

30 April 2009

Taylor Wimpey plc
Annual Financial Report for the year ended 31 December 2008

As announced earlier this morning, holders of both the Taylor Wimpey 2012 Eurobonds and the 2019 Eurobonds have approved the proposed amendments to the Group's debt facilities. This completes our debt renegotiation process and provides the Group with secure and substantial financial facilities. As part of the restructuring, covenants have been adjusted to be more appropriate for the current environment.

Taylor Wimpey announced summary unaudited financial information to the market on 7 April 2009 and, following the successful restructuring of our debt facilities, can now confirm the final audited results for the year ended 31 December 2008 are unchanged and that the accounts have received an unqualified audit opinion.

Key points

- We acted swiftly and decisively as market conditions weakened in the UK to reduce costs and focus on cash management
- In the UK, we completed 13,394 units (2007: 14,862), with an average selling price of £170,600 (2007: £191,000), reflecting the more challenging trading conditions and the greater proportion of affordable housing
- In North America, we completed 5,421 units (2007: 5,197), with an average selling price of £175,000 (2007: £182,000), as we continued to manage the business effectively in difficult conditions
- Pre-tax loss before exceptional items of £74.7m (2007 profit: £346.1m). Exceptional items of £1,895.0m include land and work in progress write-downs of £1,012.8m and an impairment of goodwill and other intangible assets of £816.1m
- Tangible net assets per share were 158p as at 31 December 2008. The steps that we have taken to restructure our debt finance and position our business for the challenges of current market conditions have enhanced our opportunity to deliver value for shareholders in the medium term
- Exit from construction operations complete, following the sale of the UK business of Taylor Woodrow Construction in September 2008 and the sale of the Ghanaian businesses in April 2009
- Recent trading in the UK has been at the upper end of expectations with higher than expected visitor levels and sales rates ahead of last year, achieved without significant additional incentives or price reductions

	2008	2007
Revenue – continuing (£m)	3,467.7	4,142.8
Operating profit* - continuing (£m)	88.7	439.2
Pre-tax (loss)/profit** - continuing (£m)	(74.7)	346.1
Exceptional items (£m)	(1,895.0)	(379.7)
Loss for the year – total Group (£m)	(1,840.0)	(196.7)
Adjusted (loss)/earnings per share – continuing (p)	(9.4)	29.5
Tangible net assets per share (p)	158	274
Year end net debt (£m)	1,529.3	1,415.4

*Profit on ordinary activities before finance costs, exceptional items, brand amortisation and tax.

** (Loss)/profit on ordinary activities before exceptional items and tax.

Commenting on the results, Norman Askew, Chairman, said:

“2008 was an exceptionally difficult year for all housebuilders, including Taylor Wimpey. The complex financing discussions that we initiated have now been successfully concluded. With a solid financial platform now secured, we are focused on delivering value for shareholders over the medium term.”

Pete Redfern, Group Chief Executive, said:

“The underlying strength of our business was severely tested during 2008. We responded quickly to the downturn in the UK housing market and the ongoing challenges in the US. Having put in place an appropriate financing package, Taylor Wimpey can face the challenges that 2009 will inevitably bring with significant confidence. We are now well placed to take advantage of the opportunities that an upturn will provide.”

A presentation to analysts will be made at 14:00 hrs on 30 April 2009. This presentation will be broadcast live on taylorwimpey.com.

The references to current trading and outlook within this statement cover the period from 1 January 2009 to the date of this announcement and constitute Taylor Wimpey plc's first Interim Management Statement for 2009 as required by the UK Listing Authority's Disclosure and Transparency Rules.

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Notes to editors:

Taylor Wimpey plc builds homes in the UK, North America, Spain and Gibraltar. It aims to be the homebuilder of choice for customers, employees, shareholders and communities.

For further information, please visit the Group's website:

www.taylorwimpey.com

Group Summary

Following the merger in July 2007, Taylor Wimpey entered 2008 having made excellent progress on integrating the two legacy businesses in both the UK and North America. The strength of our business has been severely tested by the downturn in the UK housing market and the exceptional events in the global economy over the last 12 months.

Adjusting to adverse market conditions

We have taken difficult decisions during the year to ensure that our businesses are well placed to face the challenges of current market conditions. Relentless cash management and cost control have been key priorities across the whole Group. In North America, where the market had been weak throughout 2006 and 2007, build costs and overhead costs remain under constant review. In the UK, we suspended new land purchase commitments in late 2007. When UK housing sales volumes fell dramatically in April 2008, we reacted quickly, restructuring our UK operations, adjusting our pricing and incentives to deliver competitive offers in each local market, limiting new site openings and levels of work in progress, and targeting additional build cost reductions.

Although the different markets that we operate in experienced the impact of the worldwide economic downturn at different times, we now have a consistent operating strategy across all of our businesses. Our employees recognise the need to take tough and appropriate measures in order to protect our business and have been kept fully informed through consultation processes and our internal communications.

Moving forward

With the amendment to our debt facilities now complete, the Group can focus fully on delivering value over the medium term, and the opportunities that the current downturn and future recovery will provide.

In the UK, there was a structural undersupply of new housing even before the reduction in volumes in 2007 and 2008. Latest forecasts indicate average household formations of 252,000 per annum for England alone. This compares against 200,697 new homes built in the UK in 2007 and 106,894 in 2008 (source: National House-Building Council). As homebuilders across the UK continue to delay new site starts and scale back their operations, we expect this figure to fall further in 2009. The underlying demand for new housing remains strong, but many of those looking to buy homes remain unable to obtain an appropriate mortgage or choose to delay their purchase due to the uncertain economic environment. When mortgage availability increases and consumer confidence returns, we will see an even greater imbalance between demand and supply, creating the potential for a significant recovery in house prices in the future.

