

## Financial Statements

# Notes to the Company Financial Statements

## for the year to 31 December 2009

### 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 Company financial statements have been prepared on a going concern basis. The ability of the Taylor Wimpey plc Group ('the Group') to continue as a going concern is reliant upon the continued availability of external debt financing. The Group renegotiated and signed its new financing agreements in April 2009. 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 for a period of not less than 12 months from the date of signing these financial statements, 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 financial statements have been prepared in accordance with applicable United Kingdom accounting standards and pronouncements of the Urgent Issues Task Force under the historical cost convention. As permitted by section 408 of the Companies Act 2006 the Company has not presented its own profit and loss account.

Under Financial Reporting Standard (FRS) 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.

The Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has not reported transactions with fellow Group undertakings. The Company has also taken advantage of the exemption contained within FRS 29 'Financial Instrument Disclosures' and has not presented any disclosures required by that standard, as disclosures that comply with FRS 29 are included within the Taylor Wimpey plc consolidated financial statements in Note 21 on pages 78 to 83.

The principal accounting policies adopted are set out below.

#### Investments in Group undertakings

Investments are included in the balance sheet at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account; if the impairment is not considered to be a permanent diminution in value, it may reverse in a future period to the extent it is no longer considered necessary.

#### 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 intercompany 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 operations. 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 remeasuring the carrying amount being recognised directly in reserves.

Following the refinancing of the Group's debt, restrictions in the refinancing agreement have resulted in the Company being limited in its ability to undertake new hedging positions.

#### Share-based payments

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. The cost of equity-settled share-based payments granted to employees of subsidiary companies are borne by the employing company.

#### Provisions

Provisions are recognised at the Directors' best estimate when the Company has a present obligation as a result of a past event and it is probable that the Company will have to settle the obligation.

#### 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.

#### Dividends paid

Dividends are charged to the Company's profit and loss reserve in the period of payment in respect of an interim dividend, and in the period in which shareholders' approval is obtained in respect of the Company's final dividend.

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#### 2. Particulars of employees

	2009 No.	2008 No.
Directors	2	2

The Executive Directors received all of their remuneration, as disclosed in the Directors' Remuneration Report on pages 41 to 50, 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 fees of the Chairman and the Non Executive Directors, which are wholly attributable to the Company, are disclosed on page 48 of the Directors' Remuneration Report. The Company was recharged costs of £8.0m (2008: £6.3m) in respect of staff costs for Directors and employees of subsidiary companies who provided services to Taylor Wimpey plc during the year, which includes amounts in respect of employer contributions to both defined contribution and defined benefit pension schemes. Information in respect of the Group's defined benefit pension schemes is provided in Note 22, to the Taylor Wimpey plc consolidated financial statements. Contributions in respect of the Defined Contribution Scheme for Directors can be found in the Directors' Remuneration Report on page 50. There were no outstanding contributions at the year end.

#### 3. Auditors' remuneration

	2009 £m	2008 £m
External audit services	0.2	0.3
Other services	0.5	0.5
Tax services	0.4	0.1
Corporate finance services	0.4	2.2

A description of other services is included in Note 5 on page 69 to the Group financial statements.

#### 4. Investments in Group undertakings

	Shares £m	Loans £m	Total £m
<b>Cost</b>			
31 December 2008	3,892.7	506.8	4,399.5
Changes in exchange rates	–	(53.5)	(53.5)
Additions	700.0	–	700.0
Disposals	(10.9)	–	(10.9)
<b>31 December 2009</b>	<b>4,581.8</b>	<b>453.3</b>	<b>5,035.1</b>
<b>Provision for impairment</b>			
31 December 2008	3,364.6	72.1	3,436.7
Charge for the year	–	–	–
Disposals	–	–	–
<b>31 December 2009</b>	<b>3,364.6</b>	<b>72.1</b>	<b>3,436.7</b>
<b>Carrying amount</b>			
<b>31 December 2009</b>	<b>1,217.2</b>	<b>381.2</b>	<b>1,598.4</b>
31 December 2008	528.1	434.7	962.8

All of the above investments are unlisted.

Particulars of principal subsidiary undertakings are listed on page 103, which forms part of these financial statements.

During the year, the Company recognised an impairment charge of nil (2008: £1,749.9m) against the carrying value of its investments in subsidiary companies.

The impairment in 2008 reflected the decrease in value of assets in the underlying subsidiaries following the downturn in the housing market in the UK and US.

