.6	469.8
Adjustments for:		
Amortisation of brands	33.7	—
Amortisation of software development costs	2.0	—
Depreciation of plant and equipment	8.3	7.7
Share-based payment charge	0.6	6.1
Gain on disposal of property and plant	(5.7)	(9.1)
Share of joint ventures' operating profit	(23.4)	(22.1)
Increase in provisions	38.6	8.5
Operating cash flows before movements in working capital	146.7	460.9
Increase in inventories	(26.3)	(347.5)
Decrease/(increase) in receivables	38.9	(37.2)
(Decrease)/increase in payables	(81.6)	174.4
Pension contributions in excess of charge	(30.0)	(27.3)
Cash generated by operations	47.7	223.3
Income taxes paid	(127.3)	(95.2)
Interest paid	(83.7)	(71.1)
Net cash (used in)/from operating activities	(163.3)	57.0

36. Notes to the cash flow statement (Continued)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with an original maturity of three months or less.

	2007	2006
	£m	£m
Net debt		
Cash and cash equivalents	130.0	236.5
Bank overdrafts and bank loans	(720.7)	(14.7)
Debenture loans	(824.7)	(613.1)
Net debt	(1,415.4)	(391.3)

37. Contingent liabilities and capital commitments

General

The company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Group has no material capital commitments as at 31 December 2007 (2006: £nil).

38. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2007	2006
	£m	£m
Within one year	16.1	14.6
In more than one year but not more than five years	44.1	41.1
After five years	17.4	30.7
	77.6	86.4

Operating lease payments principally represent rentals payable by the Group for certain office properties and vehicles.

38. Operating lease arrangements (Continued)

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2007	2006
	£m	£m
Within one year	1.5	1.5
In more than one year but not more than five years	5.0	5.5
After five years	3.7	5.2
	10.2	12.2

Operating lease receipts represent rental income in respect of certain office and commercial properties.

39. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the paragraphs on 'Executive share-based reward' in the Directors' Remuneration Report on pages 46 and 55.*

Schemes requiring consideration from participants:

	2007		2006	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		£		£
Outstanding at beginning of period	6,956,315	2.28	15,279,832	2.10
Granted during the period	2,640,216	2.65	1,409,702	2.79
Lapsed during the period	(421,974)	(2.94)	(1,726,908)	(2.16)
Exercised during the period	(2,142,532)	(2.00)	(8,006,311)	(2.06)
Acquired with subsidiary	8,427,977	2.93	—	—
Outstanding at the end of the period	15,460,002	2.72	6,956,315	2.28
Exercisable at the end of the period	3,222,426	2.04	3,358,276	1.78

The weighted average share price at the date of exercise for share options exercised during the period was £3.30 (2006: £3.74). The options outstanding at 31 December 2007 had a range of exercise prices from £1.27 to £4.57 (2006: £1.25 to £2.79) and a weighted average remaining contractual life of 4.8 years (2006: 4.4 years).

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors' Remuneration report at F-2. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

39. Share-based payments (Continued)

Schemes not requiring consideration from participants:

	2007		2006	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		£		£
Outstanding at beginning of period	8,428,486	—	7,364,498	—
Granted during the period	2,062,377	—	2,652,653	—
Lapsed during the period	(2,230,286)	—	(1,032,616)	—
Exercised during the period	(2,204,708)	—	(556,049)	—
Acquired with subsidiary	4,035,566	—	—	—
Outstanding at the end of the period	10,091,435	—	8,428,486	—
Exercisable at the end of the period	88,538	—	31,592	—

The options outstanding at 31 December 2007 had a weighted average remaining contractual life of 4.2 years (2006: 1.7 years).

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plan.

For share options with non-market conditions granted during the current and preceding year the fair value of those options at grant date were determined using the Binomial model. The inputs into that model were as follows:

	2007	2006
Weighted average share price	£2.81	£3.74
Weighted average exercise price	£2.65	£1.02
Expected volatility	30%	27.0%-29.3%
Expected life	3/5 years	3/5 years
Risk-free rate	5.1%	4.5%-4.8%
Expected dividend yield	3.6%	4.1%

The weighted average fair value of share options granted during the year is £0.69 (2006: £2.56).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

For share options with market conditions granted during the current year, the fair value of these options were determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2007	2006
Weighted average share price	£4.92	£3.82
Weighted average exercise price	£nil	£nil
Expected volatility	26%	27%
Expected life	3 years	3 years
Risk-free rate	5.4%	4.5%
Expected dividend yield	3.6%	4.1%

The weighted average fair value of share options granted during the year is £4.35 (2006: £1.01).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term. The expected life used in the model is based on historic exercise patterns.

The Group recognised total expenses of £0.6m and £6.1m related to equity-settled share-based payment transactions in 2007 and 2006 respectively. Although there was a modification to certain

39. Share-based payments (Continued)

Performance Share Plan awards during the year following the merger with George Wimpey Plc, no incremental fair value charge has been recognised as an additional cost as a result of the modification. The company does not currently expect the performance vesting criteria to be met, causing the awards to lapse at the end of the specified period.

40. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below. Transactions between the company and its subsidiaries and joint ventures are disclosed in the company's separate financial statements.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £21.4m (2006: £30.7m). Purchases were based on open market values.

Remuneration of key management personnel

Details of the remuneration of the directors and members of the Executive Committee, who are the key management personnel of the Group, are contained in the audited part of the Remuneration Report on pages 46 to 55 and form part of these financial statements.*

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* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors' Remuneration report at F-2. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

TAYLOR WIMPEY PLC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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TAYLOR WIMPEY PLC

EXTRACT FROM THE DIRECTORS' REMUNERATION REPORT

Part 2: Audited Information

Directors' emoluments

	Basic salary/ fees	Salary supplement in lieu of pension	Benefits-in-kind*	Bonus in respect of 2008	Other benefits	2008 total	2007 total	Basic salary/fee p.a. with effect from 1 January 2009
	£000	£000	£000	£000	£000	£000	£000	£000
Executive								
Pete Redfern	700	146	28	—	—	874	1,011	700
Chris Rickard (Appointed 16 October 2008)	80	—	3	—	—	83	—	380
Peter Johnson (Resigned 16 October 2008)[(1)]	367	—	10	—	414	791	807	—
Ian Sutcliffe (Resigned 14 April 2008)[(2)]	116	9	—	—	208	333	663	—
Ian Smith (Resigned 3 July 2007)	—	—	—	—	—	—	1,873	—
John Landrum (Resigned 31 July 2007)	—	—	—	—	—	—	838	—
Graeme McCallum (Resigned 16 January 2007)	—	—	—	—	—	—	27	—
Iain Napier (Former Director)	—	—	—	—	—	—	1,083	—
Non Executive								
Norman Askew	270	—	—	—	—	270	219	200
Mike Davies	50	—	—	—	—	50	50	50
Brenda Dean	50	—	—	—	—	50	25	50
Andrew Dougal	60	—	—	—	—	60	57	60
Katherine Innes Ker	60	—	—	—	—	60	55	60
Anthony Reading	60	—	—	—	—	60	30	60
David Williams	60	—	—	—	—	60	30	60
Vernon Sankey (Resigned 3 July 2007)	—	—	—	—	—	—	34	—
Aggregate emoluments	1,873	155	41	—	622	2,691		
2007							6,802	

Aggregate emoluments of the Executive Committee (excluding Executive Directors)

	Basic salary	Salary supplement in lieu of pension	Benefits-in-kind	Bonus in respect of 2008	Company contribution to pension	Other benefits	2008 total	2007 total	Basic salary p.a. with effect from 1 January 2009
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2 members	668	58	30	1,142	48	—	1,946	6,194**	668

Notes:

* Includes non-cash payments.

The above salary details for 2007 in respect of Messrs. Redfern and Sutcliffe reflect the salaries paid for the period 3 July 2007 to 31 December 2007.

The above bonus details for 2007 and 2008 are in each case for the full year.

(1) Peter Johnson received a base salary at the rate of £440,000 p.a. for the period 1 January 2008 to his date of resignation from the Company on 31 October 2008 as shown above. On leaving, he received contractual payments of eight months' basic pay, car allowance and employer's pension contributions which together amounted to £414,000 (2007: nil).

(2) Ian Sutcliffe received a base salary at the rate of £400,000 p.a. for the period 1 January 2008 to his date of resignation from the Company on 14 April 2008 as shown above. On leaving, he received contractual payments of four months' basic pay, company pension contribution and accrued holiday entitlement which together amounted to £199,000 (2007: nil).

In addition, a charge of £65,000 (2007: £30,000) was booked in respect of share-based payments.

** There were 10 members of the Executive Committee during 2007 other than the Executive Directors, relating principally to the pre-merger period.

No expense allowances are paid.

TAYLOR WIMPEY PLC

EXTRACT FROM THE DIRECTORS' REMUNERATION REPORT

Directors' share-based reward and options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company and any other share-based reward granted to or held by the Directors. No Director exercised an option or conditional award over ordinary shares during the year.

Name of Director	Plan	Number of option shares exercised	Exercise price	Market price at exercise date	Gains on exercise 2008	Gains on exercise 2007
			(pence)	(pence)	£	£
Peter Johnson	Performance Share Plan	—	—	—	—	317,727
	Bonus Plan	—	—	—	—	264,232
	Total				—	581,959

Details of options and conditional awards over shares held by Directors who served during the year are as follows:

Name of Director	Plan	1 January 2008[f]	Granted	Lapsed	Exercised	31 December 2008	Exercise price	Date of grant	Date from which exercisable	Expiry date
			(number)	(number)	(number)		(pence)			
Pete Redfern . .	Bonus Plan	—	207,255[d]	—	—	207,255	—	13.3.08	31.12.10	31.12.10
	Performance Share Plan	—	432,981[a]	—	—	432,981	—	17.4.08	17.4.11	17.4.11
	Share Option Plan	—	1,016,333[b]	—	—	1,016,333	137.75	28.4.08	28.4.11	28.4.18
	Long Term Incentive Plan	200,068	—	200,068	—	—	—	25.5.05	25.5.08	25.5.08
	Long Term Incentive Plan	179,007	—	—	—	179,007	—	23.5.06	23.5.09	23.5.09
	Long Term Incentive Plan	231,940	—	—	—	231,940	—	2.4.07	2.4.10	2.4.10
	Total	611,015	1,656,569	200,068	—	2,067,516				
Chris Rickard . .	Performance Share Plan	—	2,338,461[c]	—	—	2,338,461	—	16.10.08	16.10.11	16.10.11
	Share Option Plan	—	4,676,923[c]	—	—	4,676,923	16.25	16.10.08	16.10.11	16.10.18
	Total	—	7,015,384	—	—	7,015,384				
Peter Johnson . .	Sharesave	8,037	—	—	—	8,037	197.2	7.10.03	17.10.08	16.4.09
	Bonus Plan:		43,610[d]	—	—	43,610	—	13.3.08	31.10.08	—
	Matching award	9,858	—	—	—	9,858	—	7.4.06	4.3.09	16.10.09
	Matching award	59,253	—	—	—	59,253	—	10.4.07	4.3.09	16.10.09
	Performance Share Plan	—	272,159[c]	—	—	272,159	—	17.4.08	4.3.09	16.10.09
	Performance Share Plan	132,410	—	132,410	—	—	—	7.9.05	7.9.08	6.9.10
	Performance Share Plan	92,406	—	—	—	92,406	—	12.4.06	4.3.09	16.10.09
	Performance Share Plan	82,941	—	—	—	82,941	—	2.4.07	4.3.09	16.10.09
	Share Option Plan	—	638,838[b]	—	—	638,838	137.75	28.4.08	4.3.09	16.10.09
	Total	384,905	954,607	132,410	—	1,207,102				
Ian Sutcliffe . . .	Sharesave	3,410	—	—	—	3,410	276.98	21.9.06	15.4.08	14.10.08
	Bonus Plan:	—	137,698[d]	137,698	—	—	—	13.3.08	—	—
	Long Term Incentive Plan	222,480	—	—	—	222,480	—	23.5.06	23.5.09	23.5.09
	Long Term Incentive Plan	156,626	—	—	—	156,626	—	2.4.07	2.4.10	2.4.10
	Total	382,516	137,698	137,698	—	382,516				

(a) Market value per share on date of grant 17 April 2008 was 158.75 pence

(b) Market value per share on date of grant 28 April 2008 was 132.25 pence

(c) Market value per share on date of grant 16 October 2008 was 12 pence

(d) Market value per share on date of original award (representing 82.4% of this figure) of 13 March 2008 was 163.4 pence and on date of dividend re-investment thereon (representing the balance of 17.6%) of 7 July 2008 was 47.5 pence

(e) Market value per share on date of original award of 13 March 2008 was 163.4 pence

(f) Or date of appointment

(g) Or date of resignation

There have been no variations to the terms and conditions or performance criteria for outstanding share options during the financial year.

The performance criteria relating to the Performance Share Plans, Share Option Plans and Deferred Bonus Plan appear earlier in this Directors' Remuneration Report.

No performance targets were achieved for normal vesting under the Performance Share Plans or Deferred Bonus Plan during 2008 and all applicable options and conditional share awards under those plans have lapsed.

Awards made pursuant to the George Wimpey LTIP are conditional and do not vest in whole or part unless predetermined performance conditions are satisfied over a three year period. The performance conditions are explained in detail on page 46. The number of awards made to each participant is calculated with reference to a formula based on a maximum of 2x salary as at 1 January in each year and the average closing share price for each dealing day within a 90 day period ending on the day before the award is made. For 2005, 2006 and 2007, the relevant share prices were 437.1 pence, 544.1 pence and 575.9 pence. The TSR Performance in respect of those shares conditionally awarded under the 2006 George Wimpey LTIP was not met. No vesting has taken place and the award has now lapsed. These shares are however indexed in the 31 December 2008 column above for Pete Redfern.

The market price of the ordinary shares at 31 December 2008 was 13.5 pence and the range during the year was 4.4 pence to 204.75 pence.

EXTRACT FROM THE DIRECTORS' REMUNERATION REPORT

Directors' interests in shares of the Company

Directors' interests in 25 pence ordinary shares held (fully paid):

	At 1 January 2008 25p ordinary shares*	At 31 December 2008 25p ordinary shares	Executive Directors' share interests at 31 December 2008 valued at 31 December 2008 share price and expressed as a percentage of basic salary at 1 January 2009
Norman Askew	15,674	15,674	
Pete Redfern	92,705	92,705	1.8%
Chris Rickard	—	—	0%
Mike Davies	15,000	15,000	
Brenda Dean	8,348	8,348	
Andrew Dougal	5,000	5,000	
Katherine Innes Ker	1,000	1,000	
Anthony Reading	20,000	20,000	
David Williams	8,269	8,269	

* Or date of appointment

Directors' pension entitlements

Defined benefit schemes

George Wimpey Staff Pension Scheme

Pete Redfern is a member of the George Wimpey Staff Pension Scheme. The following table sets out the transfer value of his accrued benefits under the Scheme calculated in a manner consistent with 'The Occupational Pension Schemes (Transfer Values) Regulations 2008'.

	Accrued pension as at 31 December 2007	Increase in accrued pension from 31 December 2007 to 31 December 2008	Accrued pension as at 31 December 2008[1]	Transfer value gross of Directors' contributions at 31 December 2008[2]	Transfer value gross of Directors' contributions at 31 December 2007[2]	Increase in transfer value from 31 December 2007 to 31 December 2008 less Directors' contributions[3]	Increase in accrued pension from 31 December 2007 to 31 December 2008 less inflation	Transfer value of accrued pension increase less Director's contribution[4]
	£	£	£	£	£	£	£	£
Pete Redfern	17,547	3,460	20,907	298,200	162,100	124,100	2,483	22,167

Notes:

(1) Pension accrual shown is the amount which would be paid annually on retirement based on service to 31 December 2008.

(2) Transfer values have been calculated in accordance with the occupational Pension Schemes (Transfer Value) Regulations 2008.

(3) The increase in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements.

(4) The transfer value of accrued pension increase less Director's contribution represents the incremental value to the Director of his service during the period, calculated on the assumption service terminated at the year end. It is based on the increase in accrued pension (less inflation) after deducting the Director's contribution.

Non-Group pension arrangements

Chris Rickard has non-Group pension arrangements, to which contributions were paid by the Company as set out below:

	2008	2007
	£	£
Chris Rickard	17,417	—

TAYLOR WIMPEY PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLOR WIMPEY PLC FOR THE YEAR TO 31 DECEMBER 2008

We have audited the Group financial statements of Taylor Wimpey plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 37. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent Company financial statements of Taylor Wimpey plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985.

We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

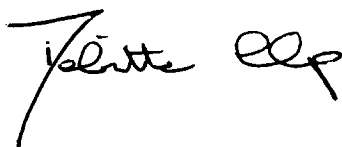
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Separate opinion in relation to IFRSs

As explained in the accounting policies note to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board (the 'IASB').

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs as issued by the IASB, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended.



Deloitte LLP
Chartered Accountants and Registered Auditors
London, UK
30 April 2009

The complete Taylor Wimpey plc Annual Report and Accounts are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

TAYLOR WIMPEY PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR TO 31 DECEMBER 2008

	Note	Before exceptional items 2008	Exceptional items (note 5) 2008	Total 2008	Before exceptional items (restated) 2007	Exceptional items (note 5) 2007	Total (restated see note 1) 2007
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	3	3,467.7	—	3,467.7	4,142.8	—	4,142.8
Cost of sales		(3,138.2)	(1,012.8)	(4,151.0)	(3,443.8)	(289.7)	(3,733.5)
Gross profit/(loss)		329.5	(1,012.8)	(683.3)	699.0	(289.7)	409.3
Net operating expenses	5	(243.2)	(871.7)	(1,114.9)	(263.5)	(90.0)	(353.5)
Profit/(loss) on ordinary activities before finance costs and amortisation of brands		88.7	(1,780.6)	(1,691.9)	439.2	(349.7)	89.5
Amortisation of brands		(2.4)	(103.9)	(106.3)	(3.7)	(30.0)	(33.7)
Profit/(loss) on ordinary activities before finance costs		86.3	(1,884.5)	(1,798.2)	435.5	(379.7)	55.8
Interest receivable		8.5	—	8.5	9.0	—	9.0
Finance costs	7	(177.1)	(10.5)	(187.6)	(121.8)	—	(121.8)
Share of results of joint ventures	15	7.6	—	7.6	23.4	—	23.4
(Loss)/profit on ordinary activities before taxation		(74.7)	(1,895.0)	(1,969.7)	346.1	(379.7)	(33.6)
Taxation (charge)/credit	8	(23.4)	100.0	76.6	(103.2)	(70.2)	(173.4)
(Loss)/profit for the year from continuing operations		(98.1)	(1,795.0)	(1,893.1)	242.9	(449.9)	(207.0)
Discontinued operations							
(Loss)/profit for the year from discontinued operations	31	(2.5)	55.6	53.1	10.3	—	10.3
(Loss)/profit for the year		(100.6)	(1,739.4)	(1,840.0)	253.2	(449.9)	(196.7)
Attributable to:							
Equity holders of the parent	28			(1,841.3)			(197.9)
Minority interests				1.3			1.2
				(1,840.0)			(196.7)

	Note	2008	2007
Interim dividend per ordinary share	9	—	5.5p
Final dividend per ordinary share	9	—	10.25p
Basic and diluted loss per share—total Group	10	(174.8p)	(24.2p)
Basic and diluted loss per share—continuing operations	10	(179.8p)	(25.5p)
Adjusted basic (loss)/earnings per share—continuing operations	10	(9.4p)	29.5p
Adjusted diluted (loss)/earnings per share—continuing operations	10	(9.4p)	29.4p

TAYLOR WIMPEY PLC

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR TO 31 DECEMBER 2008

	Note	2008	2007
		£m	£m
Exchange differences on translation of foreign operations	28	19.1	21.7
Actuarial (loss)/gain on defined benefit pension schemes	24	(90.2)	91.3
Tax on items taken directly to equity	16	(23.7)	(28.5)
Net (expense)/income recognised directly in equity		(94.8)	84.5
Loss for the year		(1,840.0)	(196.7)
Total recognised expense for the year	30	(1,934.8)	(112.2)
Attributable to:			
Equity holders of the parent		(1,936.1)	(113.4)
Minority interests		1.3	1.2
	30	(1,934.8)	(112.2)

TAYLOR WIMPEY PLC

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

	Note	2008	2007
		£m	£m
Non-current assets			
Goodwill	11	—	699.8
Other intangible assets	12	—	120.5
Property, plant and equipment	14	15.5	39.0
Interests in joint ventures	15	67.7	59.9
Trade and other receivables	19	47.9	76.4
Deferred tax assets	16	6.6	117.7
		137.7	1,113.3
Current assets			
Inventories	17	4,890.6	6,017.8
Trade and other receivables	19	181.3	391.3
Tax receivables		90.4	16.8
Cash and cash equivalents	19	752.3	130.0
		5,914.6	6,555.9
Total assets		6,052.3	7,669.2
Current liabilities			
Trade and other payables	22	(1,170.7)	(1,540.3)
Tax payables		(196.5)	(154.4)
Debenture loans	21	(101.1)	(1.4)
Bank loans and overdrafts	20	(23.4)	(12.2)
Provisions	25	(56.1)	(48.2)
		(1,547.8)	(1,756.5)
Net current assets		4,366.8	4,799.4
Non-current liabilities			
Trade and other payables	22	(342.1)	(388.4)
Debenture loans	21	(868.0)	(823.3)
Bank loans	20	(1,289.1)	(708.5)
Retirement benefit obligations	24	(279.8)	(219.1)
Deferred tax liabilities	16	(1.3)	(29.8)
Provisions	25	(51.0)	(38.4)
		(2,831.3)	(2,207.5)
Total liabilities		(4,379.1)	(3,964.0)
Net assets		1,673.2	3,705.2
Equity			
Share capital	26	289.6	289.6
Share premium account	27	753.6	758.1
Own shares	29	(275.7)	(282.0)
Merger relief reserve	28	—	1,934.2
Other reserves	28	64.7	46.1
Retained earnings	28	838.3	957.1
Equity attributable to equity holders of the parent		1,670.5	3,703.1
Minority interests		2.7	2.1
Total equity		1,673.2	3,705.2

The financial statements were approved by the Board of Directors and authorised for issue on 30 April 2009. They were signed on its behalf by:

P Redfern
Director

C Rickard
Director

TAYLOR WIMPEY PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR TO 31 DECEMBER 2008

	Note	2008	2007
		£m	£m
Net cash from/(used in) operating activities	32	153.6	(163.3)
Investing activities			
Interest received		11.0	2.3
Dividends received from joint ventures		7.7	24.4
Amounts invested in software development	12	(2.5)	(0.4)
Proceeds on disposal of property, plant and investments		17.6	17.3
Purchases of property, plant and investments	14	(10.9)	(13.6)
Amounts invested in joint ventures		(5.2)	(3.1)
Amounts repaid by joint ventures		—	10.6
Acquisition of subsidiaries		—	31.0
Disposal of subsidiaries	31	(11.9)	—
Net cash from investing activities		5.8	68.5
Financing activities			
Dividends paid	9	(107.9)	(117.3)
Dividends paid by subsidiaries to minority shareholders		(0.7)	(1.1)
Proceeds from sale of own shares		2.7	4.7
Purchase of own shares		—	(251.6)
New bank loans raised		—	2,083.8
New debenture loans raised		—	256.2
Repayment of debenture loans		(1.4)	(52.1)
Repayment of bank loans		—	(1,944.6)
Increase in bank loans and overdrafts		525.7	0.5
Net cash from/(used in) financing activities		418.4	(21.5)
Net increase/(decrease) in cash and cash equivalents		577.8	(116.3)
Cash and cash equivalents at beginning of year		130.0	236.5
Effect of foreign exchange rate changes		44.5	9.8
Cash and cash equivalents at end of year	32	752.3	130.0

TAYLOR WIMPEY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR TO 31 DECEMBER 2008

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated below. The ability of the Group to continue as a going concern is reliant upon the continued availability of external debt financing. The deterioration of the housing market in 2008 in the geographies in which the Group operates called into question the Group's ability to continue to trade within the covenants set out in certain of its debt agreements. This led to the Group renegotiating the terms and conditions of, and covenants within, its external debt facilities. The amended agreements were signed in April 2009. The continued availability of this external financing is dependent upon the Group's ability to generate sufficient cash to service its debt and to continue to operate within and adhere to the covenants and other terms and conditions set out in the debt agreements. The Group has continued to meet all interest and other payment obligations on time from debt resources available to it, and after reviewing cash flow forecasts (see 'Going concern' below) for a period of not less than 12 months from the date of signing these financial statements and as noted on page 43,* the Directors are satisfied that, whilst the economic and market conditions continue to be challenging and not without risk, the refinancing package is sufficiently robust as to adequacy of both facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Basis of accounting

The consolidated financial statements have been prepared in accordance with applicable International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted for use in the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee relevant to its operations and effective for accounting periods beginning on 1 January 2008.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

1. Significant accounting policies (Continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

Segmental reporting

The Group is divided into four operating divisions for management reporting and control:

- Housing United Kingdom;
- Housing North America;
- Housing Spain and Gibraltar; and
- Corporate.

The Construction division was disposed of in September 2008, and is presented as a discontinued operation. The results and net assets of a minor residual construction business, primarily based in Ghana and previously included in the Construction business segment are presented within Corporate in 2008. 2007 has been restated for consistency.

These divisions make up the primary segmental analysis in the financial statements. A secondary segmental analysis is provided by geographical split.

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

(c) Contracting work

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims

1. Significant accounting policies (Continued)

and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(d) Interest receivable

Interest income on bank deposits is recognised on an accruals basis.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 'Presentation of Financial Statements'.

Foreign currencies

The individual statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as assets and liabilities denominated in the functional currency of the company in which they arose.

The Group enters into forward contracts in order to hedge its exposure to certain foreign exchange transaction risks relating to the functional currency in accordance with Group policy. It also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to certain overseas subsidiaries (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

Operating leases

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

1. Significant accounting policies (Continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, joint venture, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or jointly-controlled entity, the carrying value of any attributable goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs was retained at the previous UK GAAP amounts, and was subjected to impairment testing at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Other intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. Their values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses.

Software development costs

Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight-line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

Plant and equipment is stated at cost less depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives. Depreciation is charged, where material, on buildings over the expected useful life of the asset. Other assets are depreciated using the straight-line method, on the following bases:

Plant, fixtures and equipment 20-25%; and computer equipment 33%.

1. Significant accounting policies (Continued)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, impairment losses are allocated first to the intangible assets in the cash-generating unit. If the full impairment of intangible assets is not sufficient to reduce the carrying value of the cash-generating unit to its recoverable amount, tangible fixed assets must then be reviewed for impairment. If the recoverable amount of tangible fixed assets exceeds their carrying value, no further impairment is required. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. Trade receivables on extended terms, particularly in respect of land, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Derivative financial instruments are measured at fair value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1. Significant accounting policies (Continued)

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs. Derivative financial instruments are measured at fair value.

Derivative financial instruments and hedge accounting

The Group uses forward exchange contracts to hedge transactions denominated in foreign currencies. The Group also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the parent Company. Interest rate derivatives are used to manage interest rate risk in respect of borrowings. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the income statement.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to the income statement for the period.

Customer deposits

Customer deposits are recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

1. Significant accounting policies (Continued)

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is not probable that they will be exercised.

Tender costs for construction

Significant tender costs are treated as recoverable once the Directors consider that it is probable that the contract will be won. This is presumed to be when preferred bidder status is awarded.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

1. Significant accounting policies (Continued)

Share-based payments

The Group has applied the requirements of IFRS 2 Share based payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 Employee benefits. In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of recognised income and expense.

Payments to defined contribution schemes are charged as an expense as they fall due.

Key sources of estimation uncertainty and critical accounting judgments

Estimation of costs to complete

In order to determine the profit that the Group is able to recognise on the proportion of completions for the period, internal site valuations are carried out for each development at regular intervals throughout the year. The valuations will include an estimation of the costs to complete and remaining revenues which may differ from the actual costs incurred and revenues received on completion.

Carrying value of land and work in progress

In order to assess the appropriateness of the carrying value of land and work in progress, the Group is required to make estimations of sales prices, costs and margins expected on sites in order to determine whether any write downs are required to ensure inventory is stated at the lower of cost and net realisable value. Given the deterioration in market conditions experienced during the year, the Group has undertaken a detailed review on a site-by-site basis of the net realisable value of its land and work in progress. As a result, the Group has written down the value of its land and work in progress in the UK, US, and Spain by £1,012.8m, as shown in note 5. If there is further significant weakening in any of the Group's major markets, further write downs would be required.

Impairment of goodwill and other intangible assets

The determination of whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation involves significant judgement including an estimate of the future cash flows expected to arise from the cash-generating unit, the future growth rate of revenue and costs, and a suitable discount rate. The estimates of future cash flows used in the 2008 impairment test performed as at 30 June 2008 reflected the current weak trading conditions in the Group's major markets, and as a result, the Group has fully written down the value of its goodwill and other intangible assets as described in note 13. Impairment of goodwill may not be reversed. If the current weak trading

1. Significant accounting policies (Continued)

conditions reverse, the impairment provision relating to other intangible assets may reverse in part or in whole.

Pensions

The value of plan assets and liabilities is determined based on various long term actuarial assumptions, including future rates of inflation, salary growth, yields, returns on investments and mortality rates. Changes in these assumptions over time and differences to the actual outcome will be reflected in the Group's statement of recognised income and expense. Note 24 details the main assumptions in accounting for the Group's defined benefit pension schemes.

Tax and deferred tax

Aspects of tax accounting require management judgment and interpretation of tax legislation across many jurisdictions in some cases relating to items which may not be resolved with the relevant tax authority for many years.

In determining the carrying amounts of deferred tax assets, management is required to assess the timing of the utilisation of provisions for tax purposes and the extent to which sufficient taxable profit will be available to enable the asset to be recovered.

Going concern

The Group has prepared forecasts, which have been reviewed by the Directors, based on estimates and judgments about the economic environment in each of the Group's major markets, including housing demand, interest rates and foreign exchange rates and the Group's operational performance, including average selling prices and build costs. The Directors consider that these forecasts demonstrate an adequate level of headroom for the next 12 months over the available funding and minimum covenant levels in the revised debt agreements which were entered into on 7 April 2009 and further details of which are set out in Note 37 on page 93, to allow the Group to operate within the terms of those new financing arrangements. Accordingly, they have adopted the going concern basis of preparation for these financial statements. This is also discussed further within the Corporate Governance Report on page 39.*

Adoption of new and revised standards and interpretations

Standards, amendments and interpretations effective in 2008

IAS 39 (Amendment)—Financial Instruments. Provided various criteria are met, the amendment allows certain non-derivative financial assets to be reclassified out of fair value through profit and loss into one of three other categories; or out of available for sale and into loans and receivables. All reclassifications must be made at the fair value of the financial asset at the date of reclassification. This interpretation does not have an impact on the Group's financial statements.

IFRIC 11, IFRS 2—Group and treasury share transactions. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

IFRIC 14, IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction. IFRIC 14 provides guidance on the amount of surplus that an entity may recognise on its

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1. Significant accounting policies (Continued)

balance sheet in respect of defined benefit pension schemes, and on the impact of minimum or committed funding obligations on the measurement of a net surplus or deficit. This interpretation does not have an impact on the Group's financial statements.

Standards and interpretations in issue but not yet effective

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

IAS 1 (revised) Presentation of Financial Statements (effective from 1 January 2009). The main changes from the current standard will require the Group to:

- Present all non-owner changes in equity in one statement of comprehensive income (effectively combining the current income statement and statement of changes in recognised income and expenses) or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income must be presented separately from the statement of changes in equity;
- Present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement;
- Disclose income tax relating to each component of other comprehensive income; and
- Disclose reclassification adjustments relating to components of other comprehensive income.

This amendment is expected to lead to additional disclosures in the Group's 2009 financial statements.

IAS 23 (Amendment) Borrowing costs (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs is removed. This amendment is not expected to have any impact on the Group's financial statements as, due to the nature of the Group's activities, it is expected to be exempt from the application of this standard.

IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 1 January 2010). Relevant for companies that have puttable financial instruments or instruments, or components of instruments, that impose an obligation on the entity to deliver to another party a pro-rata share of net assets on liquidation only. This amendment is not expected to have any impact on the Group's financial statements.

IAS 39 (Amendment) Eligible hedged items (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the European Union. The amendment requires that inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. The amendment also permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 1 (revised) First-time Adoption of International Financial Reporting Standards (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the European Union. The objective of the revised version of IFRS 1 is to improve the structure of the Standard—no new or revised technical material has been introduced. This amendment is not expected to have any impact on the Group's financial statements.

1. Significant accounting policies (Continued)

IFRS 2 (Amendment) Vesting conditions and cancellations (effective from 1 January 2009). The amendments change the definitions of vesting conditions and introduce the concept of a "non-vesting condition". Vesting conditions will now be restricted to service and performance conditions only. A performance condition only meets the definition of a vesting condition where it has an implicit service requirement. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the European Union. The revisions include a greater emphasis on the use of fair value, focusing on changes in control as a significant economic event and focusing on what is given to the vendor as consideration. This amendment is not expected to have any immediate impact on the Group's financial statements.

IFRS 8 Operating segments (effective from 1 January 2009). IFRS 8 amends the current segmental reporting requirements of IAS 14 and requires "management approach" to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes. This standard will apply from the annual period commencing 1 January 2009 and is expected to impact the Group by requiring additional disclosures in the financial statements.

IFRIC 15 Arrangements for the Construction of Real Estate. IFRIC 15 sets out guidance for whether the accounting for the construction of real estate should fall within IAS 18—Revenue, where a developer sells completed units or, IAS 11—Construction Contracts, where a developer has been commissioned for a construction by a buyer. This is not expected to have any effect on the Group's financial statements as the Group already complies with this IFRIC.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 clarifies the accounting treatment of hedges taken out to hedge foreign exchange differences arising from differences between a Group and its subsidiary's presentational currencies and hedges of differences between functional currencies. This is not expected to have any effect on the Group's financial statements as the Group already complies with this IFRIC.

IFRIC 17 Distributions of Non-Cash Assets to Owners. The amendment to the interpretation is still subject to endorsement by the European Union. IFRIC 17 requires that distributions of non-cash assets to owners should be recognised and measured at the fair value of the non-cash assets when the dividend is appropriately authorised, and that the difference between the carrying amount of the assets distributed and the dividend payable should be recognised in profit or loss on settlement of the dividend payable. This amendment is not expected to have any impact on the Group's financial statements.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations:

IFRIC 12 Service Concession Arrangements. IFRIC 12 clarifies the accounting for contracts under which an entity contracts to use or operate a public sector asset. The effective date for IFRIC 12 is for periods beginning on or after 1 January 2008, however, this interpretation has not yet been endorsed by the European Union.

IFRIC 13 Customer Loyalty Programmes. IFRIC 13 addresses the accounting by entities that grant loyalty award credits to customers who buy other goods or services.

2. General information

Taylor Wimpey plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 109.* The nature of the Group's operations and its principal activities are set out in note 4 and in the Chief Executive's Review on pages 6 to 13.*

2. General information (Continued)

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on pages 58 and 59.*

3. Revenue

An analysis of the Group's revenue is as follows:

	2008	2007 restated
	£m	£m
Continuing operations:		
Housing	3,342.1	3,947.5
Corporate (including Construction)	36.2	37.8
Land sales	89.4	157.5
Consolidated revenue	3,467.7	4,142.8
Interest receivable	8.5	9.0
	3,476.2	4,151.8
Discontinued operations:		
Revenue	453.4	571.5
Interest receivable	0.1	0.7
	453.5	572.2
Total Group	3,929.7	4,724.0

Housing revenue includes £193.0m (2007: £80.9m) in respect of the value of properties accepted in part exchange by the Group.

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into four operating divisions—Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate. These divisions are the basis on which the Group reports its primary segment information. Taylor Woodrow Construction, previously reported as the business segment 'Construction', was disposed of on 9 September 2008, and is disclosed as a discontinued operation. The results and net assets of a minor residual construction operation, primarily based in Ghana and previously included within the Construction segment, are presented within Corporate in 2008. 2007 has been restated for consistency, resulting in an increase in Corporate external sales of £37.8m, and an increase in operating loss before joint ventures, brand amortisation and exceptional items of £10.0m, an increase in profit from joint ventures of £0.1m, an increase in segment assets of £24.9m, an increase in joint ventures of £0.1m and an increase in segment liabilities of £6.8m.

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4. Business and geographical segments (Continued)

Segment information about these businesses is presented below:

2008	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Revenue from continuing operations:					
External sales	2,390.1	981.6	59.8	36.2	3,467.7
Result from continuing operations:					
Operating profit/(loss) before joint ventures, brand amortisation and exceptional items	53.2	52.1	(2.4)	(14.2)	88.7
Share of results of joint ventures	(0.2)	7.8	—	—	7.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and amortisation of brands, after share of results of joint ventures	53.0	59.9	(2.4)	(14.2)	96.3
Brand amortisation	(2.4)	—	—	—	(2.4)
Exceptional items	(1,750.4)	(76.6)	(37.4)	(20.1)	(1,884.5)
Loss on ordinary activities before finance costs, after share of results of joint ventures	(1,699.8)	(16.7)	(39.8)	(34.3)	(1,790.6)
Finance costs, net (including exceptional finance costs)					(179.1)
Loss on ordinary activities before taxation					(1,969.7)
Taxation					76.6
Result from discontinued operations:					
Profit for the year from discontinued operations					53.1
Loss for the year—total Group					(1,840.0)

4. Business and geographical segments (Continued)

2008	Housing United Kingdom*	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Assets and liabilities:					
Segment operating assets	3,919.9	1,014.8	175.4	25.2	5,135.3
Joint ventures	45.4	22.1	0.2	—	67.7
Segment operating liabilities	(1,379.6)	(359.1)	(47.6)	(113.4)	(1,899.7)
Net operating assets/(liabilities)	2,585.7	677.8	128.0	(88.2)	3,303.3
Current taxation (net)					(106.1)
Deferred taxation (net)					5.3
Net debt					(1,529.3)
Net assets					1,673.2

* The Group is unable to allocate the defined benefit pension scheme assets and liabilities of the Taylor Woodrow Group Pension and Life Assurance Fund, a multi-employer pension scheme, on an actuarial basis by entity. However, for the purposes of the 2008 segmental analysis above, the Group has allocated the deficit to Housing United Kingdom as the participating entities materially sit within this business segment. The assets and liabilities of the George Wimpey Staff Pension Scheme have been allocated in their entirety to Housing United Kingdom.

2008	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Other information:					
Property, plant and equipment additions	2.3	1.3	0.1	5.5	9.2
Amortisation of intangibles	6.7	—	—	—	6.7
Depreciation—plant and equipment	3.5	1.5	0.2	2.3	7.5
Other non-cash expenses:					
Provisions recognised	56.8	13.5	0.5	4.4	75.2
Inventory write downs	930.1	104.3	37.4	—	1,071.8
Reversal of inventory write downs	(25.8)	(33.2)	—	—	(59.0)
Impairment of goodwill	694.3	5.5	—	—	699.8
Impairment of other intangible assets	116.3	—	—	—	116.3

4. Business and geographical segments (Continued)

2007 (restated)	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Revenue from continuing operations:					
External sales	3,053.8	986.8	64.4	37.8	4,142.8
Result from continuing operations:					
Operating profit/(loss) before joint ventures, brand amortisation and exceptional items	409.1	53.3	2.2	(25.4)	439.2
Share of results of joint ventures	9.1	14.2	—	0.1	23.4
Profit/(loss) on ordinary activities before finance costs, exceptional items and amortisation of brands, after share of results of joint ventures	418.2	67.5	2.2	(25.3)	462.6
Brand amortisation	(3.7)	—	—	—	(3.7)
Exceptional items	(47.9)	(321.3)	(6.3)	(4.2)	(379.7)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures	366.6	(253.8)	(4.1)	(29.5)	79.2
Finance costs, net					(112.8)
Loss on ordinary activities before taxation					(33.6)
Taxation					(173.4)
Result from discontinued operations:					
Profit for the year from discontinued operations					10.3
Loss for the year—total Group					(196.7)

4. Business and geographical segments (Continued)

2007 (restated)	Housing United Kingdom*	Housing North America	Housing Spain and Gibraltar	Corporate	Total
	£m	£m	£m	£m	£m
Assets and liabilities—continuing operations:					
Segment operating assets	5,350.1	976.7	182.1	64.4	6,573.3
Joint ventures	39.6	20.0	0.2	0.1	59.9
Segment operating liabilities	(1,616.5)	(316.4)	(66.7)	(77.4)	(2,077.0)
Continuing Group net operating assets/(liabilities)	3,773.2	680.3	115.6	(12.9)	4,556.2
Discontinued operations:					
—operating assets					68.0
—operating liabilities					(153.7)
					4,470.5
Goodwill					699.8
Current taxation (net)					(137.6)
Deferred taxation (net)					87.9
Net debt					(1,415.4)
Net assets					3,705.2

* The Group is unable to allocate the defined benefit pension scheme assets and liabilities of the Taylor Woodrow Group Pension and Life Assurance Fund, a multi-employer pension scheme, on an actuarial basis by entity. For the purposes of the segmental analysis presented in the published 2007 financial statements, the Group allocated the deficit to business segments on the basis of headcount. The 2007 segmental information presented above has been restated to present within Housing United Kingdom, the deficit for this scheme previously included in the Construction business segment following the disposal of the construction business on 9 September 2008, resulting in an increase in segment liabilities for Housing United Kingdom of £67.8m. The allocation is performed solely for the purposes of providing a meaningful segmental analysis and is not an appropriate apportionment in accordance with IAS 19 Retirement benefits. The assets and liabilities of the George Wimpey Staff Pension Scheme have been allocated in their entirety to Housing United Kingdom.

2007 (restated)	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Total
	£m	£m	£m	£m	£m
Other information—continuing Group:					
Property, plant and equipment additions	6.2	5.8	0.3	—	12.3
Amortisation of intangibles	5.7	—	—	—	5.7
Depreciation—plant and equipment	3.3	3.6	0.1	—	7.0
Other non-cash expenses:					
Provisions recognised	48.7	28.7	0.6	—	78.0
Inventory write downs	—	283.4	6.3	—	289.7
Impairment of brands	10.0	20.0	—	—	30.0

In addition to the above, there was £1.3m of property, plant and equipment additions and £1.3m of depreciation on plant and equipment in relation to discontinued operations in 2007.

4. Business and geographical segments (Continued)

Geographical segments

The Group's operations are located primarily in the United Kingdom and North America. The Group's housing divisions are already segmented geographically above. The construction division, which was disposed of on 9 September 2008, was primarily located in the United Kingdom.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2008	2007 (restated)
	£m	£m
United Kingdom	2,390.1	3,053.8
North America	981.6	986.8
Rest of the world	96.0	102.2
Total continuing operations	3,467.7	4,142.8
Discontinued operation—United Kingdom	453.4	571.5
Total Group	3,921.1	4,714.3

The following is an analysis of the carrying amount of segment assets, and additions to property and plant, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property and plant	
	2008	2007	2008	2007
	£m	£m	£m	£m
United Kingdom	4,592.5	6,205.9	2.3	6.9
North America	1,251.8	1,231.8	1.3	5.8
Rest of the world	208.1	231.5	5.6	0.9
Total	6,052.4	7,669.2	9.2	13.6

5. Net operating expenses and profit on ordinary activities before finance costs

Net operating expenses, continuing operations:

	2008	2007 (restated)
	£m	£m
Administration expenses	269.0	270.7
Net other income	(25.8)	(7.2)
Exceptional items	871.7	90.0
	1,114.9	353.5

Net other income includes profits on the sale of property, plant and equipment and broker fees from mortgage origination services.

5. Net operating expenses and profit on ordinary activities before finance costs (Continued)

Exceptional items, continuing operations:

	2008	2007
	£m	£m
Land and work in progress write downs	1,012.8	289.7
Goodwill impairment	699.8	—
Other intangible impairments	116.3	30.0
Restructuring costs	35.1	60.0
Refinancing costs	20.5	—
Exceptional items	1,884.5	379.7

Net land and work in progress write downs of £1,012.8m (2007: £289.7m) were required to reduce the carrying value of some of the Group's inventory to the lower of cost and net realisable value, reflecting the deterioration in market conditions first experienced in the US housing market in 2007 and in the UK and European housing markets in 2008, resulting in lower pricing required to maintain satisfactory sales rates in the UK, US and European markets.

Goodwill of £699.8m (2007: nil) and other intangible assets of £116.3m (2007: £30m) were fully impaired in 2008 following a detailed impairment review—further detail on the impairment is set out in note 13.