In North America, the housing market downturn has been ongoing in some markets since the fourth quarter of 2005. The slowdown, which originated as a result of oversupply has been exacerbated by the "credit crunch" and is now being prolonged by the increased number of repossessions and the wider economic uncertainty. In many areas the market has overcorrected, falling well below both long term price and volume levels. The first signs of industry consolidation have appeared in recent weeks, suggesting that the market may be close to stabilising.

The overriding priority for the business is to build on our strong base to take advantage of the opportunities that stabilisation and future upturns in our markets will provide. We have strong landbanks in both the UK and North America, which have enabled us to conserve cash in the current market conditions. We are starting to see some attractive opportunities to purchase good quality land emerging in the US, but we remain cautious at this stage. There will, however, come a point at which it is right to invest in land in order to support future growth and we will position the business to take advantage of such opportunities.

In the slower conditions, we have had the opportunity to squeeze additional value from our landbank. We are able to improve both the saleability and returns from our products through a combination of replans, renegotiation of existing planning commitments and redesign of product types. In the UK we have launched a new product range across the business that builds on the strongest housetypes of both legacy groups and adds increased flexibility at reduced costs.

Outlook

Taylor Wimpey can face the challenges that 2009 will inevitably bring with significant confidence. As we trade through these difficult conditions, we are positioning the business to be ready to take advantage of the opportunities that an upturn will provide.

Trading in the UK has been encouraging during the first few months of 2009, with the underlying pick up in demand coming from all major customer groups and geographies. The industry has controlled stock well, reducing the risk of a repeat of the extreme price competition that was experienced in the last major UK housing downturn (and in the US recently).

However, we remain cautious about the prospects for a significant short term recovery in the UK housing market. Whilst we welcome the recent reductions in interest rates, the availability of mortgage finance remains restricted and, together with increasing economic uncertainty, continues to have a detrimental impact on consumer confidence. We believe that the prospects for the UK housing market in the medium and long term are very good, with the current market exacerbating an existing shortage of supply. Given the level of reduction in capacity and investment in the industry over the last 12 months, we anticipate that this situation will continue for some time.

In North America, housing market conditions have been more stable in recent weeks, however the state of the US economy as a whole remains a significant concern. With the impact of Government stimulus now being felt, there are tentative signs of improving conditions. The scale of the market correction has been dramatic, and has resulted in many markets falling well below long term norms. As general economic conditions stabilise, there is the potential that some of these losses will reverse quickly.

The steps that we have taken to restructure our debt finance and position our business for the challenges of current market conditions have enhanced the opportunity to deliver value for shareholders in the medium term.

UK Housing

Strategy

We have reduced our level of ongoing overheads significantly to reposition the business for lower volumes and sales prices. During the first half of 2008 we initiated a review of our business structure and closed 13 of our 39 regional offices by the end of the year. We have continued to review our regional structure in the light of the ongoing adverse market conditions and closed a further three regional businesses in early 2009. We have sought to redeploy staff wherever possible, however unfortunately there were a significant number of redundancies in the UK during 2008.

We have actively set sales prices to reflect the challenging market conditions, with our wide range of customer incentives enabling us to deliver competitive offers on a local basis. This approach proved successful during 2008. We have undertaken a number of national marketing initiatives over the course of 2008, which have supported the regional activity undertaken to market each development in its local area. In such a competitive environment, sales and marketing skills are a key differentiator and we will be further enhancing our capabilities in this area during 2009.

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. We are continuing to operate with build rates below our current sales rates and our monthly cash spend on work in progress by the end of 2008 was approximately 50% of the equivalent figure for 2007.

For both new and existing sites, we are building in cost reduction targets to ensure that new plots released to construction will contribute an enhanced level of cash generation once the sale is completed. We are also working closely with our suppliers and sub-contractors to identify ways to further increase efficiency and reduce cost, having already delivered build cost savings following the merger in 2007.

Whilst the current focus is on reducing costs and generating cash flows, this needs to be balanced with the requirement for long term value creation. We are continuing to promote our strategic land assets through the planning process, in order to provide a portfolio of high quality sites that we can benefit from as the market recovers. In addition, on both active and mothballed sites, we are taking the opportunity to review the associated planning consents to identify potential resubmissions that would enhance value.

Financial review

	2008	2007
Completions	13,394	14,862
Average Selling Price	£170,600	£191,000
Revenue	£2,390.1m	£3,053.8m
Operating profit***	£53.0m	£418.2m
Operating margin***	2.2%	13.7%
Order book as a percentage of revenue	23.5%	34.8%
Average outlet numbers	455	337
Private sales rate (per outlet per week)	0.40	0.55
Customer satisfaction	79.4%	New basis of measurement during 2008
Health and safety injury frequency rate (per 100,000 hours worked)	0.296	0.315
Owned and controlled plots with planning or resolution to grant	74,917	86,155

*** Profit on ordinary activities before finance costs, exceptional items, brand amortisation, tax and share of results of joint ventures.

UK housing revenue was £2,390.1 million (2007: £3,053.8 million), as the significant downturn in the UK housing market outweighed the effect of the first full year since the merger. Operating profit*** was £53.0 million (2007: £418.2 million).

