

Delivering strong progress



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UK Housing strategy

- Goal to be the leading homebuilder in the UK
- Current priority is relative margin improvement, followed by volume growth from increasing outlet numbers

UK key performance indicators

	2007
Pro forma operating margin**	15.2%
Operating margin*	13.7%
Order book as a percentage of 2007 revenue	35%
Average outlet numbers	337
Customer satisfaction Bryant Homes	87%
Customer satisfaction George Wimpey	87%
Health and safety injury frequency rate (per 100,000 hours worked)	0.315
Private sales rate (per outlet per week)	0.55

UK relative margin improvement opportunities

- Strong landbank and potential for increased conversion of strategic land
- Roll out of build cost best practice and procurement efficiencies
- Tighter control of sales incentives and strong forward selling

UK housing market

The UK housing market continues to exhibit a structural undersupply of new housing against Government projections of household formation, providing support to the market in the long term.

After a first half of solid market conditions in the UK, the market was subdued in the normally strong Autumn selling season as a result of a combination of factors:

- Availability of credit and lender restrictions
- Adverse media coverage of the housing market
- Loss of consumer confidence

Despite these more subdued conditions, pricing has remained stable during the second half of 2007. We have not experienced any significant geographic differentials, although the Midlands and North experienced the downturn earliest.

The UK's new Prime Minister has made housing one of his key priorities. Taylor Wimpey supports the Government's objectives on housing provision as set out in the Housing Green Paper and the focus on affordability, supply, sustainability and design.

- **Affordability:** This is a priority issue. We are developing a business called G2, solely aimed at giving first time buyers a foothold on the property ladder and continue George Wimpey's strong support for English Partnerships' First Time Buyer Initiative. We are working to develop shared equity products and have invested in a strong affordable housing specialist team, dedicated to delivering high quality affordable housing for all tenures.
- **Supply:** We are committed to playing our role in delivering the Government's housing targets. When suitable planning consent is available we will commence development at an appropriate rate to enable safe development of quality homes.
- **Sustainability:** We have a proven track record of moving sustainability forward via

innovative developments, such as Oxley Woods in Milton Keynes, and are actively seeking industry-wide solutions to deliver sustainable homes.

- **Design:** We have a dedicated design team in place to work with external bodies and leading architects to continue to improve the design of our homes and communities.

We expect the Government's objectives to be challenging, particularly given an uncertain economic outlook, although we believe them to be achievable provided that all stakeholders work in partnership.

Strategy and integration

We have already made excellent progress on improving our UK Housing margin. We have achieved pro forma operating margin** growth of 2.4 percentage points to 15.2%, exceeding the 14% target set for the combined UK business for 2007 at our Interim Results in July. The key drivers of this margin improvement are changes in land strategy, a focus on reducing costs and the impact of an improved sales strategy.

The business has a strong land base, with a good mix of both short term and long term land. Over the last six months, we have reviewed the combined landbank in detail, and sold a number of sites that did not meet our ongoing requirements. These sales include sites where the two businesses had duplicate holdings, or where the nature of the site did not meet our ongoing strategy.

We have also focused on our outlet opening programme, which is key to driving sales volumes without damaging pricing. We are

* Profit on ordinary activities before finance costs, exceptional items and amortisation of brands.

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

UK housing market at a glance

Key drivers

- Continuing undersupply of new homes against Government projections of household formation
- Strong cultural preference towards home ownership rather than rental