Restructuring costs of £35.1m (2007: £60m) arose on further restructuring of the UK housing business in response to the deteriorating market conditions during 2008 following on from the post-merger reorganisation of the business in 2007. The costs incurred in both years include redundancy costs and costs incurred in relocating certain functions and operations. A provision for restructuring of £22.1m (2007: £33.6m) remains in the balance sheet at 31 December 2008—see note 25.

Refinancing costs of £20.5m (2007: nil) were costs incurred in relation to the proposed equity raising in the first half of 2008 and in relation to the refinancing of the Group's debt. Further refinancing costs will be incurred in 2009 on the signing of the new debt agreements.

Profit on ordinary activities before financing costs for continuing operations has been arrived at after charging/(crediting):

	2008	2007 (restated)
	£m	£m
Cost of inventories recognised as expense in cost of sales, before write downs of inventories	2,946.9	3,285.8
Write-downs of inventories	1,071.8	289.7
Reversal of specific write downs of inventories	(59.0)	—
Depreciation—plant and equipment	7.5	7.0
Amortisation—intangibles[1]	123.0	35.7
Minimum lease payments under operating leases recognised in income for the year	8.8	5.1

(1) The amortisation of intangibles in 2008 includes the impairments of the George Wimpey brand of £103.9m and of software development costs of £12.4m (2007: impairment losses of £30.0m on the Laing and Morrison Homes brands).

5. Net operating expenses and profit on ordinary activities before finance costs (Continued)

The remuneration paid to Deloitte LLP, the Group's external auditors, is as follows:

	2008	2007
	£m	£m
Fees payable to the Company's auditors for the audit of the Company's annual accounts and consolidated financial statements	0.2	0.3
The audit of the Company's subsidiaries pursuant to legislation	0.6	0.7
Total audit fees	0.8	1.0
Other services pursuant to legislation	0.1	0.1
Tax services	0.3	0.3
Corporate finance services	2.2	0.7
Other services	0.6	0.1
Total non-audit fees	3.2	1.2
Total fees	4.0	2.2

Non-audit services in 2008 predominantly relate to work required as a result of Deloitte LLP's role as auditors, or work resultant from knowledge and experience gained as part of the role. Corporate finance services include necessary work related to the Group's proposed equity raising and subsequent advice and support with bank renegotiations. It also includes work performed in connection with the disposal of the construction business. Their work was either the subject of a competitive tender or was best performed by the Group's auditors because of their knowledge of the Group. Tax services include tax compliance work for certain subsidiaries, as well as advice in connection with a restructuring of the Group. Other services include advice in respect of the Group's forecasting and cash management procedures. See page 41 for details of the Group's policies in respect of non-audit services and approval by the Audit Committee.*

6. Staff costs

Total Group	2008	2007
	Number	Number
Average number employed		
Housing United Kingdom including corporate office	4,063	4,744
Housing North America	1,158	1,173
Housing Spain and Gibraltar	105	171
Construction—continuing and discontinued[(1)]	2,743	3,639
	8,069	9,727
United Kingdom	5,090	6,175
Overseas	2,979	3,552
	8,069	9,727

(1) Of the 2,743 average staff number in 2008, 1,102 related to the disposed construction business (2007: 1,441).

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6. Staff costs (Continued)

	2008	2007
	£m	£m
Remuneration		
Wages and salaries	255.3	314.2
Redundancy costs	17.9	15.4
Social security costs	27.3	34.0
Other pension costs	12.7	16.3
	313.2	379.9

The information required by the Companies Act 1985 and the Listing Rules of the Financial Services Authority is contained on pages 44 to 52 in the Directors' Remuneration Report.*

7. Finance costs

Finance costs from continuing operations are analysed as follows:

	2008	2007 (restated)
	£m	£m
Interest on bank overdrafts and loans	72.5	45.9
Interest on debenture loans	55.4	47.4
Movement on interest rate derivatives	10.8	5.4
	138.7	98.7
Unwinding of discount on land creditors and other payables	26.7	19.3
Notional net interest on pension liability (note 24)	11.7	3.8
	177.1	121.8
Exceptional finance costs:		
Loan and debenture fees	10.5	—
	187.6	121.8

The exceptional finance costs relate to the write off of the remaining unamortised bank loan and debenture fees relating to the Group's financing arrangements which were in place throughout 2008. The amortisation of these fees was accelerated due to the refinancing of the Group's debt arrangements (see note 37).

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors' Remuneration report at F-63. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

8. Tax

Tax (credited to)/charged in the income statement for continuing operations is analysed as follows:

		2008	2007
		£m	£m (restated)
Current tax:			
UK corporation tax:	Current year	(124.3)	85.6
	Prior years	6.0	(9.4)
Relief for foreign tax		—	(5.0)
Foreign tax:	Current year	(22.8)	18.0
	Prior years	—	16.9
		(141.1)	106.1
Deferred tax:			
UK:	Current year	32.7	(8.6)
	Prior years	—	4.9
Foreign:	Current year	31.8	80.9
	Prior years	—	(9.9)
		64.5	67.3
		(76.6)	173.4

Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable loss (2007: profit) for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax recognised in the Group statement of recognised income and expense is due to actuarial gains on post-retirement liabilities at the prevailing rate in the relevant jurisdiction, and the write off of the deferred tax asset relating to post-retirement liabilities. This includes the effect of the change in the UK rate of corporation tax from 30% to 28% from 1 April 2008.

The (credit)/charge for the year can be reconciled to the loss per the income statement as follows:

	2008	2007 (restated)
	£m	£m
Loss before tax	(1,969.7)	(33.6)
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	(561.4)	(10.1)
Under provision in respect of prior years	6.0	3.5
Tax effect of share of results of joint ventures	—	(2.6)
Tax effect of expenses that are not deductible in determining taxable profit	205.6	14.0
Non-taxable income	(8.4)	(18.5)
Effect of higher rates of tax of subsidiaries operating in other jurisdictions	(1.4)	(14.5)
Losses not recognised	217.2	12.1
Net reduction in deferred tax assets previously recognised	65.8	189.4
Other	—	0.1
Tax (credit)/charge for the year	(76.6)	173.4

The tax credit for the year includes an amount in respect of exceptional items of £100.0m (2007: £70.2m charge). This is made up of a credit of £91.6m (2007: £14.9m) in respect of UK tax and a credit of £8.4m (2007: £85.1m charge) in respect of US tax.

8. Tax (Continued)

The charge in the UK and the US reflects a write off of deferred tax assets held by the Group, the utilisation of which is not seen as probable in the foreseeable future primarily due to the continued and significant weakening of the UK and US markets in the second half of 2008.

9. Dividends

	2008 £m	2007 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2007 of 10.25p (2006: 9.75p) per share	107.9	56.6
Interim dividend for the year ended 31 December 2008 of nil (2007: 5.5p) per share	—	60.7
	107.9	117.3

The Group does not propose to pay a final dividend in respect of the 2008 financial year (2007: £107.9m).

10. Earnings per share

	2008	2007 (restated)
Basic loss per share—total Group	(174.8p)	(24.2p)
Diluted loss per share—total Group	(174.8p)	(24.2p)
Basic loss per share from continuing operations	(179.8p)	(25.5p)
Diluted loss per share from continuing operations	(179.8p)	(25.5p)
Basic earnings per share from discontinued operations	5.0p	1.3p
Diluted earnings per share from discontinued operations	5.0p	1.3p
Adjusted basic (loss)/earnings per share from continuing operations	(9.4p)	29.5p
Adjusted diluted (loss)/earnings per share from continuing operations	(9.4p)	29.4p
Weighted average number of shares for basic (loss)/earnings per share—million	1,053.1	818.5
Weighted average number of shares for diluted (loss)/earnings per share—million	1,053.1	818.5
Weighted average number of shares for adjusted diluted (loss)/earnings per share—million	1,053.1	821.0

For 2008, 57.4m potential ordinary shares have been excluded from the calculation of the weighted average number of shares as they are anti-dilutive. For 2007, 25.5m potential ordinary shares were excluded from the calculation of the weighted average number of shares as they were anti-dilutive, except in the case of adjusted diluted earnings per share which included 2.5m of dilutive potential ordinary shares.

Under the Override Agreement (see note 37), on 30 April 2009 the Company agreed to issue 57.9m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. Had the warrants been issued in the 2008 financial year, they would have been anti-dilutive and not included in the calculation of weighted average number of shares for the year.

Adjusted basic and adjusted diluted (loss)/earnings per share, which exclude the impact of exceptional items and the associated net tax charges, are shown to provide clarity on the underlying

10. Earnings per share (Continued)

performance of the continuing Group. A reconciliation from loss from continuing operations attributable to equity shareholders used for basic and diluted loss per share to that used for adjusted (loss)/earnings per share is shown below:

	2008	2007 (restated)
	£m	£m
Loss from continuing operations for basic loss per share and diluted loss per share	(1,894.4)	(208.2)
Add exceptional items (see notes 5 and 7)	1,895.0	379.7
(Deduct)/add tax effect of exceptional items	(100.0)	70.2
(Loss)/profit from continuing operations for adjusted basic and adjusted diluted (loss)/earnings per share	(99.4)	241.7

11. Goodwill

	£m
Cost and carrying amount	
At 1 January 2007	363.1
Acquisition of George Wimpey	336.8
Changes in exchange rates	(0.1)
At 31 December 2007	699.8
Impairment loss recognised in the year	(699.8)
At 31 December 2008	—

As a result of the 2008 impairment test, the Group has fully impaired all goodwill associated with both the Housing United Kingdom business segment (2007 carrying value: £694.3m), and the Housing North America business segment (2007 carrying value: £5.5m) see note 13 below for further details.

12. Other intangible assets

	Brands	Software development costs	Total
	£m	£m	£m
Cost			
At 1 January 2007	—	—	—
Acquisition of George Wimpey Plc	140.0	15.8	155.8
Additions	—	0.4	0.4
Changes in exchange rates	0.2	—	0.2
At 31 December 2007	140.2	16.2	156.4
Additions	—	2.5	2.5
At 31 December 2008	140.2	18.7	158.9
Amortisation/impairment			
At 1 January 2007	—	—	—
Charge for the year	(3.7)	(2.0)	(5.7)
Impairment loss for the year (note 13)	(30.0)	—	(30.0)
Changes in exchange rates	(0.2)	—	(0.2)
At 31 December 2007	(33.9)	(2.0)	(35.9)
Charge for the year	(2.4)	(4.3)	(6.7)
Impairment loss for the year (note 13)	(103.9)	(12.4)	(116.3)
At 31 December 2008	(140.2)	(18.7)	(158.9)
Carrying amount			
31 December 2008	—	—	—
31 December 2007	106.3	14.2	120.5

As a result of the 2008 impairment test, the Group has fully impaired all other intangible assets (2007: £30m)—see note 13 below for further details.

13. Impairment

The Group is required to test goodwill for impairment on an annual basis or sooner when there are indicators that it might be impaired, and to test other intangible assets for impairment if there are indications that the assets might be impaired. The significant downturn in the UK housing market in early 2008 as well as the ongoing deterioration in the US market led to the Group performing a full impairment test on intangible assets at the half year reporting date. As a result, the Group fully impaired all remaining goodwill, brands and software development costs. The impairment losses recognised within operating expenses in the Group's income statement were as follows:

Business Segment:	Goodwill	Brands	Software development costs	2008 Total	Goodwill	Brands	Software development costs	2007 Total
	£m	£m	£m	£m	£m	£m	£m	£m
Housing United Kingdom	694.3	103.9	12.4	810.6	—	10.0	—	10.0
Housing North America	5.5	—	—	5.5	—	20.0	—	20.0
	699.8	103.9	12.4	816.1	—	30.0	—	30.0

Housing United Kingdom

In the first half of 2008 it became apparent that the weakness seen in the US housing market in 2007 had extended to the UK housing market as mortgage availability reduced sharply and consumer confidence was eroded by both falling house prices and wider economic uncertainty. The effect of this

13. Impairment (Continued)

on the UK business segment was seen in year-on-year declines in average selling prices and the number of completions (on a pro forma basis) and at the half year the UK business took a significant write down in the value of its inventory to reflect its revised estimate of the net realisable value of its land and work in progress. As a result, the Group performed a full impairment test on its other intangible assets and goodwill at the half year. The impairment test showed that the discounted cash flows forecast to be generated by the UK business segment were lower than the carrying value of the segment assets by an amount greater than the aggregate value of the goodwill, brands and capitalised software development costs associated with the segment and therefore, in accordance with IAS 36 Impairment of Assets, the Group fully impaired all remaining goodwill of £694.3m, brands of £103.9m and other intangible assets of £12.4m.

Housing North America

The US housing market experienced decline in 2007 and despite some initial stabilisation in early 2008 market conditions continued to decline across the year. In particular certain US markets which had remained resilient to the downturn in 2007 were affected in 2008, including the market to which the 2007 goodwill balance of £5.5m related. As a result the Group has now fully impaired the remaining goodwill of £5.5m associated with its North American Housing segment.

Key Assumptions

For the purpose of impairment testing of goodwill and other intangible assets, the Group's cash-generating units were determined at the level of business segment. The impairment tests were performed by comparing the carrying value of each cash-generating unit with its recoverable value, determined on the basis of the cash-generating unit's value in use. The value in use was calculated as the present value of the future cash flows expected to be derived over the next 20 years from the cash-generating unit related to the goodwill or intangible asset, using the latest management-approved business plan as the source of the cash flows for the first three years, and a pre-tax discount rate of 12% (2007: 12%) which was considered to be the Group's view of an appropriate risk adjusted pre-tax discount rate for the UK housing market. The other key assumptions used in the value in use calculations for both business segments were as follows:

Initial three-year forecast period	Decline in completions from 2007 pro forma*, based on industry forecasts for the UK and US housing markets
	Average selling prices lower than 2008 average prices in the six months to 30 June 2008 based on industry forecasts for the UK and US housing markets
	Gross margin consistent with experience to 30 June 2008, based on the Group's past experience of build and infrastructure costs relative to selling prices
	No account taken of expected but not yet committed operating cost savings
Years four and five	Growth in annual completions, based on internal expectations of recovery in the UK and US housing markets by reference to industry forecasts by year five to levels consistent with the pro forma Group in 2007
	Gross margin growth rate of 0%
Forecast period beyond year five	Long-term growth rate of 0%

* Pro forma results reflect the aggregated total of completions or other relevant data points for the combined legacy businesses of Taylor Woodrow plc and George Wimpey Plc as if the merger were effected on 1 January 2007.

13. Impairment (Continued)

As noted above, the 2008 tests were performed as at 30 June 2008 for the purposes of the Group's half year reporting. The UK housing market experienced significant and rapid decline in the second half of the year such that certain of the assumptions used would have been more conservative if the tests had been performed at the year-end date; in particular, the decline in average selling prices in the initial three-year forecast period would have been more acute than the decline assumed in the half year impairment test. However, as the half year test resulted in all goodwill and other intangible assets being fully impaired, this would not have had any impact on the level of impairment loss recorded by the Group.

Under IAS 36, an impairment of goodwill may not be reversed. Should the decline experienced in the UK market reverse, the brand and software development cost impairments may reverse in part or in whole, provided that by the time of the reversal these assets would not already have been fully amortised through the continued charging of systematic amortisation over their useful lives.

14. Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Total
	£m	£m	£m
Cost or valuation			
At 1 January 2007	9.6	63.6	73.2
Additions	—	13.6	13.6
Disposals	(1.5)	(13.3)	(14.8)
Acquisition of George Wimpey Plc	1.2	15.2	16.4
Changes in exchange rates	—	0.3	0.3
At 31 December 2007	9.3	79.4	88.7
Additions	—	10.9	10.9
Disposals	(8.1)	(34.4)	(42.5)
Changes in exchange rates	0.3	4.9	5.2
At 31 December 2008	1.5	60.8	62.3
Accumulated depreciation			
At 1 January 2007	—	47.7	47.7
Disposals	—	(6.5)	(6.5)
Charge for the year	—	8.3	8.3
Changes in exchange rates	—	0.2	0.2
At 31 December 2007	—	49.7	49.7
Disposals	—	(14.7)	(14.7)
Charge for the year	—	7.9	7.9
Changes in exchange rates	—	3.9	3.9
At 31 December 2008	—	46.8	46.8

All Freehold land and buildings and all plant and equipment were held at cost at 31 December 2008 (2007: £88.2m held at cost, £0.5m held at 2006 valuation).

Carrying amount	Freehold land and buildings	Plant and equipment	Total
	£m	£m	£m
At 31 December 2008	1.5	14.0	15.5
At 31 December 2007	9.3	29.7	39.0

15. Interests in joint ventures

	2008 £m	2007 £m
Aggregated amounts relating to share of joint ventures		
Non-current assets	—	—
Current assets	89.4	101.6
Total assets	89.4	101.6
Current liabilities	(20.2)	(40.9)
Non-current liabilities	(32.5)	(27.6)
Total liabilities	(52.7)	(68.5)
Carrying amount	36.7	33.1
Loans to joint ventures	31.0	26.8
Total interests in joint ventures	67.7	59.9

	2008 £m	2007 £m
Share of post-tax profits from joint ventures		
Revenue	24.2	81.3
Cost of sales	(14.5)	(51.4)
Gross profit	9.7	29.9
Net operating expenses	(1.7)	(1.6)
Profit on ordinary activities before finance costs	8.0	28.3
Finance costs	(0.2)	(0.6)
Profit on ordinary activities before tax	7.8	27.7
Taxation	(0.2)	(4.3)
Share of joint ventures' post-tax results for the year	7.6	23.4

The Group has four (2007: five) principal joint ventures.

Particulars of principal joint ventures are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts	Taylor Wimpey plc interest in the issued ordinary share capital
Great Britain	Greenwich Millennium Village Limited*	50%
	Strada Developments Limited*	50%
	Academy Central Limited Liability Partnership*	62%
USA	Taylor Woodrow Communities/Steiner Ranch Limited*	50%

* Interest held by subsidiary undertakings.

16. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	Capital allowances	Short term timing differences	Brands	Inventory adjustments	Retirement benefit obligations	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2007	3.1	14.0	—	8.9	68.6	94.6
Credit/(charge) to income	0.4	(15.0)	11.4	(54.9)	(10.1)	(68.2)
Charge to equity	—	(2.6)	—	—	(29.6)	(32.2)
Acquisition of subsidiaries	0.7	12.8	(41.2)	85.6	34.5	92.4
Changes in exchange rates	—	0.8	—	0.5	—	1.3
At 31 December 2007	4.2	10.0	(29.8)	40.1	63.4	87.9
(Charge)/credit to income	(5.5)	(3.0)	29.8	(46.1)	(39.7)	(64.5)
Charge to equity	—	—	—	—	(23.7)	(23.7)
Disposal of subsidiaries	—	(0.4)	—	—	—	(0.4)
Changes in exchange rates	—	—	—	6.0	—	6.0
At 31 December 2008	(1.3)	6.6	—	—	—	5.3

The £23.7m charge to equity comprises a credit of £23.5m in respect of deferred tax on actuarial losses on defined benefit pension schemes taken to the statement of recognised income and expense during the year, and a charge of £47.2m in respect of the write off of the deferred tax asset on retirement benefit obligations.

The recognition of deferred tax assets on capital allowances, short term timing differences and inventory write downs reflects the amount the Group believes is probable to be utilised in the UK and US in future years, which has been assessed in light of the weakening market and general worsening economic conditions in the second half of 2008.

In addition, the deferred tax liability on brands has reduced to nil (2007: £29.8m) as a result of the impairment of those brands. The deferred tax asset recognised on the UK retirement benefit obligations has reduced to nil (2007: £63.4m at 28%), due to a lack of visibility over the ability to recover the scheduled deficit repair payments.

The net deferred tax balance is analysed into assets and liabilities as follows:

	2008	2007
	£m	£m
Deferred tax assets	6.6	117.7
Deferred tax liabilities	(1.3)	(29.8)
	5.3	87.9

At the balance sheet date, the Group has unused UK capital losses of £409.2m (2007: £418.0m), of which £271.7m (2007: £296.8m) are agreed as available for offset against future capital profits. No deferred tax asset has been recognised in respect of these losses because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future. In addition, some

16. Deferred tax (Continued)

of the capital losses would be further restricted as to offset dependent on the source within the Taylor Wimpey Group of any gains and previous losses.

The Group has not recognised potential deferred tax assets relating to inventory charges, pension liabilities and tax losses carried forward amounting to £248.3m (2007: nil) in the UK and £303.6m (2007: £189.4m) in the US and £17.3m (2007: £9.7m) in other jurisdictions. Local tax legislation permits losses to be carried forward 20 years in the US, 15 years in Spain and indefinitely in the UK.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant, therefore no deferred tax balance has been recognised.

17. Inventories

	2008	2007
	£m	£m
Raw materials and consumables	1.5	2.3
Finished goods and goods for resale	34.4	106.4
Residential developments:		
Land*	3,410.3	3,879.4
Development and construction costs	1,438.8	2,019.6
Commercial, industrial and mixed development properties	5.6	10.1
	4,890.6	6,017.8

* Details of land creditors are in note 22.

The Directors consider all inventory to be current in nature. The operational cycle is such that the majority of inventory will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

Non-refundable land option payments of £81.3m (2007: £59.6m) are recorded within 'Residential developments: Land'.

During the year, the Group wrote down the carrying value of certain inventories to net realisable value following a significant deterioration in market conditions. The write down reflects the extent to which current market conditions have lowered management's estimates of selling prices and associated costs to sell for its land and work in progress below the value at which the inventory had previously been held in the balance sheet. The write down of £1,071.8m (2007: £289.7m) is included as an exceptional charge in the consolidated income statement. As a result of this review of the carrying value of inventory, the Group also reversed £59.0m (2007: nil) of write downs which had been previously charged to the income statement where management's estimates of recoverable value for certain land and work in progress had improved. This reversal is treated as exceptional income and netted off the exceptional charge.

18. Construction contracts

	2008 £m	2007 £m
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	6.0	57.3
Amounts due to contract customers included in trade and other payables	(0.8)	(39.1)
	5.2	18.2
Contract costs incurred plus recognised profits less recognised losses to date	382.4	3,684.8
Less: progress billings	(377.2)	(3,666.6)
	5.2	18.2

At 31 December 2008, retentions held by customers for contract work amounted to £2.3m (2007: £11.1m). The Group's UK construction business was sold on 9 September 2008 (see note 31). The remaining balances relate to a small construction operation in Ghana which is included in the Corporate business segment, and which was disposed of subsequent to year-end on 21 April 2009.

19. Other financial assets

Trade and other receivables

	Current		Non-current	
	2008 £m	2007 £m	2008 £m	2007 £m
Trade receivables	127.3	257.1	40.0	41.9
Joint ventures	—	9.0	0.2	—
Currency and interest rate derivatives	—	—	3.0	19.9
Other receivables	54.0	125.2	4.7	14.6
	181.3	391.3	47.9	76.4

The average credit period taken on sales is 13 days (2007: 15 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £3.7m (2007: £2.2m). This allowance has been determined by reference to past default experience.

Cash and cash equivalents

	2008 £m	2007 £m
Cash and cash equivalents (see note 23)	752.3	130.0

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value in both years.

20. Bank loans and overdrafts

	2008	2007
	£m	£m
Bank overdrafts repayable on demand	22.6	12.2
Bank loans	1,289.9	708.5
	1,312.5	720.7
Amount due for settlement within one year	23.4	12.2
Amount due for settlement after one year	1,289.1	708.5
Total bank borrowings	1,312.5	720.7

	Bank overdraft	Bank loans
	£m	£m
Analysis of borrowings by currency:		
31 December 2008		
Sterling	0.1	1,030.0
Canadian dollars	18.4	—
Euros	—	106.3
Ghanaian cedis	4.1	—
US dollars	—	153.6
	22.6	1,289.9
31 December 2007		
Sterling	0.7	295.0
Canadian dollars	8.0	—
Euros	—	—
Ghanaian cedis	3.5	—
US dollars	—	413.5
	12.2	708.5

The Directors are unable to estimate reliably the impact of the Group's credit risk on the fair value of the bank loans at 31 December 2008, which was before the successful conclusion of the refinancing (2007: fair value approximates book value). As set out in note 21, at 31 December 2008 the market value of the quoted Eurobonds was 32% of their book value.

Bank borrowings and overdrafts are arranged at floating rates of interest, from 3.82% to 19.75% (2007: 5.25% to 18.0%).

Secured bank loans and overdrafts totalled £23.4m (2007: £4.5m). Secured bank loans and overdrafts are secured on certain fixed asset properties and land.

On 24 December 2008 the Group announced that the providers of its bank facilities and its private placement noteholders had agreed to defer the testing date into 2009 of certain financial covenants which had been due for testing on 31 December 2008. Had this deferral not been obtained, the Group would have been in breach of an interest cover covenant at the year-end which could have resulted in all bank loans being presented as repayable on demand in these financial statements. However, as a result of this deferral, the Group remained in full compliance with all its existing covenants and loan terms in the current and preceding period. The Override Agreement signed on 7 April 2009 includes new financial covenants with which the Group is fully compliant and which supersede those set out in the old financing agreements, including the covenant for which the test was deferred into 2009—see note 37.

21. Debenture loans

	2008	2007
	£m	£m
Unsecured		
Floating rate notes 2008	—	1.4
9.00% US$35m notes 2009	24.7	18.5
5.73% US$110m notes 2009	76.4	55.2
5.53% US$75m notes 2011	52.1	37.6
6.625% £250m guaranteed bonds 2012[(1)(2)]	254.5	245.8
6.21% US$70m notes 2012	48.8	35.4
6.80% £30m notes 2012	30.0	30.0
4.72% US$28m notes 2013	18.6	13.2
6.31% US$110m notes 2014	76.5	55.4
6.03% US$175m notes 2014	121.5	87.7
4.98% US$38m notes 2015	25.2	17.7
6.72% US$30m notes 2017	21.1	15.4
5.29% US$30m notes 2018	19.7	13.9
6.375% £200m bonds 2019[(2)]	200.0	197.5
Carrying value	969.1	824.7
Fair value[(2)]	308.8	837.9

(1) The guarantee in respect of the 6.625% £250m guaranteed bond due 2012 was released on 16 January 2004.

(2) The fair value for all debenture loans has been based on the prices indicated for the two listed Eurobonds as at 31 December 2008 on the basis that the discount applied by the market to the listed bonds could be equally applicable to all of the Group's debt. This discount reflected the uncertainty in the market surrounding the Group's debt negotiations at the balance sheet date, which has subsequently been resolved on the signing of the Override Agreement in April 2009.

	2008	2007
	£m	£m
Repayable		
Within one year or on demand	101.1	1.4
Total falling due in more than one year	868.0	823.3

Interest rates and currencies of debenture loans:

		Fixed rate debt		
	Floating rate	Fixed rate	Weighted average interest rate	Weighted average time until maturity
	£m	£m	%	years
31 December 2008				
Sterling[(1)]	—	484.5	6.53	6.2
US dollars	—	484.6	6.04	4.4
	—	969.1	6.29	5.5
31 December 2007				
Sterling[(1)]	1.4	473.3	6.53	7.2
US dollars	—	350.0	6.05	5.4
	1.4	823.3	6.33	6.4

(1) Interest on £100.0m (2007: £100.0m) of the 6.625% £250m guaranteed bond 2012 has been swapped from 6.625% to floating rate based on US dollar LIBOR applicable to periods of three months. The above table does not reflect the impact of these swaps.

21. Debenture loans (Continued)

On 24 December 2008 the Group announced that the providers of its bank facilities and its private placement note holders had agreed to defer the testing date into 2009 of certain financial covenants which had been due for testing on 31 December 2008. Had this deferral not been obtained, the Group would have been in breach of an interest cover covenant at the year end which could have resulted in certain debenture loans being presented as repayable on demand in these financial statements. However, as a result of this deferral, the Group remained in full compliance with all its existing covenants and loan terms in the current and preceding period. The Override Agreement signed on 7 April 2009 includes new financial covenants with which the Group is fully compliant which supersede those set out in the old financing agreements, including the covenant for which the test was deferred into 2009—see note 37.

22. Trade and other payables

	Current		Non-current	
	2008	2007	2008	2007
	£m	£m	£m	£m
Trade payables	562.9	920.6	293.8	376.6
Joint ventures	—	3.4	—	—
Currency and interest rate derivatives	14.4	1.5	—	—
Other payables	593.4	614.8	48.3	11.8
	1,170.7	1,540.3	342.1	388.4

Trade payable days were 26 days (2007: 43 days), based on the ratio of year-end trade payables (excluding sub-contract retentions and unagreed claims of £28.8m (2007: £23.8m) and land creditors) to amounts invoiced during the year by trade creditors.

Other payables include customer deposits for reserving plots of £80.1m (2007: £90.1m).

Land creditors (included within trade payables) are due as follows:

	2008	2007
	£m	£m
Due within one year	355.2	453.7
Due in more than one year	290.1	375.3
	645.3	829.0

Land creditors are denominated as follows:

	2008	2007
	£m	£m
Sterling	552.5	711.0
US dollars	33.1	42.4
Canadian dollars	35.9	38.4
Euros	23.8	37.2
	645.3	829.0

Land creditors of £492.0m (2007: £570.9m) are secured against land acquired for development, or supported by bond or guarantee.

23. Financial instruments

Capital management

The Group operates within policies and procedures approved by the Board. The Group's capitalisation policy, which was established in 2007, set overall parameters for the consolidated capital

23. Financial instruments (Continued)

structure designed to maintain a strong credit rating for the business and an appropriate funding structure for the assets based on a minimum interest cover and a maximum gearing. Equity, retained profits and long term fixed interest debt have historically been used to finance intangible assets, fixed assets and land. Short term borrowings are primarily used to finance net current assets, other than landbank assets of more than one year, and work in progress. In addition to term borrowings and overdraft facilities, the Group has access to committed revolving credit facilities and has accessed the capital markets from time to time. The rapid deterioration in the UK housing market experienced in 2008, which would have resulted in a breach of one of the Group's financial covenants at 31 December 2008 had the Group not secured a deferral in the testing of that covenant, means that the Group's policy has been temporarily suspended. This suspension is expected to continue throughout the term of the new financing agreements as set out in the Override Agreement (see note 37). The Group's focus is to remain in compliance with all of its financial obligations and to generate cash to reduce its level of borrowings.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets	Note	2008 Carrying value	2007 Carrying value
		£m	£m
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	0.4	17.7
Held for trading	(a)	2.7	2.2
Cash and cash equivalents	(b)	752.3	130.0
Loans and receivables:			
Land receivables	(b)	55.6	108.6
Trade and other receivables	(b)	95.4	192.3
Mortgage receivables	(b)	31.7	16.7
		938.1	467.5

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts.

Current and non-current trade and other receivables, as disclosed, in note 19 include £43.4m (2007: £146.9m) of non-financial assets.

Financial liabilities	Note	2008 Carrying value	2007 Carrying value
		£m	£m
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	1.8	—
Held for trading	(a)	12.6	1.5
Amortised cost:			
Bank loans and overdrafts		1,312.5	720.7
Land creditors	(b)	645.3	829.0
Trade and other payables	(b)	701.1	892.0
Debentures	(c)	969.1	824.7
		3,642.4	3,267.9

Land creditors and trade and other payables are included in the balance sheet as trade and other payables for current and non-current amounts.

23. Financial instruments (Continued)

Current and non-current trade and other payables, as disclosed in note 22, include £152.6m (2006: £206.2m) of non-financial liabilities.

(a) Derivative financial instruments are carried at fair value. The fair values are calculated using quoted market prices relevant for the term, currency and instrument.

(b) The Directors consider that the carrying amount recorded in the financial statements approximates their fair values.

(c) Details of fair values of debenture loans are provided in note 21.

The Group has the following types of derivatives:

	2008 Notional amount	2008 Weighted average fixed	2007 Notional amount	2007 Weighted average fixed
Designated as held for trading:				
Floating £ to fixed £ interest	£185.0m	5.28%	£235.0m	5.10%
Fixed US$ to floating US$ interest	US$145.0m	5.16%	US$145.0m	5.16%
Floating US$ to fixed US$ interest	—	—	US$ 50.0m	5.63%
Designated as hedging instruments:				
US$160.5m floating US$ to fixed £ interest	£100.0m	6.63%	£100.0m	6.63%

In addition, forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy against Sterling: US$nil, €2.5m and C$nil (2007: US$55m and C$90.0m; sell against Sterling: €70.9m). The fair values of the forward contracts are not material as they were entered into on or near 31 December 2008 and mature not more than one month later.

Loss before tax has been arrived at after charging/(crediting) the following gains and losses:

	2008 £m	2007 £m
Change in fair value of financial liabilities designated as effective hedged items	6.9	1.7
Change in fair value of derivatives designated as effective hedging instruments	(6.9)	(1.7)
Change in fair value of derivatives classified as held for trading	(10.8)	(5.4)
	(10.8)	(5.4)

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks by the use of fixed or floating rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. A combination of fixed rate borrowings and interest rate swaps are used to manage the volatility risk such that at the year end, taking all interest rate derivatives into account, fixed rate borrowings are not more than 70% of total borrowings but not less than 50%.

23. Financial instruments (Continued)

In order to measure the risk, floating rate borrowings and the expected interest cost for the year are forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility.

The Group's exposure to, and the way in which it manages interest rate risk, has not changed from the previous year.

On 7 April 2009 the Group agreed new terms for its debt—see note 37.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with policy.

The cross currency, fixed to floating interest rate swaps have been bifurcated for hedging purposes and designated as fair value hedges such that the Group receives interest at a fixed rate of 6.625% based on a nominal value of £100m matching the underlying borrowing and pay US dollar floating rates on a nominal value of US$160.5m. During the period, the hedge was 100% effective (2007: 100%) in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was reduced by £6.9m (2007: increased by £1.7m) which was included in the income statement offsetting the fair value movement of the bifurcated interest rate swap.

A number of derivatives are held which, while providing an economic hedge to the volatility of interest rates, do not satisfy the strict requirements for hedge accounting and are therefore designated as held for trading.

Interest rate sensitivity

The effect on both income and equity, determined based on exposure to non-derivative floating rate instruments at the balance sheet date, for a 1% (2007: 1%) rise in interest rates is £(5.6m) (2007: £(5.8m)), before tax, a 1% (2007: 1%) fall in interest rates gives the same but opposite effect. For derivatives the fair values have been calculated based on market quoted rates adjusted for the sensitivity as shown in the tables below.

Due to seasonal fluctuations the level of net borrowings at the financial year end are not representative of net borrowings during the year and therefore interest rate sensitivity before tax for a reasonably possible 1% (2007: 1%) rise in floating rate instruments as shown below is based on a monthly average for the current period. The table assumes all other variables remain constant and in accordance with IFRS 7 does not attempt, for example, to include the effects of any resultant change in exchange rates.

1% increase in interest rates	Sensitivity income 2008	Sensitivity equity 2008	Sensitivity income 2007	Sensitivity equity 2007
	£m	£m	£m	£m
Derivatives	4.4	4.7	5.3	1.8
Non derivatives (based on average for the year)	(9.5)	(9.5)	(4.6)	(4.6)
	(5.1)	(4.8)	0.7	(2.8)

23. Financial instruments (Continued)

1% decrease in interest rates	Sensitivity income 2008	Sensitivity equity 2008	Sensitivity income 2007	Sensitivity equity 2007
	£m	£m	£m	£m
Derivatives	(4.6)	(4.8)	(5.6)	(1.9)
Non derivatives (based on average for the year)	9.5	9.5	4.6	4.6
	4.9	4.7	(1.0)	2.7

The interest rate sensitivity shown above will be superseded by the terms of the Override Agreement—see note 37.

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates primarily to US dollars, Canadian dollars and the Euro.

The Group is not materially exposed to transaction risks as nearly all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is also exposed to the translation risk of accounting for both the income and the net investment held in functional currencies other than Sterling. The net investment risk is partially hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates and resultant exchange gains or losses monitored each month. Income is also measured monthly using the latest exchange rates and compared to a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings the translation risk of income is not hedged using derivatives. The policy is kept under periodic review.

The Group's exposure to, and the way in which it manages, exchange rate risk has not changed from the previous year.

Hedge accounting

The Group designates the bifurcated cross currency swaps such that the nominal amount of US$160.5m (2007: US$160.5m) is used to hedge part of the Group's net investment in US dollar denominated assets and liabilities.

The Group has also designated the carrying value of US$527.5m and €75.0m (2007: US$982.5m and €nil) borrowings as a net investment hedge of part of the Group's investment in US dollar and Euro denominated assets respectively.

The hedge was highly effective throughout the period (2007: 100% effective) and is expected to be highly effective prospectively. The change in the carrying amount of the derivatives which were effective hedging instruments and the change in the carrying value of the borrowings offset the exchange movement on the Group's US dollar and € net investments and are included in the translation reserve.

Foreign currency sensitivity

The Group is primarily exposed to US dollars, Canadian dollars and the Euro. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis, to a 20% increase (2007: 10%) in the respective currencies against Sterling and in accordance with IFRS 7, all other variables remaining constant. A 20% (2007: 10%) decrease in the value of Sterling would have an equal but opposite effect.

23. Financial instruments (Continued)

The 20% (2007: 10%) change represents a reasonably possible change in the specified foreign exchange rates in relation to Sterling.

	Income sensitivity 2008	Equity sensitivity 2008	Income sensitivity 2007	Equity sensitivity 2007
	£m	£m	£m	£m
US dollar	(4.4)	10.6	(15.1)	(20.2)
Canadian dollar	(0.4)	(35.2)	0.2	(15.6)
Euro	0.4	(14.1)	0.2	0.2
	(4.4)	(38.7)	(14.7)	(35.6)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

The Group's historical policy was to place surplus cash with banks with a minimum credit rating. This was modified in 2008 due to the uncertainties in the financial sector and where possible surplus cash, when not used to repay borrowings is placed on deposit with the Group's revolving credit facility syndicate banks. In Canada, surplus cash is placed on deposit across a number of banks based on credit rating. Credit risk on derivatives where the fair value is positive is closely monitored and remains within acceptable limits.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that if the risk is not acceptable then the deferred payment must have adequate security either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management consider that the credit quality of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration risk. A small allowance for credit losses against sundry debtors is held, however, the balance is not material in relation to the gross carrying value of this particular class of financial asset.

Loans made to joint ventures are in most cases part of the investment and carry equity like risk. Other loans to joint ventures are made on normal arm's-length terms which will include security where appropriate and are usually repayable from sales proceeds.

The Group's exposure to credit risk has increased compared to the prior year due to the current policy of maintaining a higher level of liquidity and the general deterioration in credit quality due to the current economic climate.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities and ideally through the use of term borrowings, overdrafts and committed revolving credit facilities with a range of maturity dates to ensure continuity of funding. Future borrowing requirements are forecast on a weekly and monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. The monitoring of this risk during the year identified early

23. Financial instruments (Continued)

that the Group was at risk of breaching one of its debt and private placement covenants, which enabled the Group to commence negotiations with its lenders well in advance of the date that the covenant was due to be tested.

The Group has maintained a higher level of cash balances while the negotiations with its lenders have been continuing. Now that the negotiations have been successfully concluded, these cash balances will be used to repay revolving credit facilities.

In addition to term borrowings and on demand overdraft facilities the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £410.9m (2007: £1,192.9m) and cash and cash equivalents of £752.3m (2007: £103.0m). As a result of successfully concluding negotiations with its lenders in April 2009, the Group now has committed funding until mid-2012 including term loans, committed revolving credit facilities, committed overdrafts, bank guarantee and letter of credit facilities totalling £2,467m. Management believe this level of committed funding is adequate to meet forecast requirements.

The maturity profile of the anticipated future cash flows including interest using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis is as follows:

Financial liabilities	Bank loans and overdraft	Land creditors	Other trade payables	Debenture loans	Total
	£m	£m	£m	£m	£m
On demand	22.8	—	—	—	22.8
Within one year	60.3	410.1	634.1	160.3	1,264.8
More than one year and less than two years	59.6	83.3	40.1	54.1	237.1
More than two years and less than five years	1,379.4	118.0	13.5	463.0	1,973.9
In more than five years	—	38.4	13.4	554.9	606.7
31 December 2008	1,522.1	649.8	701.1	1,232.3	4,105.3

Financial liabilities	Bank loans and overdraft	Land creditors	Other trade payables	Debenture loans	Total
	£m	£m	£m	£m	£m
On demand	12.3	—		—	12.3
Within one year	40.8	444.3	848.6	54.1	1,387.8
More than one year and less than two years	42.2	250.3	8.3	124.7	425.5
More than two years and less than five years	809.6	143.5	3.8	430.6	1,387.5
In more than five years	—	30.6	—	514.8	545.4
31 December 2007	904.9	868.7	860.7	1,124.2	3,758.5

The following table represents the undiscounted cash flow profile of the Group's derivative financial instruments and has been calculated using implied interest rates and exchange rates derived from the respective yield curves. Interest rate swaps are settled net and foreign currency swaps and

23. Financial instruments (Continued)

forward contracts are settled gross except in the case of a default by either party where the amounts may be settled net.

Derivatives	Net-settled derivatives net amount	Gross-settled derivatives receivable	Gross-settled derivatives payable	Total
	£m	£m	£m	£m
Within one year	(1.6)	9.0	(7.3)	0.1
More than one year and less than two years	(4.8)	6.6	(5.4)	(3.6)
More than two years and less than five years	(3.4)	113.3	(112.3)	(2.4)
In more than five years	(0.8)	—	—	(0.8)
31 December 2008	(10.6)	128.9	(125.0)	(6.7)

Derivatives	Net-settled derivatives	Gross-settled derivatives receivable	Gross-settled derivatives payable	Total
	£m	£m	£m	£m
Within one year	2.0	132.1	(130.8)	3.3
More than one year and less than two years	0.1	6.6	(4.5)	2.2
More than two years and less than five years	(1.4)	119.9	(96.4)	22.1
In more than five years	—	—	—	—
31 December 2007	0.7	258.6	(231.7)	27.6

24. Retirement benefit schemes

Retirement benefit obligation comprises gross pension liability of £277.2m (2007: £216.4m) and gross post-retirement health care liability of £2.6m (2007: £2.7m).

The Group operates Defined Benefit and Defined Contribution pension schemes. In the UK, the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) are funded Defined Benefit schemes. The Taylor Woodrow NHS Pension Scheme (TWNHSPS), which was also a Defined Benefit scheme, was disposed of as part of the disposal of the construction business on 9 September 2008. The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002 and with the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) on 27 August 2004. These schemes are managed by boards of trustees. The Group's Defined Benefit schemes are closed to new entrants. The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006. An alternative Defined Contribution arrangement, the Taylor Woodrow Personal Choice Plan, is offered to new employees and from 1 December 2006 to employees who previously accrued benefits in the TWGP&LAF. Legacy George Wimpey staff are members of a UK Stakeholder arrangement. Contributions of £8.9m (2007: £11.2m) were charged to income in respect of defined contribution schemes. The Group also operates a number of small overseas pension schemes including defined benefit schemes in the US and Canada. Of the defined benefit pension scheme net deficit of £277.2m (2007: £216.4m) at 31 December 2008, £268.3m (2007: £217.2m) related to the TWGP&LAF and GWSPS schemes in the UK and £8.9m (2007: £0.8m surplus) related to defined benefit schemes in the US and Canada.

The pension scheme assets of the Group's principal defined benefit pension schemes, TWGP&LAF and GWSPS are held in a separate trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees is determined by each scheme's trust documentation. The Group has a policy that at least one-third of all trustees should be nominated by members of the scheme.

23. Financial instruments (Continued)

The most recent formal actuarial valuation of the TWGP&LAF was carried out at 1 June 2007. The most recent formal actuarial valuation of the GWSPS was carried out at 31 March 2007. The projected unit method was used in all valuations and assets were taken into account using market values.

The next formal valuations of the TWGP&LAF and GWSPS are taking place at 1 June 2010 and 31 March 2010 respectively. The statutory funding objective is that each scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principles adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

In 2008 the Group agreed revised funding schedules with the Trustees of both schemes under which the Group will make annual funding contributions of £20m over eight years in respect of the TWGP&LAF and £25m over 10 years in respect of GWSPS. Following the last valuation of the GWSPS, the ordinary contribution rate was set at 18% of pensionable salaries.