Exceptional items of £1,750.4 million were charged during the year (2007: £47.9 million). These related to a review of the carrying value of our land and work in progress in the light of the ongoing market weakness, a review of the carrying value of goodwill and other intangible assets and restructuring costs. Net operating assets in the UK were £2,585.7 million at 31 December 2008 (2007: £3,773.2 million).

Sales, completions and pricing

Sales rates in the first quarter of 2008 were more subdued than in the equivalent period of 2007. The second quarter then saw a further sharp decline, with sales rates for the remainder of 2008 well below the equivalent period of 2007. The net private sales rate per outlet per week for 2008 as a whole was 0.40, against a 2007 comparative of 0.55. Cancellation rates were also elevated in 2008 at 37.5% against a long run average of around 20%.

We completed 13,394 homes in 2008 (2007: 14,862) at an average selling price of £170,600 (2007: £191,000). The average selling price of a private home was £187,000 (2007: £208,000), whilst the average selling price of an affordable home was £107,700 (2007: £105,000). Price declines in private housing sales were primarily due to the adverse market conditions, with the average private house size of 973 square feet in 2008 broadly similar to that of 2007.

We have not seen widespread geographical variation in market conditions during 2008, reflecting the fact that the downturn has been driven by issues of credit availability, rather than local market factors. Apartment prices have been under greater pressure than houses, due to pockets of oversupply, most notably city centres outside London. Having controlled the number of apartment plots added to our landbank tightly in recent years, our level of apartment stock is reducing.

With cash generation an ongoing focus, we have achieved a significant reduction in the level of unsold completed homes. At 30 June 2008, we had 2,025 unsold completed homes on our balance sheet and successfully reduced this number to 1,138 by 31 December 2008.

Our 2008 year-end order book stood at £562 million (2007: £1,064 million).

Landbank

We suspended new land purchase commitments in late 2007 and did not re-enter the UK land market in 2008.

Where we have identified land assets which are surplus to our current requirements, we have marketed these and have undertaken a number of land sales where we feel that the price achieved delivers value to shareholders. For the year as a whole, land sales have generated £58.0 million of revenue (2007: £130.9 million) at an operating loss of £2.2 million after allocation of overheads (2007 profit: £40.1 million). The significant reduction in both revenue and profit reflects the depressed nature of the land market during 2008, with many potential buyers either out of the market, or only looking to buy land at distressed sale prices.

Our UK short term landbank, representing owned or controlled land with planning, or a resolution to grant planning, stood at 74,917 plots at 31 December 2008 (2007: 86,155 plots). Within this movement, controlled plots have been reduced from 13,439 at 31 December 2007 to 7,365 at 31 December 2008 reflecting the ongoing suspension of new land purchase commitments. The average cost per plot in the landbank was £37,000 at 31 December 2008 (2007: £45,000). We ended 2008 with 56% of our short term landbank fully consented (2007: 50%) and with a greater weighting towards the South of England and towards houses.

Our cash payments (all in respect of previous land commitments) totalled £538 million during 2008, a significant reduction against the land spend in 2007. We expect a further reduction in land spend during 2009 to around £300 million.

Current trading

In the first few months of 2009, the UK housing market has performed at the upper end of our expectations, with higher than expected visitor levels and sales rates. Pricing has been relatively stable. Affordability has improved as a result of recent price falls and the sharp reduction in interest rates. However, the ongoing requirement for a significant deposit to secure a mortgage and the mortgage valuation process continue to make it difficult for many potential customers to finance their new homes. The ongoing economic uncertainty is expected to further impact on consumer confidence and we therefore remain cautious about the prospects for a meaningful recovery during 2009.

We will maintain our focus on cash generation and cost reduction in order to position the business to weather the current downturn. This is being achieved through build cost reduction, the targeted use of sales incentives to deliver competitive pricing in local markets

and tight control of work in progress spend. Our current order book is £881 million (week 16 2008: £1,410 million).

Our experience of operating in the US has provided us with an advantage in identifying the impacts of the market downturn in the UK and has enabled us to act swiftly to reposition the business accordingly.

North America Housing

Strategy

In the current market conditions, we remain focused in the short term on cost reductions and cash management, whilst preserving the inherent value in our long term land positions.

We have a good quality and well respected business in North America, with strong brands and a growing market share, as evidenced by our recent recognition as a top 10 homebuilder in the US. Taylor Morrison was one of the very few US homebuilders that traded profitably in 2008.

We entered 2008 with very lean overheads in North America, and whilst we have made additional savings, the key area of improvement has been build costs, both in terms of the price that we pay for materials and labour and the efficiency of our operations on site. We have re-bid contracts across our North American operations and have also reviewed all of our national and regional strategic sourcing.

Work in progress and land spend traditionally represent the largest cash outflows in our business. We have remained cautious regarding land spend throughout 2008 and have reduced the number of unsold completed homes from 908 at 31 December 2007 to 455 at 31 December 2008.

These short term actions will both maintain the underlying value of the business and put us in the best position to reinvest in new sites as value becomes available.

Financial review

	2008	2007
Completions	5,421	5,197
Average Selling Price	£175,000	£182,000
Revenue	£981.6m	£986.8m
Operating profit***	£59.9m	£67.5m
Operating margin***	6.1%	6.8%
Order book as a percentage of revenue	50.0%	53.6%
Average outlets	234	183
Sales rate per outlet per week	0.4	0.78
Customer satisfaction	85.4%	New basis of measurement during 2008
Health and safety injury frequency rate (per 100,000 hours worked, excluding sub-contractors)	0.041	0.212
Owned and controlled plots with planning or resolution to grant	29,178	40,603

North America housing revenue was broadly stable at £981.6 million (2007: £986.8 million), as the enlarged scale of the business following the merger and the benefit of a stronger US Dollar compared to Sterling were offset by the effect of continuing weakness in our US markets.

