A rapid and successful integration

Norman Askew
Chairman

A year of transformation

The 2007 merger of Taylor Woodrow plc and George Wimpey Plc has already realised significant benefits. It has changed the face of, and the opportunities for the business. The benefits of the merger are as valid today as they were in July. This is especially true in the difficult market conditions that we currently face.

2007 performance

Our UK Housing business has delivered a strong performance against a backdrop of more subdued market conditions, particularly in the second half of 2007. We took the decision to prioritise margin improvement over volume and have exceeded our target to achieve pro forma operating margins** of 14%.

Markets in North America have remained extremely challenging throughout 2007. Whilst our Canadian operations have taken advantage of a robust environment to deliver another good set of results, our business in the US has returned a loss for the year after recording significant exceptional items. Total pre-tax exceptional items for the year are £379.7 million of which £321.3 million relate to the North America Housing business.

In Spain and Gibraltar, oversupply in the market in mainland Spain has had a negative effect on our performance, despite relatively stable market conditions in Mallorca and Gibraltar.

The performance of our Construction business has been good in the UK but has been hampered by losses on a small number of overseas road construction projects.

Creating value for our shareholders

Taylor Wimpey plc continues the focus on long term value creation that was adopted by both Taylor Woodrow plc and George Wimpey Plc.

** The basis of preparation of pro forma financial information is set out on page 104.

This approach has been illustrated by the commencement of a £750 million share buyback programme during the year. At the year end we had completed the purchase of 94.8 million shares, at a total cost of £250 million. Given the uncertainty in the UK housing market, the Board has decided to suspend the buyback programme temporarily until conditions improve. In order to maintain flexibility we will be seeking the usual authority at the forthcoming Annual General Meeting (AGM) on 17 April 2008 to purchase up to 10% of our shares.

We are pleased to confirm the continuation of our progressive dividend policy, by which we intend to grow dividends in line with earnings over the medium term whilst maintaining prudent levels of profit and cash cover.

In line with this policy, the Board recommends an increase in the final dividend to 10.25 pence per share from 9.75 pence in 2006. This, together with the interim dividend of 5.5 pence paid on 1 November 2007, makes a total dividend for the year of 15.75 pence, an increase of 6.8%.

Subject to shareholder approval at the AGM, the dividend will be paid on 1 July 2008, to shareholders on the register at close of business on 23 May 2008.

This dividend will be paid as a conventional cash dividend but shareholders are once again being offered the opportunity to reinvest some or all of their dividend under the Dividend Re-Investment Plan, details of which are contained in the Shareholder Information section.

Corporate governance

Following the merger, we have taken the opportunity to review our approach to corporate governance to ensure that we incorporate the best practices from both of the legacy businesses. A full report on our corporate governance activities can be found on pages 43 to 45.

Corporate responsibility management

Following the merger we set up a new Board-level Corporate Responsibility Committee. The Committee is made up of Independent Non Executive and Executive Directors and is chaired by Non Executive Director Katherine Innes Ker.

The Committee is responsible for recommending the Company's corporate responsibility strategy, policies, reporting and performance monitoring to the Board. The Committee's remit includes ensuring that corporate responsibility strategy and activity is adequately resourced, has appropriate standing within the Company and is aligned to the needs of the business.

Our key areas of focus in terms of corporate responsibility are the homes and communities that we build for our customers and the way that we operate as a business in terms of human resources, health and safety, environment and supply chain management.

Board and operational changes

On behalf of the Board, I would like to record my thanks for the contributions made by the outgoing Board members.

In the case of Taylor Woodrow plc, Ian Smith and Vernon Sankey resigned from the Board at the time of the merger. John Landrum left the Board with effect from 31 July 2007 following which Sheryl Palmer has operational responsibility for the North American business. Sheryl has 18 years of experience in the homebuilding and land development industry, much of it with Pulte Homes and Del Webb, prior to joining Morrison Homes in early 2006.

The Board would also like to take this opportunity to thank John Robinson, Andrew Carr-Locke, Steve Parker, Robert Sharpe and Christine Cross who resigned from the George Wimpey Plc board at the time of the merger.

Our people

It is an unfortunate fact that many of the savings achieved through mergers come as a result of redundancies. We would like to record our thanks for the expertise and dedication of all of our employees and, in particular, for the professionalism of those employees who no longer have a continuing role within the combined business.

Approach to reporting

The results within this Annual Report and Accounts are presented under the acquisition accounting convention, including alignment of accounting policies, fair value adjustments on the George Wimpey net assets acquired and the recognition of other intangibles including goodwill. The results of the former George Wimpey Plc business are incorporated from 3 July 2007, when the merger completed.

Shareholder information

Full details of the facilities available to shareholders can be found on page 112 of this Annual Report and Accounts and at www.taylorwimpey.com.

Norman Askew
Chairman

Operational summary

- Successful and rapid integration to create the new Taylor Wimpey Group
- Strong growth in pro forma UK operating margins** to 15.2%, ahead of target
- Actions in place to achieve full synergy targets with further progress expected
- Net operating assets for North America Housing reduced to 15% of total Group

For more information visit www.taylorwimpey.com