The main financial assumptions, which were used for the triennial funding valuation and are all relative to the inflation assumption, are as set out below:

Assumptions	TWGP&LAF	GWSPS
RPI inflation	3.15%	3.15%
Discount rate—pre/post-retirement	5.60%	6.75/4.75%
General pay inflation	—	5.15%
Real pension increases	0.00%	0.00%

Valuation results	TWGP&LAF	GWSPS
Market value of assets	£764m	£668m
Past service liabilities	£926m	£883m
Scheme funding levels	82.00%	76.00%

The valuations of the Group's pension schemes have been updated to 31 December 2008 and the position of overseas schemes has been included within the IAS 19 disclosures. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	United Kingdom		North America	
	2008	2007	2008	2007
As at 31 December				
Discount rate for scheme liabilities	6.30%	5.80%	5.80-7.00%	5.30-5.80%
Expected return on scheme assets	5.80-6.45%	6.20-6.25%	5.50-8.00%	5.50-6.60%
General pay inflation	4.30%	4.60%	3.00%	2.60%
Deferred pension increases	2.80%	3.10%	0.00%	0.00%
Pension increases	2.15-3.35%	2.25-3.35%	0.00-3.00%	0.00-3.00%

The basis for the above assumptions are prescribed by IAS 19 and do not reflect the assumptions that may be used in future funding valuations of the Group's pension schemes.

The current life expectancies (in years) underlying the value of the accrued liabilities for the main UK plans are:

	2008		2007	
Life expectancy at age 65	Male	Female	Male	Female
Member currently age 65	86	89	84	87
Member currently age 45	87	90	85	88

23. Financial instruments (Continued)

The fair value of assets and present value of obligations of the Group's defined benefit pension schemes are set out below:

	Expected rate of return	United Kingdom	North America	Total plans	Percentage of total plan assets held
	% p.a.	£m	£m	£m	
31 December 2008					
Assets:					
Equities	6.90%	422.2	9.3	431.5	34%
Bonds	6.50%	324.2	5.8	330.0	26%
Gilts	3.40%	474.8	—	474.8	37%
Other assets	2.00%	44.2	—	44.2	3%
		1,265.4	15.1	1,280.5	100%
Present value of defined benefit obligations		(1,533.7)	(24.0)	(1,557.7)	
Deficit in schemes recognised as non-current liability		(268.3)	(8.9)	(277.2)	
31 December 2007					
Assets:					
Equities	8.10%	488.0	8.3	496.3	35%
Bonds/Gilts	5.80/4.60%	836.0	4.4	840.4	58%
Other assets	5.50%	97.5	—	97.5	7%
		1,421.5	12.7	1,434.2	100%
Present value of defined benefit obligations		(1,638.7)	(11.9)	(1,650.6)	
(Deficit)/surplus in schemes recognised as non-current liability		(217.2)	0.8	(216.4)	

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on investments (particularly government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class were then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold bonds issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered 'riskier' investments.

It is generally accepted that the yield on equity investments will contain a premium, 'the equity risk premium', to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

23. Financial instruments (Continued)

A summary of the target asset allocations of the major defined benefit schemes are shown below:

	TWGP&LAF	GWSPS
UK Equities	15%	18%
Non-UK Equities	30%	12%
Index-Linked Gilts	15%	25%
Fixed-Interest Gilts	10%	16%
Other UK bonds	25%	24%
GTAA	—	5%
Property	5%	—

	2008 £m	2007 £m
Amount (charged against)/credited to income:		
Current service cost	(5.5)	(5.1)
Curtailment loss	(0.9)	—
Settlement loss	—	—
Operating cost	(6.4)	(5.1)
Expected return on scheme assets	82.0	66.1
Interest cost on scheme liabilities	(93.7)	(69.9)
Finance charges	(11.7)	(3.8)
Total charge	(18.1)	(8.9)

The actual return on scheme assets was a loss of £128.4m (2007: gain of £53.4m).

	2008 £m	2007 £m
Actuarial (losses)/gains in the statement of recognised income and expenses:		
Difference between actual and expected return on scheme assets	(210.4)	(12.7)
Experience gains arising on scheme liabilities	(22.1)	26.7
Changes in assumptions	142.3	77.3
Total (loss)/gains recognised in the statement of recognised income and expense	(90.2)	91.3

23. Financial instruments (Continued)

The cumulative amount of actual gains and losses recognised in the statement of recognised income and expense is £73.8m loss (2007: £16.4m gain).

	2008	2007
	£m	£m
Movement in present value of defined benefit obligations		
1 January	1,650.6	955.6
Changes in exchange rates	5.6	0.4
Service cost	5.5	5.1
Curtailment gain	0.9	—
Plan settlements	—	—
Benefits paid and expenses	(80.4)	(58.6)
Contributions—employee	2.0	1.2
Interest cost	93.7	69.9
Acquisitions	—	781.0
Actuarial gains	(120.2)	(104.0)
31 December	1,557.7	1,650.6

	2008	2007
	£m	£m
Movement in fair value of scheme assets		
1 January	1,434.2	749.7
Changes in exchange rates	3.0	0.8
Expected return on scheme assets and expenses	82.0	63.6
Contributions—employer and employee	52.5	31.2
Benefits paid	(80.8)	(56.1)
Plan settlements	—	—
Acquisitions	—	657.7
Actuarial losses	(210.4)	(12.7)
31 December	1,280.5	1,434.2

	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
History of experience gains and losses:					
Fair value of scheme assets	1,280.5	1,434.2	749.7	706.1	627.0
Present value of defined benefit obligations	(1,557.7)	(1,650.6)	(955.6)	(925.9)	(769.5)
Deficit in the scheme	(277.2)	(216.4)	(205.9)	(219.8)	(142.5)
Difference between actual and expected return on scheme assets:					
Amount	(210.4)	(12.7)	24.2	61.4	22.0
Percentage of scheme assets	16.4%	1.0%	3.0%	9.0%	4.0%
Experience adjustments on scheme liabilities:					
Amount	(22.1)	26.7	0.2	(32.6)	(6.5)
Percentage of scheme liabilities	1.4%	2.0%	0.0%	4.0%	0.8%

The estimated amounts of contributions expected to be paid to the TWGP&LAF during 2009 are £20m, to the GWSPS are £31m.

24. Retirement benefit schemes (Continued)

The Group liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value so there is no net effect on the Company liability.

Assumption	Change in assumption	Impact on scheme liabilities £m
Discount rate	Increase by 0.1% p.a.	Decrease by £23.0m
Rate of inflation	Increase by 0.1% p.a.	Increase by £21.0m
Rate of pay inflation	Increase by 0.1% p.a.	Increase by £1.6m
Rate of mortality	Members assumed to live 1 year longer	Increase by £38.0m

The projected liabilities of the defined benefit scheme are apportioned between members' past and future service using the projected unit actuarial cost method. The defined benefit obligation makes allowance for future earnings growth. If all active members were assumed to leave the Company and the allowance for future earnings growth was replaced by an allowance for statutory revaluation, the liabilities would reduce by £15.0m.

The gross post-retirement liability also includes £2.6m at 31 December 2008 (2007: £2.7m) in respect of continuing post-retirement health care insurance premiums for retired long-service employees. The liability is based upon the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 2008.

The cost is calculated assuming a discount rate of 5% per annum and an increase in medical expenses of 10% per annum. The premium cost to the Group in respect of the retired long-service employees for 2008 was £0.2m (2007: £0.2m).

25. Provisions

	Housing maintenance	Restructuring	Other	Total
	£m	£m	£m	£m
At 1 January 2007	27.9	—	—	27.9
Additional provision in the year	23.5	52.8	1.7	78.0
Acquisition of George Wimpey Plc	5.8	—	13.9	19.7
Utilisation of provision	(18.7)	(19.2)	(1.2)	(39.1)
Changes in exchange rates	—	—	0.1	0.1
At 31 December 2007	38.5	33.6	14.5	86.6
Additional provision in the year	5.9	35.1	36.0	77.0
Utilisation of provision	(15.0)	(42.2)	(3.4)	(60.6)
Released	(0.7)	(5.2)	(3.2)	(9.1)
Changes in exchange rates	10.3	0.8	2.1	13.2
At 31 December 2008	39.0	22.1	46.0	107.1

	£m
Amount due for settlement within one year	56.1
Amount due for settlement after one year	51.0
31 December 2008	107.1

The housing maintenance provision arises principally from warranties and other liabilities on housing sold. Whilst such warranties extend to a period of 10 years, payment of these costs is likely to

25. Provisions (Continued)

occur within a period of two years. The Group has a restructuring provision relating to the second stage of the reorganisation of the UK Housing business following the merger with George Wimpey Plc in 2007. It is anticipated that the majority of this provision, which comprises redundancy costs and empty property costs will be utilised within eight years. Other provisions consist of a remedial work provision, provisions for legal claims and other contract-related costs. The remedial work provision covers various obligations, including aftercare at Springfield Environmental Limited which has a legal responsibility of a long term nature for the management of old, completed sites and provisions for losses on construction contracts for which responsibility was retained by George Wimpey Plc group following an asset swap with Tarmac Plc in 1996. Provisions for legal claims and contract-related costs comprise various matters arising across the Group, the majority of which are anticipated to be settled within a three-year period.

26. Share capital

	2008 £m	2007 £m
Authorised:		
2,000,000,000 ordinary shares of 25p each	500.0	500.0

	Number of shares	£m
Issued and fully paid:		
1 January 2007	594,150,096	148.5
Acquisition of George Wimpey Plc	563,919,759	141.0
Options exercised	194,175	0.1
US Employee Stock Purchase Plan	30,678	—
31 December 2007	1,158,294,708	289.6
US Employee Stock Purchase Plan	4,493	—
31 December 2008	1,158,299,201	289.6

During the year, options were exercised on 249,796 (2007: 4,347,240) ordinary shares of which 4,493 (2007: 194,175) were new issues with the balance coming from Treasury/ESOT at varying prices from 148.8p to 226.8p and shares were issued for a total consideration of nil (2007: £4.2m). Additionally, 844 (2007: nil) ordinary shares were awarded to employees for 25 or 40 years' long service. Under the Group's senior executives' share option scheme and executive share option plan, employees held options at 31 December 2008 to purchase 15,467,631 shares (2007: 855,810) at prices between 16.3p and 252.8p per share exercisable up to 16 October 2018. Under the Group's savings-related share option schemes, employees held options at 31 December 2008 to purchase 24,921,300 shares (2007: 7,043,437) at prices between 37.6p and 278.8p per share exercisable up to 31 May 2014. Under the Group's cash bonus deferral plan and executive bonus plan, employees held options at 31 December 2008 in respect of 228,126 shares (2007: 716,604) at nil pence per share exercisable up to 9 April 2010. Under the Group's performance share plan, employees held conditional awards at 31 December 2008 in respect of 7,832,194 shares (2007: 4,512,837) at nil pence per share exercisable up to 16 October 2018. Under the Group's share purchase plan, employees held conditional awards at 31 December 2008 in respect of 3,252,206 shares (2007: 871,812) at nil pence per share. The former George Wimpey plans were acquired as part of the merger in 2007. Under the George Wimpey Sharesave Scheme, employees held options at 31 December 2008 to purchase 1,257,529 shares (2007: 3,378,282) at prices between 164.2p and 276.9p per share exercisable up to 31 May 2012. Under the George Wimpey Executive Option Scheme, employees held awards at 31 December 2008 in respect of 2,908,267 shares (2007: 4,182,473) at prices between 212.6p and 456.7p per share exercisable up to 2 April 2017. Under the George Wimpey Long Term Incentive Plan, employees held awards at

26. Share capital (Continued)

31 December 2008 in respect of 1,507,710 shares (2007: 3,990,182) at nil pence per share exercisable up to 2 April 2010.

Under the Override Agreement (see note 37), the Company agreed to issue 57.9m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. The warrants may be exercised at par by the holder within five years of the date of issue.

27. Share premium account

	£m
Balance at 1 January 2007	758.8
Amortisation of debt transferred from retained earnings	(0.7)
Balance at 31 December 2007	758.1
Amortisation of debt transferred from retained earnings	(4.5)
Balance at 31 December 2008	753.6

28. Reserves

	Retained earnings	Merger relief reserve	Capital redemption reserve	Translation reserve	Share-based payment tax reserve	Other	Total other reserves
	£m	£m		£m	£m	£m	£m
Balance at 1 January 2007	1,214.3	—	31.5	(19.1)	8.2	6.3	26.9
Dividends paid	(117.3)	—	—	—	—	—	—
Transfers to share premium account	0.7	—	—	—	—	—	—
Share-based payment credit	0.6	—	—	—	—	—	—
Cash cost of satisfying share options	(8.9)	—	—	—	—	—	—
Replacement options granted on acquisition of George Wimpey Plc	2.9	—	—	—	—	—	—
Premium on ordinary shares issued to acquire George Wimpey plc	—	1,934.2	—	—	—	—	—
Actuarial gains net of deferred tax	61.7	—	—	—	—	—	—
Transfer to retained earnings	1.0	—	—	—	—	(1.0)	(1.0)
Net loss for the year	(197.9)	—	—	—	—	—	—
Exchange differences on translation of overseas operations, net of tax	—	—	—	22.0	—	—	22.0
Increase in fair value of hedging derivatives	—	—	—	0.8	—	—	0.8
Decrease for the year	—	—	—	—	(2.6)	—	(2.6)
Balance at 31 December 2007	957.1	1,934.2	31.5	3.7	5.6	5.3	46.1
Dividend paid	(107.9)	—	—	—	—	—	—
Transfer to share premium account	4.5	—	—	—	—	—	—
Share-based payment credit	6.0	—	—	—	—	—	—
Cash cost of satisfying share options	(0.9)	—	—	—	—	—	—
Actuarial losses net of deferred tax	(66.7)	—	—	—	—	—	—
Deferred tax asset write off	(47.2)	—	—	—	—	—	—
Transfer to retained earnings	1,934.7	(1,934.2)	—	—	—	(0.5)	(0.5)
Exchange differences on translation of overseas operations, net of tax	—	—	—	50.3	—	—	50.3
Decrease in fair value of hedging derivatives	—	—	—	(31.2)	—	—	(31.2)
Net loss for the year	(1,841.3)	—	—	—	—	—	—
Balance at 31 December 2008	838.3	—	31.5	22.8	5.6	4.8	64.7

Merger relief reserve

In accordance with Section 131 of the Companies Act 1985, the premium on ordinary shares issued on the merger with George Wimpey Plc was recorded as a merger relief reserve. The reserve is not distributable but can be used to:

- Make a bonus issue of fully paid shares;
- Transfer to the profit and loss account reserve an amount equal to the amount that has become realised by virtue of either:

  The disposal of the related investment; or

  An amount written off the related investment and charged against the profit and loss account.

During the year, £1,934.2m (2007: nil) was transferred to retained earnings to offset the write down charged to the profit and loss account of the investment to which the reserve related.

28. Reserves (Continued)

Other reserves

Capital redemption reserve

The capital redemption reserve arose on the historical redemption of parent Company shares, and is not distributable.

Translation reserve

Translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging derivatives where such instruments are designated and effective as hedges of investment in overseas operations.

Share-based payment tax reserve

As explained in the statement of accounting policies, an expense is recorded in the Group's income statement over the period from the grant date to the vesting date of share options granted to employees. As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory tax rate, the excess is recorded directly in equity, in this share-based payment tax reserve.

29. Own shares

	£m
Balance at 1 January 2007	45.0
Acquired in the year	251.6
Disposed of on exercise of options	(14.6)
Balance at 31 December 2007	282.0
Disposed of on exercise of options	(6.3)
Balance at 31 December 2008	275.7

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market and those held as treasury shares and held by the Taylor Wimpey plc Employee Benefit Trust to satisfy options under the Group's share options schemes.

During the year, Taylor Wimpey plc purchased none of its own shares (2007: 94.8m).

	2008	2007
	Number	Number
These comprise ordinary shares of the Company:		
Treasury shares	92.7m	102.7m
Shares held in trust for bonus, option and performance award plans	6.8m	4.5m
	99.5m	107.2m

Employee Share Ownership Trusts ('ESOTs') are used to hold the Company's shares ('shares') which are either acquired on the market or (during 2008) transferred out of the Company's holding of shares in Treasury. These shares are used to meet the valid exercise and/or vesting of conditional awards (under the DBP and PSP) and options (under the Savings-Related, Executive Share Option, George Wimpey LTIP and Executive Bonus Plans) over shares, and the matching award of shares under the Share Purchase Plan.

29. Own shares (Continued)

During the year, 10.0m (2007: 4.3m) shares were transferred out of the Company's Treasury holding to the ESOTs for this purpose.

The ESOTs' entire holding of shares at 31 December 2008, aggregating 6.7m shares (2007: 4.5m), was covered by outstanding options and conditional awards over shares at that date.

30. Reconciliation of movements in consolidated equity

	2008	2007
	£m	£m
Total recognised loss for the year	(1,934.8)	(112.2)
Dividends on equity shares	(107.9)	(117.3)
New share capital subscribed	—	2,075.3
Replacement options granted on acquisition of George Wimpey Plc	—	2.9
Transfer of own shares	6.3	14.6
Purchase of own shares	—	(251.6)
Decrease in share-based payment tax reserve	—	(2.6)
Share-based payment charge	6.0	0.6
Cash cost of satisfying share options	(0.9)	(8.9)
Dividends to minority shareholders	(0.7)	(1.1)
Net (decrease)/increase in equity	(2,032.0)	1,599.7
Opening equity	3,705.2	2,105.5
Closing equity	1,673.2	3,705.2

31. Discontinued operations and disposals

Discontinued operations

On 9 September 2008, Taylor Wimpey plc disposed of Taylor Woodrow Construction (TWC) the results of which have been presented as discontinued. The business was sold for £74.0m in cash resulting in a profit on disposal of £55.6m. On disposal, the continuing Group repaid £89.5m of intercompany balances owing to TWC. The cash costs of disposal were £3.4m, and £4.2m of cash was disposed of with the business.

During the period, TWC contributed a £4.3m outflow (2007: £28.4m inflow) to the Group's net operating cash flows, a £0.6m inflow (2007: £10.6m outflow) in respect of investing activities and nil (2007: nil) in respect of financing activities.

31. Discontinued operations and disposals (Continued)

The analysis of the result from TWC is as follows:

	2008	2007
	£m	£m
Revenue	453.4	571.5
Expenses	(451.3)	(558.1)
Profit on ordinary activities before finance costs and taxation	2.1	13.4
Net interest receivable	0.1	0.7
Profit on ordinary activities before taxation	2.2	14.1
Taxation	(4.7)	(3.8)
(Loss)/profit after tax of discontinued operation	(2.5)	10.3
Gain on disposal of discontinued operation	55.6	—
Tax on gain on sale	—	—
Profit from discontinued operation	53.1	10.3

An analysis of the assets and liabilities of TWC at the date of sale of 9 September 2008, excluding the intercompany receivable balance of £89.5m settled on disposal, and the comparative figures at 31 December 2007 is set out below:

	September 2008	31 December 2007
	£m	£m
Property, plant and equipment	9.4	9.1
Investment in joint ventures	0.1	0.1
Trade and other receivables	62.7	59.3
Cash	4.2	7.0
Trade and other payables	(157.2)	(153.7)
Deferred taxation asset/(liability)	0.4	(0.1)
Net liabilities of discontinued operation	(80.4)	(78.3)

Prior to its disposal, TWC, which had been a participating employer in the TWGP&LAF defined benefit pension scheme, transferred all of its past and future obligations under the scheme to another Group company, Taylor Woodrow Developments Limited ('TWD Ltd'), part of the continuing operations of the Group. TWD Ltd is included in the Housing United Kingdom business segment. As a result of this transfer, the net assets of TWC at 31 December 2007 shown in the table above exclude a pension liability of £67.8m which was included in the operating liabilities of the Construction business segment in the 2007 published financial statements and which is now shown within the operating liabilities of the Housing United Kingdom business segment in these financial statements (see note 4). The table above also excludes the 2007 deferred tax asset of £19.2m on the pension liability.

Other disposals

During 2008, the Group also disposed of a mining operation in Ghana for £11m in cash.

Subsequent to the year end, on 21 April 2009, the Group disposed of its remaining construction operations in Ghana to existing local management for £1 in cash.

32. Notes to the cash flow statement

	2008	2007 (restated)
	£m	£m
(Loss)/profit on ordinary activities before finance costs—continuing	(1,798.2)	55.8
—discontinued	2.1	13.4
Non-cash exceptional items:		
Impairment of goodwill	699.8	—
Impairment of brands and software development	116.3	30.0
Land and WIP write downs	1,012.8	289.7
Adjustments for:		
Amortisation of brands	2.4	3.7
Amortisation of software development costs	4.3	2.0
Depreciation of plant and equipment	7.9	8.3
Share-based payment charge	6.0	0.6
Gain/(loss) on disposal of property and plant	1.0	(5.7)
Increase in provisions	6.8	38.6
Operating cash flows before movements in working capital	61.2	436.4
Decrease/(increase) in inventories	393.7	(316.0)
Decrease in receivables	135.9	38.9
Decrease in payables	(390.8)	(81.6)
Pension contributions in excess of charge	(44.1)	(30.0)
Cash generated by operations	155.9	47.7
Income taxes received/(paid)	112.6	(127.3)
Interest paid	(114.9)	(83.7)
Net cash from/(used in) operating activities	153.6	(163.3)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less.

	2008	2007
	£m	£m
Net debt		
Cash and cash equivalents	752.3	130.0
Bank overdrafts and bank loans	(1,312.5)	(720.7)
Debenture loans	(969.1)	(824.7)
Net debt	(1,529.3)	(1,415.4)

33. Contingent liabilities and capital commitments

General

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no

33. Contingent liabilities and capital commitments (Continued)

provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Group has no material capital commitments as at 31 December 2008 (2007: nil).

34. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008	2007
	£m	£m
Within one year	8.4	16.1
In more than one year but not more than five years	26.6	44.1
After five years	12.3	17.4
	47.3	77.6

Operating lease payments principally represent rentals payable by the Group for certain office properties and vehicles.

35. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the paragraphs on ‘Executive share-based reward’ in the Directors’ Remuneration Report on pages 44 to 52.*

Schemes requiring consideration from participants:

	2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		£m		£m
Outstanding at beginning of period	15,460,002	2.72	6,956,315	2.28
Granted during the period	42,697,752	0.69	2,640,216	2.65
Lapsed during the period	(11,273,011)	2.07	(421,974)	(2.94)
Exercised during the period	(242,076)	1.92	(2,142,532)	(2.00)
Acquired with subsidiary	—	—	8,427,977	2.93
Outstanding at the end of the period	46,642,667	1.01	15,460,002	2.72
Exercisable at the end of the period	2,649,887	2.58	3,222,426	2.04

The weighted average share price at the date of exercise for share options exercised during the period was £1.73 (2007: £3.30). The options outstanding at 31 December 2008 had a range of exercise prices from £0.16 to £4.57 (2007: £1.27 to £4.57) and a weighted average remaining contractual life of 6.3 years (2007: 4.8 years).

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plan.

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors’ Remuneration report at F-63. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

35. Share-based payments (Continued)

Schemes not requiring consideration from participants:

	2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		£m		£m
Outstanding at beginning of period	10,091,435	—	8,428,486	—
Granted during the period	9,695,831	—	2,062,377	—
Lapsed during the period	(9,047,250)	—	(2,230,286)	—
Exercised during the period	(7,720)	—	(2,204,708)	—
Acquired with subsidiary	—	—	4,035,566	—
Outstanding at the end of the period	10,732,296	—	10,091,435	—
Exercisable at the end of the period	175,153	—	88,538	—

The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 8.2 years (2007: 4.2 years).

For share options with non-market conditions granted during the current and preceding year, the fair value of the options at grant date was determined using the Binomial model. The inputs into that model were as follows:

	2008	2007
Weighted average share price	£0.38	£2.81
Weighted average exercise price	£0.69	£2.65
Expected volatility	37%	30%
Expected life	3/5 years	3/5 years
Risk free rate	4.4%	5.1%
Expected dividend yield	0.5%	3.6%

The weighted average fair value of share options granted during the year is £0.10 (2007: £0.69).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

For share options with market conditions granted during the current year, the fair value of the options was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2008	2007
Weighted average share price	£0.69	£4.92
Weighted average exercise price	£nil	£nil
Expected volatility	40%	26%
Expected life	3 years	3 years
Risk free rate	4.3%	5.4%
Expected dividend yield	0.9%	3.6%

The weighted average fair value of share options granted during the year is £0.33 (2007: £4.35).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term, however due to the exceptional volatility in this financial year we have excluded the period between 1 May 2008 and 31 October 2008 as allowed by IFRS 2 Share based payment. The expected life used in the model is based on historical exercise patterns.

The Group recognised total expenses of £6.0m and £0.6m related to equity-settled share-based payment transactions in 2008 and 2007 respectively. Of this amount, £1.6m related to the accelerated vesting of share options held by employees of Taylor Wimpey Construction, which was disposed of on

35. Share-based payments (Continued)

9 September 2008, and which is included in profit from discontinued operations in the income statement.

36. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below. Transactions between the Company and its subsidiaries and joint ventures are disclosed in the Company's separate financial statements.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £8.1m (2007: £21.4m). Purchases were based on open market values.

Remuneration of key management personnel

Details of the remuneration of the Directors and the Group Company Secretary and General Counsel and the President and Chief Executive Officer of Taylor Morrison, Inc., who are the key management personnel of the Group, are contained in the audited part of the Remuneration Report on pages 44 to 52 and form part of these financial statements.*

37. Post-balance sheet events

On 7 April 2009 the Group successfully reached agreement with its banks and private placement holders regarding a revised covenant and financing package (the Override Agreement). The principal terms of the refinancing consisted of an alignment of all debt maturity dates to 3 July 2012, with extension fees payable on a sliding scale dependent on the length of the extension to those lenders who have agreed to defer repayment of their loans; a day one reduction of the revolving credit facility, resulting in the cancellation of £235m of the £1.65 billion facility; amendments to the margins and coupon rates on borrowings equivalent to an increase of 455 basis points, with the potential for a reduction in the event of an equity raising and subsequent reduction in the Group's gearing level; an additional interest charge in the form of payment in kind (PIK), being cash or equity, which accrues at 1.50% per annum and becomes payable at the earlier of repayment and maturity; possible further additional interest charges, also in the form of PIK, which would accrue in the event that the Company does not meet agreed step downs in the level of facilities of £150m by 30 June 2009 and a further £350m by 30 June 2010; warrants giving all lenders the right to subscribe in cash (exercisable at par) for a combined total of approximately 5% of the Company's ordinary share capital; a reduction in the level of the Group's UK overdrafts from £95m to £45m; guarantees and securities to be available for the currently undrawn committed facilities to be provided to the Group for the duration of the Override Agreement, which total a maximum of £416m.

The existing covenant package has been replaced with a revised financial covenant package which is consistent across all of the Group's borrowings. There are three financial covenants which, if breached, would cause an event of default. These comprise:

- Net operating cash flow covenant which will be tested for the six months to 30 June 2009, the nine months to 30 September 2009 and then on a rolling 12-month basis ending at the end of each quarter. The test is on absolute levels of cash generated or absorbed in each period;

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors' Remuneration report at F-63. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

37. Post-balance sheet events (Continued)

- Consolidated tangible net worth which will be tested on a quarterly basis beginning on 30 June 2009 with varying covenanted minimum amounts over the life of the facilities; and
- An asset leverage cover covenant. This represents the ratio of total consolidated net borrowings to the book value of inventories net of land creditors and is to be tested quarterly from 30 June 2009.

The covenant levels for these three covenants have been set after making allowance for what the Directors consider to be appropriate adverse sensitivities including, inter alia, a further weakening of Sterling relative to the US dollar; a potential increase in interest rates and a possible further decline in UK selling prices. All of these covenants are to be calculated on an adjusted frozen IFRS basis, based on the accounting principles used in these consolidated financial statements.

The financial terms of this agreement were also approved on 30 April 2009 by the requisite numbers of both the Company's 2012 Eurobonds and 2019 Eurobonds and also have the support of the Boards of Trustees of the two UK defined benefit pension schemes with each of whom a Deed of Covenant has been entered into.

In addition, the Group has also agreed to provide operational covenants and information undertakings to its banks and private placement holders.

TAYLOR WIMPEY PLC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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Part 2: Audited Information

Directors' emoluments

	Basic salary/fee	Salary supplement in lieu of pension	Benefits-in-kind*	STIA in respect of 2009	Other benefits	2009 total	2008 total	Basic Salary p.a. with effect from 1 April 2010**
	£000	£000	£000	£000	£000	£000	£000	£000
Executive								
Pete Redfern	700	144	25	788	30	1,687	874	700
Chris Rickard	380	—	13	428	84	905	83	380
Sheryl Palmer† (Appointed 5 August 2009)	158	—	5	878	3	1,044	—	389
Peter Johnson (Resigned 16 October 2008)	—	—	—	—	—	—	791	—
Ian Sutcliffe (Resigned 14 April 2008)	—	—	—	—	—	—	333	—
								Fees p.a. with effect from 1 January 2010
Non Executive								
Norman Askew	200	—	—	—	—	200	270	200
Brenda Dean	50	—	—	—	—	50	50	50
Andrew Dougal	56	—	—	—	—	56	60	50
Katherine Innes Ker	60	—	—	—	—	60	60	60
Anthony Reading	60	—	—	—	—	60	60	60
Rob Rowley (Appointed 1 January 2010)	—	—	—	—	—	—	—	60
David Williams	65	—	—	—	—	65	60	60
Mike Davies (Resigned 1 September 2009)	33	—	—	—	—	33	50	—
Aggregate emoluments	1,762	144	43	2,094	117	4,160		
2008							2,691	

† Sheryl Palmer was appointed to the Board in August 2009. Her annual salary is US$615,000 which on an average exchange rate of £1:$1.58 equates to £389,000 per annum.

* Includes non-cash payments.

** As reported earlier, any change in basic salary is now effective from 1 April. No salary increases are to be awarded to any Executive Director for 2010.

Aggregate emoluments of the Executive Committee (excluding Executive Directors)

	Basic salary/fee	Salary supplement in lieu of pension	Benefits-in-kind*	STIA in respect of 2009	Other benefits	2009 total	2008 total	Basic salary p.a. with effect from 1 April 2010**
	£000	£000	£000	£000	£000	£000	£000	£000
6 members	1,286	81	86	1,213	155	2,821	1,946	1,341

* Includes non-cash payments.

** As reported earlier, any change in basic salary is now effective from 1 April.

During the year the composition of the Executive Committee has been amended. There were two members of the Executive Committee during 2008 other than the Executive Directors. No expense allowances are paid.

In addition, a charge of £234,946 (2008: £65,000) was booked in respect of share-based payments.

Directors' share-based reward and options

Aggregate emoluments disclosed opposite do not include any amounts for the value of options to acquire ordinary shares in the Company and any other share-based reward granted to or held by the

Directors. No Director exercised an option or conditional award over ordinary shares during the year (2008: Nil).

Details of options and conditional awards over shares held by Directors who served during the year are as follows:

Name of Director	Plan	1 January 2009[a]	Granted	Adjustment for Placing and Open Offer[d]	Lapsed	Exercised	31 December 2009	Exercise price[d]	Date of grant	Date from which exercisable	Expiry date
			(number)		(number)	(number)		(pence)			
Pete Redfern . . .	Bonus Plan	207,255	—	98,090	—	—	305,345	—	13.03.08	31.12.10	31.12.10
	Performance Share Plan	432,981	—	204,921	—	—	637,902	—	17.04.08	17.04.11	17.04.11
	Performance Share Plan	—	1,601,423[b]	—	—	—	1,601,423	—	07.08.09	01.01.13	01.01.13
	Share Option Plan	1,016,333	—	481,012	—	—	1,497,345	93.49	28.04.08	28.04.11	28.04.18
	Share Option Plan	—	3,202,846[b]	—	—	—	3,202,846	39.34	07.08.09	07.08.12	07.08.19
	Long Term Incentive Plan	179,007	—	—	179,007	—	—	—	23.05.06	23.05.09	23.05.09
	Long Term Incentive Plan	231,940	—	109,773	—	—	341,713	—	02.04.07	02.04.10	02.04.10
	Total	2,067,516	4,804,269	893,796	179,007	—	7,586,574				
Chris Rickard . . .	Sharesave Plan	—	39,668[c]	—	—	—	39,668	39.20	02.10.09	01.12.14	31.05.15
	Performance Share Plan	2,338,461	—	1,106,753	—	—	3,445,214	—	16.10.08	16.10.11	16.10.11
	Performance Share Plan	—	869,344[b]	—	—	—	869,344	—	07.08.09	01.01.13	01.01.13
	Share Option Plan	4,676,923	—	2,213,505	—	—	6,890,428	11.02	16.10.08	16.10.11	16.10.18
	Share Option Plan	—	1,738,688[b]	—	—	—	1,738,688	39.34	07.08.09	07.08.12	07.08.19
	Total	7,015,384	2,647,700	3,320,258	—	—	12,983,342				
Sheryl Palmer . . .	Performance Share Plan	140,280		—	—	—	140,280	—	17.04.08	17.04.11	17.04.11
	Performance Share Plan		416,508[b]	—	—	—	416,508	—	07.08.09	01.01.13	01.01.13
	Share Option Plan	329,278		—	—	—	329,278	93.49	28.04.08	28.04.11	28.04.18
	Share Option Plan		833,016[b]	—	—	—	833,016	39.34	07.08.09	07.08.12	07.08.19
	Total	469,558	1,249,524				1,719,082				

(a) Or date of appointment.

(b) Market value per share on date of grant 7 August 2009 was 38 pence.

(c) Market value per share on date of grant 2 October 2009 was 40.96 pence.

(d) Following the Company's Placing and Open Offer on 1 June 2009, all Share Plan entitlements, including numbers of shares under option/award and option price per share, were adjusted by a formula approved by HM Revenue and Customs and agreed with the Company's Auditors.

There have been no variations to the terms and conditions or performance criteria for outstanding share options during the financial year.

The performance criteria relating to the Performance Share Plans and Share Option Plans appear earlier in this Directors' Remuneration Report.

Awards made pursuant to the George Wimpey LTIP are conditional and do not vest in whole or part unless predetermined performance conditions are satisfied over a three year period. The performance conditions are explained in detail on page 45. For 2006 and 2007, the relevant share prices for the calculation of awards were 544.1 pence and 575.9 pence. The TSR performance in respect of those shares conditionally awarded under the 2007 George Wimpey LTIP was not met. No vesting has taken place and all awards under this scheme have now lapsed. These shares are however indexed in the 31 December 2009 column above for Pete Redfern.

The market price of the ordinary shares on 31 December 2009 was 38.9 pence and the range during the year was 13.75 pence to 53.2 pence.

TAYLOR WIMPEY PLC

EXTRACT FROM THE DIRECTORS' REMUNERATION REPORT

Directors' interests in shares of the Company

Directors' interests in 1 pence ordinary shares held (fully paid) ('ordinary shares'):

	At 1 January 2009 ordinary shares*	At 31 December 2009 ordinary shares	Executive Directors' share interests at 31 December 2009 valued at 31 December 2009 share price and expressed as a percentage of basic salary at 1 April 2010**
Norman Askew	15,674	31,348	
Pete Redfern	92,705	195,410	11%
Chris Rickard	—	77,402	8%
Sheryl Palmer	200,000*	200,000	20%
Brenda Dean	8,348	26,696	
Andrew Dougal	5,000	15,000	
Katherine Innes Ker	1,000	12,000	
Anthony Reading	20,000	40,000	
Rob Rowley	—	—	
David Williams	8,269	16,538	

* Or date of appointment

** As reported earlier, any change in basic salary is now effective from 1 April.

Directors' pension entitlements

Defined benefit schemes

George Wimpey Staff Pension Scheme

Pete Redfern is a member of the George Wimpey Staff Pension Scheme. The following table sets out the transfer value of his accrued benefits under the Scheme calculated in a manner consistent with 'The Occupational Pension Schemes (Transfer Values) Regulations 2008'.

	Accrued pension as at 31 December 2008	Increase in accrued pension from 31 December 2008 to 31 December 2009	Accrued pension as at 31 December 2009(1)	Transfer value gross of Director's contributions at 31 December 2009(2)	Transfer value gross of Director's contributions at 31 December 2008(2)	Increase in transfer value from 31 December 2008 to 31 December 2009 less Director's contributions(3)	Increase in accrued pension from 31 December 2008 to 31 December 2009 less inflation	Transfer value of accrued pension increase less Director's contribution(4)
	£	£	£	£	£	£	£	£
Pete Redfern	20,907	3,813	24,720	232,700	183,500	37,000	3,813	18,500

(1) Pension accrual shown is the amount which would be paid annually on retirement based on service to 31 December 2009.

(2) Transfer values have been calculated in accordance with the occupational Pension Schemes (Transfer Value) Regulations 2008.

(3) The increase in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements.

(4) The transfer value of accrued pension increase less Director's contribution represents the incremental value to the Director of his service during the period, calculated on the assumption service terminated at the year end. It is based on the increase in accrued pension (less inflation) after deducting the Director's contribution.

Non-Group pension arrangements

Chris Rickard and Sheryl Palmer have non-Group pension arrangements, to which contributions were paid by the Company as set out below:

	2009	2008
	£	£
Chris Rickard	**83,600**	17,417
Sheryl Palmer	**7,077**	—

TAYLOR WIMPEY PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLOR WIMPEY PLC FOR THE YEAR TO 31 DECEMBER 2009

We have audited the Group financial statements of Taylor Wimpey plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related Notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Directors' Report on Corporate Governance in relation to going concern; and

• the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the parent Company financial statements of Taylor Wimpey plc for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Colin Hudson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
2 March 2010

The complete Taylor Wimpey plc Annual Report and Accounts are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

TAYLOR WIMPEY PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR TO 31 DECEMBER 2009

	Note	Before exceptional items 2009	Exceptional items (Note 5) 2009	Total 2009	Before exceptional items 2008	Exceptional items (Note 5) 2008	Total 2008
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	3	2,595.6	—	2,595.6	3,467.7	—	3,467.7
Cost of sales		(2,365.4)	(527.0)	(2,892.4)	(3,138.2)	(1,012.8)	(4,151.0)
Gross profit/(loss)		230.2	(527.0)	(296.8)	329.5	(1,012.8)	(683.3)
Net operating expenses	5	(192.5)	(53.7)	(246.2)	(243.2)	(871.7)	(1,114.9)
Profit/(loss) on ordinary activities before finance costs and amortisation of brands		37.7	(580.7)	(543.0)	88.7	(1,780.6)	(1,691.9)
Amortisation of brands		—	—	—	(2.4)	(103.9)	(106.3)
Profit/(loss) on ordinary activities before finance costs		37.7	(580.7)	(543.0)	86.3	(1,884.5)	(1,798.2)
Interest receivable		10.6	—	10.6	8.5	—	8.5
Finance costs	7	(150.0)	(23.1)	(173.1)	(177.1)	(10.5)	(187.6)
Share of results of joint ventures	14	5.6	—	5.6	7.6	—	7.6
Loss on ordinary activities before taxation		(96.1)	(603.8)	(699.9)	(74.7)	(1,895.0)	(1,969.7)
Taxation (charge)/credit	8	(14.3)	73.6	59.3	(23.4)	100.0	76.6
Loss for the year from continuing operations		(110.4)	(530.2)	(640.6)	(98.1)	(1,795.0)	(1,893.1)
Discontinued operations							
(Loss)/profit for the year from discontinued operations		—	—	—	(2.5)	55.6	53.1
Loss for the year		(110.4)	(530.2)	(640.6)	(100.6)	(1,739.4)	(1,840.0)
Attributable to:							
Equity holders of the parent	26			(640.4)			(1,841.3)
Minority interests				(0.2)			1.3
				(640.6)			(1,840.0)

	Note	2009	2008 (Restated)
Basic and diluted loss per share—total Group	10	(25.1p)	(132.7p)
Basic and diluted loss per share—continuing operations	10	(25.1p)	(136.5p)
Adjusted basic loss per share—continuing operations	10	(4.3p)	(7.2p)
Adjusted diluted loss per share—continuing operations	10	(4.3p)	(7.2p)

TAYLOR WIMPEY PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 DECEMBER 2009

	Note	2009	2008
		£m	£m
Loss for the year		(640.6)	(1,840.0)
Exchange differences on translation of foreign operations	26	(5.0)	50.3
Movement in fair value of hedging derivatives		11.5	(31.2)
Actuarial loss on defined benefit pension schemes	22	(141.8)	(90.2)
Tax on items taken directly to equity	15	87.6	(23.7)
Other comprehensive expense for the year net of tax		(47.7)	(94.8)
Total recognised expense for the year		(688.3)	(1,934.8)
Attributable to:			
Equity holders of the parent		(688.1)	(1,936.1)
Minority interests		(0.2)	1.3
		(688.3)	(1,934.8)

TAYLOR WIMPEY PLC

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2009

	Note	2009	2008
		£m	£m
Non-current assets			
Goodwill	11	2.4	—
Other intangible assets	12	—	—
Property, plant and equipment	13	8.2	15.5
Interests in joint ventures	14	51.9	67.7
Trade and other receivables	17	65.0	47.9
Deferred tax assets	15	119.6	6.6
		247.1	137.7
Current assets			
Inventories	16	3,603.3	4,890.6
Trade and other receivables	17	130.5	181.3
Tax receivables		61.0	90.4
Cash and cash equivalents	17	132.1	752.3
		3,926.9	5,914.6
Total assets		4,174.0	6,052.3
Current liabilities			
Trade and other payables	20	(760.0)	(1,170.7)
Tax payables		(242.6)	(196.5)
Debenture loans	19	—	(101.1)
Bank loans and overdrafts	18	(12.7)	(23.4)
Provisions	23	(47.8)	(56.1)
		(1,063.1)	(1,547.8)
Net current assets		2,863.8	4,366.8
Non-current liabilities			
Trade and other payables	20	(278.6)	(342.1)
Debenture loans	19	(721.9)	(868.0)
Bank loans	18	(148.4)	(1,289.1)
Retirement benefit obligations	22	(409.3)	(279.8)
Deferred tax liabilities	15	(0.8)	(1.3)
Provisions	23	(51.0)	(51.0)
		(1,610.0)	(2,831.3)
Total liabilities		(2,673.1)	(4,379.1)
Net assets		1,500.9	1,673.2
Equity			
Share capital	24	287.7	289.6
Share premium account	25	753.6	753.6
Own shares	27	(5.0)	(275.7)
Merger relief reserve	26	—	—
Other reserves	26	76.7	64.7
Retained earnings	26	385.5	838.3
Equity attributable to equity holders of the parent		1,498.5	1,670.5
Minority interests		2.4	2.7
Total equity		1,500.9	1,673.2

The financial statements of Taylor Wimpey plc (registered number: 00296805) were approved by the Board of Directors and authorised for issue on 2 March 2010. They were signed on its behalf by:

P Redfern
Director

C Rickard
Director

TAYLOR WIMPEY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR TO 31 DECEMBER 2009

For the year to 31 December 2009	Share capital	Share premium	Own shares	Merger relief reserve	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2009	289.6	753.6	(275.7)	—	64.7	838.3	1,670.5
New share capital subscribed	21.3	—	—	488.8	—	—	510.1
Cancellation and utilisation of treasury shares	(23.2)	—	270.7	—	—	(247.5)	—
Share based payment credit	—	—	—	—	—	1.0	1.0
Other financing costs	—	—	—	—	—	(0.5)	(0.5)
Issue of equity instruments	—	—	—	—	5.5	—	5.5
Exchange differences on translation of foreign operations	—	—	—	—	(5.0)	—	(5.0)
Increase in fair value of hedging derivatives	—	—	—	—	11.5	—	11.5
Actuarial loss on defined benefit pension schemes	—	—	—	—	—	(141.8)	(141.8)
Deferred tax asset recognised	—	—	—	—	—	87.6	87.6
Transfer to retained earnings	—	—	—	(488.8)	—	488.8	—
Loss for the year	—	—	—	—	—	(640.4)	(640.4)
Equity attributable to parent	287.7	753.6	(5.0)	—	76.7	385.5	1,498.5
Minority interests							2.4
Total equity							1,500.9

For the year to 31 December 2008	Share capital	Share premium	Own shares	Merger relief reserve	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2008	289.6	758.1	(282.0)	1,934.2	46.1	957.1	3,703.1
Share based payment credit	—	—	—	—	—	6.0	6.0
Cost of share options	—	—	—	—	—	(0.9)	(0.9)
Disposal of own shares	—	—	6.3	—	—	—	6.3
Exchange differences on translation of foreign operations	—	—	—	—	50.3	—	50.3
Decrease in fair value of hedging derivatives	—	—	—	—	(31.2)	—	(31.2)
Amortisation of bond fees	—	(4.5)	—	—	—	4.5	—
Actuarial loss on defined benefit pension schemes	—	—	—	—	—	(66.7)	(66.7)
Deferred tax asset write off	—	—	—	—	—	(47.2)	(47.2)
Transfer to retained earnings	—	—	—	(1,934.2)	(0.5)	1,934.7	—
Loss for the year	—	—	—	—	—	(1,841.3)	(1,841.3)
Dividends	—	—	—	—	—	(107.9)	(107.9)
Equity attributable to parent	289.6	753.6	(275.7)	—	64.7	838.3	1,670.5
Minority interests							2.7
Total equity							1,673.2

TAYLOR WIMPEY PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR TO 31 DECEMBER 2009

	Note	2009	2008
		£m	£m
Net cash from operating activities	28	206.3	153.6
Investing activities			
Interest received		10.0	11.0
Dividends received from joint ventures		9.6	7.7
Amounts invested in software development	12	—	(2.5)
Proceeds on disposal of property, plant and investments		1.5	17.6
Purchases of property, plant and investments	13	(2.5)	(10.9)
Amounts invested in joint ventures		(0.2)	(5.2)
Amounts loaned to joint ventures		(2.0)	—
Acquisition of subsidiaries		(2.8)	—
Disposal of subsidiaries		—	(11.9)
Net cash from investing activities		13.6	5.8
Financing activities			
Dividends paid	9	—	(107.9)
Dividends paid by subsidiaries to minority shareholders		—	(0.7)
Proceeds from sale of own shares		510.1	2.7
Other financing activities		(0.5)	—
Repayment of debenture loans		(200.4)	(1.4)
Repayment of bank loans		(1,124.9)	—
Increase in bank loans and overdrafts		—	525.7
Net cash (used in)/from financing activities		(815.7)	418.4
Net (decrease)/increase in cash and cash equivalents		(595.8)	577.8
Cash and cash equivalents at beginning of year		752.3	130.0
Effect of foreign exchange rate changes		(24.4)	44.5
Cash and cash equivalents at end of year	28	132.1	752.3

TAYLOR WIMPEY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR TO 31 DECEMBER 2009

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated below. The Group completed the renegotiation of its debt on 7 April 2009 with its banks and private placement holders regarding a revised covenant and financing package (the Override agreement). This has resulted in the alignment of the maturity dates of all its debt to 3 July 2012; a reduction in the revolving credit facility and amendments to the margin and coupon rates on borrowings. On 1 June 2009 the Group successfully completed an equity placing and open offer to raise £510.1 million, net of issue costs. The transaction was executed such that it created additional distributable reserves of £488.8 million. The proceeds of the equity raise have been used to pay down debt and cancel associated facilities, thereby avoiding additional finance charges.