Operating profit*** was £59.9 million (2007: £67.5 million). Exceptional items were £76.6 million (2007: £321.3 million). The operating margin*** for 2008 was 6.1% (2007: 6.8%).

Due to the ongoing weakness in market conditions experienced during the year we have conducted regular reviews of the carrying value of our land holdings. As a result of these reviews, we have taken land and work in progress write downs totalling £71.1 million during 2008 (2007: £283.4 million).

Net operating assets in North America stood at £677.8 million at 31 December 2008 (2007: £680.3 million).

Sales, completions and pricing

The business operated with an average of 234 outlets during 2008 (2007: 183), reflecting the impact of the first full year of the merger.

Total home completions were 5,421 (2007: 5,197).

The average selling price of our North American homes in 2008 was £175,000 (2007: £182,000), with the ongoing market weakness partially offset by the effect of a stronger US Dollar on currency translation.

Our year-end order book stood at £491 million (2007: £529 million).

Landbank

We remain extremely cautious with regard to land purchases in the US, although we are starting to see some attractive opportunities in certain markets. We continued to invest in land for our Canadian operations selectively during the first part of 2008 and also made some opportunistic land purchases in Arizona in the fourth quarter.

At the year end, we had a landbank of 29,178 plots (2007: 40,603 plots).

Current trading

Market conditions have remained challenging. Sales rates for the year to date are slightly below our expectations, although we have seen some improvement in recent weeks and pricing movements are relatively small. Our current order book stands at £585 million. We expect that the significant improvements in affordability, reducing levels of available stock and the actions of the US Government will start to impact positively on the market during 2009.

We have maintained a meaningful presence in the markets in which we choose to operate and are successfully growing our market share in our key markets against a backdrop of reducing market sizes. We are well placed to take advantage of future opportunities to capitalise on the strong Taylor Morrison reputation.

Spain and Gibraltar Housing

Performance

In Spain and Gibraltar we completed a total of 214 homes in 2008 (2007: 212) at an average selling price of £270,000 (2007: £279,000).

Operating loss* was £2.4 million (2007 profit: £2.2 million) as a result of the weaker market conditions.

The landbank has reduced from last year as we have become increasingly cautious in our approach to land purchases. Our year end order book stood at £58 million (2007: £83 million).

We have undertaken further reviews of the carrying value of our landbank in Spain, which have resulted in land and work in progress write downs of £37.4 million (2007: £6.3 million). Of the 2008 write downs, £33.3 million was recorded during the first half of the year.

Current trading

Market conditions are expected to remain weak during 2009.

Construction activities

We have completed our exit from Construction and are now a focused homebuilder. 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. This transaction generated a profit on disposal of £55.6 million.

As previously announced, we completed our exit from construction activities with the sale of our construction businesses in Ghana on 21 April 2009.

Financial summary

The economic downturn and banking crisis which took place in 2008 in all the major markets in which the Group operates provided the backdrop to the most challenging year that the housing market has encountered in recent history. The main focus of the Group changed to one of cash generation and cost reduction to facilitate a restructuring of the Group's financial indebtedness. Following a long series of negotiations involving the members of our revolving credit facility, private placement noteholders, Eurobond holders and surety providers, as well as the Trustee Boards of the two UK defined benefit pension schemes, the Group was able to announce on 7 April 2009 that it had been able to successfully restructure its entire debt obligations in a manner acceptable to all parties. The agreement was subsequently confirmed on 30 April 2009. This secures a medium term financing structure for all the stakeholders of the Group on a going concern basis. Further details of this refinancing structure are set out below.

Group results

Group revenue from continuing operations in 2008 fell by 16.3% to £3.5 billion (2007: £4.1 billion). Group completions were 19,029 (2007: 20,271) as a 10% decline in legal completions in the UK more than offset a 4% increase in legal completions in North America.

The trading impact of these lower volumes was exacerbated by lower average selling prices in all of the Group's major markets. The Group's net finance charges rose to £168.6 million (2007: £112.8 million), driven largely by the full year impact of the merger and the higher cost of debt.

As a result, the Group incurred a loss before tax and exceptional items from continuing operations of £74.7 million for the year to 31 December 2008 (2007 profit: £346.1 million).

The significant downturn in the Group's UK, US and Spanish markets has resulted in land and work in progress write downs of £1,012.8 million (2007: £289.7 million). In addition, the Group incurred other exceptional items of £882.2 million (2007: £90.0 million) comprising mainly an impairment of goodwill and other intangible assets totalling £816.1 million (2007: £30.0 million), restructuring costs of £35.1 million (2007: £60.0 million) and refinancing costs of £20.5 million (2007: nil). The Group also wrote off £10.5 million (2007: nil) of unamortised lenders' fees. After taking into account all of the above, the Group has reported a consolidated loss before tax of £1,969.7 million (2007 loss: £33.6 million). The tax credit was £76.6 million after an exceptional credit of £100.0 million, comprising a net credit of £91.6 million in respect of UK inventory write downs and deferred tax movements and a net credit of £8.4 million relating to US inventory write downs made in the year (2007 charge: £173.4 million after an exceptional charge of £70.2 million relating to a write off of deferred tax). The disposed Construction business contributed a £2.5 million loss after tax (2007: £10.3 million

profit after tax) and a profit on disposal of £55.6 million (2007: nil) to the Group's result. This brings the consolidated loss after tax for the year to £1,840.0 million (2007 loss: £196.7 million).