**5. Debtors**

	2009 £m	2008 £m
<b>Receivable within one year</b>		
Due from Group undertakings	2,182.2	2,584.2
Other debtors	0.1	3.3
Corporation tax debtor	2.0	–
<b>Receivable after one year</b>		
Currency and interest rate derivatives	11.1	–
	<b>2,195.4</b>	<b>2,587.5</b>

**6. Creditors: amounts falling due within one year**

	2009 £m	2008 £m
Due to Group undertakings	1,203.9	710.9
Other creditors	3.6	2.2
Accruals and deferred income	–	39.2
Currency and interest rate derivatives	26.7	19.9
Corporation tax creditor	27.7	15.9
	<b>1,261.9</b>	<b>788.1</b>

**7. Creditors: amounts falling due after one year**

	2009 £m	2008 £m
Debenture loans	498.3	628.0
Bank loans	148.4	1,289.1
	<b>646.7</b>	<b>1,917.1</b>
Bank loans are repayable as follows:		
In more than two years but less than five years	148.4	1,289.1
	<b>148.4</b>	<b>1,289.1</b>

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#### 8. Debenture loans

	2009 £m	2008 £m
Unsecured		
6.625% £250m guaranteed bonds 2012 <sup>(1)</sup>	207.6	254.4
5.53% US\$75m notes 2011	38.0	52.1
6.03% US\$175m notes 2014	90.1	121.5
6.375% £200m bonds 2019	162.6	200.0
	<b>498.3</b>	628.0
<b>Repayable</b>		
In more than five years	–	321.5
In more than one year but less than five years	498.3	306.5
Within one year or on demand	–	–
	<b>498.3</b>	628.0

(1) The guarantee in respect of the 6.625% £250m guaranteed bond due 2012 was released on 16 January 2004.

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.

#### 9. Share capital

	2009 £m	2008 £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	–
	<b>500.0</b>	500.0

	Number of shares	£m
Issued and fully paid:		
31 December 2008	1,158,299,201	289.6
Treasury share cancellation	(92,732,927)	(23.2)
Placing and open offer	2,131,132,548	21.3
Share warrants	166,786	–
<b>31 December 2009</b>	<b>3,196,865,608</b>	<b>287.7</b>

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, 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.

**10. Share premium**

	2009 £m	2008 £m
1 January	753.6	758.1
Amortisation of debt transferred from retained earnings	–	(4.5)
<b>31 December</b>	<b>753.6</b>	<b>753.6</b>

**11. Merger relief reserve**

	2009 £m	2008 £m
1 January	–	934.2
New share capital subscribed	488.8	–
Transfer to profit and loss account	(488.8)	(934.2)
<b>31 December</b>	<b>–</b>	<b>–</b>

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 profit and loss account.

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 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.

In 2008 £934.2m was transferred to the profit and loss account following an impairment charge being recognised in respect of the George Wimpey Plc investment.

**12. Capital redemption reserve**

	£m
31 December 2009 and 31 December 2008	<b>31.5</b>

**13. Translation reserve**

	2009 £m	2008 £m
1 January	89.6	(50.5)
Transfer from profit and loss account	(53.5)	140.1
<b>31 December</b>	<b>36.1</b>	<b>89.6</b>

**14. Profit and loss account**

	2009 £m	2008 £m
1 January	463.2	1,368.5
Transfers to share premium account	–	4.5
Profit/(loss) for the financial year	5.4	(1,595.9)
Dividends	–	(107.9)
Transfer to translation reserve	53.5	(140.1)
Transfer from merger relief reserve	488.8	934.2
Cancellation and utilisation of own shares	(247.5)	–
Other financing costs	(0.5)	–
Issue of equity instruments	5.5	–
Loss on disposal of own shares	–	(0.1)
<b>31 December</b>	<b>768.4</b>	<b>463.2</b>

As permitted by section 408 of the Companies Act 2006, Taylor Wimpey plc has not presented its own profit and loss account. The profit of the Company for the financial year was £5.4m (2008: £1,595.9m loss).

Included in the Company profit and loss account is £269.8m (2008: £290.2m) which is not distributable.

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#### 15. Own shares

	2009 £m	2008 £m
Own shares	4.9	275.6

<b>These comprise ordinary shares of the Company:</b>	Number	Number
Treasury shares	–	92.7m
Shares held in trust for bonus, options and performance award plans	3.3m	6.7m

The market value of the shares at 31 December 2009 was £1.3m (2008: £13.4m) and their nominal value was £0.03m (2008: £24.9m).

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 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 awards (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 2009, no shares (2008: 10.0m) 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.

#### 16. Share-based payments

Details of share awards granted by the Company to employees of subsidiaries, and that remain outstanding at the year end over the Company's shares are set out in Note 31, 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.

#### 17. 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.

In 2008, the Company issued a guarantee in respect of the Taylor Woodrow Group Pension and Life Assurance Fund, a defined benefit pension scheme in which a number of its subsidiary companies participate, and which had a deficit under IAS 19 of £199.0m at 31 December 2009 (2008: £112.6m). The guarantee commits the Company to ensure that the participating subsidiaries make deficit repair contributions in accordance with a schedule agreed with the Trustees during the year of £20m per annum for eight years.

#### 18. Reconciliation of movement in shareholders' funds

	2009 £m	2008 £m
Opening shareholders' funds	1,351.9	3,049.5
Dividends paid	–	(107.9)
Profit/(loss) for the financial year	5.4	(1,595.9)
New share capital subscribed	510.1	–
Issue of equity instruments	5.5	–
Transfer of own shares	–	6.3
Other financing costs	(0.5)	–
Loss on disposal of own shares	–	(0.1)
Closing shareholders' funds	1,872.4	1,351.9

#### 19. Dividend

The Company does not propose to pay a final dividend in respect of the 2009 financial year (2008: nil).