The Group has met all its interest and other payment obligations on time, and after reviewing cash flow forecasts for a period of not less than 12 months from the date of signing the consolidated financial statements, the Directors are satisfied that, whilst the economic and market conditions continue to be challenging and not without risk, the refinancing package as well as the equity raised, is sufficiently robust as to adequacy of both facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Basis of accounting

The consolidated financial statements have been prepared in accordance with applicable International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS relevant to the Group's operations and effective for accounting periods beginning on 1 January 2009.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

1. Significant accounting policies (Continued)

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

Where a jointly controlled operation is undertaken the related assets and liabilities are consolidated on a proportional consolidation basis.

Segmental reporting

The Group has adopted IFRS 8 Operating Segments, which requires information to be presented consistently to how the business is reviewed internally. However this has minimal impact to how the segmental data is presented. The Group is divided into four operating divisions for management reporting and control:

- Housing United Kingdom;
- Housing North America;
- Housing Spain and Gibraltar; and
- Corporate

On 9 September 2008, Taylor Wimpey plc disposed of Taylor Woodrow Construction (TWC) the results of which have been presented as discontinued. The business was sold for £74.0 million in cash resulting in a profit on disposal of £55.6 million. On disposal, the continuing Group repaid £89.5 million of intercompany balances owing to TWC. The cash costs of disposal were £3.4 million, and £4.2 million of cash was disposed of with the business. During 2008, the Group also disposed of a mining operation in Ghana for £11 million in cash.

On 21 April 2009, the Group disposed of its remaining construction operations in Ghana to existing local management for £1 in cash, giving rise to a profit on sale of £0.2 million. The results of the Ghana operations have been presented within continuing operations within the Corporate business segment.

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

1. Significant accounting policies (Continued)

(c) Contracting work

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(d) Interest receivable

Interest income on bank deposits is recognised on an accruals basis.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 Presentation of Financial Statements.

Foreign currencies

The individual statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as assets and liabilities denominated in the functional currency of the company in which they arose.

The Group enters into forward contracts in order to hedge its exposure to certain foreign exchange transaction risks relating to the functional currency in accordance with Group policy. It also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to certain overseas subsidiaries (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

1. Significant accounting policies (Continued)

Operating leases

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, joint venture, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary or jointly-controlled entity, the carrying value of any attributable goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs was retained at the previous UK GAAP amounts, and was subjected to impairment testing at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Other intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. Their values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses.

Software development costs

Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight-line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

1. Significant accounting policies (Continued)

Plant and equipment is stated at cost less depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives. Depreciation is charged, where material, on buildings over the expected useful life of the asset. Other assets are depreciated using the straight-line method, on the following bases:

Plant, fixtures and equipment 20-25%; and computer equipment 33%.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, impairment losses are allocated first to the intangible assets in the cash-generating unit.

If the full impairment of intangible assets is not sufficient to reduce the carrying value of the cash-generating unit to its recoverable amount, tangible fixed assets must then be reviewed for impairment. If the recoverable amount of tangible fixed assets exceeds their carrying value, no further impairment is required. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. Trade receivables on extended terms, particularly in respect of land, are measured at amortised cost using the effective interest method, less any impairment. Interest income is

1. Significant accounting policies (Continued)

recognised by applying the effective interest rate. Derivative financial instruments are measured at fair value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs. Derivative financial instruments are measured at fair value.

Derivative financial instruments and hedge accounting

The Group uses forward exchange contracts to hedge transactions denominated in foreign currencies. The Group also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the parent Company. Interest rate derivatives are used to manage interest rate risk in respect of borrowings. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the income statement.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to the income statement for the period.

1. Significant accounting policies (Continued)

Following the refinancing of the Group's debt, restrictions in the refinancing agreement have resulted in the Group being limited in its ability to undertake new hedging positions.

Customer deposits

Customer deposits are recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is not probable that they will be exercised.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

1. Significant accounting policies (Continued)

Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 Employee benefits. In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Payments to defined contribution schemes are charged as an expense as they fall due.

Key sources of estimation uncertainty and critical accounting judgements

Estimation of costs to complete

In order to determine the profit that the Group is able to recognise on the proportion of completions for the period, internal site valuations are carried out for each development at regular intervals throughout the year. The valuations will include an estimation of the costs to complete and remaining revenues which may differ from the actual costs incurred and revenues received on completion.

Carrying value of land and work in progress

In order to assess the appropriateness of the carrying value of land and work in progress, the Group is required to make estimations of sales prices, costs and margins expected on sites in order to determine whether any write downs are required to ensure inventory is stated at the lower of cost and net realisable value. Given the deterioration in market conditions experienced during the year, the Group has undertaken a detailed review on a site-by-site basis of the net realisable value of its land and work in progress. As a result, the Group has written down the value of its land and work in progress in the UK, US, and Spain by £527.0m (2008: £1,012.8), as shown in Note 5.

1. Significant accounting policies (Continued)

Impairment of goodwill and other intangible assets

The determination of whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation involves significant judgement including an estimate of the future cash flows expected to arise from the cash-generating unit, the future growth rate of revenue and costs, and a suitable discount rate. The estimates of future cash flows used in the 2008 impairment test performed as at 31 December 2008 reflected the current weak trading conditions in the Group's major markets, and as a result, the Group has fully wrote down the value of its goodwill and other intangible assets as described in Note 11 and 12. Impairment of goodwill may not be reversed. If the current weak trading conditions reverse, the impairment provision relating to other intangible assets may reverse in part or in whole.

Pensions

The value of plan assets and liabilities is determined based on various long term actuarial assumptions, including future rates of inflation, salary growth, yields, returns on investments and mortality rates. Changes in these assumptions over time and differences to the actual outcome will be reflected in the Group's statement of comprehensive income. Note 22 details the main assumptions in accounting for the Group's defined benefit pension schemes.

Tax and deferred tax

Aspects of tax accounting require management judgement and interpretation of tax legislation across many jurisdictions, in some cases relating to items which may not be resolved with the relevant tax authority for many years.

In determining the carrying amounts of deferred tax assets, management is required to assess the timing of the utilisation of provisions for tax purposes and the extent to which sufficient taxable profit will be available to enable the asset to be recovered.

Going concern

The Group completed the renegotiation of its debt with its banks and private placement holders regarding a revised covenant and refinancing package on 7 April 2009. This resulted in the alignment of all the debt maturity dates to 3 July 2012; a reduction in the revolving credit facility and amendments to margin and coupon rates. To date the Group has been in compliance with these covenants and based on Board approved budgets the Group will be in compliance for the foreseeable future.

Accordingly the accounts have been prepared on a going concern basis. This is also discussed further within the Directors' Report page 31.*

Adoption of new and revised standards and interpretations

Standards, amendments and interpretations effective in 2009

IAS 1 (revised) Presentation of Financial Statements (effective from 1 January 2009). The main changes from the previous standard requires the Group to:

- Present all non-owner changes in equity in one statement of comprehensive income (effectively combining the current income statement and statement of changes in recognised income and expenses) or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income must be presented separately from the statement of changes in equity;

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

1. Significant accounting policies (Continued)

- Present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement;
- Disclose income tax relating to each component of other comprehensive income;
- Disclose reclassification adjustments relating to components of other comprehensive income; and
- Present a statement of changes in equity as a primary statement.

This amendment has resulted in additional disclosure being presented in these financial statements.

IAS 23 (Amendment) Borrowing costs (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs is removed. This amendment has no impact on the Group's financial statements due to the exemption available within IAS 23, as the Group produces large quantities of similar houses on a repetitive basis.

IFRS 2 (Amendment) Vesting conditions and cancellations (effective from 1 January 2009). The amendments change the definitions of vesting conditions and introduce the concept of a "non-vesting condition". Vesting conditions will now be restricted to service and performance conditions only. A performance condition only meets the definition of a vesting condition where it has an implicit service requirement. This amendment has had no impact on the Group's financial statements.

IFRS 8 Operating segments (effective from 1 January 2009). IFRS 8 amends the current segmental reporting requirements of IAS 14 and requires "management approach" to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes. This standard will apply from the annual period commencing 1 January 2009. However this standard has not resulted in significant changes to reportable segments (Note 4).

IFRIC 15 Arrangements for the Construction of Real Estate. IFRIC 15 sets out guidance for whether the accounting for the construction of real estate should fall within IAS 18 Revenue, where a developer sells completed units or, IAS 11 Construction Contracts, where a developer has been commissioned for a construction by a buyer. This interpretation has not had any effect on the Group's financial statements as the Group already complies with this IFRIC.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 clarifies the accounting treatment of hedges taken out to hedge foreign exchange differences arising from differences between a Group and its subsidiary's presentational currencies and hedges of differences between functional currencies. This is not expected to have any effect on the Group's financial statements as the Group already complies with this IFRIC.

Standards and interpretations in issue but not yet effective

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

IAS 39 (Amendment) Eligible hedged items (effective from 1 July 2009). The amendment to the standard was endorsed by the European Union on 15 September 2009. The amendment requires that inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. The amendment also permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 1 (revised) First-time Adoption of International Financial Reporting Standards (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the European Union. The objective of the revised version of IFRS 1 is to improve the structure of the Standard—no

1. Significant accounting policies (Continued)

new or revised technical material has been introduced. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements (effective from 1 July 2009). The revisions include a greater emphasis on the use of fair value, focusing on changes in control as a significant economic event and focusing on what is given to the vendor as consideration. This amendment has not had any immediate impact on the Group's financial statements.

IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 1 January 2010). Relevant for companies that have puttable financial instruments or instruments, or components of instruments, that impose an obligation on the entity to deliver to another party a pro-rata share of net assets on liquidation only. This amendment is not expected to have any impact on the Group's financial statements.

IFRIC 17 Distributions of Non-Cash Assets to Owners. IFRIC 17 requires that distributions of non-cash assets to owners should be recognised and measured at the fair value of the non-cash assets when the dividend is appropriately authorised, and that the difference between the carrying amount of the assets distributed and the dividend payable should be recognised in profit or loss on settlement of the dividend payable. This amendment is not expected to have any impact on the Group's financial statements.

IFRIC 18 Transfer of assets from customers. IFRIC 18 clarifies the requirements of IFRSs for agreements where an entity receives assets or cash to provide a customer with ongoing access to goods or supplies. This is not expected to have any impact on the Group's financial statements.

IFRIC 19 Extinguishing financial liabilities with equity instruments (effective 1 July 2010). IFRIC 19 clarifies that equity instruments are part of the consideration paid to extinguish a financial liability and should be measured at their fair value. This amendment is not expected to have any significant impact on the Group's financial statements.

2. General information

Taylor Wimpey plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 113.* The nature of the Group's operations and its principal activities are set out in Note 4 and in the Chief Executive's Review on pages 6 to 10.*

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on pages 62 to 63.*

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* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

3. Revenue

An analysis of the Group's revenue is as follows:

	2009 £m	2008 £m
Continuing operations:		
Housing	2,527.4	3,342.1
Land sales	58.3	89.4
Other revenues (including Construction)	9.9	36.2
Consolidated revenue	2,595.6	3,467.7
Interest receivable	10.6	8.5
	2,606.2	3,476.2
Discontinued operations:		
Revenue	—	453.4
Interest receivable	—	0.1
	—	453.5
Total Group	2,606.2	3,929.7

Housing revenue includes £114.5m (2008: £193.0m) in respect of the value of properties accepted in part exchange by the Group.

4. Operating segments

The Group has adopted IFRS 8 Operating segments requiring information to be presented in the same basis as it is reviewed internally. The Group's Board of Directors view the businesses on a geographic basis when making strategic decisions for the Group and as such the Group is organised into four operating divisions—Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate.

Taylor Woodrow Construction, previously reported as the business segment 'Construction', was disposed of on 9 September 2008, and is disclosed as a discontinued operation in 2008. The results and net assets of a minor residual construction operation, which was disposed of in April 2009, are presented within the 'Corporate' segment.

4. Operating segments (Continued)

Segment information about these businesses is presented below:

2009	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Revenue from continuing operations:					
External sales	1,700.4	824.3	61.0	9.9	2,595.6
Result from continuing operations:					
Operating profit/(loss) before joint ventures and exceptional items	15.3	41.5	(1.4)	(17.7)	37.7
Share of results of joint ventures	(1.0)	6.6	—	—	5.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	14.3	48.1	(1.4)	(17.7)	43.3
Exceptional items	(452.8)	(79.8)	(3.3)	(44.8)	(580.7)
Loss on ordinary activities before finance costs, after share of results of joint ventures	(438.5)	(31.7)	(4.7)	(62.5)	(537.4)
Finance costs, net (including exceptional finance costs)					(162.5)
Loss on ordinary activities before taxation					(699.9)
Taxation (including exceptional tax)					59.3
Loss for the year—total Group					(640.6)

2009	Housing United Kingdom*	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Assets and liabilities:					
Segment operating assets	2,865.4	805.4	124.5	11.6	3,806.9
Joint ventures	30.0	21.7	0.2	—	51.9
Segment operating liabilities	(1,202.3)	(269.0)	(21.2)	(54.1)	(1,546.6)
Net operating assets/(liabilities)	1,693.1	558.1	103.5	(42.5)	2,312.2
Goodwill					2.4
Net current taxation					(181.6)
Net deferred taxation					118.8
Net debt					(750.9)
Net assets					1,500.9

* Following the disposal of the Construction division and other subsidiaries that previously participated in the Taylor Woodrow Group Pension and Life Assurance Fund the Group has determined that all the participating interests materially sit within the Housing United Kingdom business segment.

2009	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Other information:					
Property, plant and equipment additions	0.8	0.8	0.7	0.2	2.5
Depreciation—plant and equipment	2.3	1.5	0.7	0.2	4.7

4. Operating segments (Continued)

2008 segment information about these businesses is presented below:

2008	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Revenue from continuing operations:					
External sales	2,390.1	981.6	59.8	36.2	3,467.7
Result from continuing operations:					
Operating profit/(loss) before joint ventures, brand amortisation and exceptional items	53.2	52.1	(2.4)	(14.2)	88.7
Share of results of joint ventures	(0.2)	7.8	—	—	7.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and brand amortisation, after share of results of joint ventures	53.0	59.9	(2.4)	(14.2)	96.3
Brand amortisation	(2.4)	—	—	—	(2.4)
Exceptional items	(1,750.4)	(76.6)	(37.4)	(20.1)	(1,884.5)
Loss on ordinary activities before finance costs, after share of results of joint ventures	(1,699.8)	(16.7)	(39.8)	(34.3)	(1,790.6)
Finance costs, net (including exceptional finance costs)					(179.1)
Loss on ordinary activities before taxation					(1,969.7)
Taxation (including exceptional tax)					76.6
Result from discontinued operations:					
Profit for the year from discontinued operations					53.1
Loss for the year—total Group					(1,840.0)

2008	Housing United Kingdom*	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Assets and liabilities:					
Segment operating assets	3,919.9	1,014.8	175.4	25.2	5,135.3
Joint ventures	45.4	22.1	0.2	—	67.7
Segment operating liabilities	(1,379.6)	(359.1)	(47.6)	(113.4)	(1,899.7)
Net operating assets/(liabilities)	2,585.7	677.8	128.0	(88.2)	3,303.3
Net current taxation					(106.1)
Net deferred taxation					5.3
Net debt					(1,529.3)
Net assets					1,673.2

* The Group was unable to allocate the defined benefit pension scheme assets and liabilities of the Taylor Woodrow Group Pension and Life Assurance Fund, a multi-employer pension scheme, on an actuarial basis by entity. However, for the purposes of the 2008 segmental analysis above, the Group has allocated the deficit to Housing United Kingdom as the participating entities materially sit within this business segment. The assets and liabilities of the George Wimpey Staff Pension Scheme have been allocated in their entirety to Housing United Kingdom.

4. Operating segments (Continued)

2008	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Other information:					
Property, plant and equipment additions	2.3	1.3	0.1	5.5	9.2
Amortisation of intangibles	6.7	—	—	—	6.7
Depreciation—plant and equipment	3.5	1.5	0.2	2.3	7.5

5. Net operating expenses and profit on ordinary activities before finance costs

Net operating expenses, continuing operations	2009	2008
	£m	£m
Administration expenses	198.9	269.0
Net other income	(6.4)	(25.8)
Exceptional items	53.7	871.7
	246.2	1,114.9

Net other income includes profits on the sale of property, plant and equipment and broker fees from mortgage origination services.

Exceptional items, continuing operations	2009	2008
	£m	£m
Net land and work in progress write downs	527.0	1,012.8
Goodwill impairment	—	699.8
Other intangible impairments	—	116.3
Restructuring costs	8.9	35.1
Refinancing costs	44.8	20.5
Exceptional items	580.7	1,884.5

Whilst current market conditions are stable, there remains the possibility of further increases in unemployment, continuing scarcity of mortgage finance and the prospect of interest rates rising from their current historic lows. Therefore, the Group considered it appropriate to adjust downward some of the previous assumptions in relation to future selling prices in the first half of 2009. The Group have, inter alia, also reviewed in detail and revised where appropriate the previous assumptions for costs and other risks. This has resulted in further land and work in progress net write downs of £527.0m (31 December 2008: £1,012.8m) to the lower of cost and net realisable value in the first half of 2009. During the year the Group reversed £29.8m of write downs (2008: £59.0m) where management's estimates of the recoverable value for certain land and work in progress had improved. This reversal is treated as exceptional income and netted off the exceptional charge.

Restructuring costs of £8.9m (31 December 2008: £35.1m) are predominantly in relation to the ongoing rationalisation of the UK business. The costs incurred in both years include redundancy costs and costs incurred in relocating certain functions and operations. Refinancing costs of £44.8m (31 December 2008: £20.5) were predominantly exceptional fees in relation to the refinancing of the Group's debt. Additional refinancing interest related costs of £23.1m (31 December 2008: £10.5m) are included within exceptional finance costs in the Income Statement.

In the year to 31 December 2008, the group fully wrote down goodwill by £699.8m and other intangible assets by £116.3m following a detailed impairment review.

5. Net operating expenses and profit on ordinary activities before finance costs (Continued)

Profit on ordinary activities before financing costs for continuing operations has been arrived at after charging/(crediting):

	2009	2008
	£m	£m
Cost of inventories recognised as expense in cost of sales, before write downs of inventories	2,244.1	2,946.9
Write downs of inventories	556.8	1,071.8
Reversal of specific write downs of inventories	(29.8)	(59.0)
Depreciation—plant and equipment	4.7	7.5
Amortisation—intangibles*	—	123.0
Minimum lease payments under operating leases recognised in income for the year	7.5	8.8

* The amortisation of intangibles in 2008 includes the impairments of the George Wimpey brand of £103.9m and of software development costs of £12.4m.

The remuneration paid to Deloitte LLP, the Group's external auditors, is as follows:

	2009	2008
	£m	£m
Fees payable to the Company's auditors for the audit of the Company's annual accounts and consolidated financial statements	0.2	0.2
The audit of the Company's subsidiaries pursuant to legislation	0.6	0.6
Total audit fees	0.8	0.8
Other services pursuant to legislation	0.1	0.1
Tax services	0.6	0.3
Corporate finance services	0.4	2.2
Other services	0.5	0.6
Total non-audit fees	1.6	3.2
Total fees	2.4	4.0

Non-audit services in 2009 predominantly relate to work undertaken as a result of Deloitte LLP's role as auditors, or work resultant from knowledge and experience gained as part of the role. Corporate finance services include necessary work related to the Group's 2009 equity raise and advice and support with bank renegotiations. Their work was either the subject of a competitive tender or was best performed by the Group's auditors because of their knowledge of the Group. Tax services include tax compliance work and advisory services for Taylor Wimpey plc and subsidiaries. Other services include advice in respect of the Group's forecasting and cash management procedures. See page 37 for details of the Group's policies in respect of non-audit services and approval by the Audit Committee.*

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

6. Staff costs

Total Group	2009	2008
	Number	Number
Average number employed		
Housing United Kingdom including corporate office	3,469	4,063
Housing North America	849	1,158
Housing Spain and Gibraltar	46	105
Construction—continuing and discontinued*	334	2,743
	4,698	8,069
United Kingdom	3,469	5,090
Overseas	1,229	2,979
	4,698	8,069

* The 2009 Construction staff numbers represent employees of the residual Construction businesses disposed of in April 2009. Of the 2,743 average staff number in 2008, 1,102 related to the disposed Construction business.

	2009	2008
	£m	£m
Remuneration		
Wages and salaries	203.6	255.3
Redundancy costs	2.0	17.9
Social security costs	18.5	27.3
Other pension costs	10.5	12.7
	234.6	313.2

The information required by the Companies Act 2006 and the Listing Rules of the Financial Services Authority is contained on pages 41 to 50 in the Directors' Remuneration Report.*

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors' Remuneration report at F-129. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

7. Finance costs

Finance costs from continuing operations are analysed as follows:

	2009	2008
	£m	£m
Interest on bank loans and overdrafts	46.5	72.5
Interest on debenture loans	62.6	55.4
Movement on interest rate derivatives	(11.8)	10.8
	97.3	138.7
Unwinding of discount on land creditors and other payables	18.4	26.7
Notional net interest on pension liability (Note 22)	34.3	11.7
	150.0	177.1
Exceptional finance costs:		
Bank loans and debenture fees and interest	23.1	10.5
	173.1	187.6

The 2009 exceptional finance costs include £5.5m in relation to the fair value of 57.8m warrants issued to the Group's lenders as part of the debt refinancing and £15.5m of one-off interest payments payable to the Group's lenders as a consequence of early repayment of a portion of the Group's debt, following the equity raise. The exceptional finance costs in the prior year relate to the write off of the remaining unamortised bank loan and debenture fees relating to the Group's financing arrangements which were in place throughout 2008. The amortisation of these fees was accelerated due to the refinancing of the Group's debt arrangements on 7 April 2009.

8. Tax

Tax (credited to)/charged in the income statement for continuing operations is analysed as follows:

		2009	2008
		£m	£m
Current tax:			
UK corporation tax:	Current year	1.1	(124.3)
	Prior years	(5.5)	6.0
Foreign tax:	Current year	(32.0)	(22.8)
	Prior years	2.4	—
		(34.0)	(141.1)
Deferred tax:			
UK:	Current year	(25.4)	32.7
Foreign:	Current year	0.4	31.8
	Prior years	(0.3)	—
		(25.3)	64.5
		(59.3)	(76.6)

Corporation tax is calculated at 28.0% (2008: 28.5%) of the estimated assessable loss (2008: loss) for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax recognised in the Group's statement of comprehensive income is due to actuarial losses on post-retirement liabilities at the prevailing rate in the relevant jurisdiction, and the

8. Tax (Continued)

reinstatement of the deferred tax asset relating to post-retirement liabilities. The UK rate of corporation tax reduced from 30% to 28% from 1 April 2008.

The tax credit for the year includes an amount in respect of exceptional items of £73.6m (2008: £100.0m credit). This is made up of a credit of £25.4m (2008: £91.6m) in respect of UK tax and a credit of £48.2m (2008: £8.4m charge) in respect of US tax. The credit in the UK relates to the reinstatement of the pension deferred tax asset on the Group's defined benefit pension scheme and the credit in the US relates to the five year net operating loss carryback introduced as part of an economic stimulus package in the US in November 2009.

The credit for the year can be reconciled to the loss per the income statement as follows:

	2009	2008
	£m	£m
Loss before tax	(699.9)	(1,969.7)
Tax at the UK corporation tax rate of 28% (2008: 28.5%)	(196.0)	(561.4)
(Over)/under provision in respect of prior years	(3.4)	6.0
Tax effect of expenses that are not deductible in determining taxable profit	8.0	205.6
Non-taxable income	(3.7)	(8.4)
Effect of higher rates of tax of subsidiaries operating in other jurisdictions	(6.9)	(1.4)
Losses not recognised	186.0	217.2
Net reduction in deferred tax assets previously recognised	—	65.8
Reinstatement of pension deferred tax asset	(29.6)	—
Temporary differences not recognised	(13.7)	—
Tax credit for the year	(59.3)	(76.6)

9. Dividends

	2009	2008
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2008 of nil (2007: 10.25p) per share	—	107.9
Interim dividend for the year ended 31 December 2009 of nil (2008: nil) per share	—	—
	—	107.9

The Group does not propose to pay a final dividend in respect of the 2009 financial year (2008: nil).

10. Earnings per share

	2009	2008 (Restated)
Basic loss per share—total Group	(25.1p)	(132.7p)
Diluted loss per share—total Group	(25.1p)	(132.7p)
Basic loss per share from continuing operations	(25.1p)	(136.5p)
Diluted loss per share from continuing operations	(25.1p)	(136.5p)
Basic earnings per share from discontinued operations	—	3.8p
Diluted earnings per share from discontinued operations	—	3.8p
Adjusted basic loss per share from continuing operations	(4.3p)	(7.2p)
Adjusted diluted loss per share from continuing operations	(4.3p)	(7.2p)
Weighted average number of shares for basic (loss)/earnings per share—million	2,551.8	1,387.4
Weighted average number of shares for diluted (loss)/earnings per share—million	2,551.8	1,387.4
Weighted average number of shares for adjusted diluted (loss)/earnings per share—million	2,551.8	1,387.4

As part of the debt refinancing effective on 30 April 2009, the Group issued 57.8m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. Due to their anti-dilutive nature, the warrants have been excluded from the current and prior year calculation of weighted average number of shares for the year.

The prior year number of shares used for calculating earnings per share has been restated to include the effect of the bonus share element of the open offer. The earnings per share for the comparative period have been restated as prescribed in IAS 33 'Earnings per share'.

Adjusted basic and adjusted diluted loss per share, which exclude the impact of exceptional items and the associated net tax charges, are shown to provide clarity on the underlying performance of the continuing Group. A reconciliation from loss from continuing operations attributable to equity shareholders used for basic and diluted loss per share to that used for adjusted loss per share is shown below.

	2009 £m	2008 £m
Loss from continuing operations for basic loss per share and diluted loss per share	(640.4)	(1,894.4)
Add exceptional items (see Notes 5 and 7)	603.8	1,895.0
Deduct exceptional tax items	(73.6)	(100.0)
Loss from continuing operations for adjusted basic and adjusted diluted loss per share	(110.2)	(99.4)

11. Goodwill

	£m
Cost and carrying amount	
At 1 January 2008	699.8
Impairment loss recognised in the year	(699.8)
At 31 December 2008	—
Additions	2.4
At 31 December 2009	2.4

11. Goodwill (Continued)

In 2009 the North America business acquired the remaining stake in a mortgage advisory service which resulted in the recognition of £2.4m of goodwill. As a result of the 2008 impairment test, the Group fully impaired all goodwill associated with both the Housing United Kingdom business segment, and the Housing North America business segment.

12. Other intangible assets

	Brands	Software development costs	Total
	£m	£m	£m
Cost			
At 1 January 2008	140.2	16.2	156.4
Additions for the year ended 2008	—	2.5	2.5
At 31 December 2009 and 2008	140.2	18.7	158.9
Amortisation/impairment			
At 1 January 2008	(33.9)	(2.0)	(35.9)
Charge for the year ended 2008	(2.4)	(4.3)	(6.7)
Impairment loss for the year ended 2008	(103.9)	(12.4)	(116.3)
At 31 December 2009 and 2008	(140.2)	(18.7)	(158.9)
Carrying amount			
31 December 2009 and 2008	—	—	—

The Group is required to test goodwill for impairment on an annual basis or sooner when there are indicators that it might be impaired, and to test other intangible assets for impairment if there are indications that the assets might be impaired.

The Group undertook a review in the prior year and the significant downturn in the UK housing market in early 2008 as well as the continued deterioration in the US market led to the Group performing a full impairment test on intangible assets at 30 June 2008. As a result, the Group fully impaired all remaining goodwill, brands and software development costs.

The Group has evaluated its performance in the current year and concluded that it would not be appropriate to reverse any of the previously recognised impairment charges.

13. Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Total
	£m	£m	£m
Cost			
At 1 January 2008	9.3	79.4	88.7
Additions	—	10.9	10.9
Disposals	(8.1)	(34.4)	(42.5)
Changes in exchange rates	0.3	4.9	5.2
At 31 December 2008	1.5	60.8	62.3
Additions	—	2.5	2.5
Disposals	(0.4)	(35.9)	(36.3)
Changes in exchange rates	(0.1)	(1.2)	(1.3)
At 31 December 2009	1.0	26.2	27.2
Accumulated depreciation			
At 1 January 2008	—	(49.7)	(49.7)
Disposals	—	14.7	14.7
Charge for the year	—	(7.9)	(7.9)
Changes in exchange rates	—	(3.9)	(3.9)
At 31 December 2008	—	(46.8)	(46.8)
Disposals	—	31.6	31.6
Charge for the year	—	(4.7)	(4.7)
Changes in exchange rates	—	0.9	0.9
At 31 December 2009	—	(19.0)	(19.0)

Carrying amount	Freehold land and buildings	Plant and equipment	Total
	£m	£m	£m
At 31 December 2009	1.0	7.2	8.2
At 31 December 2008	1.5	14.0	15.5

14. Interests in joint ventures

	2009	2008
	£m	£m
Aggregated amounts relating to share of joint ventures		
Non-current assets	—	—
Current assets	63.5	89.4
Total assets	63.5	89.4
Current liabilities	(10.6)	(20.2)
Non-current liabilities	(27.6)	(32.5)
Total liabilities	(38.2)	(52.7)
Carrying amount	25.3	36.7
Loans to joint ventures	26.6	31.0
Total interests in joint ventures	51.9	67.7

14. Interests in joint ventures (Continued)

	2009	2008m
	£m	£m
Share of post-tax profits from joint ventures		
Revenue	16.3	24.2
Cost of sales	(10.0)	(14.5)
Gross profit	6.3	9.7
Net operating expenses	(0.6)	(1.7)
Profit on ordinary activities before finance costs	5.7	8.0
Finance costs	—	(0.2)
Profit on ordinary activities before tax	5.7	7.8
Taxation	(0.1)	(0.2)
Share of joint ventures' post-tax results for the year	5.6	7.6

The Group has three (2008: four) principal joint ventures.

Particulars of principal joint ventures are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts	Taylor Wimpey plc interest in the issued ordinary share capital
Great Britain	Strada Developments Limited*	50%
	Academy Central Limited Liability Partnership*	50%
USA	Taylor Woodrow Communities/Steiner Ranch Limited*	50%

* Interest held by subsidiary undertakings.

15. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	Capital allowances	Short term timing differences	Brands	Inventory adjustments	Retirement benefit obligations	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2008	4.2	10.0	(29.8)	40.1	63.4	87.9
(Charge)/credit to income	(5.5)	(3.0)	29.8	(46.1)	(39.7)	(64.5)
Charge to equity	—	—	—	—	(23.7)	(23.7)
Disposal of subsidiaries	—	(0.4)	—	—	—	(0.4)
Changes in exchange rates	—	—	—	6.0	—	6.0
At 31 December 2008	(1.3)	6.6	—	—	—	5.3
Credit/(charge) to income	0.1	(1.9)	—	—	27.1	25.3
Credit to equity	—	—	—	—	87.6	87.6
Disposal of subsidiaries	0.4	—	—	—	—	0.4
Changes in exchange rates	—	0.2	—	—	—	0.2
At 31 December 2009	(0.8)	4.9	—	—	114.7	118.8

In 2009 the Group has reinstated the deferred tax asset relating to the pension deficit, including £47.2m written off in the prior year, on the basis that the deficit is a long term liability of circa 15 years that will be satisfied from future profitability.

In the prior year the £23.7m charge to equity comprised £23.5m credited directly to equity in respect of deferred tax on actuarial losses on the defined benefit pension scheme taken to the

15. Deferred tax (Continued)

statement of recognised income and expense and a charge of £47.2m to equity in respect of the write off of the deferred tax asset on retirement benefit obligations.

The Group also reduced its deferred tax assets in the prior year on losses, capital allowances, short term timing differences and inventory write downs to reflect the weakening market and worsening economic conditions.

The deferred tax liability on brands was eliminated in 2008 following the decision to fully impair those brands.

The net deferred tax balance is analysed into assets and liabilities as follows:

	2009	2008
	£m	£m
Deferred tax assets	119.6	6.6
Deferred tax liabilities	(0.8)	(1.3)
	118.8	5.3

At the balance sheet date, the Group has unused UK capital losses of £409.2m (2008: £409.2m), of which £271.7m (2008: £271.7m) are agreed as available for offset against future capital profits. No deferred tax asset has been recognised in respect of these losses because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future. In addition, some of the capital losses would be further restricted as to offset dependent on the source within the Taylor Wimpey Group of any gains and previous losses.

The Group has not recognised potential deferred tax assets relating to inventory charges and tax losses carried forward amounting to £375.1m (2008: £248.3m) in the UK , £267.0m (2008: £303.6m) in the US and £21.4m (2008: £17.3m) in other jurisdictions. Local tax legislation permits losses to be carried forward 20 years in the US, 15 years in Spain and indefinitely in the UK.

16. Inventories

	2009	2008
	£m	£m
Raw materials and consumables	1.6	1.5
Finished goods and goods for resale	12.1	34.4
Residential developments:		
Land*	2,341.8	3,410.3
Development and construction costs	1,242.8	1,438.8
Commercial, industrial and mixed development properties	5.0	5.6
	3,603.3	4,890.6

* Details of land creditors are in Note 20.

The Directors consider all inventories to be current in nature. The operational cycle is such that the majority of inventory will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

Non-refundable land option payments of £81.2m (2008: £81.3m) are recorded within 'Residential developments: Land'.

17. Other financial assets

Trade and other receivables

	Current		Non-current	
	2009	2008	2009	2008
	£m	£m	£m	£m
Trade receivables	77.3	127.3	48.0	40.0
Joint ventures	—	—	—	0.2
Currency and interest rate derivatives	—	—	11.1	3.0
Other receivables	53.2	54.0	5.9	4.7
	130.5	181.3	65.0	47.9

The average credit period taken on sales is 13 days (2008: 13 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £7.0m (2008: £3.7m). This allowance has been determined by reference to past default experience.

Cash and cash equivalents

	2009	2008
	£m	£m
Cash and cash equivalents (see Note 21)	132.1	752.3

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value in both years.

18. Bank loans and overdrafts

	2009	2008
	£m	£m
Bank overdrafts repayable on demand	12.7	22.6
Bank loans	148.4	1,289.9
	161.1	1,312.5
Amount due for settlement within one year	12.7	23.4
Amount due for settlement after one year	148.4	1,289.1
Total bank borrowings	161.1	1,312.5

18. Bank loans and overdrafts (Continued)

	Bank overdraft	Bank loans
	£m	£m
Analysis of borrowings by currency:		
31 December 2009		
Sterling	—	41.2
Canadian dollars	12.7	—
Euros	—	107.2
Ghanaian cedis	—	—
US dollars	—	—
	12.7	148.4
31 December 2008		
Sterling	0.1	1,030.0
Canadian dollars	18.4	—
Euros	—	106.3
Ghanaian cedis	4.1	—
US dollars	—	153.6
	22.6	1,289.9

Bank borrowings and overdrafts are arranged at floating rates of interest, from 3% to 4% (2008: 3.82% to 19.75%).

Secured bank loans and overdrafts outstanding totalled £12.7m (2008: £23.4m). Secured bank loans and overdrafts are secured on certain fixed asset properties and land.

19. Debenture loans

	2009	2008
	£m	£m
Unsecured		
9.00% US$35m notes 2009	15.2	24.7
5.73% US$110m notes 2009	47.5	76.4
5.53% US$75m notes 2011	38.0	52.1
6.625% £250m guaranteed bonds 2012[(1)]	207.6	254.5
6.21% US$70m notes 2012	31.7	48.8
6.80% £30m notes 2012	22.0	30.0
4.72% US$28m notes 2013	12.5	18.6
6.31% US$110m notes 2014	50.5	76.5
6.03% US$175m notes 2014	90.0	121.5
4.98% US$38m notes 2015	16.9	25.2
6.72% US$30m notes 2017	14.0	21.1
5.29% US$30m notes 2018	13.4	19.7
6.375% £200m bonds 2019	162.6	200.0
Carrying value	721.9	969.1
Fair value	681.9	308.8

(1) The guarantee in respect of the 6.625% £250m guaranteed bond 2012 was released on 16 January 2004.

19. Debenture loans (Continued)

The descriptions presented above refer to the titles of the debenture loan issues at their original issue date.

The fair value for all debenture loans has been derived from inputs that are observable for the liability either directly or indirectly, relevant for the term and currency.

As a result of negotiations concluding in April 2009 the terms of the above debentures were changed such that they were either extended to mature on 3 July 2012 or capable of being repaid early on the same date. The coupons have also been modified to be a variable rate based on gearing tested at each quarter end. Interest rates can vary from the lowest at 7.6% to the highest at 11.2% and in accordance with the new terms a partial prepayment was made following the equity raise. Prepayment penalties have been deferred and are included in the above table.

	2009	2008
	£m	£m
Repayable		
Within one year or on demand	—	101.1
Total falling due in more than one year	721.9	868.0
	721.9	969.1

Interest rates and currencies of debenture loans:

	Fixed rate	Weighted average interest rate	Weighted average time until maturity
	£m	%	years
31 December 2009			
Sterling[(1)]	392.2	8.6	2.5
US dollars	329.7	8.1	2.5
	721.9	8.3	2.5
31 December 2008			
Sterling[(1)]	484.5	6.53	6.2
US dollars	484.6	6.04	4.4
	969.1	6.29	5.5

(1) Interest on £100m (2008: £100m) of the 6.625% £250m guaranteed bond 2012 has been swapped from the underlying 6.625% to floating rate based on US dollar LIBOR applicable to periods of three months. The above table does not reflect the impact of these swaps.

20. Trade and other payables

	Current		Non-current	
	2009	2008	2009	2008
	£m	£m	£m	£m
Trade payables	249.7	562.9	203.7	293.8
Joint ventures	1.3	—	—	—
Currency and interest rate derivatives	12.9	14.4	—	—
Other payables	496.1	593.4	74.9	48.3
	760.0	1,170.7	278.6	342.1

Trade payable days were 20 days (2008: 26 days), based on the ratio of year end trade payables (excluding sub-contract retentions and unagreed claims of £35.3m (2008: £28.8m) and land creditors) to amounts invoiced during the year by trade creditors.

Other payables include customer deposits for reserving plots of £91.5m (2008: £80.1m).

20. Trade and other payables (Continued)

Land creditors (included within trade payables) are due as follows:

	2009	2008
	£m	£m
Due within one year	124.3	355.2
Due in more than one year	201.4	290.1
	325.7	645.3

Land creditors are denominated as follows:

	2009	2008
	£m	£m
Sterling	275.6	552.5
US dollars	1.0	33.1
Canadian dollars	38.6	35.9
Euros	10.5	23.8
	325.7	645.3

Land creditors of £195.0m (2008: £492.0m) are secured against land acquired for development, or supported by bond or guarantee.

21. Financial instruments

Refinancing

On 7 April 2009 the Group successfully reached agreement with its banks and private placement holders regarding a revised covenant and financing package (the Override Agreement). The Group also reached similar agreement with the holders of its two public Eurobond issues on 30 April 2009. The principal terms of the refinancing consisted of an alignment of all debt maturity dates to 3 July 2012, an increase in margin or coupon, an additional interest charge in the form of payment in kind (PIK) and warrants giving all lenders at the time the right to subscribe in cash for a combined total of approximately 5% of the Company's ordinary share capital at a fixed price and a revised operating and financial covenant package. Following the equity raise in June 2009 the Group was able to reduce its borrowings to below a level such that PIK stopped accruing, the additional interest reduced and restrictive operating covenants relaxed.

Capital management

The Group's objective is to obtain a strong credit rating for the business and to have an appropriate funding structure based on a minimum interest cover and maximum gearing. In the current circumstances maintaining interest cover is not applicable as cash generation has been the Group's primary focus, however complying with policy remains an objective of the Group when market conditions allow. Shareholder's equity and long term debt are used to finance fixed assets and medium to long term land bank. Revolving credit facilities are used to fund net current assets including work in progress and short term land.

21. Financial instruments (Continued)

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets	Note	2009 Carrying value	2008 Carrying value
		£m	£m
Cash and cash equivalents	(b)	132.1	752.3
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	11.1	0.4
Held for trading	(a)	—	2.7
Loans and receivables:			
Land receivables	(b)	21.0	55.6
Trade and other receivables	(b)	121.6	95.4
Mortgage receivables	(b)	41.7	31.7
		327.5	938.1

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts.

Current and non-current trade and other receivables, as disclosed, in Note 17 include £41.8m (2008: £43.4m) of non-financial assets.

Financial liabilities	Note	2009 Carrying value	2008 Carrying value
		£m	£m
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	—	1.8
Held for trading	(a)	12.9	12.6
Amortised cost:			
Bank loans and overdrafts		161.1	1,312.5
Land creditors	(b)	325.7	645.3
Trade and other payables	(b)	577.8	701.1
Debentures	(c)	721.9	969.1
		1,799.4	3,642.4

Land creditors and trade and other payables are included in the balance sheet as trade and other payables for current and non-current amounts.

Current and non-current trade and other payables, as disclosed in Note 20, include £122.2m (2008: £152.6m) of non-financial liabilities.

(a) Derivative financial instruments are carried at fair value. The fair values are derived from inputs that are observable for the asset or liability either directly or indirectly and relevant for the term, currency and instrument and are therefore Level 2 as described in the IFRS 7 update effective 1 January 2009.

(b) The Directors consider that the carrying amount of other financial assets and liabilities recorded in the financial statements approximates their fair values.

(c) Details of fair values of debenture loans are provided in Note 19.

21. Financial instruments (Continued)

The Group has the following types of derivatives:

	2009 Notional amount	2009 Weighted average fixed	2008 Notional amount	2008 Weighted average fixed
Designated as held for trading:				
Floating £ to fixed £ interest	£185.0m	5.28%	£185.0m	5.28%
Fixed US$ to floating US$ interest	—	—	US$145.0m	5.16%
Designated as hedging instruments:				
US$160.5m floating US$ to fixed £ interest	£100.0m	6.63%	£100.0m	6.63%

In addition, forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy against Sterling: US$37m, €2.5m and C$54.5m (2008: US$nil, €2.5m and C$nil). The fair values of the forward contracts are not material as they were entered into on or near 31 December 2009 and mature not more than one month later.