Dividends

As previously communicated at the interim stage, there will be no dividend for the 2008 year. (2007 full year dividend: 15.75 pence). We will review our dividend policy in light of prevailing market conditions in the future, once dividend payments become permissible under our revised financing arrangements.

Exceptional items

The carrying value of goodwill on the Group's balance sheet on 1 January 2008 was £699.8 million, of which £694.3 million was allocated to the UK Housing business segment and £5.5 million was allocated to the North America Housing business segment. The Group also held £120.5 million of other intangible assets on its balance sheet, the majority of which related to UK brand names. Given the weakness that the Group has experienced in most of the housing markets in which it operates, the Group wrote down all remaining goodwill and other intangible assets to nil following the impairment test carried out at the 2008 half year. This resulted in an exceptional charge of £816.1 million.

In addition, this deterioration in market conditions resulted in the Group undertaking further reviews of the carrying value of its land and work in progress assets during the year. A total of £904.4 million was written off against the carrying value of land assets in the UK during 2008 (2007: nil), reflecting the sharp deterioration in the UK housing market since April 2008. A write down of £71.1 million was recorded against land and work in progress assets in the US during 2008 (2007: £283.4 million). A write down of £37.4 million was recorded in Spain (2007: £6.3 million).

Other exceptional items charged to profit before finance costs and tax in 2008 amounted to £55.6 million (2007: £60.0 million) and consisted of restructuring costs of £35.1 million (2007: £60.0 million) and refinancing costs of £20.5 million (2007: nil).

Net finance costs

Finance costs, net of interest receivable of £8.5 million (2007: £9.0 million), for 2008 were £179.1 million (2007: £112.8 million).

Within finance costs, interest on borrowings from financial institutions totalled £127.9 million (2007: £93.3 million). This increase was due to the higher average net debt levels the Group carried in 2008 of £1,821.9 million (2007: £1,197.1 million) reflecting the first full year of the enlarged business. Other items included in finance costs are a net pension charge of £11.7 million (2007: £3.8 million), a mark to market loss on interest rate derivatives of £10.8 million (2007: £5.4 million), a total of £26.7 million (2007: £19.3 million) charged for imputed interest on land creditors and exceptional accelerated amortisation of lenders' fees of £10.5 million (2007: nil).

Tax

The pre-exceptional Group tax rate for 2008 was 31.3% (2007: 29.8%). In addition, there has been a significant exceptional tax credit of £100.0 million, comprising a net credit of £91.6 million in respect of UK inventory write downs and deferred tax movements and a net credit of £8.4 million relating to US inventory write downs made in the year. During 2007 an exceptional tax charge of £70.2 million was incurred, primarily due to the write off of deferred tax assets as a result of the weakening of the US markets in the second half of that year.

In total, the Group has unrecognised potential deferred tax assets as at 31 December 2008 in the UK of £248.3 million (2007: nil) and in the US of £303.6 million (2007: £189.4 million) providing a significant buffer against future tax charges.

Earnings per share

The pre-exceptional basic loss per share from continuing operations was 9.4 pence (2007 earnings per share: 29.5 pence). The basic loss per share after exceptional items is 174.8 pence (2007: 24.2 pence).

Balance sheet and cash flow

Net assets at 31 December 2008 were £1.7 billion (2007: £3.7 billion) equivalent to a tangible net asset value of 158 pence per share (2007: 274 pence per share). Gearing at 31 December 2008 stood at 91.4% (2007: 38.2%).

The Group's cash inflow from operating activities for the year was £153.6 million (2007: outflow £163.3 million). Year end net debt levels rose from £1,415.4 million in 2007 to £1,529.3 million in 2008, an increase of £113.9 million. An increase of £167.4 million is attributable to adverse movements in the exchange rates.

Debt refinancing

In early recognition that the housing market downturn in the UK, combined with ongoing market weakness in the US would cause the Company to breach the interest cover covenant (minimum adjusted operating profit cover requirement of not less than three times interest) in both its bank syndicate facility agreement and its private placement notes, the Company took steps to initiate debt restructuring talks with its various debt providers in July 2008. These discussions resulted in the Company securing a covenant deferral on 24 December 2008, replacing the interest cover covenant test for the year ended 31 December 2008 with one for the 12 months ended 28 February 2009 and a reporting date of 31 March 2009, which was subsequently extended to 14 April 2009. The existence of the potential for a covenant breach did not result in the Company defaulting on any of its financial obligations nor did its lenders require a formal standstill.

On 7 April 2009, the Company announced that management had successfully reached agreement with both its banks and private placement holders regarding a revised covenant and financing package appropriate both for current market conditions and robust against downside scenarios. The financial terms of this agreement were also approved on 30 April 2009 by the holders of both the Company's 2012 Eurobonds and 2019 Eurobonds. The refinancing has also been supported by the Boards of Trustees of the two UK defined benefit pension schemes.

In summary, the refinancing provides for an alignment of all debt maturity dates to 3 July 2012; an immediate reduction of the revolving credit facility, resulting in the cancellation of £235 million of undrawn and unneeded headroom under the £1.65 billion facility; amendments to the margins and coupon rates on borrowings equivalent to an increase of 455 basis points; targeted agreed step downs in the level of facilities of £150 million by 30 June 2009 and a further £350 million by 30 June 2010 with additional compensation for lenders if these are not achieved and improved terms for the Group if these step downs are met; warrants giving all lenders the right to subscribe in cash (exercisable at par) for a combined total of 5% of the Company; a reduction in the level of the Company's UK overdraft from £95 million to £45 million; guarantees and securities to be provided for the currently undrawn committed facilities to be provided to the Group for the duration of the override agreement, which total a maximum of £416 million.

