

Financial Statements

Notes to the Company Financial Statements

for the year 31 December 2007

1. Significant accounting policies

The following accounting policies have been used consistently, unless otherwise stated, in dealing with items which are considered material.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention. As permitted by the Companies Act 1985 the company has not presented its own profit and loss account.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the company, are publicly available.

Note 23, on pages 83 to 86, and note 39, on pages 92 to 93, to the Taylor Wimpey plc consolidated financial statements form part of these financial statements.

The principal accounting policies adopted are set out below.

Group undertakings

Investments are included in the balance sheet at cost less any provision for permanent diminution in value.

Deferred taxation

Deferred taxation 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.

Overseas currencies

Transactions denominated in foreign currencies are recorded in sterling at actual rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and

loss account. Unrealised exchange differences on inter-company long-term loans and foreign currency borrowings, to the extent that they hedge the company's investment in overseas investments, are taken to translation reserve.

Derivative financial instruments and hedge accounting

The company uses foreign currency borrowings and currency swaps to hedge its investment in overseas investments. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of investment in overseas operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the profit and loss account. The hedged items are adjusted for changes in exchange rates, with gains or losses from re-measuring the carrying amount being recognised directly in reserves.

Share-based payments

The company has applied the requirements of FRS 20 Share-based payments. In accordance with the 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 estimate of shares that will eventually vest. 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

In respect of the defined benefit plan, the scheme represents a multi employer defined benefit scheme whereby the company is unable to identify its share of the underlying assets and liabilities. In accordance with FRS17 Retirement benefits the amounts charged to the profit and loss account is the contribution payable in the year.

Payments to defined contribution schemes are charged as an expense as they fall due.

Own shares

The cost of the company's investment in its own shares, which comprise shares held in treasury by the company and shares held by employee benefit trusts for the purpose of funding certain of the company's share option plans, is shown as a reduction in shareholders' funds.

2. Particulars of employees

	2007 No.	2006 No.
Directors	3	3

The executive directors received all of their remuneration, as disclosed in the Remuneration Report on pages 46 to 55, from Taylor Wimpey Developments Limited and Taylor Wimpey UK Limited. However, it is not practicable to allocate such costs between their services as executives of Taylor Wimpey Developments Limited and Taylor Wimpey UK Limited and their services as directors of Taylor Wimpey plc and other Group companies. The remuneration of the non-executive directors, which is wholly attributable to the company, is disclosed on page 53 of the Remuneration Report.

3. Auditors' remuneration

	2007 No.	2006 No.
External audit services	0.3	0.1
Other assurance	0.1	0.1
Other services:		
Tax services	0.3	0.1
Corporate finance services	0.7	—

4. Investments in Group undertakings

	Shares £m	Loans £m	Total £m
Cost			
31 December 2006	1,830.1	372.3	2,202.4
Changes in exchange rates	–	(5.6)	(5.6)
Additions	2,119.1	–	2,119.1
31 December 2007	3,949.2	366.7	4,315.9
Provision for impairment			
31 December 2006	–	–	–
Charge for the year	1,614.7	72.1	1,686.8
31 December 2007	1,614.7	72.1	1,686.8
Carrying amount			
31 December 2006	1,830.1	372.3	2,202.4
31 December 2007	2,334.5	294.6	2,629.1

All of the above investments are unlisted.

Particulars of principal subsidiary undertakings are listed on page 102, which forms part of these financial statements.

During the year the company acquired the entire share capital of George Wimpey Plc. Information in respect of this addition to Group investments is provided in note 35 on page 90 of the Taylor Wimpey plc consolidated financial statements.

5. Debtors

	2007 £m	2006 £m
Receivable within one year		
Due from Group undertakings	2,305.0	944.3
Other debtors	8.2	0.8
Prepayments and accrued income	12.2	1.9
Corporation tax debtor	0.8	–
Receivable after one year		
Deferred taxation	0.5	3.2
Currency and interest rate derivatives	17.7	15.2
	2,344.4	965.4

The movement in the deferred taxation asset is as follows:

	£m
31 December 2006	3.2
Charged to profit and loss account	(2.7)
31 December 2007	0.5

The deferred taxation asset relates to short-term timing differences.