Loss before tax has been arrived at after charging/(crediting) the following gains and losses:

	2009 £m	2008 £m
Change in fair value of financial liabilities designated as effective hedged items	(0.5)	6.9
Change in fair value of derivatives designated as effective hedging instruments	0.5	(6.9)
Change in fair value of derivatives classified as held for trading	(2.1)	(10.8)
	(2.1)	(10.8)

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks by the use of fixed or floating rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. A combination of fixed rate borrowings and interest rate swaps are used to manage the volatility risk such that at the year end, taking all interest rate derivatives into account, fixed rate borrowings are not more than 70% of total borrowings but not less than 50%. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility.

In order to measure the risk, floating rate borrowings and the expected interest cost for the year are forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year although our fixed rate exposure is currently in excess of policy. At the year end the Group had £802.0m (2008: £827.1m) of fixed rate exposure equivalent to 107% (2008: 62%) of net debt. The Group are currently not permitted to enter into new derivatives or cancel existing derivatives, if resulting in cash outflow, due to the terms of its renegotiated debt facilities.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with policy.

21. Financial instruments (Continued)

The cross currency, fixed to floating interest rate swaps have been bifurcated for hedging purposes and designated as fair value hedges such that the Group receives interest at a fixed rate of 6.625% based on a nominal value of £100.0m matching the underlying borrowing and pay US dollar floating rates on a nominal value of US$160.5m. During the period, the hedge was 100% effective (2008: 100%) in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was increased by £4.9m (2008: reduced by £6.9m) which was included in the income statement offsetting the fair value movement of the bifurcated interest rate swap.

A number of derivatives are held which, while providing an economic hedge to the volatility of interest rates, do not satisfy the strict requirements for hedge accounting and are therefore designated as held for trading.

Interest rate sensitivity

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at the balance sheet date, for a 1% (2008: 1%) rise in interest rates is £(0.3m) (2008: £(5.6m)), before tax, a 1% (2008: 1%) fall in interest rates gives the same but opposite effect. For derivatives the fair values have been calculated based on rates available from a recognised financial information provider adjusted for the sensitivity as shown in the tables below.

Due to seasonal fluctuations the level of net borrowings at the financial year end are not representative of net borrowings during the year and therefore interest rate sensitivity before tax for a reasonably possible 1% (2008: 1%) rise in floating rate instruments as shown below is based on a monthly average for the year. The table assumes all other variables remain constant and in accordance with IFRS 7 does not attempt, for example, to include the effects of any resultant change in exchange rates.

1% increase in interest rates	Sensitivity income 2009	Sensitivity equity 2009	Sensitivity income 2008	Sensitivity equity 2008
	£m	£m	£m	£m
Derivatives	3.2	3.4	4.4	4.7
Non-derivatives (based on average for the year)	(4.2)	(4.2)	(9.5)	(9.5)
	(1.0)	(0.8)	(5.1)	(4.8)

1% decrease in interest rates	Sensitivity income 2009	Sensitivity equity 2009	Sensitivity income 2008	Sensitivity equity 2008
	£m	£m	£m	£m
Derivatives	(3.3)	(3.5)	(4.6)	(4.8)
Non-derivatives (based on average for the year)	4.2	4.2	9.5	9.5
	0.9	0.7	4.9	4.7

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates primarily to US dollars, Canadian dollars and the Euro.

The Group is not materially exposed to transaction risks as nearly all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is also exposed to the translation risk of accounting for both the income and the net investment held in functional currencies other than Sterling. The net investment risk is partially hedged

21. Financial instruments (Continued)

using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates and resultant exchange gains or losses monitored each month. Income is also measured monthly using the latest exchange rates and compared to a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings the translation risk of income is not hedged using derivatives. The policy is kept under periodic review.

The Group's exposure to, and the way in which it manages, exchange rate risk has not changed from the previous year.

Hedge accounting

The Group designates the bifurcated cross currency swaps such that the nominal amount of US$160.5m (2008: US$160.5m) is used to hedge part of the Group's net investment in US dollar denominated assets and liabilities.

The Group has also designated the carrying value of US$287.5m and €75.0m (2008: US$527.5m and €75.0m) borrowings as a net investment hedge of part of the Group's investment in US dollar and Euro denominated assets respectively.

Due to net realisable value provisions and derecognition of deferred tax assets in North America the designated hedging instruments exceeded the carrying value of hedged investments for part of the year and in accordance with policy any exchange gains or losses on the excess hedge have been recognised in the income statement. The change in the carrying amount of the derivatives which were effective hedging instruments and the change in the carrying value of the borrowings offset the exchange movement on the Group's US dollar and € net investments and are included in the translation reserve.

Foreign currency sensitivity

The Group is primarily exposed to US dollars, Canadian dollars and the Euro. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis, to a 20% increase (2008: 20%) in the respective currencies against Sterling and in accordance with IFRS 7, all other variables remaining constant. A 20% (2008: 20%) decrease in the value of Sterling would have an equal but opposite effect.

The 20% (2008: 20%) change represents a reasonably possible change in the specified foreign exchange rates in relation to Sterling.

	Income sensitivity 2009	Equity sensitivity 2009	Income sensitivity 2008	Equity sensitivity 2008
	£m	£m	£m	£m
US dollar	(5.4)	29.6	(4.4)	10.6
Canadian dollar	(1.2)	(37.7)	(0.4)	(35.2)
Euro	(0.8)	(14.1)	0.4	(14.1)
	(7.4)	(22.2)	(4.4)	(38.7)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

The Group's policy is that surplus cash when not used to repay borrowings is placed on deposit with the Group's revolving credit facility syndicate banks and with other banks based on a minimum credit rating. Credit risk on derivatives where the fair value is positive is closely monitored and remains within acceptable limits.

21. Financial instruments (Continued)

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that if the risk is not acceptable then the deferred payment must have adequate security either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management consider that the credit quality of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk. A small allowance for credit losses against sundry debtors is held, however, the balance is not material in relation to the gross carrying value of this particular class of financial asset.

The Group's exposure to credit risk has reduced compared to the prior year due to the current policy of minimising cash balances in order to reduce carry costs. In 2008 the Group maintained a higher level of liquidity due to the concerns affecting the banking sector.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities and ideally through the use of term borrowings, overdrafts and committed revolving credit facilities for a minimum of 12 months from maturity. Future borrowing requirements are forecast on a weekly and monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. Following the debt refinancing all bank loans, debentures and revolving credit facilities are capable of being repayable or mature on 3 July 2012. It is the objective of the Group to return to a more appropriate maturity profile when conditions allow.

In addition to term borrowings and committed overdraft facilities the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £1,078.3m (2008: £410.9m) and cash and cash equivalents of £132.1m (2008: £752.3m).

The maturity profile of the anticipated future cash flows including interest using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis is as follows:

Financial liabilities	Bank loans and overdraft	Land creditors	Other trade payables	Debenture loans	Total
	£m	£m	£m	£m	£m
On demand	12.7	—	—	—	12.7
Within one year	4.4	132.5	414.8	59.8	611.5
More than one year and less than two years	4.4	90.9	18.1	59.8	173.2
More than two years and less than five years	150.6	95.4	21.4	747.3	1,014.7
In more than five years	—	29.8	—	—	29.8
31 December 2009	172.1	348.6	454.3	866.9	1,841.9

21. Financial instruments (Continued)

Financial liabilities	Bank loans and overdraft	Land creditors	Other trade payables	Debenture loans	Total
	£m	£m	£m	£m	£m
On demand	22.8	—	—	—	22.8
Within one year	60.3	410.1	634.1	160.3	1,264.8
More than one year and less than two years	59.6	83.3	40.1	54.1	237.1
More than two years and less than five years	1,379.4	118.0	13.5	463.0	1,973.9
In more than five years	—	38.4	13.4	554.9	606.7
31 December 2008	1,522.1	649.8	701.1	1,232.3	4,105.3

The following table represents the undiscounted cash flow profile of the Group's derivative financial instruments and has been calculated using implied interest rates and exchange rates derived from the respective yield curves. Interest rate swaps are settled net and foreign currency swaps and forward contracts are settled gross except in the case of a default by either party where the amounts may be settled net.

Derivatives	Net-settled derivatives net amount	Gross-settled derivatives receivable	Gross-settled derivatives payable	Total
	£m	£m	£m	£m
Within one year	(7.7)	6.6	(2.6)	(3.7)
More than one year and less than two years	(4.7)	6.6	(4.1)	(2.2)
More than two years and less than five years	(0.7)	113.3	(107.5)	5.1
31 December 2009	(13.1)	126.5	(114.2)	(0.8)

Derivatives	Net-settled derivatives net amount	Gross-settled derivatives receivable	Gross-settled derivatives payable	Total
	£m	£m	£m	£m
Within one year	(1.6)	9.0	(7.3)	0.1
More than one year and less than two years	(4.8)	6.6	(5.4)	(3.6)
More than two years and less than five years	(3.4)	113.3	(112.3)	(2.4)
In more than five years	(0.8)	—	—	(0.8)
31 December 2008	(10.6)	128.9	(125.0)	(6.7)

22. Retirement benefit schemes

Retirement benefit obligation comprises gross pension liability of £406.4m (2008: £277.2m) and gross post-retirement healthcare liability of £2.9m (2008: £2.6m).

The Group operates defined benefit and defined contribution pension schemes. In the UK, the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) are funded defined benefit schemes. The Taylor Woodrow NHS Pension Scheme (TWNHSPS), which was also a defined benefit scheme, was disposed of as part of the disposal of the Construction business on 9 September 2008. The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002 and with the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) on 27 August 2004. These schemes are managed by boards of trustees. The Group's defined benefit schemes are closed to new entrants. The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006. An alternative Defined Contribution arrangement, the Taylor

22. Retirement benefit schemes (Continued)

Wimpey Personal Choice Plan, is offered to new employees and from 1 December 2006 to employees who previously accrued benefits in the TWGP&LAF. Legacy George Wimpey staff are members of a UK Stakeholder arrangement. The Group also operates a number of small overseas pension schemes including defined benefit schemes in the US and Canada. Of the defined benefit pension scheme net deficit of £406.4m (2008: £277.2m) at 31 December 2009, £401.4m (2008: £268.3m) related to the TWGP&LAF and GWSPS schemes in the UK and £5.0m (2008: £8.9m) related to defined benefit schemes in the US and Canada.

The pension scheme assets of the Group's principal defined benefit pension schemes, TWGP&LAF and GWSPS are held in a separate trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees is determined by each scheme's trust documentation. The Group has a policy that at least one-third of all trustees should be nominated by members of the scheme.

The most recent formal actuarial valuation of the TWGP&LAF was carried out at 1 June 2007. The most recent formal actuarial valuation of the GWSPS was carried out at 31 March 2007. The projected unit method was used in all valuations and assets were taken into account using market values.

The next formal valuations of the TWGP&LAF and GWSPS are taking place as at 31 March 2010. The statutory funding objective is that each scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principles adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

Contributions of £10.6m (2008: £8.9m) were charged to income in respect of defined contribution schemes.

In 2008 the Group agreed revised funding schedules with the Trustees of both schemes under which the Group will make annual funding contributions of £20m over eight years in respect of the TWGP&LAF and £25m over 10 years in respect of the GWSPS. Following the last valuation of the GWSPS, the ordinary contribution rate was set at 18% of pensionable salaries.

The main financial assumptions, which were used for the triennial funding valuation and are all relative to the inflation assumption, are as set out below:

Assumptions	TWGP&LAF	GWSPS
RPI inflation	3.15%	3.15%
Discount rate—pre/post-retirement	5.60%	6.75%-4.75%
General pay inflation	—	5.15%
Real pension increases	0.00%	0.00%

Valuation results	TWGP&LAF	GWSPS
Market value of assets	£764m	£668m
Past service liabilities	£926m	£883m
Scheme funding levels	82%	76%

22. Retirement benefit schemes (Continued)

The valuations of the Group's pension schemes have been updated to 31 December 2009 and the position of overseas schemes has been included within the IAS 19 disclosures. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	United Kingdom		North America	
	2009	2008	2009	2008
As at 31 December				
Discount rate for scheme liabilities	5.70%	6.30%	5.94%-6.00%	5.80-7.00%
Expected return on scheme assets	5.90%-6.20%	5.80-6.45%	6.50%-8.00%	5.50-8.00%
General pay inflation	4.30%	4.30%	3.00%-3.50%	3.00%
Deferred pension increases	3.30%	2.80%	0.00%	0.00%
Pension increases	2.30%-3.20%	2.15-3.35%	0.00%-3.00%	0.00-3.00%

The basis for the above assumptions are prescribed by IAS 19 and do not reflect the assumptions that may be used in future funding valuations of the Group's pension schemes.

The current life expectancies (in years) underlying the value of the accrued liabilities for the main UK plans are:

	2009		2008	
Life expectancy at age 65	Male	Female	Male	Female
Member currently age 65	86	89	86	89
Member currently age 45	87	90	87	90

22. Retirement benefit schemes (Continued)

The fair value of assets and present value of obligations of the Group's defined benefit pension schemes are set out below:

	Expected rate of return	United Kingdom	North America	Total plans	Percentage of total plan assets held
	% p.a.	£m	£m	£m	
31 December 2009					
Assets:					
Equities	7.90%	527.9	9.8	537.7	38%
Bonds	5.70%	294.0	5.4	299.4	21%
Gilts	4.40%	444.8	—	444.8	32%
Other assets	3.30%-7.90%	129.7	0.7	130.4	9%
		1,396.4	15.9	1,412.3	100%
Present value of defined benefit obligations		(1,797.8)	(20.9)	(1,818.7)	
Deficit in schemes recognised as non-current liability		(401.4)	(5.0)	(406.4)	
31 December 2008					
Assets:					
Equities	6.90%	422.2	9.3	431.5	34%
Bonds	6.50%	324.2	5.8	330.0	26%
Gilts	3.40%	474.8	—	474.8	37%
Other assets	2.00%	44.2	—	44.2	3%
		1,265.4	15.1	1,280.5	100%
Present value of defined benefit obligations		(1,533.7)	(24.0)	(1,557.7)	
Deficit in schemes recognised as non-current liability		(268.3)	(8.9)	(277.2)	

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on investments (particularly government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class were then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold bonds issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered 'riskier' investments.

It is generally accepted that the yield on equity investments will contain a premium, 'the equity risk premium', to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

22. Retirement benefit schemes (Continued)

A summary of the target asset allocations of the major defined benefit schemes are shown below:

	TWGP&LAF	GWSPS
UK Equities	17%	18%
Non-UK Equities	30%	12%
Index-Linked Gilts	15%	25%
Fixed-Interest Gilts	10%	16%
Other UK bonds	25%	24%
GTAA	—	5%
Property	3%	—

	2009	2008
	£m	£m
Amount charged against income:		
Current service cost	(4.1)	(5.5)
Curtailment loss	—	(0.9)
Settlement loss	—	—
Operating cost	(4.1)	(6.4)
Expected return on scheme assets	61.2	82.0
Interest cost on scheme liabilities	(95.5)	(93.7)
Finance charges	(34.3)	(11.7)
Total charge	(38.4)	(18.1)

The actual return on scheme assets was a gain of £41.5m (2008: loss of £128.4m).

	2009	2008
	£m	£m
Actuarial (losses)/gains in the statement of recognised income and expenses:		
Difference between actual and expected return on scheme assets	102.7	(210.4)
Experience gains/(losses) arising on scheme liabilities	29.1	(22.1)
Changes in assumptions	(273.6)	142.3
Total loss recognised in the statement of recognised income and expense	(141.8)	(90.2)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £215.6m loss (2008: £73.8m loss).

	2009	2008
	£m	£m
Movement in present value of defined benefit obligations		
1 January	1,557.7	1,650.6
Changes in exchange rates	(1.6)	5.6
Service cost	4.1	5.5
Curtailment gain	—	0.9
Benefits paid and expenses	(83.1)	(80.4)
Contributions—employee	1.6	2.0
Interest cost	95.5	93.7
Actuarial gains/(losses)	244.5	(120.2)
31 December	1,818.7	1,557.7

22. Retirement benefit schemes (Continued)

	2009	2008
	£m	£m
Movement in fair value of scheme assets		
1 January	1,280.5	1,434.2
Changes in exchange rates	(0.7)	3.0
Expected return on scheme assets and expenses	61.2	82.0
Contributions—employer and employee	51.7	52.5
Benefits paid	(83.1)	(80.8)
Actuarial gains/(losses)	102.7	(210.4)
31 December	1,412.3	1,280.5

	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
History of experience gains and losses:					
Fair value of scheme assets	1,412.3	1,280.5	1,434.2	749.7	706.1
Present value of defined benefit obligations	(1,818.7)	(1,557.7)	(1,650.6)	(955.6)	(925.9)
Deficit in the scheme	(406.4)	(277.2)	(216.4)	(205.9)	(219.8)
Difference between actual and expected return on scheme assets:					
Amount	102.7	(210.4)	(12.7)	24.2	61.4
Percentage of scheme assets	7.3%	16.4%	1.0%	3.0%	9.0%
Experience adjustments on scheme liabilities:					
Amount	29.1	(22.1)	26.7	0.2	(32.6)
Percentage of scheme liabilities	1.6%	1.4%	2.0%	0.0%	4.0%

The estimated amounts of contributions expected to be paid to the TWGP&LAF during 2010 are £20.0m, to the GWSPS are £28.7m.

The Group liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value so there is no net effect on the Company liability.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1% p.a.	Decrease by £27.8m
Rate of inflation	Increase by 0.1% p.a.	Increase by £17.7m
Rate of pay inflation	Increase by 0.1% p.a.	Increase by £1.1m
Rate of mortality	Members assumed to live 1 year longer	Increase by £51.7m

The projected liabilities of the defined benefit scheme are apportioned between members' past and future service using the projected unit actuarial cost method. The defined benefit obligation makes allowance for future earnings growth. If all active members were assumed to leave the Company and the allowance for future earnings growth was replaced by an allowance for statutory revaluation, the liabilities would reduce by £11.0m (2008: £15.0m).

22. Retirement benefit schemes (Continued)

The gross post-retirement liability also includes £2.9m at 31 December 2009 (2008: £2.6m) in respect of continuing post-retirement healthcare insurance premiums for retired long-service employees. The liability is based upon the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 2008.

The cost is calculated assuming a discount rate of 3.6% per annum (2008: 5.0%) and an increase in medical expenses of 10.0% per annum (2008: 10.0%). The premium cost to the Group in respect of the retired long-service employees for 2009 was £0.2m (2008: £0.2m).

23. Provisions

	Housing maintenance	Restructuring	Other	Total
	£m	£m	£m	£m
At 1 January 2008	38.5	33.6	14.5	86.6
Additional provision in the year	5.9	35.1	36.0	77.0
Utilisation of provision	(15.0)	(42.2)	(3.4)	(60.6)
Released	(0.7)	(5.2)	(3.2)	(9.1)
Changes in exchange rates	10.3	0.8	2.1	13.2
At 31 December 2008	39.0	22.1	46.0	107.1
Additional provision in the year	6.2	4.2	12.9	23.3
Utilisation of provision	(7.8)	(9.4)	(8.0)	(25.2)
Released	(0.8)	(0.2)	(0.2)	(1.2)
Transfers and Reclassification	(24.5)	(0.2)	24.7	—
Changes in exchange rates	(3.0)	(0.6)	(1.6)	(5.2)
At 31 December 2009	9.1	15.9	73.8	98.8

	£m
Amount due for settlement within one year	47.8
Amount due for settlement after one year	51.0
31 December 2009	98.8

The housing maintenance provision arises principally from warranties and other liabilities on housing sold. Whilst such warranties extend to a period of 10 years, payment of these costs is likely to occur within a period of two years. The Group restructuring provision relates to the continued reorganisation of the UK and US businesses following the merger with George Wimpey Plc in 2007. It is anticipated that the majority of this provision, which comprises redundancy costs and empty property costs will be utilised within six years.

Other provisions consist of a remedial work provision, provisions for legal claims and other contract-related costs. The remedial work provision covers various obligations, including aftercare at Springfield Environmental Limited which has a legal responsibility of a long term nature for the management of old, completed sites and provisions for losses on construction contracts. Also included in other provisions are amounts for legal claims and contract-related costs associated with various matters arising across the Group, the majority of which are anticipated to be settled within a three-year period.

24. Share capital

	2009	2008
	£m	£m
Authorised:		
22,200,819,176 ordinary shares of 1p each (2008: 2,000,000,000 of 25p each)	222.0	500.0
1,158,299,201 deferred ordinary shares of 24p each (2008: nil)	278.0	—
	500.0	500.0

	Number of shares	£m
Issued and fully paid:		
1 January 2008	1,158,294,708	289.6
US Employee Stock Purchase Plan	4,493	—
31 December 2008	1,158,299,201	289.6
Treasury Share cancellation	(92,732,927)	(23.2)
Share warrants	166,786	—
Placing and open offer	2,131,132,548	21.3
31 December 2009	3,196,865,608	287.7

The Company issued 2,131.1m new ordinary shares on 1 June 2009, as part of an placing and open offer. Prior to the placing and open offer issue the 25p ordinary shares of the Company were split into 1,158.3m ordinary shares of 1p and 1,158.3m deferred shares of 24p each. The unissued 25p share capital was split into 1p shares. The new share issue was executed such that the amounts received above nominal share capital, net of issue costs, were recorded as part of the merger relief reserve and then subsequently transferred to distributable reserves.

During the year, options were exercised on 139,062 (2008: 249,796) ordinary shares of which nil (2008: 4,493) were new issues with the balance coming from Treasury/ESOT at varying prices from nil pence to 25.5p and shares were issued for a total consideration of nil (2008: nil). Additionally nil (2008: 844) ordinary shares were awarded to employees for 25 or 40 years' long service. Under the Group's senior executives' share option scheme and executive share option plan, employees held options at 31 December 2009 to purchase 32,840,430 shares (2008: 15,467,631) at prices between 11.0p and 181.0p per share exercisable up to 7 August 2019. Under the Group's savings-related share option schemes, employees held options at 31 December 2009 to purchase 33,719,220 shares (2008: 24,921,300) at prices between 25.5p and 189.2p per share exercisable up to 31 May 2015. Under the Group's cash bonus deferral plan and executive bonus plan, employees held options at 31 December 2009 in respect of 96,927 shares (2008: 228,126) at nil pence per share exercisable up to 1 January 2010. Under the Group's performance share plan employees held conditional awards at 31 December 2009 in respect of 15,744,982 shares (2008: 7,832,194) at nil pence per share exercisable up to 1 January 2013. Under the Group's share purchase plan employees held conditional awards at 31 December 2009 in respect of 6,521,631 shares (2008: 3,252,206) at nil pence per share. The former George Wimpey plans were acquired as part of the merger in 2007. Under the George Wimpey Sharesave Scheme, employees held options at 31 December 2009 to purchase 512,708 shares (2008: 1,257,529) at prices between 148.3p and 188.0p per share exercisable up to 31 May 2012. Under the George Wimpey Executive Option Scheme, employees held awards at 31 December 2009 in respect of 2,163,415 shares (2008: 2,908,267) at prices between 144.3p and 322.3p per share exercisable up to 2 April 2017. Under the George Wimpey Long Term Incentive Plan, employees held awards at 31 December 2009 in respect of 955,036 shares (2008: 1,507,710) at nil pence per share exercisable up to 2 April 2010.

Under the Override Agreement (see Note 21), the Company agreed to issue 57.8m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. The warrants may be exercised at par by the holder within five years of the date of issue and as at 31 December 2009 166,786 warrants had been exercised.

25. Share premium account

	£m
Balance at 1 January 2008	758.1
Amortisation of debt transferred from retained earnings	(4.5)
Balance at 31 December 2008	753.6
Share warrants	—
Balance at 31 December 2009	753.6

26. Reserves

	Retained earnings	Merger relief reserve	Capital redemption reserve	Translation reserve	Share-based payment tax reserve	Other	Total other reserves
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2008	957.1	1,934.2	31.5	3.7	5.6	5.3	46.1
Dividends paid	(107.9)	—	—	—	—	—	—
Transfers to share premium account	4.5	—	—	—	—	—	—
Share-based payment credit	6.0	—	—	—	—	—	—
Cash cost of satisfying share options	(0.9)	—	—	—	—	—	—
Actuarial loss net of deferred tax	(66.7)	—	—	—	—	—	—
Deferred tax write off	(47.2)	—	—	—	—	—	—
Transfer to retained earnings	1,934.7	(1,934.2)	—	—	—	(0.5)	(0.5)
Exchange differences on translation of overseas operations, net of tax	—	—	—	50.3	—	—	50.3
Decrease in fair value of hedging derivatives	—	—	—	(31.2)	—	—	(31.2)
Net loss for the year	(1,841.3)	—	—	—	—	—	—
Balance at 31 December 2008	838.3	—	31.5	22.8	5.6	4.8	64.7
New share capital subscribed	—	488.8	—	—	—	—	—
Cancellation and disposal of treasury shares	(247.5)	—	—	—	—	—	—
Issuance of equity instruments	—	—	—	—	—	5.5	5.5
Share-based payment credit	1.0	—	—	—	—	—	—
Actuarial loss as defined benefit pension schemes	(141.8)	—	—	—	—	—	—
Deferred tax asset recognised	87.6	—	—	—	—	—	—
Transfer to retained earnings	488.8	(488.8)	—	—	—	—	—
Exchange differences on translation of overseas operations, net of tax	—	—	—	(5.0)	—	—	(5.0)
Increase in fair value of hedging derivatives	—	—	—	11.5	—	—	11.5
Other financing costs	(0.5)	—	—	—	—	—	—
Net loss for the year	(640.4)	—	—	—	—	—	—
Balance at 31 December 2009	385.5	—	31.5	29.3	5.6	10.3	76.7

Merger relief reserve

In accordance with Section 612 of the Companies Act 2006 the £488.8m premium on ordinary shares issued as part of the placing and open offer in June 2009 was initially recorded within the merger relief reserve, and subsequently transferred to the retained earnings.

The merger relief reserve is not distributable but can be used to:

- Make a bonus issue of fully paid shares;

26. Reserves (Continued)

- Transfer to the retained earnings an amount equal to the amount that has become realised by virtue of either:
  - The disposal of the related investment; or
  - An amount written off the related investment and charged against the retained earnings.

During 2008 £1,934.2m was transferred to retained earnings to offset the write down charged to the profit and loss account of the investment to which the reserve related.

Other reserves

Capital redemption reserve

The capital redemption reserve arose on the historical redemption of parent Company shares, and is not distributable.

Translation reserve

Translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging derivatives where such instruments are designated and effective as hedges of investment in overseas operations.

Share-based payment tax reserve

As explained in the statement of accounting policies, an expense is recorded in the Group's income statement over the period from the grant date to the vesting date of share options granted to employees. As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory tax rate, the excess is recorded directly in equity, in this share-based payment tax reserve.

Other reserve

As detailed in Note 7, the Group issued 57.8m of warrants with a fair value of £5.5m. The full cost of the warrants was recognised in the Other reserve on their issuance.

27. Own shares

	£m
Balance at 1 January 2008	282.0
Disposed of on exercise of options	(6.3)
Balance at 31 December 2008	275.7
Cancellation of treasury shares	(245.9)
Disposed of on exercise of options	(24.8)
Balance at 31 December 2009	5.0

As part of the equity raise process in June 2009 92.7m treasury shares held outside of the employee share ownership trusts were cancelled with an associated charge to retained earnings of £222.8m. This did not impact distributable reserves.

27. Own shares (Continued)

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market, those held as treasury shares and held by the Taylor Wimpey plc Employee Benefit Trust to satisfy options under the Group's share plans.

During the year, Taylor Wimpey plc purchased none of its own shares (2008: nil).

	2009	2008
	Number	Number
These comprise ordinary shares of the Company:		
Treasury shares	—	92.7m
Shares held in trust for bonus, option and performance award plans	3.3m	6.8m
	3.3m	99.5m

Employee Share Ownership Trusts ('ESOTs') are used to hold the Company's shares ('shares') which are either acquired on the market or (during 2008) transferred out of the Company's holding of shares in Treasury. These shares are used to meet the valid exercise and/or vesting of conditional awards (under the deferred bonus plan and performance share plan) and options (under the Savings-Related, Executive Share Option, George Wimpey LTIP and Executive Bonus Plans) over shares, and the matching award of shares under the Share Purchase Plan. During the year, nil (2008: 10.0m) shares were transferred out of the Company's Treasury holding to the ESOTs for this purpose.

The ESOTs' entire holding of shares at 31 December 2009, aggregating 3.3m shares (2008: 6.7m), was covered by outstanding options and conditional awards over shares at that date.

28. Notes to the cash flow statement

	2009	2008
	£m	£m
Loss on ordinary activities before finance costs —continuing	(543.0)	(1,798.2)
—discontinued	—	2.1
Non-cash exceptional items:		
Impairment of goodwill	—	699.8
Impairment of fixed assets	0.5	—
Impairment of brands and software development	—	116.3
Inventories write downs	527.0	1,012.8
Adjustments for:		
Amortisation of brands	—	2.4
Amortisation of software development costs	—	4.3
Depreciation of plant and equipment	4.2	7.9
Share-based payment charge	1.0	6.0
Loss on disposal of property and plant	0.2	1.0
(Decrease)/increase in provisions	(3.1)	6.8
Operating cash flows before movements in working capital	(13.2)	61.2
Decrease in inventories	735.0	393.7
Decrease in receivables	25.4	135.9
Decrease in payables	(432.6)	(390.8)
Pension contributions in excess of charge	(44.7)	(44.1)
Cash generated by operations	269.9	155.9
Income taxes received	109.1	112.6
Interest paid	(172.7)	(114.9)
Net cash from operating activities	206.3	153.6

28. Notes to the cash flow statement (Continued)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less.

Movement in net debt

	Cash and cash equivalents	Bank overdrafts and bank loans	Debenture loans	Total net debt
	£m	£m	£m	£m
Balance 1 January 2008	130.0	(720.7)	(824.7)	(1,415.4)
Cashflow	577.8	(525.7)	1.4	53.5
Foreign exchange	44.5	(66.1)	(145.8)	(167.4)
Balance 31 December 2008	752.3	(1,312.5)	(969.1)	(1,529.3)
Cashflow	(595.8)	1,124.9	200.4	729.5
Business disposals*	—	4.1	—	4.1
Foreign exchange	(24.4)	22.4	46.8	44.8
Balance 31 December 2009	132.1	(161.1)	(721.9)	(750.9)

* In April 2009 the Group disposed of its residual construction operations to existing local management for £1. At the point of disposal the business had bank loans of £4.1m.

29. Contingent liabilities and capital commitments

General

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Group has no material capital commitments as at 31 December 2009 (2008: nil).

30. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009	2008
	£m	£m
Within one year	7.0	8.4
In more than one year but not more than five years	22.4	26.6
After five years	19.5	12.3
	48.9	47.3

30. Operating lease arrangements (Continued)

Operating lease payments principally represent rentals payable by the Group for certain office properties and vehicles.

31. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the paragraphs on 'Executive share-based reward' in the Directors' Remuneration Report on pages 41 to 50.*

Schemes requiring consideration from participants:

	2009		2008	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	46,642,667	1.01	15,460,002	2.72
Granted during the year	19,276,238	0.39	42,697,752	0.69
Lapsed during the year	(9,140,769)	1.32	(11,273,011)	2.07
Exercised during the year	(101,330)	0.26	(242,076)	1.92
Cancellations during the year	(6,609,462)	0.41	—	—
Open offer adjustment[1]	19,168,430	0.51	—	—
Outstanding at the end of the period	69,235,774	0.52	46,642,667	1.01
Exercisable at the end of the period	2,181,578	2.19	2,649,887	2.58

The weighted average share price at the date of exercise for share options exercised during the period was £0.41 (2008: £1.73). The options outstanding at 31 December 2009 had a range of exercise prices from £0.11 to £3.22 (2008: £0.16 to £4.57) and a weighted average remaining contractual life of 4.5 years (2008: 6.3 years).

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plans.

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors' Remuneration report at F-129. Pages not presented within this Offering Circular are available in the complete Taylor Wimpey plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

31. Share-based payments (Continued)

Schemes not requiring consideration from participants:

	2009		2008	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	10,732,296	—	10,091,435	—
Granted during the year	8,756,641	—	9,695,831	—
Lapsed during the year	(1,425,497)	—	(9,047,250)	—
Exercised during the year	(37,732)	—	(7,720)	—
Cancellations during the year	(24,351)	—	—	—
Open offer adjustment[1]	5,317,219	—	—	—
Outstanding at the end of the period	23,318,576	—	10,732,296	—
Exercisable at the end of the period	198,320	—	175,153	—

(1) On 1 June 2009 the Group undertook the placing and open offer, as detailed in Note 24. As a result all outstanding share based awards were adjusted by a formula approved by HM Revenue and Customs and agreed with the Group's Auditors.

The Conditional awards outstanding at 31 December 2009 had a weighted average remaining contractual life of 1.7 years (2008: 8.2 years).

For share plans with non-market conditions granted during the current and preceding year, the fair value of the awards at grant date was determined using the Binomial model. The inputs into that model were as follows:

	2009	2008
Weighted average share price	£0.39	£0.38
Weighted average exercise price	£0.39	£0.69
Expected volatility	57%	37%
Expected life	3/5 years	3/5 years
Risk free rate	3.1%	4.4%
Expected dividend yield	0.0%	0.5%

The weighted average fair value of share awards granted during the year is 21p (2008: 10p).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

For share awards with market conditions granted during the current year, the fair value of the awards was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2009	2008
Weighted average share price	£0.38	£0.69
Weighted average exercise price	nil	nil
Expected volatility	70%	40%
Expected life	3/7 years	3 years
Risk free rate	2.8%	4.3%
Expected dividend yield	0.0%	0.9%

The weighted average fair value of share options granted during the year is 27p (2008: 33p).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term, however due to the exceptional volatility in this financial year we have

31. Share-based payments (Continued)

excluded the period between 1 May 2008 and 31 October 2008 as allowed by IFRS 2 Share-based payment. The expected life used in the model is based on historical exercise patterns.

The Group recognised total expenses of £1.0m and £6.0m related to equity-settled share-based payment transactions in 2009 and 2008 respectively. In 2008, £1.6m related to the accelerated vesting of share options held by employees of Taylor Woodrow Construction, which was disposed of on 9 September 2008, and which is included in profit from discontinued operations in the income statement.

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its joint ventures are disclosed below.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £26.1m (2008: £8.1m). Purchases were based on open market values.

Remuneration of key management personnel

Details of the remuneration of the Directors and Executive Committee, who are the key management personnel of the Group, are contained in the audited part of the Remuneration Report on pages 41 to 50 and form part of these financial statements.*

* Page references are to pages in the Taylor Wimpey plc Annual Report and Accounts and Extracts from the Directors' Remuneration report at F-129. Pages not presented within this Offering Circular are available in the complete reading plc Annual Report and Accounts which are accessible on our website at *www.TaylorWimpeyplc.com*. The contents of this website or any website directly or indirectly linked to this website do not form part of this Offering Circular and investors should not rely on them.

TAYLOR WIMPEY PLC

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 4 JULY 2010

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TAYLOR WIMPEY PLC

INDEPENDENT REVIEW REPORT TO TAYLOR WIMPEY PLC FOR THE HALF YEAR ENDED 4 JULY 2010

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the half year ended 4 July 2010 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement changes in equity, condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the half year ended 4 July 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

2 August 2010

TAYLOR WIMPEY PLC

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 4 JULY 2010

	Note	Half year ended 4 July 2010 Before exceptional items (Reviewed) £m	Half year ended 4 July 2010 Exceptional items (Note 3) (Reviewed) £m	Half year ended 4 July 2010 Total (Reviewed) £m	Half year ended 30 June 2009 Before exceptional items (Reviewed) £m	Half year ended 30 June 2009 Exceptional items (Note 3) (Reviewed) £m	Half year ended 30 June 2009 Total (Reviewed) £m	Year ended 31 December 2009 Before exceptional items (Audited) £m	Year ended 31 December 2009 Exceptional items (Note 3) (Audited) £m	Year ended 31 December 2009 Total (Audited) £m
Continuing Operations										
Revenue	2	**1,219.3**	**—**	**1,219.3**	1,132.8	—	1,132.8	2,595.6	—	2,595.6
Cost of sales	1	**(1,058.9)**	**—**	**(1,058.9)**	(1,036.5)	(527.0)	(1,563.5)	(2,365.4)	(527.0)	(2,892.4)
Gross profit/(loss)		**160.4**	**—**	**160.4**	96.3	(527.0)	(430.7)	230.2	(527.0)	(296.8)
Net operating expenses	1	**(84.1)**	**—**	**(84.1)**	(95.3)	(53.7)	(149.0)	(192.5)	(53.7)	(246.2)
Profit/(loss) on ordinary activities before finance costs	2	**76.3**	**—**	**76.3**	1.0	(580.7)	(579.7)	37.7	(580.7)	(543.0)
Interest receivable		**0.5**	**—**	**0.5**	4.8	—	4.8	10.6	—	10.6
Finance costs	4	**(60.2)**	**—**	**(60.2)**	(76.5)	(23.1)	(99.6)	(150.0)	(23.1)	(173.1)
Share of results of joint ventures		**3.0**	**—**	**3.0**	1.8	—	1.8	5.6	—	5.6
Profit/(loss) on ordinary activities before tax		**19.6**	**—**	**19.6**	(68.9)	(603.8)	(672.7)	(96.1)	(603.8)	(699.9)
Tax (charge)/credit	5	**(12.1)**	**—**	**(12.1)**	(9.2)	—	(9.2)	(14.3)	73.6	59.3
Profit/(loss) for the period		**7.5**	**—**	**7.5**	(78.1)	(603.8)	(681.9)	(110.4)	(530.2)	(640.6)
Attributable to:										
Equity holders of the parent				**7.5**			(681.9)			(640.4)
Minority interests				**—**			—			(0.2)
				7.5			(681.9)			(640.6)
Basic earnings/(loss) per share	6			**0.2p**			(43.6p)			(25.1p)
Diluted earnings/(loss) per share	6			**0.2p**			(43.6p)			(25.1p)
Adjusted basic earnings/(loss) per share	6			**0.2p**			(5.0p)			(4.3p)
Adjusted diluted earnings/(loss) per share	6			**0.2p**			(5.0p)			(4.3p)

TAYLOR WIMPEY PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 4 JULY 2010

	Half year ended 4 July 2010	Half year ended 30 June 2009	Year ended 31 December 2009
	(Reviewed) £m	(Reviewed) £m	(Audited) £m
Exchange differences on translation of foreign operations	**19.0**	(38.1)	(5.0)
(Decrease)/increase in fair value hedging derivatives	**(6.6)**	13.5	11.5
Actuarial loss on defined benefit pension schemes	**(24.8)**	(73.5)	(141.8)
Tax on items taken directly to equity	**6.9**	—	87.6
Other comprehensive expense for the period net of tax	**(5.5)**	(98.1)	(47.7)
Profit/(loss) for the period	**7.5**	(681.9)	(640.6)
Total comprehensive income/(expense) for the period	**2.0**	(780.0)	(688.3)
Attributable to:			
Equity holders of the parent	**2.0**	(780.0)	(688.1)
Minority interests	**—**	—	(0.2)
	2.0	(780.0)	(688.3)

TAYLOR WIMPEY PLC

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 4 JULY 2010

	Note	4 July 2010 (Reviewed) £m	30 June 2009 (Reviewed) £m	31 December 2009 (Audited) £m
Non-current assets				
Goodwill		**2.5**	2.3	2.4
Property, plant and equipment		**9.4**	9.2	8.2
Interests in joint ventures		**50.0**	59.0	51.9
Trade and other receivables		**70.9**	53.0	65.0
Deferred tax assets	5	**123.3**	6.1	119.6
		256.1	129.6	247.1
Current assets				
Inventories		**3,545.9**	4,001.1	3,603.3
Trade and other receivables		**122.5**	146.1	130.5
Tax receivables	5	**13.2**	13.0	61.0
Cash and cash equivalents	7	**254.1**	72.7	132.1
		3,935.7	4,232.9	3,926.9
Total assets		**4,191.8**	4,362.5	4,174.0
Current liabilities				
Trade and other payables		**(775.3)**	(748.8)	(760.0)
Tax payables	5	**(249.3)**	(237.3)	(242.6)
Bank loans and overdrafts	7	**(7.6)**	(23.4)	(12.7)
Provisions		**(47.9)**	(69.7)	(47.8)
		(1,080.1)	(1,079.2)	(1,063.1)
Net current assets		**2,855.6**	3,153.7	2,863.8
Non-current liabilities				
Trade and other payables		**(255.2)**	(394.3)	(278.6)
Debenture loans	7	**(741.6)**	(713.3)	(721.9)
Bank loans	7	**(138.8)**	(369.7)	(148.4)
Retirement benefit obligations	8	**(420.9)**	(357.1)	(409.3)
Deferred tax liabilities	5	**(0.8)**	(0.8)	(0.8)
Provisions		**(50.6)**	(39.1)	(51.0)
		(1,607.9)	(1,874.3)	(1,610.0)
Total liabilities		**(2,688.0)**	(2,953.5)	(2,673.1)
Net assets		**1,503.8**	1,409.0	1,500.9
Equity				
Share capital	9	**287.7**	287.7	287.7
Share premium account	9	**753.7**	753.6	753.6
Own shares	9	**(0.6)**	(8.6)	(5.0)
Merger relief reserve		**—**	—	—
Other reserves		**89.1**	45.6	76.7
Retained earnings		**371.6**	328.4	385.5
Equity attributable to equity holders of the parent		**1,501.5**	1,406.7	1,498.5
Minority interests		**2.3**	2.3	2.4
Total equity		**1,503.8**	1,409.0	1,500.9

TAYLOR WIMPEY PLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 4 JULY 2010

Reviewed half year ended 4 July 2010	Share capital	Share premium	Own shares	Merger relief reserve	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2010	287.7	753.6	(5.0)	—	76.7	385.5	**1,498.5**
New share capital subscribed	—	0.1	—	—	—	—	**0.1**
Cancellation and utilisation of treasury shares	—	—	4.4	—	—	(4.4)	**—**
Share based payment credit	—	—	—	—	—	1.1	**1.1**
Cash cost of share options	—	—	—	—	—	(0.2)	**(0.2)**
Exchange differences on translation of foreign operations	—	—	—	—	19.0	—	**19.0**
Decrease in fair value of hedging derivatives	—	—	—	—	(6.6)	—	**(6.6)**
Actuarial loss on defined benefit pension schemes net of tax	—	—	—	—	—	(17.9)	**(17.9)**
Profit for the period	—	—	—	—	—	7.5	**7.5**
Equity attributable to parent	287.7	753.7	(0.6)	—	89.1	371.6	**1,501.5**
Minority interests							**2.3**
Total equity							**1,503.8**

Reviewed half year ended 30 June 2009	Share capital	Share premium	Own shares	Merger relief reserve	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2009	289.6	753.6	(275.7)	—	64.7	838.3	1,670.5
New share capital subscribed	21.3	—	—	488.8	—	—	510.1
Cancellation and utilisation of treasury shares	(23.2)	—	267.1	—	—	(243.9)	—
Share based payment credit	—	—	—	—	—	0.6	0.6
Issue of equity instruments	—	—	—	—	5.5	—	5.5
Exchange differences on translation of foreign operations	—	—	—	—	(38.1)	—	(38.1)
Increase in fair value of hedging derivatives	—	—	—	—	13.5	—	13.5
Actuarial loss on defined benefit pension schemes	—	—	—	—	—	(73.5)	(73.5)
Transfer to retained earnings	—	—	—	(488.8)	—	488.8	—
Loss for the period	—	—	—	—	—	(681.9)	(681.9)
Equity attributable to parent	287.7	753.6	(8.6)	—	45.6	328.4	1,406.7
Minority interests							2.3
Total equity							1,409.0

Audited year ended to 31 December 2009	Share capital	Share premium	Own shares	Merger relief reserve	Other reserves	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2009	289.6	753.6	(275.7)	—	64.7	838.3	1,670.5
New share capital subscribed	21.3	—	—	488.8	—	—	510.1
Cancellation and utilisation of treasury shares	(23.2)	—	270.7	—	—	(247.5)	—
Share based payment credit	—	—	—	—	—	1.0	1.0
Other financing costs	—	—	—	—	—	(0.5)	(0.5)
Issue of equity instruments	—	—	—	—	5.5	—	5.5
Exchange differences on translation of foreign operations	—	—	—	—	(5.0)	—	(5.0)
Increase in fair value of hedging derivatives	—	—	—	—	11.5	—	11.5
Actuarial loss on defined benefit pension schemes	—	—	—	—	—	(141.8)	(141.8)
Deferred tax asset recognised	—	—	—	—	—	87.6	87.6
Transfer to retained earnings	—	—	—	(488.8)	—	488.8	—
Loss for the year	—	—	—	—	—	(640.4)	(640.4)
Equity attributable to parent	287.7	753.6	(5.0)	—	76.7	385.5	1,498.5
Minority interests							2.4
Total equity							1,500.9

TAYLOR WIMPEY PLC

CONDENSED CONSOLIDATED CASH FLOW STATEMENT AS AT 4 JULY 2010

	Note	Half year ended 4 July 2010	Half year ended 30 June 2009	Year ended 31 December 2009
		(Reviewed) £m	(Reviewed) £m	(Audited) £m
Net cash from/(used in) operating activities	7	**123.5**	(75.6)	206.3
Investing activities				
Interest received		**0.4**	4.8	10.0
Dividends received from joint ventures		**6.1**	—	9.6
Proceeds on disposal of property, plant and investments		**0.1**	1.8	1.5
Purchases of property, plant and investments		**(2.9)**	(1.4)	(2.5)
Amounts invested in joint ventures		**(0.2)**	(7.3)	(0.2)
Amounts loaned to joint ventures		**—**	—	(2.0)
Acquisition of subsidiaries		**—**	(2.8)	(2.8)
Net cash from/(used in) investing activities		**3.5**	(4.9)	13.6
Financing activities				
Proceeds from sale of own shares		**—**	510.1	510.1
Purchase of own shares		**(0.1)**	—	—
Other financing activities		**—**	—	(0.5)
Repayment of debenture loans		**—**	(198.4)	(200.4)
Repayment of bank loans and overdrafts		**(7.5)**	(905.3)	(1,124.9)
Net cash used in financing activities		**(7.6)**	(593.6)	(815.7)
Net increase/(decrease) in cash and cash equivalents		**119.4**	(674.1)	(595.8)
Cash and cash equivalents at beginning of period		**132.1**	752.3	752.3
Effect of foreign exchange rate changes		**2.6**	(5.5)	(24.4)
Cash and cash equivalents at end of period		**254.1**	72.7	132.1

TAYLOR WIMPEY PLC

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 4 JULY 2010

1. Basis of preparation

The half year report has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) and the disclosure requirements of the Listing Rules.