The previous covenant package has been replaced with a revised financial covenant package which is consistent across all of the Company's borrowings and better suited to the current market environment. There are three financial covenants which, if breached, would cause an event of default.

These comprise:

1. Net operating cash flow which is to 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 in each period.
2. Consolidated tangible net worth which is to be tested on a quarterly basis beginning on 30 June 2009 with varying covenanted minimum amounts over the life of the facilities.
3. 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 amounts have been set after making allowance for appropriate sensitivities, including, inter alia, a further weakening of Sterling against the US Dollar; a potential increase in interest rates; and a potential further decline in UK house selling prices. All of these covenants are to be calculated on an adjusted frozen IFRS basis, based on the accounting principles used in the 2008 audited consolidated financial statements of the Company.

The Group has also agreed to provide operational covenants to its banks and private placement noteholders. These generally ensure that the existing position between creditors is protected but also include, for example, an annual cap on new land commitments linked to the Group's level of net debt.

The refinancing package is sufficiently robust as to adequacy of both facility and covenant headroom.

The revised financing deal does not require the Group to raise new equity capital. In the event, however, that the Group meets the planned £150 million reduction in facilities by the end of 2009 and raises a minimum of £350 million of equity by the end of 2010, there would be significant advantages:

- The cash margin and coupon payable reduce by up to 3.00% based on a ratchet mechanism related to gearing;
- The Initial PIK of 1.5% and any additional PIKs cease to accrue; and
- The level of operating covenants are reduced.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Chief Executive's Review in the Annual Report and Accounts. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Financial Review in the Annual Report and Accounts

During 2008, the ongoing covenant negotiations represented a material uncertainty which could have cast significant doubt on the ability of the Group to continue as a going concern such that the Group might have been unable to realise its assets and discharge its liabilities in the normal course of business. With a revised covenant package now agreed with all relevant parties, the Directors are of the view that, whilst the economic and market conditions continue to be challenging and not without risk, the refinancing package is sufficiently robust as to the adequacy of both facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months. Accordingly, the financial statements are prepared on a going concern basis.

Further information is contained within the Corporate Governance Report of the Annual Report and Accounts and Note 1 to the consolidated financial statements.

Pensions

Actuarial valuations of both of the Company's main pension schemes, the Taylor Woodrow Group Pension & Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS), were completed during the first half of 2008. The results of these valuations are a deficit of £162.5 million relating to the TWGP&LAF (previous deficit £64.6 million) and a deficit of £215.0 million relating to the GWSPS (previous deficit £148.0 million). The IAS 19 valuation, which appears on the Company's balance sheet, is £277.2 million at 31 December 2008 (2007: £216.4 million). The increase in the deficit was largely due to the strengthening of the mortality assumption used in the IAS 19 deficit calculation partially offset by a higher iBoxx corporate bond rate as a result of the current economic environment. The balance sheet also includes £2.6 million of post-retirement healthcare benefit obligations (2007: £2.7 million).

The Company's deficit reduction payments in respect of the TWGP&LAF remain unchanged at £20 million per annum. The deficit reduction payments to the GWSPS, which were made at the rate of £15 million per annum during the first half of 2008, increased to a rate of £25 million per annum in July 2008 as a result of a scheme-specific actuarial review. In addition, a one-off deficit reduction payment of £5 million in respect of the GWSPS was made in July 2008. The terms of the recently negotiated debt refinancing secures the deficit repair payments during the term of the refinancing.

People

During 2008, conditions have impacted heavily on our employees, both through the redundancy programs that we have undertaken, and through the additional challenges of working in such difficult market conditions.

The Board acknowledges the way in which employees have reacted to these challenges and would like to take this opportunity to thank all staff for their commitment and hard work. We move forward with high calibre teams in all of our businesses, who are focused on the Group's objectives.

Corporate responsibility

Corporate responsibility is an integral part of corporate governance. We remain committed to being a responsible company and to playing our part in building increasingly sustainable homes and communities. We also believe that a positive approach to corporate responsibility makes sound commercial sense.

Further information on our progress during 2008 is contained on pages 25 to 27 of our Annual Report and Accounts and within our Corporate Responsibility Report, both of which are available on-line at: www.taylorwimpey.com

Principal risks and uncertainties

As with any business, Taylor Wimpey faces a number of risks and uncertainties in the course of its day to day operations. By effectively identifying and managing these risks, we are able to improve our returns, thereby adding value for shareholders.

The largest single risk faced by the Company during 2008 was a potential breach of its financial covenants as a result of the downturn in our operating environment. A revised set of financial and operational covenants has now been agreed with our lenders and whilst we still have to comply with these covenants, the risk of breach is significantly reduced. As a result, the discussion below focuses on the ongoing operational issues facing the Company.

Economic and market environment

Demand is heavily dependent on consumer confidence in the wider economy, which is influenced by factors such as unemployment levels, availability of credit and interest rates, which are outside of the Group's control.

2008 saw unprecedented global economic conditions, with a significant reduction in both credit availability and consumer confidence. As such the level of demand for new housing was significantly reduced, impacting both profitability and cash generation.

We use the detailed knowledge of our local teams to select the locations and home designs that best meet existing customer demand. We continue to evaluate our site opening programme on the basis of local market conditions. We minimise the level of speculative build that we undertake by opening a sales outlet at an early stage of development, and then matching build to actual sales.