Potential risk factors

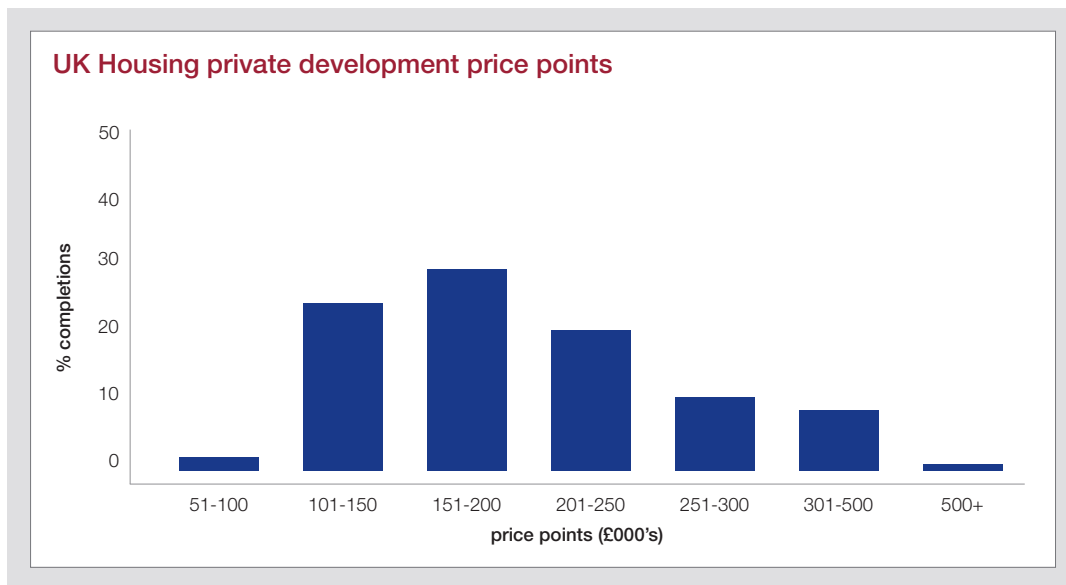
- Continuing problems of credit availability impacting on consumer confidence
- Changing economic environment leading to increasing interest rates or unemployment
- First time buyers becoming priced out of the market
- Changes in investor sentiment leading to increased supply in the secondary market

Taylor Wimpey performance

- Exceeded 14% pro forma operating margin** target
- Delivering merger synergies ahead of planned timetable
- 90% of forecast 2008 completions are on sites which are already actively selling



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extremely pleased that we have achieved our stretch target of 500 active outlets at the year end, including over 100 new outlets which were opened in the fourth quarter of 2007.

Synergy savings as a result of the merger will result in lower overhead costs per home sold, and we also have significant opportunities to reduce build costs over time. Our work comparing standard housetypes from the two historic product ranges suggests that savings of as much as £8,000 per home could be achievable. The first of these savings will start to come through in 2008.

Prior to the merger, George Wimpey announced a target of £25 million of build cost savings to be achieved in 2007. This target, which is in addition to the synergy

savings outlined above, has been exceeded during the year.

We have successfully implemented a revised sales strategy to complement our focus on margin improvement, rather than driving volume. As a result, we have been able to manage sales incentives tightly during the more subdued market conditions of the second half of 2007.

We continue to make excellent progress on our internal integration targets. The UK Housing management team and their direct reports were in place on the date of completion of the merger and the majority of head office staff are now based at our office in High Wycombe.

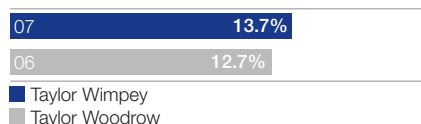
The four regional offices identified for closure at the time of the merger have now been closed, with the responsibility for all of their sites transferred to neighbouring regions. Following the merger, we are now operating through 34 regions across the UK, with a further five satellite regions providing additional geographic coverage.

Wherever possible we sought to redeploy staff following the merger. However, a total of 593 roles will be removed from the business due to duplication. 323 roles were removed by the end of 2007.

We have been able to accelerate our progress on achieving synergies in both build and overhead costs. Against an overall target exit rate of £70 million for the UK by the end of 2009, we have already identified specific savings in excess of this, and expect around £50 million of synergies to flow through in 2008.

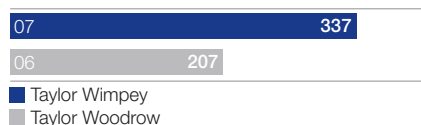
UK Housing key performance indicators

Operating margin*



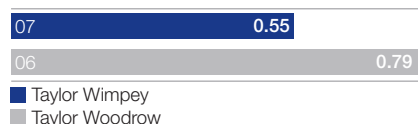
13.7%

Average outlet numbers



337

Private sales rate



0.55

Customer satisfaction

87%

Percentage of customers who would recommend Bryant Homes and George Wimpey to their friends and family

Order book as a percentage of revenue



35%

Health and safety

0.315

Injury incident rate per 100,000 hours worked

Financial review

UK housing revenue increased by 73.6% to £3,053.8 million (2006: £1,759.2 million), primarily reflecting the inclusion of the legacy George Wimpey business for the second half of 2007.

Operating profit* was £418.2 million, an increase of 86.7% against the previous year (2006: £224.0 million).

The operating margin* for 2007 was 13.7% (2006: 12.7%).