The condensed set of financial statements included in this half year report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. These should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with applicable IFRSs. The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 435 and 498 (2) or (3) respectively of the Companies Act 2006.

The accounting policies adopted in the preparation of the half year 2010 condensed and consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

Certain amounts relating to direct selling expenses in the results for the half year to 30 June 2009 have been reclassified from net operating expenses to cost of sales to be consistent within the year ended 31 December 2009 and the half year ended 4 July 2010.

The half year report has been prepared to the half year ended 4 July 2010 and has been changed from calendar month end to align with internal management of weekly sales and cash flow reporting. The year end annual report will continue to be prepared to the 31 December.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the year ending on or after 1 January 2010 but have no material impact on the Group's financial statements:

New standards:

IFRS 1 'First time adoption of international financial reporting standards'—The revisions to the standard are in relation to the structuring of previous guidance and no significant new technical material has been issued.

IFRS 2 amendments 'Group cash settled share based payment transactions'—The amendments incorporate IFRIC 8 'Scope of IFRS 2' and IFRIC 11 'IFRS2- Group and treasury share transactions' into IFRS 2. As a result IFRS 2 now includes guidance on cash settled awards that will be settled by an entity within a group that does not employ the employees who receive the awards.

IFRS 3 (Revised) 'Business combinations'- The revision applies to business combinations occurring after 1 April 2010 and introduces a number of changes to business combinations including greater emphasis on fair value, impact to the amount of goodwill recognised, the reported results in the period of the business combination and the future results. This standard has not had any immediate impact on the Group's financial statements.

IAS 39 (Amendment) 'Eligible hedged items'—The amendment requires that inflation is only hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument.

IFRIC 17 'Distributions of non-cash assets to owners'—The guidance requires that distributions of any non-cash assets to owners are recognised and measured at fair value when the dividend is authorised. Any difference between the fair value of the assets and the dividend payable is recognised as a gain or loss on settlement of the dividend payable.

1. Basis of preparation (Continued)

Going concern

The condensed financial statements have been prepared on a going concern basis.

Following the refinancing of the Group's debt with its banks and private placement holders in 2009, the Group has been in full compliance with the new covenants and based on Board approved budgets the Group will be able to continue operations for the foreseeable future.

Estimates and Judgements

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities at each period end. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The significant judgements made by management in applying the Group's accounting policies, critical accounting judgements and the key sources of uncertainty were principally the same as those applied to the Group's financial statements as at 31 December 2009.

2. Operating segments

For management purposes, the Group is organised into four operating divisions—Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate. These divisions are the basis on which the Group reports its segment information.

Segment information about these businesses is presented below.

Half year ended 4 July 2010	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
External sales	827.1	373.3	18.9	—	1,219.3
Operating profit/(loss) before joint ventures and exceptional items	62.5	24.8	(1.9)	(9.1)	76.3
Share of results of joint ventures	(0.4)	3.4	—	—	3.0
Profit/(loss) on ordinary activities before finance costs after share of results of joint ventures	62.1	28.2	(1.9)	(9.1)	79.3
Net finance costs					(59.7)
Profit on ordinary activities before tax					19.6
Tax					(12.1)
Profit for the period					7.5

2. Operating segments (Continued)

As at 4 July 2010	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Segment operating assets	2,752.1	892.8	102.0	1.8	3,748.7
Joint ventures	29.8	20.0	0.2	—	50.0
Segment operating liabilities	(1,208.1)	(277.6)	(13.6)	(50.5)	(1,549.9)
Net operating assets/(liabilities)	1,573.8	635.2	88.6	(48.8)	2,248.8
Goodwill					2.5
Current tax (net)					(236.1)
Deferred tax (net)					122.5
Net debt					(633.9)
Net assets					1,503.8

Half year ended 30 June 2009	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
External sales	744.4	356.1	22.3	10.0	1,132.8
Operating (loss)/profit before joint ventures and exceptional items	(6.6)	16.1	(0.4)	(8.1)	1.0
Share of results of joint ventures	(0.7)	2.5	—	—	1.8
(Loss)/profit on ordinary activities before finance costs and exceptional items after share of results of joint ventures	(7.3)	18.6	(0.4)	(8.1)	2.8
Exceptional items	(452.8)	(79.8)	(3.3)	(44.8)	(580.7)
Loss on ordinary activities before finance costs, after share of results of joint ventures	(460.1)	(61.2)	(3.7)	(52.9)	(577.9)
Net finance costs (including exceptional finance costs)					(94.8)
Loss on ordinary activities before tax					(672.7)
Tax					(9.2)
Loss for the period					(681.9)

2. Operating segments (Continued)

As at 30 June 2009	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Segment operating assets	3,254.3	792.2	149.9	13.2	4,209.6
Joint ventures	39.5	19.3	0.2	—	59.0
Segment operating liabilities	(1,266.2)	(250.1)	(32.3)	(60.6)	(1,609.2)
Net operating assets/(liabilities)	2,027.6	561.4	117.8	(47.4)	2,659.4
Goodwill					2.3
Current tax (net)					(224.3)
Deferred tax (net)					5.3
Net debt					(1,033.7)
Net assets					1,409.0

Year ended 31 December 2009	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
External sales	1,700.4	824.3	61.0	9.9	2,595.6
Operating profit/(loss) before joint ventures and exceptional items	15.3	41.5	(1.4)	(17.7)	37.7
Share of results of joint ventures	(1.0)	6.6	—	—	5.6
Profit/(loss) on ordinary activities before finance costs and exceptional items after share of results of joint ventures	14.3	48.1	(1.4)	(17.7)	43.3
Exceptional items	(452.8)	(79.8)	(3.3)	(44.8)	(580.7)
Loss on ordinary activities before finance costs, after share of results of joint ventures	(438.5)	(31.7)	(4.7)	(62.5)	(537.4)
Net finance costs (including exceptional finance costs)					(162.5)
Loss on ordinary activities before tax					(699.9)
Tax (including exceptional tax items)					59.3
Loss for the year					(640.6)

2. Operating segments (Continued)

As at 31 December 2009	Housing United Kingdom	Housing North America	Housing Spain and Gibraltar	Corporate	Consolidated
	£m	£m	£m	£m	£m
Segment operating assets	2,865.4	805.4	124.5	11.6	3,806.9
Joint ventures	30.0	21.7	0.2	—	51.9
Segment operating liabilities	(1,202.3)	(269.0)	(21.2)	(54.1)	(1,546.6)
Net operating assets/(liabilities)	1,693.1	558.1	103.5	(42.5)	2,312.2
Goodwill					2.4
Current tax (net)					(181.6)
Deferred tax (net)					118.8
Net debt					(750.9)
Net assets					1,500.9

3. Exceptional items

	Half year ended 4 July 2010	Half year ended 30 June 2009	Year ended 31 December 2009
	£m	£m	£m
Net land and work in progress write downs	—	527.0	527.0
Restructuring costs	—	8.9	8.9
Refinancing costs	—	67.9	67.9
Tax	—	—	(73.6)
Exceptional items	—	603.8	530.2

In 2009 the Group recorded £527m of land and work in progress net write downs reflecting the Group's assumptions on future selling prices being impacted by increases in unemployment and limited mortgage availability and £67.9m of refinancing, one off interest payments and professional fees relating to the refinancing of the Group's debt completed in April 2009.

In 2009 the Group reinstated a £25.4m deferred tax asset on the Group's defined benefit pension schemes and £48.2m relating to the five year net operating loss carryback introduced in the US in November 2009.

4. Finance costs

	Half year ended 4 July 2010	Half year ended 30 June 2009	Year ended 31 December 2009
	£m	£m	£m
Interest on bank overdrafts and loans	**12.6**	28.5	46.5
Interest on debenture loans	**31.1**	34.7	62.6
Movement on interest rate derivatives and exchange differences	**0.6**	(13.6)	(11.8)
	44.3	49.6	97.3
Unwinding of discount on land creditors and other payables	**5.3**	10.2	18.4
Notional net interest on pension liability	**10.6**	16.7	34.3
	60.2	76.5	150.0
Exceptional finance costs:			
Loan and debenture interest and similar charges	**—**	23.1	23.1
	60.2	99.6	173.1

4. Finance costs (Continued)

The exceptional finance costs in 2009 relate to the Group's refinancing of its debt. The costs predominantly relate to one-off interest payments and professional fees.

5. Tax

Tax (credited to)/charged in the income statement for continuing operations is analysed as follows:

		Half year ended 4 July 2010	Half year ended 30 June 2009	Year ended 31 December 2009
		£m	£m	£m
Current tax:				
UK corporation tax:	Current year	**0.4**	0.7	1.1
	Prior years	**—**	—	(5.5)
Foreign tax:	Current year	**8.2**	8.5	(32.0)
	Prior years	**—**	—	2.4
		8.6	9.2	(34.0)
Deferred tax:				
UK:	Current year	**3.7**	—	(25.4)
Foreign:	Current year	**(0.2)**	—	0.4
	Prior years	**—**	—	(0.3)
		3.5	—	(25.3)
		12.1	9.2	(59.3)

Corporation tax is calculated at 28% (2009: 28%) of the assessable profit (2009: loss) for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The tax charge for the period consists primarily of Canadian tax.

6. Earnings per share

	Half year ended 4 July 2010	Half year ended 30 June 2009	Year ended 31 December 2009
Basic earnings/(loss) per share	**0.2p**	(43.6p)	(25.1p)
Diluted earnings/(loss) per share	**0.2p**	(43.6p)	(25.1p)
Adjusted basic earnings/(loss) per share	**0.2p**	(5.0p)	(4.3p)
Adjusted diluted earnings/(loss) per share	**0.2p**	(5.0p)	(4.3p)
Weighted average number of shares for basic and adjusted earnings/(loss) per share—million	**3,193.8**	1,565.8	2,551.8
Weighted average number of shares for diluted and adjusted diluted earnings/(loss) per share—million	**3,312.3**	1,565.8	2,551.8

In 2009 the Group issued 57.8m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc as part of the refinancing agreement signed 30 April 2009.

Adjusted basic and adjusted diluted earnings/(loss) per share, which exclude the impact of exceptional items and the associated net tax charges, are shown to provide clarity on the underlying performance of the continuing Group. A reconciliation from profit/(loss) attributable to equity

6. Earnings per share (Continued)

shareholders used for basic and diluted loss per share to that used for adjusted earnings/(loss) per share is shown below.

	Half year ended 4 July 2010	Half year ended 30 June 2009	Year ended 31 December 2009
	£m	£m	£m
Profit/(loss) for basic earnings/(loss) per share and diluted loss per share	**7.5**	(681.9)	(640.4)
Add exceptional items	**—**	603.8	603.8
Add tax exceptional items	**—**	—	(73.6)
Profit/(loss) for adjusted basic and adjusted diluted earnings/(loss) per share	**7.5**	(78.1)	(110.2)

7. Notes to the cash flow statement

	Half year ended 4 July 2010	Half year ended 30 June 2009	Year ended 31 December 2009
	£m	£m	£m
Profit/(loss) on ordinary activities before finance costs—continuing	**76.3**	(579.7)	(543.0)
Non cash exceptional items:			
Impairment of fixed assets	**—**	0.5	0.5
Land and WIP write downs	**—**	527.0	527.0
Adjustments for:			
Pensions curtailment	**(12.0)**	—	—
Depreciation of plant and equipment	**1.7**	2.5	4.2
Share-based payment charge	**1.1**	0.6	1.0
(Loss)/gain on disposal of property and plant	**(0.1)**	(0.2)	0.2
(Decrease)/increase in provisions	**(3.0)**	13.3	(3.1)
Operating cash flows before movements in working capital	**64.0**	(36.0)	(13.2)
Decrease in inventories	**87.4**	309.1	735.0
(Increase)/decrease in receivables	**(0.2)**	16.3	25.4
Decrease in payables	**(19.9)**	(358.1)	(432.6)
Pension contributions in excess of charge	**(11.8)**	(12.7)	(44.7)
Cash generated by/(used in) operations	**119.5**	(81.4)	269.9
Income taxes received	**44.3**	115.5	109.1
Interest paid including exceptional charges	**(40.3)**	(109.7)	(172.7)
Net cash from/ (used in) operating activities	**123.5**	(75.6)	206.3

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise of cash at bank and other short term highly liquid investments with an original maturity of three months or less.

7. Notes to the cash flow statement (Continued)

Movement in net debt:

	Cash and cash equivalents	Bank overdrafts and bank loans	Debenture loans	Total net debt
	£m	£m	£m	£m
Balance 1 January 2010	132.1	(161.1)	(721.9)	(750.9)
Cashflow	119.4	7.5	—	126.9
Foreign exchange	2.6	7.2	(19.7)	(9.9)
Balance 4 July 2010	**254.1**	**(146.4)**	**(741.6)**	**(633.9)**

	Cash and cash equivalents	Bank overdrafts and bank loans	Debenture loans	Total net debt
	£m	£m	£m	£m
Balance 1 January 2009	752.3	(1,312.5)	(969.1)	(1,529.3)
Cashflow	(674.1)	905.3	198.4	429.6
Business disposals*	—	4.1	—	4.1
Foreign exchange	(5.5)	10.0	57.4	61.9
Balance 30 June 2009	72.7	(393.1)	(713.3)	(1,033.7)

	Cash and cash equivalents	Bank overdrafts and bank loans	Debenture loans	Total net debt
	£m	£m	£m	£m
Balance 1 January 2009	752.3	(1,312.5)	(969.1)	(1,529.3)
Cashflow	(595.8)	1,124.5	200.4	729.5
Business disposals*	—	4.1	—	4.1
Foreign exchange	(24.4)	22.4	46.8	44.8
Balance 31 December 2009	132.1	(161.1)	(721.9)	(750.9)

* In April 2009 the Group disposed of its residual construction operations to existing local management for £1. At the point of disposal the business had bank loans of £4.1m.

8. Pensions

The Group's significant defined benefit schemes were actuarially assessed for the half year 4 July 2010. Following the consultation period in respect of the proposed cessation of the defined benefit accrual in the George Wimpey Staff Pension Scheme (GWSPS) the Group plans to close the scheme to future accrual on 31 August 2010. This has resulted in a reduction of £12.0m in the net deficit and has been reflected in the operating results for the period. The Group has completed a mortality study of its post retirement benefit participants. This has resulted in the mortality assumption for the GWSPS being reduced by one year with an associated liability reduction of £24.0m.

9. Share capital and own shares

The Group issued 2,131.2m shares on 1 June 2009 for net proceeds of £510.1m. Prior to issue the 25p ordinary shares of the Group were split into 1,158.3m ordinary shares of 1p and 1,158.3m deferred shares of 24p each. The transaction was executed such that the surplus above nominal share capital, net of issue costs, formed part of the distributable reserves. Through the equity raise process, the treasury shares held by the Group outside of employee share option trusts were cancelled.

10. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed within the financial statements or related notes.

Transactions between the Group and its joint ventures are as follows:

The Group purchased land from joint ventures for £4.5m during the half year to 4 July 2010 (half year to 30 June 2009: £9.6m; year to 31 December 2009: £26.1m).

11. Seasonality

Weekly sales rates in some of the Group's key markets historically experience significant seasonal variation, with the highest levels of reservations occurring in the spring and autumn in the UK, and in the winter and spring in Florida. As such, economic weakness which affects these peak selling seasons can have a disproportionate impact on our results for the year.

This pattern of reservations tends to result in higher levels of home completions towards the end of the financial year. As a result, the Group's debt profile exhibits peaks and troughs over the course of the financial year.

12. Events occurring after 4 July 2010

There have been no material reportable events since 4 July 2010.

TAYLOR WIMPEY UK LIMITED

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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TAYLOR WIMPEY UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLOR WIMPEY UK LIMITED FOR THE YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Taylor Wimpey UK Limited (the "Company") for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter—going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements. The Company is dependent on financial support from Taylor Wimpey plc (the "Group"), the Company's ultimate parent holding company. The Group, whilst currently in full compliance with all its debt covenants, is likely to breach certain financial covenants within the next twelve months. If such a covenant breach were to occur the lenders would be able to request early repayment of all outstanding borrowings and cancel their commitments. As a result, the Group has entered into discussions with the relevant lenders to agree amended terms which would assume that sufficient financing based on projected trading will continue to be provided by its lenders to enable the Group and the Company to meet their liabilities as they fall due. This position, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
21 November 2008

TAYLOR WIMPEY UK LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007	2006 Restated
		£'000	£'000
Continuing operations			
Turnover	3	2,478,767	2,436,850
Cost of sales			
Before Exceptional items		(1,964,488)	(2,011,411)
Exceptional items*	4	(265,355)	—
Gross profit		248,924	425,439
Net operating expenses	4	(147,676)	(116,726)
Operating profit	5	101,248	308,713
Dividends receivable		8,900	—
Profit on sale of fixed assets		145	1,420
Profit on ordinary activities before interest and taxation		110,293	310,133
Interest receivable and similar income	7	1,119	1,886
Interest payable and similar charges	6	(21,533)	(29,925)
Profit on ordinary activities before taxation		89,879	282,094
Tax on profit on ordinary activities	8	(32,060)	(90,379)
Profit for the financial year		57,819	191,715

* The exceptional items relate to land and work in progress write-downs (note 4).

TAYLOR WIMPEY UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007	2006 Restated
		£'000	£'000
Profit for the financial year		57,819	191,715
Actuarial gain on defined benefit pension scheme	9	44,400	4,000
Deferred tax on defined benefit pension scheme		(15,622)	(1,200)
Total recognised gains relating to the year	20	86,597	194,515
Prior year adjustment	1	(4,779)	
Total gains recognised since last annual report		81,818	

TAYLOR WIMPEY UK LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	2007	2006 Restated
		£'000	£'000
Fixed assets			
Intangible assets	11	18,377	15,961
Tangible assets	12	14,097	14,356
Investments in subsidiary undertakings	13	97,323	97,323
Investments in joint venture undertakings	13	15,931	14,800
Investments in associated undertakings	13	100	100
		145,828	142,540
Current assets			
Stock	14	2,676,184	2,601,800
Debtors amounts falling due within one year	15	137,126	105,568
Debtors amounts falling due after more than one year	15	60,191	67,136
Cash at bank and in hand		6,706	33,045
		2,880,207	2,807,549
Creditors: amounts falling due within one year	16	(2,099,448)	(1,047,590)
Net current assets		780,759	1,759,959
Total assets less current liabilities		926,587	1,902,499
Creditors: amounts falling due after more than one year	16	(572,064)	(585,517)
Deficit on defined benefit pension scheme	9	(112,804)	(166,803)
Provisions for liabilities and charges	17	(14,573)	(12,469)
Net assets		227,146	1,137,710
Capital and reserves			
Called up share capital	19	164,000	164,000
Share premium account		189	189
Profit and Loss account	20	62,957	973,521
Total equity shareholders' funds		227,146	1,137,710

C Carney
Director

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1. Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and with applicable United Kingdom accounting standards. The principal accounting policies are set out below.

Going Concern

The financial statements have been prepared on a going concern basis. The Company is reliant on funding from Taylor Wimpey plc (the "Group"). The Taylor Wimpey plc half-yearly report for the six months ended 30 June 2008 was issued on 26 August 2008 and explained that:

> The Taylor Wimpey group is currently in full compliance with the financial covenants contained in all of its borrowing agreements. However, as a consequence of the rapid decline in the UK housing market a breach of the Group's interest cover covenants is likely when tested for the full year to 31 December 2008 and the Group has therefore entered discussions with the relevant lenders to agree amended terms. If such a covenant breach were to occur then the lenders would be able to request early repayment of all outstanding borrowings and cancel their commitments.
>
> If the Group is not able to agree the required amendments, on terms which accommodate management's latest forecasts, and in the absence of other funding alternatives, the Group would be unable to repay the borrowings. As a result, there exists a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern such that the Group could be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, assets may be realised at significantly less than book value and additional liabilities may arise.
>
> In the Group directors' view, constructive discussions with the relevant lenders are ongoing and the Group directors are not aware of any issues which would prevent the required amendments from being agreed.
>
> Based on these discussions and the projected trading for the Group, the Group directors are of the view that a satisfactory conclusion to the negotiations will be reached and are therefore confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

The Group's directors have confirmed to the Company's directors that this is still the case. Based on this, the Company's directors continue to adopt the going concern basis in preparing the financial statements.

However, the Company's dependence on Taylor Wimpey plc for its continued funding and the uncertainty relating to Taylor Wimpey plc, referred to above, represents a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern such that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Changes in accounting policies

The accounting policy on land sales has been amended and the prior year figures restated. The effect is to add £105.3 million (2006: £31.5 million) of land sales revenue and deduct the associated cost of sales of £53.9 million (2006: £14.3 million) to increase the gross profit by £51.4 million (2006: £17.2 million). There is no impact to operating profit as a result of this change as the previous policy was to report the net income on land sales in net other income (previously a component of Net operating expenses) below gross profit in the Profit and Loss account.

1. Accounting policies (Continued)

The accounting policy on social housing has been amended and the prior figures restated. The effect of the change was to increase sales revenue and cost of sales by £16.9 million (2006: £14.4 million) and £14.5 million (2006: £12.4 million) respectively, to increase gross profit by £2.4 million (2006: £2.0 million). The restated results recognise profit on social housing as the significant risks and rewards of ownership transfer to the purchaser rather than on practical completion or handover of the units.

The accounting policy on capitalisation of interest has been amended and the prior year figures restated. Previously, in certain circumstances, notional interest payable on long term land creditors which had been charged to interest payable and similar charges was credited to interest payable and similar charge and added to the cost of inventory. This practice has ceased. The effect of the change was to remove interest capitalised to inventory of £6.4m (2006: £9.2m) and to reduce the profit for each year by the same amount.

Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Taylor Wimpey plc and its results are included in the consolidated accounts of Taylor Wimpey plc, which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Taylor Wimpey group or investees of the Taylor Wimpey group. For details of other related party transactions see notes 22 and 24.

Group accounts

Group accounts are not prepared nor are the results of associated and joint venture undertakings incorporated in these accounts, as the company is itself a wholly owned subsidiary of Taylor Wimpey plc, a company incorporated in England and Wales.

Turnover

Turnover from private housing sales and land sales are recognised as the fair value of the consideration received or receivable on legal completion, net of incentives. Turnover on social housing contracts is recognised by reference to the stage of completion of the contract activity at the balance sheet date where the outcome of the contract can be reasonably estimated. When it is probable that total costs exceed total turnover the expected loss is recognised as an expense immediately.

Share-based payments

In accordance with its transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Company issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share based payments.

1. Accounting policies (Continued)

Fixed assets

Fixed assets are stated at cost less depreciation or amortisation. Depreciation is provided on all fixed assets other than freehold land at rates calculated to write off the cost of each asset to its residual value evenly over its expected useful life as follows:

- Freehold buildings—over 50 years
- Short leaseholds—over the period of the lease
- Plant and equipment—from 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

Finance income and costs

Interest receivable and payable on bank deposits and borrowings is credited or charged to finance costs as incurred.

Trade payables on extended terms, particularly in respect of land, are recorded at the fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the deferred payment terms and charged to finance costs.

Taxation

The tax expense represents the sum of the current tax and deferred tax charges.

The current tax charge is based on taxable profit for the year. Taxable profit differs from profit before taxation recorded in the Profit and Loss account because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the Balance Sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax are charged or credited in the Profit and Loss Account, except when they relate to items charged or credited through the Statement of Total Recognised Gains and Losses when they are charged or credited there.

Intangible assets

Costs that are directly associated with the production of identifiable and unique software controlled by the Company, and that will generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are depreciated on a straight line basis over three to five years from the time of implementation.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are accounted for at cost less any provision for impairment.

1. Accounting policies (Continued)

Investments in joint venture undertakings

Joint venture undertakings are incorporated entities and unlisted undertakings, other than subsidiary undertakings, held as long-term investments in which the reporting entity holds an interest on a long-term basis and is jointly controlled by the reporting entity and one or more other venturers under a contractual arrangement.

Investment in associated undertakings

Associated undertakings are incorporated entities and unlisted undertakings, other than subsidiary undertakings, held as long-term investments in which the company has an investment representing not less than 20% of the voting rights and over which it exerts significant influence but not control or joint control.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads which have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

Land stock is recognised at the time a liability is recognised—generally after exchange of unconditional contracts.

Pensions

The Company accounts for pensions and similar benefits under FRS 17 'Retirement Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at market value. The operating and financing costs of such plans are recognised separately in the Profit and Loss Account; service costs are spread systematically over the lives of the employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in full through the Statement of Total Recognised Gains and Losses. Payments to defined contribution schemes are charged to the Profit and Loss Account as they become due.

Operating leases

Operating lease rentals are charged to the Profit and Loss Account in equal amounts over the lease term.

Grants debtors

Grants due are matched against development costs as related expenditure is incurred. Any amounts not received at the year-end are included within debtors.

Trade debtors

Trade debtors do not carry interest and are stated at their initial value reduced by appropriate allowances for estimated irrecoverable amounts.

Trade creditors

Trade creditors on normal terms are not interest bearing and are stated at their nominal value. Trade creditors on extended terms, particularly in respect of land purchases, are recorded at their fair value.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2. Parent Company

The Company is a wholly owned subsidiary of Taylor Wimpey Developments Limited. The largest and smallest group in which the results of the Company are consolidated is Taylor Wimpey plc, the Company's ultimate parent company and controlling party and a company incorporated in England and Wales. Financial Statements of Taylor Wimpey plc may be obtained from the Company Secretary at 80 New Bond Street, London, W1S 1SB.

3. Turnover

Turnover in the year arose solely in the United Kingdom.

4. Cost of sales and net operating expenses

(a) Cost of sales

Included in cost of sales is a charge of £265.4 million (2006: £nil) for the write-down of land and work in progress to their net realisable value.

(b) Net operating expenses

	2007	2006 Restated
	£'000	£'000
Administration expenses	(124,026)	(116,726)
Restructuring costs	(9,630)	—
Provision against amounts owed by a subsidiary undertaking	(14,020)	—
	(147,676)	(116,726)

The restructuring costs arose following the merger of George Wimpey Plc and Taylor Woodrow plc on 3 July 2007. It consists of costs relating to the reorganisation and restructuring of the UK Housing business, including redundancy costs.

The provision against amounts owed by a subsidiary undertaking is a result of unrecoverable debt following a land write down within that subsidiary's accounts.

5. Operating profit

	2007	2006
	£'000	£'000
Operating profit is stated after crediting:		
Grants receivable	30	—
Rental income	2,227	541
And after charging:		
Staff costs	164,667	177,431
Hire of plant and equipment	15,941	16,284
Other operating lease rentals	3,270	5,389
Depreciation and amortisation	6,220	6,347
Accelerated depreciation and amortisation	—	3,302
Services provided by the Company's auditor		
Fee payable to the Company auditor for the audit of the annual accounts	45	45

6. Interest payable and similar charges

	2007	2006 Restated
	£'000	£'000
Other loans	2,243	10,465
Interest charged on provisions and creditors	15,188	12,660
Interest charged on pension liabilities (note 9)	4,102	6,800
Net Payable	21,533	29,925

7. Interest receivable and similar income

	2007	2006
	£'000	£'000
Bank interest receivable	105	113
Interest credited on land debtors	1,014	1,773
Net Receivable	1,119	1,886

8. Taxation on the profit for the year

	2007	2006
	£'000	£'000
Current tax:		
UK Corporation tax on profits of the period	28,714	84,295
Deferred tax:		
Origination and reversal of timing differences (note 18)	3,346	6,084
Tax on profit on ordinary activities	32,060	90,379

The tax assessed for the period is higher (2006: lower) than the standard rate of tax in the UK of 30% (2006: 30%). The differences are explained below:

	2007	2006
	£'000	£'000
Profit on ordinary activities before tax	89,879	282,094
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2006: 30%)	26,964	84,628
Effects of:		
Comtaminated land relief deduction	(2,400)	(2,400)
Share scheme deductions	553	(450)
Depreciation in excess of capital allowances	395	969
Other timing differences	3,975	4,578
Permanent disallowables	570	570
Amounts provided against loans	4,207	—
Non taxable dividend	(2,670)	—
Pension scheme payments	(2,880)	(3,600)
Total current tax	28,714	84,295

Deferred tax liabilities have not been discounted.

9. Pension arrangements

The Company is a participating member of the George Wimpey Staff Pension Scheme (the Scheme) which is of the funded, defined benefit type. It is closed to new entrants. The assets of the scheme are held in separate Trustee administered funds. The Trustees are George Wimpey Pension Trustees Limited and the Law Debenture Trust Corporation Plc. The Scheme is subject to triennial valuation by independent actuaries under the scheme specific funding arrangements. For new employees in the UK, the Company pays contributions into stakeholder pension arrangements.

The statutory funding objective is that the scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principle adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

The Trustees, with the consent of the Company, brought forward the actuarial valuation to as at 31 March 2007. The results of the valuation show a shortfall of £215 million on the scheme assets of £668 million against estimated liabilities of £883 million resulting in a scheme funding level of 76% (80% as at 31 March 2005).

Following the valuation the ordinary contribution rate increased to 18% of pensionable salaries. Deficit recovery payments were increased to £25 million per annum and a one-off payment of £5 million was made in July 2008. If the assumptions made for assessing the recovery plan are borne out in practice these contributions are expected to eliminate the shortfall by 2018.

The main financial assumptions, which were used for the triennial funding valuation as at 31 March 2005 and are all relevant to the inflation assumption, are set out below:

Assumptions	
RPI Inflation	2.75% p.a.
Discount rate—pre/post retirement	4.25/2.25% p.a.
General real pay inflation	2.0% p.a.
Real pension increases	0% p.a.
Valuation results	
Market value of assets	£591.0m
Past service liabilities	£739.0m
Scheme funding levels	80%

On a FRS 17 basis, the valuation position of the Scheme was updated from the 31 March 2005 valuation to 31 December 2007 by a qualified independent actuary. The principal assumptions made at 31 December 2007 were as follows:

	At 31 December 2007	At 31 December 2006	At 31 December 2005
Discount rate	5.80%	5.00%	4.90%
Rate of increase in salaries	4.60%	4.30%	4.60%
Rate of increase of deferred pensions	3.10%	2.80%	2.60%
Rate of increase of pensions in payment			
—pre April 2006 pension	3.35%	2.80%	2.60%
—post April 2006 pension	2.25%	2.00%	n/a
Inflation	3.10%	2.80%	2.60%

9. Pension arrangements (Continued)

The current life expectancies (in years) underlying the value of the accrued liabilities are:

Life expectancy at age 65	Male	Female
Member currently aged 65	19.4	22.2
Member currently aged 45	20.3	23.1

The fair value of assets and present value of obligations in the Scheme are set out below:

	Expected rate of return	Value	Percentage of total plan assets held
	% p.a.	£'000	
31 December 2007			
Equities	8.1%	189.1	28%
Bonds/Gilts	5.8%/4.6%	429.9	63%
Other assets	5.5%	66.5	9%
Fair value of assets		685.5	100%
Present value of defined benefit obligations		(798.3)	
Deficit in the scheme recognised as non-current liability		(112.8)	
31 December 2006			
Equities	8.0%	201.1	30%
Bonds/Gilts	5.1%/4.5%	453.5	68%
Other assets	5.1%	16.0	2%
Fair value of assets		670.6	100%
Present value of defined benefit obligations		(837.4)	
Deficit in the scheme recognised as non-current liability		(166.8)	

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on investments (particularly government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class was then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold bonds issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered riskier investments. It is generally accepted that the yield on equity investments will contain a premium 'the equity risk premium' to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

9. Pension arrangements (Continued)

A summary of the target asset allocations of the major defined benefit schemes are shown below:

UK Equities	18%
Non-UK Equities	12%
Index-Linked Gilts	30%
Fixed-Interest Gilts	20%
Other UK bonds	20%

The amounts (charged)/credited against income in the year were as follows:

	2007	2006
	£m	£m
Current service cost	(6.4)	(8.2)
Curtailment gain	—	3.4
Operating cost	(6.4)	(4.8)
Expected return on Scheme assets	38.6	33.9
Interest cost on Scheme liabilities	(42.7)	(40.7)
Finance charges	(4.1)	(6.8)
	(10.5)	(11.6)

The actual return on scheme assets was £36.4 million (2006: £27.1 million).

	2007	2006
	£m	£m
Actuarial (losses)/gains in the statement of total recognised gains and losses:		
Difference between actual and expected return on scheme assets	(2.8)	(6.8)
Experience gains arising on scheme liabilities	38.4	10.8
Changes in assumptions	8.8	—
Total gains recognised in the statement of total recognised gains and losses	44.4	4.0

	2007	2006
	£m	£m
Movement in present value of defined benefit obligations		
1 January	(837.4)	(844.2)
Service Costs	(6.4)	(8.2)
Curtailment gain	—	3.4
Plan settlements	—	4.9
Benefits paid and expenses	43.4	39.4
Contributions	(2.4)	(2.8)
Interest cost	(42.7)	(40.7)
Actuarial (gains)/losses	47.2	10.8
31 December	(798.3)	(837.4)

9. Pension arrangements (Continued)

	2007	2006
	£m	£m
Movement in fair value of scheme assets		
1 January	670.6	659.6
Expected return on scheme assets and expenses	38.3	33.9
Contributions	22.5	23.3
Benefits paid	(43.1)	(39.4)
Actuarial (gains)/losses	(2.8)	(6.8)
31 December	685.5	670.6

The five year history of experience adjustments is as follows:

	2007	2006	2005	2004	2003
Present value of Scheme obligations (£m)	(798.3)	(837.4)	(844.2)	(775.4)	(730.0)
Fair value of Scheme assets (£m)	685.5	670.6	659.6	589.2	545.0
Deficit in the Scheme (£m)	(112.8)	(166.8)	(184.6)	(186.2)	(185.0)
Experience adjustment on Scheme liabilities (£m)	8.8	—	11.5	—	(3.7)
Percentage of Scheme liabilities (%)	1.1%	—	(1.4%)	—	0.5%
Experience adjustment on Scheme assets (£m)	(2.8)	(6.8)	48.7	21.8	16.2
Percentage of Scheme assets (%)	(0.4%)	(1.0%)	8.1%	4.0%	3.0%

Defined contribution schemes

Pension costs for defined contribution schemes were £1.1 million (2006: £0.9 million).

10. Employees and Directors

Employee information

	2007	2006
	£'000	£'000
Salaries and wages	137,165	149,168
Social security costs	15,571	16,399
Pension contributions	9,092	9,647
Share based payment costs	2,839	2,217
	164,667	177,431

Number of Employees

	2007	2006
The average monthly number of persons (including executive directors) employed by the company during the year was	4,403	4,715

Of the above, 2,525 persons (2006: 2,683) with total staff costs of £123,149,000 (2006: £127,619,000) had contracts of employment with the company.

10. Employees and Directors (Continued)

Directors' emoluments comprise:

Directors' emoluments

	2007	2006
	£'000	£'000
Aggregate emoluments	4,364	1,876

The aggregate of pension contributions to money purchase schemes for directors was £179,414 (2006: £66,935).

One (2006: None) director exercised share options in the year.

Retirement benefits accrued to 5 directors (2006: 8 directors) under the Group's defined benefit scheme.

During the year £181,000 (2006: £30,000) was paid for compensation for loss of office.

Highest Paid Director

	2007	2006
	£'000	£'000
Total amount of emoluments (excluding shares receivable under long term incentive schemes)	833	325
Defined benefit pension scheme—accrued pension at end of year	—	74

Share-based payments

Following the merger of George Wimpey Plc with Taylor Woodrow plc which took effect on 3 July 2007, the George Wimpey Plc share schemes were rolled over into an interest in shares of Taylor Wimpey plc, based on the merger ratio of 1.3914 shares of Taylor Wimpey plc for every 1 share of George Wimpey Plc.

No further invitations were made to participate in these George Wimpey Plc share schemes post the merger and upon vesting of any of the legacy George Wimpey Plc schemes, participants will receive shares in Taylor Wimpey plc at the merger ratio.

The charge to the Profit and Loss Account for share-based payments, relating to George Wimpey Plc share options granted under the Savings Related Share Option Schemes ('SRSOS') and the Executive Share Option Scheme ('ESOS') and to grants of George Wimpey Plc shares awarded under the Long Term Incentive Plan ('LTIP') after 7 November 2002, was £2,839,000 (2006: £2,217,000). Awards were granted under the LTIP over 963,590 shares (2006: 795,478 shares).

10. Employees and Directors (Continued)

Options and awards were valued using the Monte Carlo method. The fair value per option and award, and the assumptions used in the calculations were as follows:

Options and awards granted during 2007	ESOS	SRSOS	LTIP
Date of grant	2 April	12 October	2 April[(a)]
Share price at date of grant (pence)	636.0	281.0	636.0
Exercise price	636.0	265.0	—
Number of employees	171	1,075	18
Shares under option/awarded	505,358	1,474,262	963,590
Vesting period (years)	3	3 or 5	3
Expected Volatility	26.86%	30.00%	—
Option life (years)	10	6 months after vesting	3
Expected life (years)	5	2 months after vesting	3
Risk free rate	5.4%	5.1%	—
Expected dividend yield	3.6%	3.6%	3.6%
Annual leavers	5.0%	20.0%	5.0%
Expectation of meeting performance criteria	91.7%	—	57.7%
Fair value per option (pence)	135.4	—	366.9
Fair value per option (pence)—3 year	—	66.0	—
Fair value per option (pence)—5 year	—	76.0	—
Profit and Loss Account charge in year of grant	£48,247	£40,807	£518,258
Profit and Loss Account charge in full year	£64,271	£186,182	£518,258

10. Employees and Directors (Continued)

Share-based payments

Options and awards granted during 2006	ESOS	ESOS	SRSOS	LTIP
Date of grant	10 March	4 September	21 September	23 May[(a)]
Share price at date of grant (pence)	537.7	505.5	511.0	456.5
Exercise price	537.7	505.5	385.4	—
Number of employees	166	168	1,114	15
Shares under option/awarded	543,822	580,763	1,002,223	795,478
Vesting period (years)	3	3	3 or 5	3
Expected Volatility	29.37%	30.69%	31.25%	—
Option life (years)	10	10	6 months after vesting	3
Expected life (years)	5	5	2 months after vesting	3
Risk free rate	4.4%	4.8%	4.9%	—
Expected dividend yield	3.4%	3.4%	4.9%	3.4%
Annual leavers	5.0%	5.0%	10.0%	5.0%
Expectation of meeting performance criteria	88.9%	83.2%	—	49.4%
Fair value per option (pence)	114.7	107.1	—	210.9
Fair value per option (pence)—3 year	—	—	164.1	—
Fair value per option (pence)—5 year	—	—	185.6	—
Profit and Loss Account charge in year of grant	£144,932	£57,621	£92,904	£479,339
Profit and Loss Account charge in full year	£178,643	£178,180	£335,687	£479,339

(a) Although the grant date is April and May respectively the award actually runs for the three years from 1 January.

The expected volatility is based on historical volatility over the last five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

Share-based payments

LTIP Analysis

	2007 Number '000	2006 Number '000
Balance at beginning of the period	2,780	4,563
Granted during the period pre merger	964	912
Lapsed during the period pre merger	(844)	(2,695)
Balance at date of merger	2,900	2,780
Modification at merger ratio	1,135	—
Lapsed during the period post merger	(45)	—
Balance at end of the period	3,990	2,780
Weighted average remaining contractual life (days)	343	335

10. Employees and Directors (Continued)

Potential issues of shares of Taylor Wimpey plc to employees of the Company

Taylor Wimpey plc operates a Savings Related Share Option Scheme (SRSOS) for all employees of the Company under which options were granted to employees across the Taylor Wimpey group, including employees of the Company.

At 31 December 2007 under the legacy George Wimpey option schemes there were options outstanding over 4,852,544 shares under the SRSOS, exercisable between now and 2013 (2006 modified: 4,865,993 shares exercisable between 2007 and 2012) at prices between 164.15 pence and 276.98 pence per share (2006 modified: 112.12 pence and 276.98 pence per share). The weighted average option price was 246.98 pence per share (2006 modified: 228.6 pence per share) and the weighted average remaining contractual life was 3.8 years (2006: 2.8 years).

At 31 December 2007 there were options outstanding over 4,182,473 shares under the ESOS, exercisable between now and 2017 (2006 modified: 5,266,857 shares exercisable between 2007 and 2016) at prices between 212.62 pence and 456.73 pence per share (2006 modified: 176.98 pence and 386.42 pence per share). The weighted average option price was 214.9 pence per share (2006: 421.6 pence per share) and the weighted average remaining contractual life was 7.8 years (2006: 8.0 years).

The table below reconciles option movements over the year to December 2007.

	2007	2007 Weighted average price	2006	2006 Weighted average price
	Number '000	in pence	Number '000	in pence
Outstanding at 1 January	7,283	371.90	7,661	318.08
Granted	505	635.50	2,127	457.13
Lapsed	(1,522)	335.59	(1,175)	355.41
Exercised	(209)	256.53	(1,330)	212.74
Balance at date of merger	6,057	406.98	7,283	371.90
Modification at merger ratio	2,371	292.50	—	—
Lapsed	(311)	331.00	—	—
Exercised	(556)	187.19	—	—
Outstanding at 31 December	7,561	298.67	7,283	371.90
Exercisable at 31 December	310	175.48	261	236.87

For the options exercised during the year the weighted average closing market price on the day of exercise was 274.3 pence per share (2006 modified: 387.3 pence per share).