Land purchasing

Land is the major 'raw material' for the Group and, as such, mis-priced or poor quality land would have a detrimental effect on our profitability.

Whilst we remain cautious regarding land purchases in both the UK and North America in the current market conditions, attractive opportunities are starting to emerge. Correctly timing new investment in land will enhance the Group's ability to deliver strong profit growth as housing markets recover.

We operate a detailed investment appraisal process for significant land purchases, which ensures that such projects are subject to appropriate review and authorisation dependent on the proposed scale of expenditure.

Availability of sub-contractors

The vast majority of work carried out on site is performed by sub-contractors. If they are not able to recruit sufficient numbers of skilled employees, our developments may suffer from delays or quality issues.

The difficult operating environment during 2008 has resulted in the failure of some sub-contractors' businesses. In addition, reduced levels of homebuilding have led to some skilled tradesmen leaving the industry to take jobs in other sectors.

We vet all suppliers thoroughly prior to working with them to ensure that they meet our requirements for environmental impact, health and safety, quality and financial stability. We also play our part in addressing the skills shortage in the building industry through apprenticeship schemes and membership of the Construction Industry Training Board.

Site safety

Building sites are inherently dangerous places and our management of health and safety issues is of paramount importance to us.

We want all of our people – whether employee or sub-contractor – to go home at the end of the day safe and healthy.

We have a comprehensive HSE management system, supported by policies and procedures to ensure that we live up to our intention of providing a safe and healthy working environment. A detailed description of the measures introduced in 2008 is available on pages 27 to 31 of our Corporate Responsibility Report.

Construction and cost management

Construction work can be subject to delays and additional cost for a variety of reasons. These include adverse ground conditions, changes to the original design once build has commenced and adverse weather conditions.

Reductions in house prices in both the UK and North America as a result of market weakness during 2008 mean that cost management is an even greater focus for our business.

We monitor both cost and risk closely throughout the life of a project from initial viability assessment to post completion review. This is achieved through the use of detailed risk registers and regular site valuations, which are reviewed and approved at the appropriate level.

Government regulations

Obtaining permission to build homes is dependent on our ability to meet a wide variety of requirements in areas such as design, sustainability and product mix.

Inability to obtain suitable consents could impact on the number of homes that we are able to build or the profitability of a site. During 2008, we undertook a detailed analysis of the implications for our UK business of the Code for Sustainable Homes and upcoming changes to building regulations. Further information is available within our Corporate Responsibility Report and on our Web site.

We consult with the UK Government on upcoming legislation, both directly and as a member of industry groups, to highlight potential issues. At a local level our land specialists work closely with the relevant planning authorities and structure land purchase agreements to mitigate such risk.

Shareholder Information

The Company's 2009 Annual General Meeting will be held at 11:00am on Friday 19 June 2009 at the Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE.

Copies of the Report and Accounts 2008 will be available from this afternoon on the Company's website taylorwimpey.com. Hard copy documents will be posted to shareholders who have elected to receive them on 7 May 2009 and will also be available from the registered office at 80 New Bond Street, London, W1S 1SB from that date.

Copies have been submitted to the UK Listing Authority and will shortly be available for inspection at the UK Listing Authority's Document Viewing Facility, which is situated at:

Financial Services Authority,
25 The North Colonnade,
Canary Wharf,
London
E14 5HS.

Tel: (0)20 7066 1000.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs, as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

They have elected to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

In the case of IFRS accounts International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows.

In the case of UK GAAP accounts, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Acts.

The Directors are responsible for the maintenance and integrity of Corporate and financial information included on the Company Web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Report of the Directors was approved by the Board of Directors on 30 April 2009.

James Jordan
Group Company Secretary and General Counsel
Taylor Wimpey plc

Consolidated Income Statement

for the year to 31 December 2008

	Note	Before exceptional items 2008 £m	Exceptional items (note 3) 2008 £m	Total 2008 £m	Before exceptional items (restated) 2007 £m	Exceptional items (note 3) 2007 £m	Total (restated see note 1) 2007 £m
Continuing Operations							
Revenue	2	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		(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	2	88.7	(1,780.6)	(1,691.9)	439.2	(349.7)	89.5
Amortisation of brands	2	(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	4	(177.1)	(10.5)	(187.6)	(121.8)	–	(121.8)
Share of results of joint ventures		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	5	(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	11	(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				(1,841.3)			(197.9)
Minority interests				1.3			1.2
				(1,840.0)			(196.7)
<hr/>							
	Note			2008			2007
Interim dividend per ordinary share	6			–			5.5p
Final dividend per ordinary share	6			–			10.25p
Basic and diluted loss per share – total Group	7			(174.8p)			(24.2p)
Basic and diluted loss per share – continuing operations	7			(179.8p)			(25.5p)
Adjusted basic (loss)/earnings per share – continuing operations	7			(9.4p)			29.5p
Adjusted diluted (loss)/earnings per share – continuing operations	7			(9.4p)			29.4p

Consolidated Statement of Recognised Income and Expense

for the year to 31 December 2008

	Notes	2008 £m	2007 £m
Exchange differences on translation of foreign operations		19.1	21.7
Actuarial (loss)/gain on defined benefit pension schemes		(90.2)	91.3
Tax on items taken directly to equity		(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	13	(1,934.8)	(112.2)
Attributable to:			
Equity holders of the parent		(1,936.1)	(113.4)
Minority interests		1.3	1.2
	13	(1,934.8)	(112.2)