6. Creditors: amounts falling due within one year

	2007 £m	2006 £m
Debenture loans	1.4	2.0
Due to Group undertakings	636.2	622.3
Other creditors	0.5	0.2
Accruals and deferred income	38.2	24.1
Currency derivative	2.4	–
Corporation tax creditor	–	6.9
	678.7	655.5

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7. Creditors: amounts falling due after one year

	2007 £m	2006 £m
Debenture loans	568.6	568.1
Bank loans	707.1	–
	1,275.7	568.1
Bank loans are repayable as follows:		
In more than two years but less than five years	707.1	–
Total falling due in more than one year	707.1	–

8. Debenture loans

	2007 £m	2006 £m
Floating rate notes 2008 – unsecured	1.4	2.0
6.625% £250m bonds 2012 – unsecured	245.8	247.9
5.53% US \$75m notes 2011 – unsecured	37.6	38.2
6.03% US\$ 175m notes 2014 – unsecured	87.7	89.0
6.375% £200m bonds 2019 – unsecured	197.5	197.3
	570.0	570.1
Repayable		
In more than five years	568.6	568.1
Total falling due in more than one year	568.6	568.1
Within one year or on demand	1.4	2.0
	570.0	570.1

9. Retirement benefit obligations

The company participates in the George Wimpey Staff Pension Scheme. This is a Defined Benefit Multi-employer Plan, the assets and liabilities of which are held independently from the Group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the plan as if it was a defined contribution plan.

Information in respect of the scheme is provided in note 23, on pages 83 to 86, to the Taylor Wimpey plc consolidated financial statements. The fair value of assets as disclosed in those financial statements has been calculated in accordance with International Accounting Standard 19 Employee benefits, in accordance with Financial Reporting Standard No. 17 Retirement benefits (FRS 17) the total fair value of scheme assets would be £686.4m (2006: £749.7m). All other information provided in those financial statements meets the disclosure requirements set out in FRS 17.

Contributions in respect of the Defined Contribution Scheme for Directors can be found in the Remuneration Report on page 55. There were no outstanding contributions at the year end.

10. Share capital

	2007 £m	2006 £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:		
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

10. Share capital continued

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.

11. Share premium

	£m
31 December 2006	758.8
Amortisation of debt transferred from retained earnings	(0.7)
Balance at 31 December 2007	758.1

12. Merger relief reserve

	£m
31 December 2006	–
Premium on ordinary shares issued on acquiring 100% equity in George Wimpey Plc	1,934.2
Transfer to profit and loss reserve	(1,000.0)
Balance at 31 December 2007	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 to the profit and loss account.

During the year, £1,000.0m was transferred to the profit and loss account reserve. The amount being equal to the impairment charge in respect of the George Wimpey Plc investment.

13. Capital redemption reserve

	£m
31 December 2007 and 31 December 2006	31.5

14. Translation reserve

	£m
31 December 2006	(44.9)
Transfer from profit and loss reserve	(5.6)
31 December 2007	(50.5)

15. Profit and loss account

	£m
31 December 2006	1,167.1
Transfers to share premium account	0.7
Loss for the financial year	(687.1)
Dividends	(117.3)
Transfer to translation reserve	5.6
Transfer from merger relief reserve	1,000.0
Replacement share options on acquisition of subsidiary	2.9
Loss on disposal of own shares	(3.4)
31 December 2007	1,368.5

As permitted by section 230 of the Companies Act 1985, Taylor Wimpey plc has not presented its own profit and loss account. The loss of the company for the financial year was £687.1m (2006: profit of £686.7m).

Included in the company profit and loss account reserve is £290.2m (2006: £622.5m) of non-distributable reserves.

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16. Own shares

	2007 £m	2006 £m
Own shares	(281.9)	(44.8)

These comprise ordinary shares of the company:

	Number	Number
Treasury shares	102.7	12.2
Shares held in trust for bonus, options and performance award plans	4.5	5.0

The market value of the shares at 31 December 2007 was £218.1m (2006: £73.6) and their nominal value was £26.8m (2006: £4.3m).

Dividends on these shares have been waived except for 0.01p per share in respect of the shares held in trust.

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.

17. Share-based payments

Details of share options granted by Group companies to employees, and that remain outstanding, over the company's shares are set out in note 39, on pages 92 to 93, to the Taylor Wimpey plc consolidated financial statements. The company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

18. Contingent liabilities

The company has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts.

Provision is made for the directors' best estimate of known legal claims and 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.

19. Reconciliation of movement in shareholders' funds

	2007 £m	2006 £m
Opening shareholders' funds	2,016.2	1,396.4
Dividends paid	(117.3)	(79.7)
(Loss)/profit for the financial year	(687.1)	686.7
New share capital subscribed	2,075.3	3.3
Disposal of own shares	14.5	16.7
Purchase of own shares	(251.6)	(7.3)
Replacement share options on acquisition of subsidiary	2.9	–
Loss on disposal of own shares	(3.4)	–
Closing shareholders' funds	3,049.5	2,016.2

20. Dividend

The proposed final dividend of 10.25p (2006: 9.75p) per share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

21. Company name

On 3 July 2007 following the completion of the merger of George Wimpey Plc and Taylor Woodrow plc the company changed its name to Taylor Wimpey plc.