If the options outstanding at 31 December were all exercised at either the earliest opportunity or the latest opportunity the cash inflows into the Company in the following bands of years would be:

	2007 Earliest exercise	2007 Latest exercise	2006 Earliest exercise	2006 Latest exercise
	£m	£m	£m	£m
Within one year	9.1	0.4	9.1	0.4
In two to three years	13.5	2.5	15.7	5.1
In four to five years	—	5.3	2.3	4.2
Thereafter	—	14.4	—	17.4
	22.6	22.6	27.1	27.1

11. Intangible Assets

Software development costs

	£'000
Cost	
At 1 January 2007	21,072
Additions—purchased externally	4,359
Additions—internally generated	1,031
At 31 December 2007	26,462
Amortisation	
At 1 January 2007	(5,111)
Charge in the year	(2,974)
Write-down	—
At 31 December 2007	(8,085)
Net book amount at 31 December 2007	18,377
Net book amount at 31 December 2006	15,961

12. Tangible Assets

	Freehold Land & Buildings	Plant & Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2007	2,908	36,724	39,632
Additions	73	3,969	4,042
Disposals	—	(2,112)	(2,112)
At 31 December 2007	2,981	38,581	41,562
Accumulated depreciation			
At 1 January 2007	(741)	(24,535)	(25,276)
Provided during the year	(60)	(3,186)	(3,246)
Disposals	—	1,057	1,057
At 31 December 2007	(801)	(26,664)	(27,465)
Net book amount at 31 December 2007	2,180	11,917	14,097
Net book amount at 31 December 2006	2,167	12,189	14,356

13. Investments

	2007
	£'000
Investments in Subsidiary Undertakings	
Shares at Cost	
At 1 January 2007 and 31 December 2007	110,300
Provision	
At 1 January 2007 and 31 December 2007	(12,977)
Net book amount	
At 1 January 2007 and 31 December 2007	97,323

13. Investments (Continued)

In the opinion of the directors the value of the company's investments in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

	£'000
Investments in Joint Ventures	
Net book amount at 1 January 2007	14,800
Additions	7,843
Repayments	(6,712)
Net book amount at 31 December 2007	15,931

	£'000
Investments in Associated Undertakings	
Net book amount at 1 January 2007 and 31 December 2007	100

The company's main subsidiary undertakings, all of whose ordinary share capital is wholly owned, is shown below:

Name of company	Country of Incorporation	Description of shares held	Business
George Wimpey West Scotland Limited	Scotland	Ordinary	Housebuilding
George Wimpey East Scotland Limited	Scotland	Ordinary	Housebuilding
George Wimpey North East Limited	England	Ordinary	Housebuilding
George Wimpey North Yorkshire Limited	England	Ordinary	Housebuilding
George Wimpey South Yorkshire Limited	England	Ordinary	Housebuilding
George Wimpey West Yorkshire Limited	England	Ordinary	Housebuilding
George Wimpey North West Limited	England	Ordinary	Housebuilding
George Wimpey Manchester Limited	England	Ordinary	Housebuilding
George Wimpey Midland Limited	England	Ordinary	Housebuilding
George Wimpey North Midlands Limited	England	Ordinary	Housebuilding
George Wimpey West Midlands Limited	England	Ordinary	Housebuilding
George Wimpey East Midlands Limited	England	Ordinary	Housebuilding
George Wimpey South Midlands Limited	England	Ordinary	Housebuilding
George Wimpey East Anglia Limited	England	Ordinary	Housebuilding
George Wimpey South West Limited	England	Ordinary	Housebuilding
George Wimpey Bristol Limited	England	Ordinary	Housebuilding
George Wimpey North London Limited	England	Ordinary	Housebuilding
George Wimpey East London Limited	England	Ordinary	Housebuilding
George Wimpey West London Limited	England	Ordinary	Housebuilding
George Wimpey Southern Counties Limited	England	Ordinary	Housebuilding
George Wimpey City Limited	England	Ordinary	Housebuilding
George Wimpey City 2 Limited	England	Ordinary	Housebuilding
George Wimpey South East Limited	England	Ordinary	Housebuilding
MacKenzie Developments (Linlithgow) Limited	Scotland	Ordinary	Housebuilding
this is G2 Limited	England	Ordinary	Housebuilding
Citystead Limited	England	Ordinary	Non-trading
George Wimpey Financial Services Limited	England	Ordinary	Non-trading
Strategic Land Management Limited	England	Ordinary	Non-trading
UK Home Finance Limited	England	Ordinary	Financial

Details of investments in joint ventures and associated undertakings in which the company holds more than 20% of the nominal value of any class of share capital are given below:

13. Investments (Continued)

Investments in Joint Ventures

The company has five (2006: four) principal joint ventures.

Particulars of principal joint ventures are as follows:

Name of Company	Country of Incorporation	Description of shares held	Business	Proportion Held
GN Tower Limited	England	Ordinary	Housebuilding	50%
North Central Management Limited	England	Ordinary	Housebuilding	50%
Falcon Wharf Limited	England	Ordinary	Housebuilding	50%
Bromsgrove Street Limited	England	Ordinary	Housebuilding	50%
Academy Central Limited Liability Partnership	England	Ordinary	Housebuilding	62%

Other joint ventures:

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
New Horizons (Brent) Ltd	England & Wales	Ordinary	49.5%

The company operates for the procurement of works for the redevelopment of the Chalkhill Estate in the London Borough of Brent. The company has its year end on 30 September.

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
Emersons Green Village Limited	England & Wales	Ordinary	50%

The company operates to provide the infrastructure necessary for the development at Emersons Green Village. The company has its year end on 31 March.

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
Triumphdeal Limited	England & Wales	Ordinary	50%

The company did not trade during the year.

Investments in Associated Undertakings

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
North Oxfordshire Consortium Ltd	England & Wales	Ordinary	33.33%

The company operates to promote the management and redevelopment of the former USAF base at Upper Heyford. The company has its year end on 30 September.

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
Quedgeley Urban Village Ltd	England & Wales	Ordinary	25%

The company operates to promote the management and redevelopment of the former RAF base at Quedgeley. The company has its year end on 30 September.

14. Stock

	2007 £'000	2006 £'000 Restated
Land held for development	2,122,973	2,032,331
Construction work in progress	492,396	538,335
Part exchange properties	34,231	8,900
Other stock	40,347	41,986
Less applicable payments on account	(13,763)	(19,752)
	2,676,184	2,601,800

15. Debtors

	2007 Due within 1 Year £'000	2007 Due after 1 Year £'000	2006 Due within 1 Year £'000	2006 Due after 1 Year £'000
Trade debtors	103,881	29,795	69,762	17,857
Amounts owed by George Wimpey Limited	27,391	—	9,485	—
Amounts owed by Taylor Wimpey Developments Limited	965	—	—	—
Amounts owed by fellow subsidiary undertakings	1,193	—	20,695	—
Prepayments and accrued income	3,696	127	5,626	42
Deferred tax asset—see note 18	—	30,269	—	49,237
	137,126	60,191	105,568	67,136

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date.

16. Creditors

	2007 Due within 1 Year £'000	2007 Due after 1 Year £'000	2006 Due within 1 Year £'000 Restated	2006 Due after 1 Year £'000 Restated
Trade creditors	526,982	187,237	602,449	200,619
Payments received on account	—	—	13,247	71
Amounts owed to George Wimpey Limited	1,268,791	—	161,070	—
Amounts owed to Taylor Wimpey Developments Limited	1,360	—	—	—
Amounts owed to fellow subsidiary undertakings	46,957	384,827	49,840	384,827
UK Corporation Tax*	109,855	—	80,283	—
Other taxation and social security	4,251	—	4,786	—
Accruals and deferred income	141,252	—	135,915	—
	2,099,448	572,064	1,047,590	585,517

* UK Corporation Tax represents amounts due to HM Revenue & Customs and other group companies that have settled amounts due on behalf of the Company.

Amounts due to parent undertakings are unsecured, bear interest at 6% (2006: 6%) and are repayable on demand.

17. Provisions for liabilities

	Rental Guarantees	Maintenance Provision	Restructuring	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2007	3,253	6,072	—	3,144	12,469
Interest discounted	—	—	—	—	—
Provided	47	2,738	9,630	50	12,465
Released	(58)	(791)	—	—	(849)
Utilised	(1,908)	(2,380)	(4,275)	(949)	(9,512)
	(1,919)	(433)	5,355	(899)	2,104
At 31 December 2007	1,334	5,639	5,355	2,245	14,573

The rental guarantees provision covers shortfalls anticipated under leasehold commitments.

The maintenance provision covers obligations for potential remedial works on completed properties under the terms of sales warranties.

The restructuring provision was created for costs resulting from the restructuring of the Company following the merger.

18. Deferred taxation

	2007	2006
	£'000	£'000
The deferred tax asset is made up of:		
Excess of depreciation over capital allowances	786	1,314
Property provisions	—	84
Pensions liability	31,604	49,800
Other timing differences	(2,121)	(1,961)
	30,269	49,237
Asset at 1 January	49,237	56,532
Laing Homes asset transferred in at 1 January	—	(11)
Statement of Total Recognised Gains and Losses credit	(15,622)	(1,200)
Deferred tax charge in profit and loss account (note 8)	(3,346)	(6,084)
Asset at 31 December	30,269	49,237

Deferred tax on the UK timing differences has been calculated at the rate of 28 per cent (2006: 30 per cent). The effect of the reduction in the UK corporation tax rate from 30 per cent to 28 per cent from 1 April 2008 has resulted in a reduced net deferred tax asset at the end of 2007 of an amount of £2.5m in respect of the pension scheme which has been charged directly to the statement of total recognised gains and losses.

19. Called up share capital

	2007	2006
	£'000	£'000
Authorised:		
170,000,000 ordinary shares of £1 each	170,000	170,000
Allotted, called up and fully paid:		
164,000,000 ordinary shares of £1 each	164,000	164,000

20. Profit and loss account

	2007	2006
	£'000	£'000 Restated
Reserves at 1 January	978,300	776,573
Prior year adjustment (note 1)	(4,779)	216
1 January as restated	973,521	776,789
Total recognised gains for the year	86,597	194,515
Value of employee services	2,839	2,217
Dividends payable	(1,000,000)	—
Reserves at 31 December	62,957	973,521

21. Reconciliation of movements in shareholders' funds

	2007	2006
	£'000	£'000 Restated
Shareholders' funds at 1 January as previously reported	1,142,489	940,762
Prior year adjustment (note 1)	(4,779)	216
1 January as restated	1,137,710	940,978
Total recognised gains for the year	86,597	194,515
Value of employee services	2,839	2,217
Dividends paid	(1,000,000)	—
Net (decrease)/increase in shareholders' funds	(910,564)	196,732
Shareholders' funds at 31 December	227,146	1,137,710

22. Contingent liabilities

The company has given guarantees, in the ordinary course of business, to the lenders to the Bromsgrove Street Limited joint venture. The corporate guarantee and the cost overrun guarantee are for £1.2 million and £1 million respectively plus all unpaid interest, costs, charges and expenses comprised in the Secured Liabilities.

The Company has given guarantees in respect of building and other agreements entered into in the normal course of business. The company has an arrangement with Lloyds TSB Bank Plc and National Westminster Bank Plc whereby it has agreed to guarantee all overdrawn balances within the former George Wimpey Plc group's pooling arrangements to the extent of funds on hand.

The subsidiary operations of Taylor Wimpey UK Limited act as undisclosed agents for the Company and as a consequence of this, Taylor Wimpey UK Limited has given an indemnity to these subsidiaries and its sister company, Laing Homes Limited, under which it holds or incurs assets and liabilities as a trustee on behalf of the subsidiaries and the Company will indemnify them accordingly.

23. Commitments

	2007	2006
	£'000	£'000
Operating leases		
Annual commitments under operating leases expiring:		
within one year	691	169
within two to five years	3,909	2,129
after five years	5,872	2,092
	10,472	4,390

All operating leases refer to land and buildings.

24. Related party transactions

The Company funds the Wimpey Staff Personal Accident Scheme which provides discretionary personal accident benefits to the members of the Wimpey Staff Pension Scheme. There is an interest free loan from The Scheme to the Company which is repayable at one month's notice. The balance owed by the Company to The Scheme was £500,000 throughout the year.

25. Significant event since the balance sheet date

On 1 January 2008, substantially all of the trading assets and liabilities of Taylor Wimpey Developments Limited, except for certain inter company balances, the Spanish branch and its investment in its Spanish subsidiary and a number of investments in joint ventures, were transferred to the Company. The Company is now the principal house building company in the Taylor Wimpey group.

TAYLOR WIMPEY UK LIMITED

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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TAYLOR WIMPEY UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLOR WIMPEY UK LIMITED

We have audited the financial statements of Taylor Wimpey UK Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Loss, the Balance Sheet and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom
27 October 2009

TAYLOR WIMPEY UK LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Continuing operations 2008	Continuing operations Acquisitions 2008	Total 2008	Total 2007
		£'000	£'000	£'000	£'000
Turnover	3	1,520,628	837,884	2,358,512	2,478,767
Cost of sales					
Before exceptional items		(1,379,598)	(776,026)	(2,155,624)	(1,964,488)
Exceptional items	4a	(599,056)	(221,569)	(820,625)	(265,355)
Gross (loss)/profit		(458,026)	(159,711)	(617,737)	248,924
Administation expenses		(138,827)	(51,346)	(190,173)	(137,901)
Exceptional items	4b	(51,896)	—	(51,896)	—
Operating (loss)/profit	5	(648,749)	(211,057)	(859,806)	111,023
Exceptional items	4c	—	—	—	(9,630)
Dividends receivable		2,650	—	2,650	8,900
(Loss)/profit on ordinary activities before interest and taxation		(646,099)	(211,057)	(857,156)	110,293
Interest receivable and similar income	7			1,774	1,119
Interest payable and similar charges	6			(181,878)	(21,533)
(Loss)/profit on ordinary activities before taxation				(1,037,260)	89,879
Tax on (loss)/ profit on ordinary activities	8			(31,669)	(32,060)
(Loss)/profit for the financial year				(1,068,929)	57,819

TAYLOR WIMPEY UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008	2007
		£'000	£'000
(Loss)/profit for the financial year		(1,068,929)	57,819
Actuarial (loss)/gain on defined benefit pension scheme	9	(61,000)	44,400
Deferred tax on defined benefit pension scheme	18	1,400	(15,622)
Total recognised (losses)/gains relating to the year		(1,128,529)	86,597

TAYLOR WIMPEY UK LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008	2007
		£'000	£'000
Fixed assets			
Intangible assets	11	—	18,377
Tangible assets	12	5,593	14,097
Investments in subsidiary undertakings	13	97,323	97,323
Investments in joint venture undertakings	13	5,397	15,931
Investments in associated undertakings	13	100	100
		108,413	145,828
Current assets			
Stock	14	3,234,369	2,676,184
Debtors amounts falling due within one year	15	175,975	137,126
Debtors amounts falling due after more than one year	15	21,125	60,191
Cash at bank and in hand		28,443	6,706
		3,459,912	2,880,207
Creditors: amounts falling due within one year	16	(3,483,795)	(2,099,448)
Net current (liabilities)/assets		(23,883)	780,759
Total assets less current liabilities		84,530	926,587
Creditors: amounts falling due after more than one year	16	(281,913)	(572,064)
Deficit on defined benefit pension scheme	9	(155,734)	(112,804)
Provisions for liabilities	17	(39,038)	(14,573)
Net (liabilities)/assets		(392,155)	227,146
Capital and reserves			
Called up share capital	19	165,000	164,000
Share premium account	20	499,189	189
Profit and loss account	21	(1,056,344)	62,957
Shareholders' (deficit)/funds	22	(392,155)	227,146

The financial statements and notes to the financial statements on pages 8 to 25 were approved by the board of directors on 7 October 2009 and were signed on its behalf by:

C Carney
Director

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

1. Accounting policies

The following accounting policies have been consistently applied in the current and prior years.

Basis of accounting

The financial statements have been prepared in accordance with applicable law and United Kingdom accounting standards, under the historical cost convention.

Basis of preparation

These financial statements contain information about Taylor Wimpey UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Taylor Wimpey plc, a company registered in England and Wales.

The company is reliant on continued funding from its ultimate parent company Taylor Wimpey plc to fund its own operations. The Directors have received assurances from Taylor Wimpey plc that in so far that it is able under its financing arrangements, it will continue to provide financial support to the company to ensure that the company is able to fulfil its financial obligations when they fall due, for a period not less than 12 months from the date of approval of these accounts.

Taylor Wimpey plc is dependent upon debt financing. The external finance available to Taylor Wimpey plc matures on 3 July 2012 and is subject to certain financial covenants. The Directors of Taylor Wimpey plc are of the view that the existing finance facilities are considered to be adequate in terms of both facility amounts and covenant headroom to enable the group to operate within its terms for at least the next 12 months from the date of approval of these accounts. The directors of Taylor Wimpey plc have confirmed to the Company's directors that this is still the case. Based on enquiries, including inquiries of the directors of Taylor Wimpey plc, the Company's directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Taylor Wimpey plc and its results are included in the consolidated accounts of Taylor Wimpey plc, which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Taylor Wimpey group or invested of the Taylor Wimpey group. For details of other related party transactions see note 25.

Turnover

Turnover from private housing sales and land sales are recognised as the fair value of the consideration received or receivable on legal completion, net of incentives. Turnover on social housing contracts is recognised by reference to the stage of completion of the contract activity where the outcome of the contract can be reasonably estimated. When it is probable that total costs exceed total turnover the expected loss is recognised as an expense immediately.

Profit recognition

Profit arising from the sale of residential and commercial properties and land is taken on legal completion. Residential development profit is calculated based on total expected revenues less total expected costs.

1. Accounting policies (Continued)

Share-based payments

In accordance with its transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Company issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share based payments.

Fixed assets

Fixed assets are stated at cost less depreciation or amortisation. Depreciation is provided on all fixed assets, other than freehold land at rates calculated to write off the cost of each asset to its residual value evenly over its expected useful life as follows:

- Freehold buildings—over 50 years
- Short leaseholds—over the period of the lease
- Plant and equipment—from 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

Finance income and costs

Interest receivable and payable on bank deposits and borrowings is credited or charged to finance costs as incurred.

Trade payables on extended terms, particularly in respect of land, are recorded at the fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the deferred payment terms and charged to finance costs.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The potential liability to taxation on the surpluses on valuations of properties is not provided for in these accounts.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax recorded in the Profit and Loss account because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the Balance Sheet date.

1. Accounting policies (Continued)

Current and deferred tax are charged or credited in the Profit and Loss Account, except when they relate to items charged or credited through the Statement of Total Recognised Gains and Losses when they are charged or credited there.

Intangible assets

Costs that are directly associated with the production of identifiable and unique software controlled by the Company, and that will generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are accounted for at cost less any provision for impairment.

Investments in joint venture undertakings

Joint venture undertakings are incorporated entities and unlisted undertakings, other than subsidiary undertakings, held as long-term investments in which the reporting entity holds an interest on a long-term basis and is jointly controlled by the reporting entity and one or more other ventures under a contractual arrangement.

Investment in associated undertakings

Associated undertakings are incorporated entities and unlisted undertakings, other than subsidiary undertakings, held as long-term investments in which the company has an investment representing not less than 20% of the voting rights and over which it exerts significant influence but not control or joint control.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads which have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

Land stock is recognised in stock when the significant risks and rewards of ownership have been transferred to the company. Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is not probable that they will be exercised.

Pensions

The Company accounts for pensions and similar benefits under FRS 17 'Retirement Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at market value. The operating and financing costs of such plans are recognised separately in the Profit and Loss Account; service costs are spread systematically over the lives of the employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in full through the Statement of Total Recognised Gains and Losses. Payments to defined contribution schemes are charged to the Profit and Loss Account as they become due.

Operating leases

Operating lease rentals are charged to the Profit and Loss Account in equal amounts over the lease term.

1. Accounting policies (Continued)

Grants debtors

Grants due are matched against development costs as related expenditure is incurred. Any amounts not received at the year-end are included within debtors.

Trade debtors

Trade debtors on normal terms do not carry interest and are stated at their initial value reduced by appropriate allowances for estimated irrecoverable amounts. Trade debtors on extended terms, particularly in respect of land, are recorded at their fair value at the date of sale of the asset to which they relate. The imputed interest receivable is amortised over the period of the deferred payment terms and credited to interest receivable.

Trade creditors

Trade creditors on normal terms are not interest bearing and are stated at their nominal value. Trade creditors on extended terms, particularly in respect of land purchases, are recorded at their fair value.

Customer deposits

Customer deposits are recorded as a liability and deducted from the construction work in progress on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2. Parent Company

The Company is a wholly owned subsidiary of Taylor Wimpey Developments Limited. The largest and smallest group in which the results of the Company are consolidated is Taylor Wimpey plc, the Company's ultimate parent company and controlling party and a company incorporated in England and Wales. Financial Statements of Taylor Wimpey plc may be obtained from the Company Secretary at 80 New Bond Street, London, W1S 1SB.

3. Turnover

Turnover in the year arose solely in the United Kingdom.

	£'000
PD Housing	1,979,521
Partnership	296,209
Land	58,039
Property	22,042
Other	2,701
	2,358,512

4. Exceptional items

(a) Cost of sales

Included in cost of sales is a charge of £820,625k (2007: £265,400k) for the write-down of land and work in progress to their net realisable value.

(b) Operating expenses

	2008	2007
	£'000	£'000
Write off of software development costs	(16,573)	—
Restructuring costs	(35,323)	—
	(51,896)	—

Restructuring costs relating to the reorganisation and restructuring of the UK Housing business including redundancy costs have been classified as exceptional in the year. Included within the restructuring costs was a write down in the software development costs of £16.8million. (note 11)

The tax effect of these exceptional items is nil (2007: nil).

(c) Non operating expenses

Non operating exceptional of £9,630k in 2008 related to exceptional restructuring costs as a result of the merger between Taylor Woodrown plc and George Wimpey Plc.

5. Operating (loss)/profit

	2008	2007
	£'000	£'000
Operating (loss)/profit is stated after crediting:		
Grants receivable	33	30
Rental income	3,041	2,227
and after charging:		
Staff costs (Note10)	187,748	164,667
Operating exceptional (Note 4)	821	265
Hire of plant and equipment	14,877	15,941
Other operating lease rentals	4,255	3,270
Depreciation and amortisation	5,014	6,220
Services provided by the Company's auditor		
Fee payable to the company auditor for the audit of the company's annual accounts	235	45

No fees were paid to the company's auditors for other services (2007: nil).

6. Interest payable and similar charges

	2008	2007
	£'000	£'000
Interest charged on loans with Group Companies	154,244	2,243
Other loans	3	—
Interest charged on provisions and creditors	21,031	15,188
Interest charged on pension liabilities (note 9)	6,600	4,102
Net Payable	181,878	21,533

7. Interest receivable and similar income

	2008	2007
	£'000	£'000
Bank interest receivable	317	105
Interest credited on land debtors	1,457	1,014
Net Receivable	1,774	1,119

8. Taxation on (loss)/profit for the year

	2008	2007
	£'000	£'000
Current tax		
UK Corporation tax on (loss)/ profit for the period	—	28,714
Deferred tax:		
Deferred tax asset written off (note 18)	31,669	3,346
Tax on (loss)/profit on ordinary activities	31,669	32,060

The standard rate of current tax for the year, based on the weighted average of the UK standard rate of corporation tax is 28.5% (2007: 30%). The current tax credit/charge for the period can be reconciled as follows:

	2008	2007
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(1,037,260)	89,879
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax of 28.5% (2007: 30%)	(295,619)	26,964
Effects of:		
Contaminated land relief deduction	—	(2,400)
Share scheme deductions	1,309	553
Depreciation in excess of capital allowances	4,649	395
Other timing differences	1,873	3,975
Permanently disallowable items	743	570
Amounts provided against loans	—	4,207
Non taxable dividend	(755)	(2,670)
Pension scheme payments	(5,157)	(2,880)
Losses carried forward not recognised	292,957	—
Total current tax	—	28,714

Deferred tax liabilities have not been discounted.

9. Pension arrangements

The Company is a participating member of the George Wimpey Staff Pension Scheme (the Scheme) which is of the funded, defined benefit type. It is closed to new entrants. The assets of the scheme are held in separate Trustee administered funds. The Trustees are George Wimpey Pension Trustees Limited and the Law Debenture Trust Corporation Plc. The Scheme is subject to triennial valuation by independent actuaries under the scheme specific funding arrangements. For new employees in the UK, the Company pays contributions into stakeholder pension arrangements.

The statutory funding objective is that the scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principle adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

9. Pension arrangements (Continued)

The Trustees, with the consent of the Company, brought forward the actuarial valuation to 31 March 2007. The results of the valuation show a shortfall of £215,000k on the scheme assets of £668,000k against estimated liabilities of £883,000k resulting in a scheme funding level of 76% (80% as at 31 March 2005).

Following the valuation the ordinary contribution rate increased to 18% of pension able salaries. Deficit recovery payments were increased to £25,000k per annum and a one-off payment of £5,000k was made in July 2008. If the assumptions made for assessing the recovery plan are borne out in practice these contributions are expected to eliminate the shortfall by 2018.

The main financial assumptions, which were used for the triennial funding valuation as at 31 March 2007 and are all relevant to the inflation assumption, are set out below:

Assumptions	
RPI Inflation	3.15%
Discount rate—pre/post retirement	6.75%/4.75%
General real pay inflation	2.0% p.a.
Real pension increases	0% p.a.
Valuation results	
Market value of assets	£668,000k
Past service liabilities	£883,000k
Scheme funding levels	76%

On a FRS 17 basis, the valuation position of the Scheme was updated from the 31 March 2007 valuation to 31 December 2008 by a qualified independent actuary. The principal assumptions made at 31 December 2008 were as follows:

	At 31 December 2008	At 31 December 2007
Discount rate	6.30%	5.80%
Rate of increase in salaries	5.15%	4.60%
Rate of increase of deferred pensions	2.80%	3.10%
Rate of increase of pensions in payment		
—pre April 2006 pension	2.70%	3.35%
—post April 2006 pension	2.15%	2.25%
Inflation	2.80%	3.10%

The current life expectancies post-retirement (in years) underlying the value of the accrued liabilities are:

Life expectancy at age 65	Male	Female
Member currently aged 65	21	23
Member currently aged 45	22	25

9. Pension arrangements (Continued)

The fair value of assets and present value of obligations in the Scheme are set out below:

	Expected rate of return	Value	Percentage of total plan assets held
	% p.a.	£'000	
31 December 2008			
Equities	6.9%	165,600	27%
Bonds/Gilts	6.5%/3.4%	413,100	68%
Other assets	2.0%	27,500	5%
Fair value of assets		606,200	100%
Present value of defined benefit obligations		(761,934)	
Deficit in the scheme recognised as non-current liability		(155,734)	
31 December 2007			
Equities	8.1%	189,100	28%
Bonds/Gilts	5.8%/4.6%	429,900	63%
Other assets	5.5%	66,500	9%
Fair value of assets		685,500	100%
Present value of defined benefit obligations		(798,304)	
Deficit in the scheme recognised as non-current liability		(112,804)	

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on investments.

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered riskier.

A summary of the target asset allocations of the major defined benefit schemes are shown below:

UK Equities	18%
Non-UK Equities	12%
Index-Linked Gilts	25%
Fixed-Interest Gilts	16%
Other UK bonds	24%
GTAA	5%
Property	0%

The amounts (charged)/credited against income in the year were as follows:

	2008	2007
	£'000	£'000
Current service cost	(4,700)	(6,400)
Expected return on Scheme assets	38,600	38,600
Interest cost on Scheme liabilities	(45,200)	(42,700)
	(6,600)	(4,100)

9. Pension arrangements (Continued)

The actual loss on scheme assets was (£67,600k) (2007 gain: £35,800k).

	2008	2007
	£'000	£'000
Actuarial (losses)/gains in the statement of total recognised gains and losses:		
Difference between actual and expected return on scheme assets	(106,200)	(2,800)
Experience gains arising on scheme liabilities	(17,500)	38,400
Changes in assumptions	62,700	8,800
Total gains recognised in the statement of total recognised gains and losses	(61,000)	44,400

	2008	2007
	£'000	£'000
Movement in present value of defined benefit obligations		
1 January	(798,300)	(837,400)
changes in exchange rates	—	—
Service Costs	(4,700)	(6,400)
Benefits paid and expenses	43,066	43,396
Contributions	(2,000)	(2,400)
Interest cost	(45,200)	(42,700)
Actuarial gains	45,200	47,200
31 December	(761,934)	(798,304)

	2008	2007
	£'000	£'000
Movement in fair value of scheme assets		
1 January	685,500	670,600
changes in exchange rates	—	—
Expected return on scheme assets and expenses	38,600	38,300
Contributions	31,400	22,500
Benefits paid	(43,100)	(43,100)
Plan settlements	—	—
Actuarial gains	(106,200)	(2,800)
31 December	606,200	685,500

The five year history of experience adjustments is as follows:

	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
Present value of Scheme obligations	(761,934)	(798,304)	(837,400)	(844,200)	(775,400)
Fair value of Scheme assets	606,200	685,500	670,600	659,600	589,200
Deficit in the Scheme	(155,734)	(112,804)	(166,800)	(184,600)	(186,200)
Experience adjustment on Scheme liabilities (£'000)	(17,500)	38,400	—	11,500	—
Percentage of Scheme liabilities (%)	2.3%	1.1%	—	(1.4%)	—
Experience adjustment on Scheme assets (£'000)	(106,200)	(2,800)	(6,800)	48,700	21,800
Percentage of Scheme assets (%)	(17.5%)	(0.4%)	(1.0%)	8.1%	4.0%

9. Pension arrangements (Continued)

Defined contribution schemes

Pension costs for defined contribution schemes were £8,900k (2007: £1,100k).

10. Employees and Directors

Employee information	2008	2007
	£'000	£'000
Salaries and wages	144,084	137,165
Social security costs	16,388	15,571
Pension contributions	13,600	9,092
Share based payment costs	4,644	2,839
	178,716	164,667

Number of Employees

	2008	2007
The average monthly number of persons (including executive directors) employed by the company during the year was	4,433	4,403

Of the above, 2,561 persons (2007: 2,525) had contracts of employment with the company.

Directors' emoluments comprise:

Directors' emoluments	2008	2007
	£'000	£'000
Aggregate emoluments	2,930	4,364

The aggregate of pension contributions to money purchase schemes for directors was £214k (2007: £179k).

One director exercised share options in the year (2007: One).

Retirement benefits accrued to 4 directors (2007: 5 directors) under the Group's defined benefit scheme.

During the year £488k (2007: £181k) was paid for compensation for loss of office.

Highest Paid Director	2008	2007
	£'000	£'000
Total amount of emoluments (excluding shares receivable under long term incentive schemes).	584	833
Defined benefit pension scheme—accrued pension at end of year	19	—

Share-based payments

The Company's employees participate in a number of Taylor Wimpey plc share-based incentive plans, including the Taylor Wimpey Performance Share Plan, the Taylor Wimpey Share Option Plan, the Sharesave Plan and a UK Share Purchase Plan.

Under the Taylor Wimpey Performance Share Plan, senior executives may be granted annually a conditional award of shares with a value, at the date of grant, of up to 3x base salary. Such awards vest after three years provided, and to the extent, that the associated performance conditions have then been achieved. The performance targets are based on growth in the Group's earnings per share and Taylor Wimpey plc's Total Shareholder Return performance. During 2008 awards were granted to 418

10. Employees and Directors (Continued)

employees (2007: 18) over an aggregate of 2,915,897 shares (2007: 1,558,367 shares) based on a share price at the date of grant of 161.67 pence (2007: 636 pence).

Under the Taylor Wimpey Share Option Plan senior executives may be granted annually an option over shares with a value, at the date of grant, of up to 3x base salary. Such awards, which may be income tax-approved up to HMRC aggregate limit of £30,000, vest up to 100% after three years provided, and to the extent that, the associated performance condition of the Group's Return on Capital employed exceeding the Group's cost of capital has been met. During 2008 awards were granted to 404 employees (2007: 171) over an aggregate of 6,844,610 shares (2007: 505,358 shares) based on a share price at the date of grant of 137.75 pence (2007: 636 pence).

Under the Sharesave Plan, employees with at least three months' service can save up to £250 per month and receive three or five year options to acquire Taylor Wimpey plc shares priced at a discount of up to 20% on market value. During 2008 1,248 employees (2007: 1,075) joined this plan. Options were granted over 21,909,791 shares (2007: 1,474,262) at an option price of 37.6 pence.

Under the UK Share Purchase Plan employees with at least three months' service are permitted to invest up to £1,500 per annum of their pre-tax income in the purchase of partnership shares of Taylor Wimpey plc. Such shares, if held for a period of three years attract an award of free matching shares. Currently participants receive one matching share for each partnership share purchased. During 2008 1,504 employees (2007: 1,394) contributed to this plan and purchased 3,574,374 partnership shares (2007: 365,577).

The charge included in the profit and loss account for the year was £4,600k (2007: £2,800k).

Schemes requiring consideration from participants:

	2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	'000	pence	'000	pence
Outstanding at beginning of period	7,561	298.7	7,283	371.9
Granted during the period	30,786	57.2	505	635.5
Lapsed during the period	(6,445)	139.4	(1,833)	335.6
Exercised during the period	(197)	174.7	(765)	256.5
Modification at merger ratio			2,371	292.5
Acquisition from Taylor Wimpey Developments	5,944	299.1		
Outstanding at the end of the period	37,649	86.7	7,561	298.7
Exercisable at the end of the period	2,473	243.3	310	175.5

The weighted average share price at the date of exercise for share options exercised during the period was £1.73 (2007: £3.30). The options outstanding at 31 December 2008 had a range of exercise prices from £0.16 to £4.57 (2007: £1.27 to £4.57) and a weighted average remaining contractual life of 6.3 years (2007: 4.8 years).

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plan.

10. Employees and Directors (Continued)

Schemes not requiring consideration from participants:

	2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	'000	pence	'000	pence
Outstanding at beginning of period	3,990	—	2,780	—
Granted during the period	3,860	—	964	—
Lapsed during the period	(3,023)	—	(889)	—
Exercised during the period	—	—	—	—
Modification at merger ratio	—		1,135	
Transferred from Taylor Wimpey Developments	—	—	—	—
Outstanding at the end of the period	4,827	—	3,990	—
Exercisable at the end of the period	128	—		—

The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 8.2 years (2007: 4.2 years).

For share options with non-market conditions granted during the current and preceding year the fair value of the options at grant date was determined using the Binomial model. The inputs into that model were as follows:

	2008	2007
Weighted average share price	£0.38	£2.81
Weighted average exercise price	£0.69	£2.65
Expected volatility	37%	30%
Expected life	3/5 years	3/5 years
Risk-free rate	4.40%	5.10%
Expected dividend yield	0.50%	3.60%

The weighted average fair value of share options granted during the year is £0.10 (2007: £0.69).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

For share options with market conditions granted during the current year, the fair value of the options was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2008	2007
Weighted average share price	£0.69	£4.92
Weighted average exercise price	£nil	£nil
Expected volatility	40%	26%
Expected life	3 years	3 years
Risk-free rate	4.30%	5.40%
Expected dividend yield	0.90%	3.60%

The weighted average fair value of share options granted during the year is £0.33 (2007: £4.35).

Expected volatility was determined by calculating the historical volatility of Taylor Wimpey plc's share price over the expected term, however due to the unusual volatility in this financial year we have excluded the period between 1 May 2008 and 31 October 2008 as allowed by FRS 20 'Share based payment'. The expected life used in the model is based on historical exercise patterns.

11. Intangible Assets

Software development costs

	£'000
Cost	
At 1 January 2008 and 31 December 2008	26,462
Amortisation	
At 1 January 2008	(8,085)
Charge in the year	(1,569)
Write-down	(16,808)
At 31 December 2008	(26,462)
Net book amount at 31 December 2008	—
Net book amount at 31 December 2007	18,377

The company has fully impaired the software development costs and these have been included under exceptional costs. (note 4b)

12. Tangible Assets

	Freehold Land & Buildings	Plant & Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2008	2,981	38,581	41,562
Additions	479	1,874	2,353
Transfers from Group Undertakings	0	1,050	1,050
Disposals	(204)	(10,041)	(10,245)
At 31 December 2008	3,256	31,464	34,720
Accumulated depreciation			
At 1 January 2008	(801)	(26,664)	(27,465)
Provided during the year	(601)	(2,844)	(3,445)
Disposals	73	1,710	1,783
At 31 December 2008	(1,329)	(27,798)	(29,127)
Net book amount at 31 December 2008	1,927	3,666	5,593
Net book amount at 31 December 2007	2,180	11,917	14,097

13. Investments

Investments in Subsidiary undertakings Shares at Cost	2008
	£'000
At 1 January 2008	110,300
At 31 December 2008	110,300
Provision	
At 1 January 2008	(12,977)
At 31 December 2008	(12,977)
Net book amount at 1 January 2008 and 31 December 2008	97,323

13. Investments (Continued)

In the opinion of the directors the value of the company's investments in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

Cost of investment in joint ventures	2008	2007
	£'000	£'000
At 1 January	15,931	14,800
Additions	2	7,843
Repayments	(2,095)	(6,712)
At 31 December	13,838	15,931

Provision	2008	2007
	£'000	£'000
At 1 January	—	—
Provided for impairment	(8,441)	—
At 31 December	(8,441)	—
Net book amount		
At 31 December	5,397	15,931

Investments in Associated Undertakings

	2008	2007
	£'000	£'000
Cost of investment and net book valve at 1 January 2008 and 31 December 2009	100	100

13. Investments (Continued)

The company's main subsidiary undertakings, all of whose ordinary share capital is wholly owned, is shown below:

Name of company	Country of Incorporation	Description of shares held	Business
George Wimpey West Scotland Limited	Scotland	Ordinary	House building
George Wimpey East Scotland Limited	Scotland	Ordinary	House building
George Wimpey North East Limited	England	Ordinary	House building
George Wimpey North Yorkshire Limited	England	Ordinary	House building
George Wimpey South Yorkshire Limited	England	Ordinary	House building
George Wimpey West Yorkshire Limited	England	Ordinary	House building
George Wimpey North West Limited	England	Ordinary	House building
George Wimpey Manchester Limited	England	Ordinary	House building
George Wimpey Midland Limited	England	Ordinary	House building
George Wimpey North Midlands Limited	England	Ordinary	House building
George Wimpey West Midlands Limited	England	Ordinary	House building
George Wimpey East Midlands Limited	England	Ordinary	House building
George Wimpey South Midlands Limited	England	Ordinary	House building
George Wimpey East Anglia Limited	England	Ordinary	House building
George Wimpey South West Limited	England	Ordinary	House building
George Wimpey Bristol Limited	England	Ordinary	House building
George Wimpey North London Limited	England	Ordinary	House building
George Wimpey East London Limited	England	Ordinary	House building
George Wimpey West London Limited	England	Ordinary	House building
George Wimpey Southern Counties Limited	England	Ordinary	House building
George Wimpey City Limited	England	Ordinary	House building
George Wimpey City 2 Limited	England	Ordinary	House building
George Wimpey South East Limited	England	Ordinary	House building
Mackenzie Developments (Linlithgow) Limited	Scotland	Ordinary	House building
City Stead Limited	England	Ordinary	Non-trading
George Wimpey Financial Services Limited	England	Ordinary	Non-trading
Strategic Land Management Limited	England	Ordinary	Non-trading
UK Home Finance Limited	England	Ordinary	Financial

Details of investments in joint ventures and associated undertakings in which the company holds more than 20% of the nominal value of any class of share capital are given below:

Investments in Joint Ventures

The company has nine (2007: five) principal joint ventures.

13. Investments (Continued)

Particulars of principal joint ventures are as follows:

Name of Company	Country of Incorporation	Description of Shares Held	Business	Proportion Held
GN Tower Limited	England & Wales	Ordinary	House building	50%
Falcon Wharf Limited	England & Wales	Ordinary	House building	50%
Bromsgrove Street Limited	England & Wales	Ordinary	House building	50%
Academy Central Limited Liability Partnership	England & Wales	Ordinary	House building	62%
Strata Developments Limited	Scotland	Ordinary	House building	50%
Bromley Park (Holdings) Limited	England & Wales	Ordinary	House building	50%
Lewisham Gateway Developments (Holdings) Limited	England & Wales	Ordinary	House building	50%
Gallagher Bathgate Limited	England & Wales	Ordinary	House building	50%
Taydale (Granton) Limited	Scotland	Ordinary	House building	50%

Other joint ventures:

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
New Horizons (Brent) Ltd	England & Wales	Ordinary	49.5%

The company operates for the procurement of works for the redevelopment of the Chalkhill Estate in the London Borough of Brent. The company has its year end on 30 September.

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
Emersons Green Village Limited	England & Wales	Ordinary	50%

The company operates to provide the infrastructure necessary for the development at Emersons Green Village. The company has its year end on 31 March.

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
Triumphdeal Limited	England & Wales	Ordinary	50%

The company did not trade during the year.

Investments in Associated Undertakings

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
North Oxfordshire Consortium Ltd	England & Wales	Ordinary	33.33%

The company operates to promote the management and redevelopment of the former USAF base at Upper Heyford. The company has its year end on 30 September.

Name of Company	Country of Incorporation	Description of Shares Held	Proportion Held
Quedgeley Urban Village Ltd	England & Wales	Ordinary	25%

13. Investments (Continued)

The company operates to promote the management and redevelopment of the former RAF base at Quedgeley. The company has its year end on 30 September.

14. Stock

	2008	2007
	£'000	£'000
Land held for development	2,373,095	2,122,973
Construction work in progress	814,322	492,396
Part exchange properties	34,388	34,231
Other stock	51,783	40,347
Less applicable payments on account	(39,219)	(13,763)
	3,234,369	2,676,184

15. Debtors

	2008 Due within 1 Year	2008 Due after 1 Year	2007 Due within 1 Year	2007 Due after 1 Year
	£'000	£'000	£'000	£'000
Trade debtors	120,260	21,125	103,881	29,795
Amounts owed by parent undertaking	—	—	965	—
Amounts owed by fellow subsidiary undertakings	29,060	—	28,584	—
Amounts owed by Joint Ventures	25,056	—	—	—
Prepayments and accrued income	1,599	—	3,696	127
Deferred tax asset—see note 18	—	—	—	30,269
	175,975	21,125	137,126	60,191

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date.

16. Creditors

	2008 Due within 1 Year	2008 Due after 1 Year	2007 Due within 1 Year	2007 Due after 1 Year
	£'000	£'000	£'000	£'000
Trade creditors	569,612	281,494	526,982	187,237
Amounts owed to parent undertaking	1,026,020	—	1,360	—
Amounts owed to fellow subsidiary undertakings	1,570,406	—	1,315,748	384,827
UK Corporation Tax*	137,767	—	109,855	—
Other taxation and social security	4,088	—	4,251	—
Accruals and deferred income	175,902	419	141,252	—
	3,483,795	281,913	2,099,448	572,064

* UK Corporation Tax represents amounts due to HM Revenue & Customs and other group companies that have settled amounts due on behalf of the Company.

Amounts due to parent undertakings are unsecured, bear interest at 6% (2007: 6%) and are repayable on demand.

17. Provisions for liabilities

	Rental Guarantees	Maintenance Provision	Restructuring	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2008	1,334	5,639	5,355	2,245	14,573
Interest discounted	49	—	—	—	49
Provided	2,805	3,695	35,320	12,989	54,809
Released	(321)	—	(5,278)	(2,606)	(8,205)
Utilised	(1,588)	(8,487)	(36,227)	(86)	(46,388)
Transfer from Group undertakings	—	6,800	17,400	—	24,200
	945	2,008	11,215	10,297	24,465
At 31 December 2008	2,279	7,647	16,570	12,542	39,038

The rental guarantees provision covers shortfalls anticipated under leasehold commitments.

The rental guarantees provision will be used over a period of 3 years.

The rental guarantees provision are being discounted at 6%.

The maintenance provision covers obligations for potential remedial works on completed properties under the terms of sales warranties.

The maintenance provision will be used over a period of 3 to 5 years.

The restructuring provision was created for costs resulting from the restructuring of the Company following the closure of regions.

The restructuring provision will be used over a period of 3 to 5 years.

The other provision covers obligations for potential insurance claims and property contacts.

The other provision will be used over a period of 3 to 5 years.

18. Deferred taxation

The deferred tax asset is made up of:

	2008	2007
	£'000	£'000
Excess of depreciation over capital allowances	—	786
Pensions liability	—	31,604
Other timing differences	—	(2,121)
	—	30,269
Asset at 1 January	30,269	49,237
Statement of Total Recognised Gains and Losses credit/(charge)	1,400	(15,622)
Deferred tax charge in profit and loss account (note 8)	(31,669)	(3,346)
Asset at 31 December	—	30,269

The company has not recognised potential deferred tax assets relating to the pension scheme deficit of £155,700k,trading losses of £1,19.9m, short term timing difference of £18,430k or accelerated capital allowances of £5,400k on the basis that it is not sufficiently certain when the company will have sufficient suitable future profits.

At the balance sheet date, the company has unused capital losses of £9,200k (2007:£9,200k) available for offset against future capital profits. No deferred tax asset has been recognised in respect

18. Deferred taxation (Continued)

of these losses as the company does not believe that it is probable that they will be utilised in the foreseeable future.

19. Called up share capital

	2008	2007
	£'000	£'000
Authorised:		
170,000,000 ordinary shares of £1 each	170,000	170,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	165,000	164,000

During the year the Company allotted and issued 1 million ordinary shares with a nominal value of £1 per share to Taylor Wimpey Developments Limited, the company's immediate parent company.