Consolidated Balance Sheet

as at 31 December 2008

	Note	2008 £m	2007 £m
Non-current assets			
Goodwill	8	–	699.8
Other intangible assets	8	–	120.5
Property, plant and equipment		15.5	39.0
Interests in joint ventures		67.7	59.9
Trade and other receivables		47.9	76.4
Deferred tax assets		6.6	117.7
		137.7	1,113.3
Current assets			
Inventories	9	4,890.6	6,017.8
Trade and other receivables		181.3	391.3
Tax receivables		90.4	16.8
Cash and cash equivalents	12	752.3	130.0
		5,914.6	6,555.9
		6,052.3	7,669.2
Total assets			
Current liabilities			
Trade and other payables		(1,170.7)	(1,540.3)
Tax payables		(196.5)	(154.4)
Debenture loans		(101.1)	(1.4)
Bank loans and overdrafts		(23.4)	(12.2)
Provisions		(56.1)	(48.2)
		(1,547.8)	(1,756.5)
		4,366.8	4,799.4
Net current assets			
Non-current liabilities			
Trade and other payables		(342.1)	(388.4)
Debenture loans		(868.0)	(823.3)
Bank loans		(1,289.1)	(708.5)
Retirement benefit obligations	10	(279.8)	(219.1)
Deferred tax liabilities		(1.3)	(29.8)
Provisions		(51.0)	(38.4)
		(2,831.3)	(2,207.5)
		(4,379.1)	(3,964.0)
Total liabilities			
		1,673.2	3,705.2
Net assets			
Equity			
Share capital		289.6	289.6
Share premium account		753.6	758.1
Own shares		(275.7)	(282.0)
Merger relief reserve		–	1,934.2
Other reserves		64.7	46.1
Retained earnings		838.3	957.1
		1,670.5	3,703.1
Equity attributable to equity holders of the parent			
Minority interests		2.7	2.1
		1,673.2	3,705.2
Total equity			

Consolidated Cash Flow Statement

for the year to 31 December 2008

	Note	2008 £m	2007 £m
Net cash from/(used in) operating activities	12	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		(2.5)	(0.4)
Proceeds on disposal of property, plant and investments		17.6	17.3
Purchases of property, plant and investments		(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		(11.9)	–
Net cash from investing activities		5.8	68.5
Financing activities			
Dividends paid	6	(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	12	130.0	236.5
Effect of foreign exchange rate changes		44.5	9.8
Cash and cash equivalents at end of year	12	752.3	130.0

Notes to the condensed consolidated financial statements

for the year to 31 December 2008

1. Basis of preparation

The condensed consolidated financial statements for the year ended 31 December 2008 are an abridged statement of the full consolidated financial statements included within the Taylor Wimpey plc Annual Report and Accounts which was approved by the Board of Directors on 30 April 2009. The Auditors' Report on these financial statements was unqualified and did not contain statements under section 237(2) or 237(3) of the Companies Act 1985. The condensed consolidated financial statements do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The Annual Report and Accounts for the year ended 31 December 2008 will be delivered to the Registrar of Companies following the Company's Annual General Meeting, to be held on 19 June 2009.

The consolidated financial statements have been prepared on a going concern basis. 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 (see note 14). 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 for a period of not less than 12 months from the date of signing the Annual Report and Accounts, 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 condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. They are also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 1985 and Article 4 of the EU IAS Regulations. However, the financial information included herein does not itself contain sufficient information to comply with IFRS. The Company will publish its full financial statements that comply with IFRS today.

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Construction division was disposed of in September 2008, and is presented as a discontinued operation in accordance with IFRS. 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 the Corporate business segment in 2008. 2007 has been restated for consistency.

2. 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 (see note 11). 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.

Segment information about these businesses is presented below.

2008	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £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)

2008	Housing United Kingdom* £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £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 £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £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

2007 (restated)	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £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)

2007 (restated)	Housing United Kingdom* £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate* £m	Total £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 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 £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Total £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.

3. Exceptional items

Exceptional items, continuing operations:	2008 £m	2007 (restated) £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, UK 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 8.

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.

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.

4. Finance costs

	2008 £m	2007 (restated) £m
Finance costs from continuing operations are analysed as follows:		
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 10)	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 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 14).

5. Tax

Tax (credited to)/charged in the income statement for continuing operations is analysed as follows:

		2008 £m	2007 (restated) £m
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 tax credit for the year includes an amount in respect of exceptional items of £100m (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.

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.

6. 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).

7. 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 14), 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 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 £m	2007 (restated) £m
Loss from continuing operations for basic loss per share and diluted loss per share	(1,894.4)	(208.2)
Add exceptional items	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

8. 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 £m	Brands £m	Software development costs £m	2008 Total £m	Goodwill £m	Brands £m	Software development costs £m	2007 Total £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 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.

9. Inventories

	2008 £m	2007 £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

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.

10. 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 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 % p.a	United Kingdom £m	North America £m	Total plans £m	Percentage of total plan assets held
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	8.1%	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)	
(Deficit)/surplus in schemes recognised as non-current liability		(217.2)	0.8	(216.4)	
				2008 £m	2007 £m
Amount (charged against)/credited to income:					
Current service cost				(5.5)	(5.1)
Curtailement 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

11. 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 £74m 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.

The analysis of the result from TWC is as follows:

	2008 £m	2007 £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 operations	53.1	10.3

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.

Other disposals

During 2008, the Group also disposed of a mining operation in Ghana for £11 million 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.

12. Notes to the cash flow statement

	2008 £m	2007 (restated) £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 £m	2007 £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)

13. Reconciliation of movements in consolidated equity

	2008 £m	2007 £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

14. 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;
- 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 the Group's 2008 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.