Exceptional items of £47.9 million were charged during the year. These related to one time restructuring costs associated with delivering synergy benefits (£37.9 million) and the write down of the Laing brand (£10.0 million).

Sales, completions and pricing

Whilst sales and cancellation rates were steady year on year for the first half of 2007, second half sales levels were around 15% lower than the equivalent period in 2006.

* Profit on ordinary activities before finance costs, exceptional items and amortisation of brands.

Cancellation rates in the second half of 2007 were running above 30%, compared to a long run average of around 20%.

This reflected the more subdued market conditions being experienced across the UK, particularly in the fourth quarter of 2007.

We completed 14,862 homes in 2007, an increase of 79.2% on the prior year (2006: 8,294).

The average selling price of our homes in 2007 was £191,000 (2006: £193,000).

The average selling price of a private home was £208,000 (2006: £210,000), whilst the average selling price of an affordable home was £105,000 (2006: £100,000).

The estimated underlying cost inflation of labour and materials has been running at around 3% per annum during 2007. The initiatives underway as a result of the merger are expected to more than offset inflationary increases.

Our year end order book stood at £1,064 million (2006: £534 million).

Product range and branding

Following the merger, we are operating with two core brands in the UK, Bryant Homes and George Wimpey. We have identified a number of ways to differentiate our brands to offer customers more choice on our sites, whilst retaining a shared set of 'core values'. Some of these differentiating factors, such

Plots	2007			Total	2006
	Owned	Controlled	Pipeline		Total
Detailed planning	42,459	2,435	267	45,161	19,369
Outline planning	26,148	5,123	881	32,152	16,897
Resolution to grant	4,109	5,881	3,756	13,746	7,432
Sub total	72,716	13,439	4,904	91,059	43,698
Allocated strategic	3,717	8,477	301	12,495	7,300
Non allocated strategic	25,514	64,347	536	90,397	64,650
Total	101,947	86,263	5,741	193,951	115,648

as the range of optional extras that can be purchased, are already being rolled out. Other factors, such as changes to the design of the housetype portfolio, will take time to come into effect.

In addition, we are continuing to develop the G2 brand, with a product and price range specifically targeted at first time buyers. We built our second G2 development during 2007 and 70% of the homes were sold within one day.

We offer a wide range of products from apartments to five bedroom houses, with prices ranging from under £100,000 to over £500,000. During 2007, the majority of our homes were priced within a range from £100,000 to £200,000.

Quality and customers

We remain committed to delivering high quality homes for all of our customers.

Our key performance indicator for customer satisfaction during 2007 was the percentage of customers who would recommend us. Both Bryant Homes and George Wimpey recorded scores of 87%, although different methodologies had been used by the legacy businesses. Going forward, we will be using a new measurement system administered by the National House-Building Council (NHBC).

We have once again been well represented in the NHBC Pride in the Job awards, looking at build quality, with our UK site managers winning 65 Quality Awards, 20 Seals of Excellence and four Regional Awards.

Landbank

Combining Taylor Woodrow's strong strategic landbank and George Wimpey's short term land has delivered a well balanced portfolio that puts Taylor Wimpey in an excellent position for future home completions. At the year end, all plots required for forecast 2008 completions had detailed planning consents in place and 90% of forecast completions were on sites which were already actively selling.

We have undertaken a number of land sales in the second half of 2007, following our review of the combined landbank. For the year as a whole, land sales have generated £130.9 million of revenue (2006: £194.6 million) and contributed £40.1 million of operating profit after allocation of overheads (2006: £25.6 million).

As part of the review of landbank, we have reviewed in detail our disclosure and, as a result, have provided more information on the structure of the landbank. This includes both the actual stage of planning and a greater breakdown of the way in which the land is held. Our UK short term landbank, representing owned or controlled land with planning, or a resolution to grant planning, stood at 86,155 plots at 31 December 2007 (2006: 39,077 plots).

As a result of the strength of our landbank, and given an uncertain UK market, we have been able to be increasingly selective in our land purchasing since the start of October 2007 and we expect to continue with this policy into 2008.

Going forward

Although sales and cancellation rates have improved in the early part of 2008, they remain weaker than seasonal norms.

We anticipate that the current subdued conditions will continue, with interest rates and mortgage availability being key determinants of customer confidence.

Our focus is on preserving value through maintaining a steady, but reduced, sales rate and controlling land and work in progress spend tightly. We anticipate that these actions will result in significant cash generation, particularly in the second half of 2008.