20. Share premium account

	2008	2007
	£'000	£'000
At 1 January	189	189
Premium on shares issued in the year	499,000	0
At 31 December	499,189	189

During the year the Company allotted 1 million ordinary shares at a premium of £499 per share to Taylor Wimpey Developments Limited, the company's immediate holding company.

21. Profit and loss account

	2008	2007
	£'000	£'000
At 1 January	62,957	973,521
(Loss)/profit for the financial year	(1,068,929)	57,819
Actuarial (loss)/gain net of deferred tax	(54,466)	28,778
Share based payments credit	4,644	2,839
Cash cost of share option	(550)	—
Dividends paid	—	(1,000,000)
Reserves at 31 December	(1,056,344)	62,957

22. Reconciliation of movements in shareholders' funds

	2008	2007
	£'000	£'000
At 1 January	227,146	1,137,710
New shares issued	500,000	—
(Loss)/profit for the financial year	(1,068,929)	57,819
Actuarial (loss)/gain net of deferred tax	(54,466)	28,778
Share based payments credit	4,644	2,839
Expense of share option issue	(550)	—
Dividends paid	—	(1,000,000)
Net decrease in shareholders' funds	(619,301)	(910,564)
Shareholders' (deficit)/funds at 31 December	(392,155)	227,146

23. Contingent liabilities

On the 7 April 2009, the Company was party to a number of agreements in connection with the debt renegotiations of its ultimate parent company, Taylor Wimpey plc. The agreement became effective on the 30th April 2009 when conditions had been satisfied. These arrangements required the Company to give guarantees for the benefit of certain creditors and to allow £500m of its land assets to be provided as security for up to £416m of indebtedness. Following the successful equity raising of the parent and the reduction in its borrowing commitments the secured amount of the indebtedness has reduced by £215m.

The company has given a guarantee, in the ordinary course of business, to the lenders of Bromsgrove Street Limited joint venture. The cost overrun guarantee is for £1 million plus all unpaid interest, costs, charges and expenses comprised in the Secured Liabilities.

The Company has an arrangement with Lloyds TSB Bank Plc and National Westminster Bank Plc whereby it has agreed to cross guarantee, with other sister companies, all overdrawn balances within Taylor Wimpey plc group's pooling arrangements to the extent of funds on hand.

The overdrawn balance in Natwest at year end is £32,700k and there was a balance in Lloyds TSB of £5,800k.

Certain subsidiary operations of Taylor Wimpey UK Limited act as undisclosed agents for the Company and as a consequence of this, Taylor Wimpey UK Limited has given an indemnity to these subsidiaries and its sister company, Laing Homes Limited, under which it holds or incurs assets and liabilities as a trustee on behalf of the subsidiaries and the Company will indemnify them accordingly.

24. Commitments

	2008	2007
	£'000	£'000
Operating leases		
Annual commitments under operating leases expiring:		
Within one year	1,664	691
Within two to five years	5,828	3,909
After five years	4,332	5,872
	11,824	10,472

All operating leases refer to land and buildings.

25. Related party transactions

The Company funds the Wimpey Staff Personal Accident Scheme which provides discretionary personal accident benefits to the members of the Wimpey Staff Pension Scheme. There is an interest free loan from the Scheme to the Company which is repayable at one month's notice. The balance owed by the Company to the Scheme was £500k throughout the year.

Amounts owed by Joint Ventures	£'000
Bromsgrove Street	1,093
Lewisham Gateway	157
Barrier Park East	2,600
AC LLP	13,563
Strada Development	1,570
Taydale Granton	3,275
Bromley Park	2,800

26. Acquisition of trade and assets

On 1 January 2008 , the Company acquired substantially all of the trading assets and liabilities of Taylor Wimpey Developments Limited, except for certain intercompany balances, the Spanish branch, the investment in its Spanish subsidiary and a number of investments in joint ventures. The directors do not consider there to be any difference between the book value and fair value of assets acquired. Total consideration of £1,322,000k was paid which was settled through an intercompany loan. The following table sets out the book value of the identifiable assets and liabilities acquired.

	Book valve and fair value
	£'000
Fixed assets	
Tangible	1,050
Current assets	
Stock	1,667,250
Debtors	129,600
Total assets	1,796,850
Creditors	
Trade creditors	(451,700)
Provisions	(24,200)
Total liabilities	(475,900)
Net assets	1,322,000
Satisfied by	
Intercompany balance due to Taylor Wimpey Developments Limited	1,322,000

The intercompay loan carries interest at 6.75%.

27. Significant event since the balance sheet date

In order to ensure that the Company was adequately capitalised, the Company increased its authorised share capital from £170,000,000 to £670,000,000 by the creation of 500,000,000 ordinary shares of £1 each and issued 450,000,000 ordinary shares of £1 each to its parent Company, Taylor Wimpey Developments Limited with effect from 26 June 2009.

The Company subscribed to 300,000 ordinary shares of £1 each in the share capital of George Wimpey South Midlands Limited on 26 June 2009 to ensure that George Wimpey South Midlands Limited remained adequately capitalised and to avoid any potential breach of various of the Group's debt facilities as amended by the Override Agreement dated 7 April 2009.

TAYLOR WIMPEY UK LIMITED

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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TAYLOR WIMPEY UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAYLOR WIMPEY UK LIMITED FOR THE YEAR ENDED 31 DECEMBER 2009

We have audited the financial statements of Taylor Wimpey UK Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

(Signed)

Colin Hudson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
2 June 2010

TAYLOR WIMPEY UK LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Total 2009	Total 2008
		£'000	£'000
Turnover	3	1,679,756	2,358,512
Cost of sales			
Before Exceptional items		(1,549,500)	(2,155,624)
Exceptional items	4a	—	(820,625)
		(1,549,500)	(2,976,249)
Gross profit/(loss)		130,256	(617,737)
Administration expenses			
Before Exceptional items		(133,153)	(190,173)
Exceptional items	4b	(7,324)	(51,896)
		(140,477)	(242,069)
Operating loss	5	(10,221)	(859,806)
Dividends receivable		5,739	2,650
Loss on ordinary activities before interest and taxation		(4,482)	(857,156)
Interest receivable and similar income	7	15,254	1,774
Interest payable and similar charges	6	(121,442)	(181,878)
Loss on ordinary activities before taxation		(110,670)	(1,037,260)
Tax on ordinary activities	8	8,858	(31,669)
Exceptional tax credit	4c & 8	26,884	—
Loss for the financial year		(74,928)	(1,068,929)

TAYLOR WIMPEY UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009	2008
		£'000	£'000
Loss for the financial year		(74,928)	(1,068,929)
Actuarial loss on defined benefit pension scheme	9	(52,700)	(61,000)
Deferred tax credit on defined benefit pension scheme	19	30,436	1,400
Total recognised losses relating to the year		(97,192)	(1,128,529)

TAYLOR WIMPEY UK LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	2009	2008
		£'000	£'000
Fixed assets			
Intangible assets	11	—	—
Tangible assets	12	4,017	5,593
Investments in subsidiary undertakings	13	97,323	97,323
Investments in joint venture undertakings	13	5,423	5,397
Investments in associated undertakings	13	—	100
		106,763	108,413
Current assets			
Stock	14	2,686,441	3,234,369
Debtors amounts falling due within one year	15	441,948	175,975
Debtors amounts falling due after more than one year	15	30,652	21,125
Cash at bank and in hand		—	28,443
		3,159,041	3,459,912
Creditors: amounts falling due within one year	16	(2,524,374)	(3,483,795)
Bank overdraft	17	(12,335)	—
		(2,536,709)	(3,483,795)
Net current assets/(liabilities)		622,332	(23,883)
Total assets less current liabilities		729,095	84,530
Creditors: amounts falling due after more than one year	16	(585.192)	(281,913)
Deficit on defined benefit pension scheme	9	(145,731)	(155,734)
Provisions for liabilities	18	(36,888)	(39,038)
Net liabilities		(38,716)	(392,155)
Capital and reserves			
Called up share capital	20	615,000	165,000
Share premium account	21	499,189	499,189
Profit and Loss account	22	(1,152,905)	(1,056,344)
Shareholders' deficit	23	(38,716)	(392,155)

The financial statements of Taylor Wimpey UK Limited (registered number 1392762) were approved by the Board of Directors and authorised for issue on 2 June 2010. They were signed on its behalf by:

C. Carney
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. Accounting policies

The following accounting policies have been consistently applied in the current and prior years.

Basis of accounting

The financial statements have been prepared in accordance with applicable law and United Kingdom accounting standards, under the historical cost convention.

Basis of preparation

These financial statements contain information about Taylor Wimpey UK Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Taylor Wimpey plc, a company registered in England and Wales.

Going Concern

The Company is reliant on continued funding from its ultimate parent company Taylor Wimpey plc ("the Group") to fund its own operations

The Directors of the Company have written confirmation from Taylor Wimpey plc that it will continue to provide the necessary financial support to the Company, as limited by the Group's financing arrangements, for a period of not less than 12 months from the date of approval of these financial statements.

The Group completed the renegotiation of its debts with its banks and private placement holders on 7 April 2009. This resulted in a reduction in the revolving credit facility and updated banking covenants. To date the Group has been in compliance with the covenants and facility headroom, and currently is forecast to be so for the foreseeable future. The Directors of the Company have made the necessary enquiries, including enquiries of the Directors of Taylor Wimpey plc, and are of the view, at the time of approving the financial statements, that there is a reasonable expectation the Company will be able to remain in existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Cash flow statement and related party transactions

The Company is a wholly owned subsidiary of Taylor Wimpey plc and its results are included in the consolidated accounts of Taylor Wimpey plc, which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Taylor Wimpey group or investees of the Taylor Wimpey group. For details of other related party transactions see note 26.

Turnover

Turnover from private housing sales and land sales is recognised as the fair value of the consideration received or receivable on legal completion, net of incentives. Turnover on social housing contracts is recognised by reference to the stage of completion of the contract activity where the outcome of the contract can be reasonably estimated. When it is probable that total costs exceed total turnover the expected loss is recognised as an expense immediately.

1. Accounting policies (Continued)

Profit recognition

Profit arising from the sale of residential and commercial properties and land is taken on legal completion. Residential development profit is calculated based on total expected revenues less total expected costs.

Customer deposits

Customer deposits are recorded as a liability and deducted from the construction work in progress on receipt and released to income statement as revenue upon legal completion.

Share-based payments

In accordance with its transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

Tangible fixed assets

Fixed assets are stated at cost less depreciation or amortisation. Depreciation is provided on all fixed assets, other than freehold land at rates calculated to write off the cost of each asset to its residual value evenly over its expected useful life as follows:

- Freehold buildings—over 50 years
- Short leaseholds—over the period of the lease
- Plant and equipment—from 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

Finance income and costs

Interest receivable and payable on bank deposits and borrowings is credited or charged to finance costs as incurred.

Trade payables on extended terms, particularly in respect of land, are recorded at the fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the deferred payment terms and charged to finance costs.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the Balance Sheet date.

Any liability or credit in respect of group relief in lieu of current tax is also calculated using corporation tax rates that have been enacted or substantively enacted by the balance sheet date unless a different rate (including a nil rate) has been agreed within the group.

1. Accounting policies (Continued)

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

The potential liability to taxation on surpluses on valuations of properties is not provided for in these financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Current and deferred tax are charged or credited in the Profit and Loss Account, except when they relate to items charged or credited through the Statement of Total Recognised Gains and Losses when they are charged or credited there.

Intangible assets

Costs that are directly associated with the production of identifiable and unique software controlled by the Company, and that will generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are accounted for at cost less any provision for impairment.

Investments in joint venture undertakings

Joint venture undertakings are incorporated entities and unlisted undertakings, other than subsidiary undertakings, held as long-term investments in which the reporting entity holds an interest on a long-term basis and is jointly controlled by the reporting entity and one or more other ventures under a contractual arrangement. Investments in joint venture undertakings are held at cost less any provisions for impairment.

Investment in associated undertakings

Associated undertakings are incorporated entities and unlisted undertakings, other than subsidiary undertakings, held as long-term investments in which the Company has an investment representing not less than 20% of the voting rights and over which it exerts significant influence but not control or joint control. Investments in associated undertakings are held at cost less any provisions for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads which have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

Land stock is recognised in stock when the significant risks and rewards of ownership have been transferred to the Company. Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is not probable that they will be exercised.

1. Accounting policies (Continued)

Pensions

The Company accounts for pensions and similar benefits under FRS 17 'Retirement Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at market value. The operating and financing costs of such plans are recognised separately in the Profit and Loss Account; service costs are spread systematically over the lives of the employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in full through the Statement of Total Recognised Gains and Losses. Payments to defined contribution schemes are charged to the Profit and Loss Account as they become due.

Operating leases

Operating lease rentals are charged to the Profit and Loss Account in equal amounts over the lease term.

Grants debtors

Grants due are matched against development costs as related expenditure is incurred. Any amounts not received at the year-end are included within debtors.

Trade debtors

Trade debtors on normal terms do not carry interest and are stated at their initial value reduced by appropriate allowances for estimated irrecoverable amounts. Trade debtors on extended terms, particularly in respect of land, are recorded at their fair value at the date of sale of the asset to which they relate. The imputed interest receivable is amortised over the period of the deferred payment terms and credited to interest receivable.

Trade creditors

Trade creditors on normal terms are not interest bearing and are stated at their nominal value. Trade creditors on extended terms, particularly in respect of land purchases, are recorded at their fair value.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2. Parent company

The Company is a wholly owned subsidiary of Taylor Wimpey Developments Limited. The largest and smallest group in which the results of the Company are consolidated is Taylor Wimpey plc, the Company's ultimate parent company and controlling party and a company incorporated in England and Wales. Financial Statements of Taylor Wimpey plc may be obtained from the Company Secretary at 80 New Bond Street, London, W1S 1SB.

3. Turnover

Turnover in the year arose solely in the United Kingdom.

	2009	2008
	£'000	£'000
Private housing	1,440,526	1,979,521
Partnership housing	184,184	296,209
Land sales	47,944	58,039
Property	5,833	22,042
Other	1,269	2,701
	1,679,756	2,358,512

4. Exceptional items

(a) Cost of sales

Included in the 2008 cost of sales is a charge of £820,625k for the write down of land and work in progress to their net realisable value.

(b) Operating expenses

	2009	2008
	£'000	£'000
Write-off of software development costs	—	(16,573)
Restructuring costs	(7,324)	(35,323)
	(7,324)	(51,896)

Restructuring costs relating to the reorganisation and restructuring of the UK business including redundancy costs have been classified as exceptional in the year.

(c) Tax Credit

The exceptional tax credit of £26.9m comprises £26.3m relating to the recognition of the deferred tax asset on the defined benefit pension scheme liability and £0.6m relating to the recognition of the deferred tax asset on the provision of private medical care for pensioners.

The tax charge on exceptional items arising during the year is £nil (2008: £nil).

5. Operating loss

	2009	2008
	£'000	£'000
Operating loss is stated after crediting:		
Grants receivable	26	33
and after charging:		
Staff costs (Note 10)	152,180	178,716
Exceptional items (Note 4)	7,324	872,591
Hire of plant and equipment	10,572	14,877
Other operating lease rentals	3,618	4,255
Depreciation and amortisation	2,268	5,014
Fee payable to the Company's auditors for the audit of the Company's annual accounts	229	235

5. Operating loss (Continued)

No fees were paid to the Company's auditors for other services (2008: nil).

6. Interest payable and similar charges

	2009	2008
	£'000	£'000
Interest charged on loans with Group Companies	85,736	154,244
Bank overdrafts	669	3
Interest unwound on provisions and creditors	15,782	21,031
Interest charged on pension liabilities (Note 9)	19,255	6,600
	121,442	181,878

7. Interest receivable and similar income

	2009	2008
	£'000	£'000
Bank interest receivable	756	317
Interest credited on land debtors	620	1,457
Interest received on loans with Group Companies	13,878	—
	15,254	1,774

8. Taxation on loss for the year

	2009	2008
	£'000	£'000
Current tax (credit)/charge		
Prior year tax (credit)	(8,858)	—
Deferred tax (credit)/charge		
Deferred tax (credit)/charge (Note 19)	(26,884)	31,669
Tax on (loss)/profit on ordinary activities	(35,742)	31,669

The tax credit for the year includes an exceptional deferred tax credit of £26,884k relating to the reinstatement of the pension deferred tax asset on the Company's defined benefit pension scheme. In 2008 the ordinary tax charge related to the write-off of the deferred tax asset on the defined benefit pension scheme and other timing differences.

8. Taxation on loss for the year (Continued)

The standard rate of current tax for the year, based on the weighted average of the UK standard rate of corporation tax is 28.0% (2008: 28.5%). The current tax (credit)/charge for the period can be reconciled as follows:

	2009	2008
	£'000	£'000
Loss on ordinary activities before tax	(110,670)	(1,037,260)
Loss on ordinary activities multiplied by standard rate of corporation tax of 28.0% (2008: 28.5%)	(30,988)	(295,619)
Effects of:		
Prior year adjustment	(8,858)	—
Share scheme costs	253	1,309
Depreciation in excess of capital allowances	759	4,649
Other timing differences	55	1,873
Permanent disallowable items	949	743
Non taxable dividend	(1,607)	(755)
Pension scheme payments	(1,688)	(5,157)
Losses carried forward not recognised	32,267	292,957
Total current tax	(8,858)	—

9. Pension arrangements

The Company is a participating member of the George Wimpey Staff Pension Scheme (the Scheme) which is of the funded, defined benefit type. It is closed to new entrants. The assets of the Scheme are held in separate Trustee administered funds. The Trustees are George Wimpey Pension Trustees Limited and the Law Debenture Trust Corporation Plc. The Scheme is subject to triennial valuation by independent actuaries under the scheme specific funding arrangements. For new employees in the UK, the Company pays contributions into stakeholder pension arrangements.

The statutory funding objective is that the scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principle adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

The Trustees, with the consent of the Company, brought forward the actuarial valuation to 31 March 2007. The results of the valuation show a shortfall of £215,000k on the scheme assets of £668,000k against estimated liabilities of £883,000k resulting in a scheme funding level of 76% (80% as at 31 March 2005).

Following the valuation the ordinary contribution rate increased to 18% of pensionable salaries. Deficit recovery payments were increased to £25,000k per annum and a one-off payment of £5,000k was made in July 2008. If the assumptions made for assessing the recovery plan are borne out in practice these contributions are expected to eliminate the shortfall by 2018.

The Company is undertaking a review of the George Wimpey Staff Pension Scheme benefits and is in consultation regarding the cessation of the defined benefit accrual in this scheme, replacing this pension provision with defined contribution arrangements. The main financial assumptions, which were

9. Pension arrangements (Continued)

used for the triennial funding valuation as at 31 March 2007 and are all relevant to the inflation assumption, are set out below:

Assumptions	
RPI Inflation	3.15%
Discount rate—pre/post retirement	6.75%/4.75%
General real pay inflation	5.15% p.a.
Real pension increases	0% p.a.

Valuation results	
Market value of assets	£668,000k
Past service liabilities	£883,000k
Scheme funding levels	76%

The valuation position of the Scheme was updated from the 31 March 2007 valuation to 31 December 2009 by a qualified independent actuary.

The principal assumptions made at 31 December 2009 were as follows:

	2009	2008
Discount rate	5.70%	6.30%
Rate of increase in salaries	4.30%	5.15%
Rate of increase of deferred pensions	3.30%	2.80%
Rate of increase of pensions in payment		
—pre April 2006 pension	3.20%	2.70%
—post April 2006 pension	2.30%	2.15%
Inflation	3.30%	2.80%

The current life expectancies post-retirement (in years) underlying the value of the accrued liabilities are:

	2009	2008
Male currently aged 65	21	21
Male currently aged 45	22	22
Female currently aged 65	24	24
Female currently aged 45	25	25

The fair value of assets and present value of obligations in the Scheme are set out below:

	Expected rate of return	Value	Percentage of total plan assets held
	% p.a.	£'000	
31 December 2009			
Equities	7.9%	231,800	35%
Bonds/Gilts	5.7%/4.4%	429,200	64%
Other assets	3.3%	8,600	1%
Fair value of assets		669,600	100%
Present value of defined benefit obligations		(872,007)	
Deferred tax asset (note 19)		56,676	
Deficit in the scheme recognised as non-current liability		(145,731)	

9. Pension arrangements (Continued)

	Expected rate of return	Value at	Percentage of total plan assets held
	% p.a.	£'000	
31 December 2008			
Equities	6.9%	165,600	27%
Bonds/Gilts	6.5%/3.4%	413,100	68%
Other assets	2.0%	27,500	5%
Fair value of assets		606,200	100%
Present value of defined benefit obligations		(761,934)	
Deferred tax asset		—	
Deficit in the scheme recognised as non-current liability		(155,734)	

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on investments. The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered riskier.

A summary of the target asset allocations of the major defined benefit schemes are shown below:

UK Equities	18%
Non-UK Equities	12%
Index-Linked Gilts	25%
Fixed-Interest Gilts	16%
Other UK bonds	24%
GTAA	5%
Property	0%

The amounts charged against income in the year were as follows:

	2009	2008
	£'000	£'000
Current service cost	(3,400)	(4,700)
Expected return on Scheme assets	27,645	38,600
Interest cost on Scheme liabilities	(46,900)	(45,200)
	(19,255)	(6,600)

The actual loss on scheme assets was £73,000k (2008 loss: £67,600k).

	2009	2008
	£'000	£'000
Actuarial (losses)/gains in the statement of total recognised gains and losses:		
Difference between actual and expected return on scheme assets	45,400	(106,200)
Experience gains arising on scheme liabilities	15,000	(17,500)
Changes in assumptions	(113,100)	62,700
Total gains recognised in the statement of total recognised gains and losses	(52,700)	(61,000)

9. Pension arrangements (Continued)

	2009	2008
	£'000	£'000
Movement in present value of defined benefit obligations		
1 January	(761,934)	(798,300)
Service Costs	(3,400)	(4,700)
Benefits paid and expenses	39,900	43,100
Contributions	(1,573)	(1,966)
Interest cost	(46,900)	(45,200)
Actuarial (losses)/gains	(98,100)	45,200
31 December	(872,007)	(761,934)

	2009	2008
	£'000	£'000
Movement in fair value of scheme assets		—
1 January	606,200	685,500
Expected return on scheme assets and expenses	27,645	38,600
Contributions	30,255	31,400
Benefits paid	(39,900)	(43,100)
Actuarial gains/(losses)	45,400	(106,200)
31 December	669,600	606,200

The five year history of experience adjustments is as follows:

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Present value of Scheme obligations	(872,007)	(761,934)	(798,304)	(837,400)	(844,200)
Fair value of Scheme assets	669,600	606,200	685,500	670,600	659,600
Deferred tax asset (note 19)	56,676	—	—	—	—
Deficit in the Scheme	(145,731)	(155,734)	(112,804)	(166,800)	(184,600)
Experience adjustment on Scheme liabilities (£'000)	15,000	(17,500)	38,400	—	11,500
Percentage of Scheme liabilities (%)	(1.7%)	2.3%	1.1%	—	(1.4%)
Experience adjustment on Scheme assets (£'000)	45,400	(106,200)	(2,800)	(6,800)	48,700
Percentage of Scheme assets (%)	6.8%	(17.5%)	(0.4%)	(1.0%)	8.1%

The UK liability is the difference between the scheme liabilities and the scheme assets. Changes in assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumption. For example a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value so there is no net effect on the company liability. The impact of a change in assumptions is shown below.

Assumption	Change in assumption	Impact on scheme liabilities
Discount Rate	Increase by 0.1% p.a.	Decrease by £11.7m
Rate of inflation	Increase by 0.1% p.a.	Increase by £9.8m
Rate of pay inflation	Increase by 0.1% p.a.	Increase by £1.1m
Rate of mortality	Members assumed to live 1 year longer	Increase by £26.8m

9. Pension arrangements (Continued)

Defined contribution schemes

Pension costs for defined contribution schemes were £3,031k (2008: £8,900k).

10. Employees and Directors

Employee information

	2009	2008
	£'000	£'000
Salaries and wages	129,760	144,084
Social security costs	14,238	16,388
Pension contributions	7,278	13,600
Share based payment costs	904	4,644
	152,180	178,716

Number of Employees

	2009	2008
	£'000	£'000
The average monthly number of persons (including executive directors) employed by the company during the year was:	3,392	4,433

Directors' emoluments comprise:

	2009	2008
	£'000	£'000
Aggregate emoluments	3,574	2,930

The aggregate of pension contributions to money purchase schemes for Directors was £80,183 (2008: £213,938).

During the year no Director exercised share options (2008: 1).

Retirement benefits are accruing to 3 Directors (2008: 4 Directors) under the Group's defined benefit scheme.

During the year nil (2008: £487,484) was paid for compensation for loss of office.

Highest Paid Director

	2009	2008
	£'000	£'000
Total amount of emoluments (excluding shares receivable under long term incentive schemes)	1,686	584
Defined benefit pension scheme—accrued pension at end of year	25	19

Share-based payments

The Company's employees participate in a number of Taylor Wimpey plc share-based incentive plans, including the Taylor Wimpey Performance Share Plan, the Taylor Wimpey Share Option Plan, the Taylor Woodrow Executive Share Option Plan, the George Wimpey Long Term Incentive Plan, the Taylor Woodrow Executive Bonus Plan, various Sharesave Plans and a UK Share Purchase Plan.

Under the Taylor Wimpey Performance Share Plan, senior executives may be granted annually a conditional award of shares with a value, at the date of grant, of up to 3x base salary. Such awards vest

10. Employees and Directors (Continued)

after three years provided, and to the extent that the associated performance conditions have then been achieved. The performance targets are based on growth in the Group's earnings per share and Taylor Wimpey plc's Total Shareholder Return performance.

During 2009 awards were granted to 19 employees (2008: 418) over an aggregate of 3,112,590 shares (2008: 2,915,897 shares).

Under the Taylor Wimpey Share Option Plan senior executives may be granted annually an option over shares with a value, at the date of grant, of up to 3x base salary. Such awards, which may be income tax-approved up to HMRC aggregate limit of £30,000, vest up to 100% after three years provided, and to the extent that, the associated performance condition of the Group's return on capital employed exceeding the Group's cost of capital has been met. During 2009 awards were granted to 19 employees (2008: 404) over an aggregate of 6,225,186 shares (2008: 6,844,610 shares) based on a share price at the date of grant of 39.34 pence (2008: 137.75 pence).

Under The Taylor Woodrow Executive Share Option Plan, senior executives hold options granted at prices between 115.38 pence and 171.55 pence exercisable to 2 October 2013. The Plan has been closed to new awards since 9 October 2003.

Under the George Wimpey Long Term Incentive Plan, conditional awards of shares are held by a small number of key executives, and only vest if predetermined performance conditions are satisfied over a three year performance period. The final performance test was made at 31 December 2009 and was not met. Consequently, all entitlements have lapsed in full and the Plan has now ceased.

Under the Taylor Woodrow Executive Bonus Plan, a small number of executives deferred a proportion of their cash bonus earned for a financial year and received a matching award of Taylor Wimpey shares which vested, at nil cost, if the associated deferred award remained unexercised for three years and a performance condition requiring Taylor Wimpey plc's earnings per share over three years post-deferral to exceed RPI growth over the same period, was met. The Plan has been closed to new awards since 3 July 2007.

Under the Sharesave Plans, employees with at least three months' service can save up to £250 per month and receive three or five year options to acquire Taylor Wimpey plc shares priced at a discount of up to 20% on market value. During 2009 745 employees (2008: 1,248) joined this plan. Options were granted over 7,061,498 shares (2008: 21,909,791) at an option price of 39.2 pence (2008: 37.6 pence).

Under the UK Share Purchase Plan employees with at least three months' service are permitted to invest up to £1,500 per annum of their pre-tax income in the purchase of partnership shares of Taylor Wimpey plc. Such shares, if held for a period of three years attract an award of free matching shares. Currently participants receive one matching share for each partnership share purchased. During 2009 397 employees (2008: 1,504) contributed to this plan and purchased 2,477,386 partnership shares (2008: 3,574,374).

10. Employees and Directors (Continued)

The charge included in the P&L account for the year was £904k (2008: £4,644k).

Schemes requiring consideration from participants:	2009		2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	000's	pence	000's	pence
Outstanding at beginning of period	37,649	87	7,561	299
Granted during the period	10,720	39	30,786	57
Lapsed during the period	(9,074)	132	(6,445)	139
Exercised during the period	(101)	26	(197)	175
Cancellations in the period	(3,154)	41	—	—
Placing and open offer adjustment	15,717	51	—	—
Acquisition from Taylor Wimpey Developments	—	—	5,944	299
Outstanding at the end of the period	51,757	55	37,649	87
Exercisable at the end of the period	2,004	226	2,473	243

The weighted average share price at the date of exercise for share options exercised during the period was £0.43 (2008: £1.73). The options outstanding at 31 December 2009 had a range of exercise prices from £0.11 to £3.22 (2008: £0.16 to £4.57) and a weighted average remaining contractual life of 4.6 years (2008: 6.3 years).

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plan.

Schemes not requiring consideration from participants:	2009		2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	000's	pence	000's	pence
Outstanding at beginning of period	4,827	—	3,990	—
Granted during the period	5,377	—	3,860	—
Lapsed during the period	(2,529)	—	(3,023)	—
Exercised during the period	(35)	—	—	—
Cancellations in the period	(17)	—	—	—
Placing and open offer adjustment	6,481	—	—	—
Outstanding at the end of the period	14,104	—	4,827	—
Exercisable at the end of the period	149	—	128	—

The options outstanding at 31 December 2009 had a weighted average remaining contractual life of 1.7 years (2008: 8.2 years).

10. Employees and Directors (Continued)

For share options with non-market conditions granted during the current and preceding year the fair value of the options at grant date was determined using the Binomial model. The inputs into that model were as follows:

	2009	2008
Weighted average share price	£0.39	£0.38
Weighted average exercise price	£0.39	£0.69
Expected volatility	57%	37%
Expected life	3/5 years	3/5 years
Risk-free rate	3.13%	4.40%
Expected dividend yield	0.00%	0.50%

The weighted average fair value of share options granted during the year is £0.21 (2008: £0.10). Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

For share options with market conditions granted during the current year, the fair value of the options was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2009	2008
Weighted average share price	£0.38	£0.69
Weighted average exercise price	£nil	£nil
Expected volatility	70%	40%
Expected life	3/7 years	3 years
Risk-free rate	2.80%	4.30%
Expected dividend yield	0.00%	0.90%

The weighted average fair value of share options granted during the year is £0.27 (2008: £0.33).

Expected volatility was determined by calculating the historical volatility of Taylor Wimpey plc's share price over the expected term, however due to the unusual volatility in this financial year we have excluded the period between 1 May 2008 and 31 October 2008 as allowed by FRS 20 'Share based payment'. The expected life used in the model is based on historical exercise patterns.

11. Intangible assets

Software development costs

	2009
	£'000
Cost	
At 1 January and 31 December	26,462
Amortisation	
At 1 January and 31 December	26,462
Net book amount at 1 January and 31 December	—

12. Tangible assets

	Freehold Land & Buildings	Plant & Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 January 2009	3,256	31,464	34,720
Additions	—	1,101	1,101
Disposals	(644)	—	(644)
At 31 December 2009	2,612	32,565	35,177
Accumulated depreciation			
At 1 January 2009	(1,329)	(27,798)	(29,127)
Provided during the year	(192)	(2,076)	(2,268)
Disposals	235	—	235
At 31 December 2009	(1,286)	(29,874)	(31,160)
Net book amount at 31 December 2009	1,326	2,691	4,017
Net book amount at 31 December 2008	1,927	3,666	5,593

13. Investments

	2009
	£'000
Investments in Subsidiary undertakings	
Shares at cost at 1 January and at 31 December 2009	110,300
Provision at 1 January and at 31 December 2009	(12,977)
Net book value at 1 January and 31 December 2009	97,323

In the opinion of the Directors the value of the Company's investments in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

	2009	2008
	£'000	£'000
Cost of investment in joint ventures		
At 1 January	5,397	15,931
Additions	26	2
Provided for impairment	—	(8,441)
Repayments	—	(2,095)
At 31 December	5,423	5,397

	2009	2008
	£'000	£'000
Investments in Associated undertakings		
At 1 January	100	100
Disposal	(100)	
At 31 December	—	100

The disposal of associated undertakings during the year was for North Oxfordshire Consortium Limited.

13. Investments (Continued)

The Company's main subsidiary undertakings, all of whose ordinary share capital is wholly owned, are shown below:

Name of Company	Country of Incorporation	Description of shares held	Business
George Wimpey West Scotland Limited	Scotland	Ordinary	House building
George Wimpey East Scotland Limited	Scotland	Ordinary	House building
George Wimpey North East Limited	England	Ordinary	House building
George Wimpey North Yorkshire Limited	England	Ordinary	House building
George Wimpey South Yorkshire Limited	England	Ordinary	House building
George Wimpey West Yorkshire Limited	England	Ordinary	House building
George Wimpey North West Limited	England	Ordinary	House building
George Wimpey Manchester Limited	England	Ordinary	House building
George Wimpey Midland Limited	England	Ordinary	House building
George Wimpey North Midlands Limited	England	Ordinary	House building
George Wimpey West Midlands Limited	England	Ordinary	House building
George Wimpey East Midlands Limited	England	Ordinary	House building
George Wimpey South Midlands Limited	England	Ordinary	House building
George Wimpey East Anglia Limited	England	Ordinary	House building
George Wimpey South West Limited	England	Ordinary	House building
George Wimpey Bristol Limited	England	Ordinary	House building
George Wimpey North London Limited	England	Ordinary	House building
George Wimpey East London Limited	England	Ordinary	House building
George Wimpey West London Limited	England	Ordinary	House building
George Wimpey Southern Counties Limited	England	Ordinary	House building
George Wimpey City Limited	England	Ordinary	House building
George Wimpey City 2 Limited	England	Ordinary	House building
George Wimpey South East Limited	England	Ordinary	House building
Mackenzie Developments (Linlithgow) Limited	Scotland	Ordinary	House building
George Wimpey Financial Services Limited	England	Ordinary	Did not trade in the year
Strategic Land Management Limited	England	Ordinary	Did not trade in the year
UK Home Finance Limited	England	Ordinary	Financial

Details of investments in joint ventures and associated undertakings in which the Company holds more than 20% of the nominal value of any class of share capital are given below:

Investments in Joint Ventures

The Company has nine (2008: nine) principal joint ventures.

13. Investments (Continued)

Particulars of principal joint ventures, all of whom are house builders are as follows:

Name of Company	Country of Incorporation	Description of shares held	Business	Proportion Held
GN Tower Limited	England & Wales	Ordinary	House building	50%
Falcon Wharf Limited	England & Wales	Ordinary	House building	50%
Bromsgrove Street Limited	England & Wales	Ordinary	House building	50%
Academy Central Limited Liability Partnership	England & Wales	Ordinary	House building	62%
Strada Developments Limited	Scotland	Ordinary	House building	50%
Bromley Park (Holdings) Limited	England & Wales	Ordinary	House building	50%
Lewisham Gateway Developments (Holdings) Limited	England & Wales	Ordinary	House building	50%
Gallagher Bathgate Limited	England & Wales	Ordinary	House building	50%
Taydale (Granton) Limited	Scotland	Ordinary	House building	50%

Other joint ventures:

Name of Company	Country of Incorporation	Description of shares held	Proportion held
New Horizons (Brent) Ltd	England & Wales	Ordinary	49.5%

The company operates for the procurement of works for the redevelopment of the Chalkhill Estate in the London Borough of Brent. The company has its year end on 30 September. On 13 January 2010 the company went into liquidation.

Name of Company	Country of Incorporation	Description of shares held	Proportion held
Emersons Green Village Limited	England & Wales	Ordinary	50%

The company operates to provide the infrastructure necessary for the development at Emersons Green Village. The company has its year end on 31 March.

Name of Company	Country of Incorporation	Description of shares held	Proportion held
Triumphdeal Limited	England & Wales	Ordinary	50%

The company did not trade during the year.

Name of Company	Country of Incorporation	Description of shares held	Proportion held
Quedgeley Urban Village Ltd	England & Wales	Ordinary	25%

The Company operates to promote the management and redevelopment of the former RAF base at Quedgeley. The Company has its year end on 30 September.

14. Stock

	2009	2008
	£'000	£'000
Land held for development	2,000,003	2,373,095
Construction work in progress	650,787	814,322
Part exchange properties	12,088	34,388
Other stock	46,884	51,783
Less applicable payments on account	(23,321)	(39,219)
	2,686,441	3,234,369

15. Debtors

	2009		2008	
	Due within 1 Year	Due after 1 Year	Due within 1 Year	Due after 1 Year
	£'000	£'000	£'000	£'000
Trade debtors	68,675	29,921	120,260	21,125
Amounts owed by parent undertaking	19,714	—		—
Amounts owed by fellow subsidiary undertakings & Group companies	330,485	—	29,060	—
Amounts owed by Joint Ventures	20,938	—	25,056	—
Prepayments and accrued income	2,136	87	1,599	—
Deferred Tax (note 19)	—	644	—	—
	441,948	30,652	175,975	21,125

Amounts owed by group undertakings are unsecured and have no fixed repayment dates. The majority of the balance owed by group companies is a balance due from Taylor Wimpey plc which is interest bearing. The rate applied was 6.75% until 1 October 2009 when that rate changed to 4.5% (2008: 6.75%). The remaining balances do not attract interest.

16. Creditors

	2009		2008	
	Due within 1 Year	Due after 1 Year	Due within 1 Year	Due after 1 Year
	£'000	£'000	£'000	£'000
Trade creditors	369,122	220,665	569,612	281,494
Amounts owed to parent undertaking	1,088,849	—	1,026,020	—
Amounts owed to fellow subsidiary undertakings & group companies	913,688	351,414	1,570,406	—
Amounts due to fellow group undertakings in respect of corporation tax	11,281	—	137,767	—
Other taxation and social security	4,558	—	4,088	—
Accruals and deferred income	136,876	13,113	175,902	419
	2,524,374	585,192	3,483,795	281,913

The amount due to parent undertakings is unsecured and is repayable on demand. The rate applied to the loan was 6.75% until 1 October 2009 when that rate changed to 4.5% (2008: 6.75%).

17. Bank Overdrafts

	2009	2008
	£'000	£'000
Bank overdrafts payable on demand	12,335	—
Amount due for settlement within one year	12,335	—

18. Provisions for liabilities

	Rental Guarantees	Maint. Provision	Restructuring	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	2,279	7,647	16,570	12,542	39,038
Charged to P&L account	—	—	3,920	10,420	14,340
Released	—	—	—	(75)	(75)
Utilisation of provision	(1,199)	—	(7,856)	(7,360)	(16,415)
Transfers and Reclassification	8,626	(7,647)	(178)	(801)	0
	7,427	(7,647)	(4,114)	2,184	(2,150)
At 31 December 2009	9,706	—	12,456	14,726	36,888

The rental guarantees provision covers shortfalls anticipated under leasehold commitments and will be used over a period of 3 years.

The maintenance provision covers obligations for potential remedial works on completed properties under the terms of sales warranties and will be used over a period of 3 to 5 years.

The restructuring provision was created for costs resulting from the restructuring of the Company following the closure of regions and will be used over a period of 3 to 5 years.

The other provision covers obligations for insurance claims, property contracts and other contract related costs. These provisions will be used over a period of 5 years.

19. Deferred taxation

	2009	2008
	£'000	£'000
The deferred tax asset is made up of:		
Deferred tax on defined benefit pension scheme liability (note 9)	56,676	—
Deferred tax on retired health care provision (note 15)	644	—
	57,320	—
Asset at 1 January	—	30,269
Statement of Total Recognised Gains and Losses credit	30,436	1,400
Deferred tax credit/(charge) in the profit and loss account	26,884	(31,669)
Asset at 31 December	57,320	—

As at 31 December 2009, there is a recognised pension deferred tax asset of £56.7m (2008: an unrecognised pension deferred tax asset of £43.6m). The deferred tax asset relating to the pension deficit has been recognised on the basis that the deficit is a long term liability that will be satisfied from future profitability.

The Company reduced its deferred tax assets in the prior year on losses and short term timing differences to reflect the weakening market and worsening economic conditions. At the balance sheet date the company has unused trading losses of £1,308.9m (2008: £1,199.9m).

19. Deferred taxation (Continued)

At the balance sheet date, the company has unused capital losses of £9.2m (2008: £9.2m) available for offset against future capital profits. No deferred tax asset has been recognised in respect of these losses as the company does not believe that it is probable that they will be utilised in the foreseeable future.

20. Called up share capital

	2009	2008
	£'000	£'000
Authorised:		
670,000,000 (2008: 170,000,000) ordinary shares of £1 each	670,000	170,000
Allotted, called up and fully paid:		
615,000,000 (2008: 165,000,000) ordinary shares of £1 each	615,000	165,000

During the year the Company authorised and issued 450 million ordinary shares with a nominal value of £1 per share to Taylor Wimpey Developments Limited, the Company's immediate parent Company.

On 7 April 2010 the Company issued 150,000,000 Ordinary Shares of £1 each to its parent undertaking Taylor Wimpey Developments Limited.

21. Share premium account

	2009	2008
	£'000	£'000
At 1 January	499,189	189
Premium on shares issued in the year	—	499,000
At 31 December	499,189	499,189

During 2008 the Company allotted 1 million ordinary shares at a premium of £499 per share to Taylor Wimpey Developments Limited, the company's immediate holding company.

During 2009 the Company issued 450 million shares at par.

22. Profit and loss account

	2009	2008
	£'000	£'000
At 1 January	(1,056,344)	62,957
Loss for the financial year	(74,928)	(1,068,929)
Actuarial loss on pension scheme deficit (net of tax)	(22,264)	(54,466)
Share based payments credit	904	4,644
Cash cost of share options	(273)	(550)
Profit and loss account at 31 December	(1,152,905)	(1,056,344)

23. Reconciliation of movements in shareholders' funds

	2009	2008
	£'000	£'000
At 1 January	(392,155)	227,146
New shares issued	450,000	500,000
Loss for the financial year	(74,928)	(1,068,929)
Actuarial loss on pension scheme deficit (net of tax)	(22,264)	(54,466)
Share based payments credit	904	4,644
Expense of share option issue	(273)	(550)
Net increase/(decrease) in shareholders' funds	353,439	(619,301)
Shareholders' deficit at 31 December	(38,716)	(392,155)

24. Contingent liabilities

The Company has given a guarantee, in the ordinary course of business, to the lenders of Bromsgrove Street Limited joint venture. The cost overrun guarantee is for £1m plus all unpaid interest, costs, charges and expenses comprised in the Secured Liabilities.

The Company has an arrangement with Lloyds TSB Bank Plc and National Westminster Bank Plc whereby it has agreed to cross guarantee, with other sister companies, all overdrawn balances within Taylor Wimpey plc group's pooling arrangements to the extent of funds on hand. At 31 December 2009 the indebtedness of the Group undertakings amounted to £12.7m (2008—£22.6m).

Certain subsidiary operations of Taylor Wimpey UK Limited act as undisclosed agents for the Company and as a consequence of this, Taylor Wimpey UK Limited has given an indemnity to these subsidiaries and its sister company, Laing Homes Limited, under which it holds or incurs assets and liabilities as a trustee on behalf of the subsidiaries and the Company will indemnify them accordingly.

25. Commitments

	2009	2008
	£'000	£'000
Operating leases		
Annual commitments under operating leases expiring:		
within one year	2,076	1,664
within two to five years	4,190	5,828
after five years	3,428	4,332
	9,694	11,824

26. Related party transactions

The Company funds the Wimpey Staff Personal Accident Scheme which provides discretionary personal accident benefits to the members of the George Wimpey Staff Pension Scheme. There is an interest free loan from the Scheme to the Company which is repayable at one month's notice. The balance owed by the Company to the Scheme was £500k throughout the year.

	£'000
Amounts owed by/(to) joint ventures	
Bromsgrove Street Limited	1,211
Lewisham Gateway Developments Limited	220
Academy Central LLP	22,225
Strada Development Limited.	(430)
Taydale (Granton) Limited	3,276

26. Related party transactions (Continued)

During the year the Company charged construction costs to Academy Central LLP for £5.3m and charged fees for management services of £0.9m. At the financial year end £0.7m was due from Academy Central LLP and this amount is included within debtors due within one year.

27. Significant event since the balance sheet date

In order to ensure that the Company was adequately capitalised, the Company increased its authorised share capital from £670,000,000 to £820,000,000 by the creation of 150,000,000 ordinary shares of £1 each and issued 150,000,000 ordinary shares of £1 each to its parent Company, Taylor Wimpey Developments Limited on 7 April 2010.

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Taylor Wimpey plc

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