



Norman Askew  
Chairman

## A year of unprecedented challenges

2008 has been an exceptionally difficult year for all housebuilders, including Taylor Wimpey. After a subdued start to the year in the UK housing market, the industry experienced a sharp decline in customer reservations from April, a month which normally delivers a strong sales performance. Restricted mortgage availability made it difficult for customers to finance their homes, particularly first time buyers and investors. As the year progressed, the turmoil in the global financial markets had a detrimental impact on customer confidence, meaning that many potential customers who could obtain finance chose to delay their house purchase.

In North America, where we saw some signs of stabilisation in the first half of 2008 after the market weakness of 2006 and 2007, the uncertainty in the wider economy had a detrimental effect in the second half. The housing market in Spain remains weak and the strengthening of the Euro against the pound over the course of the year has further reduced demand from UK purchasers for second homes in Spain.

### 2008 performance

The difficult operating environment is clearly reflected in the results for the year. Taylor Wimpey's continuing operations have generated a loss before exceptional items and tax of £74.7 million (2007 profit: £346.1 million). Exceptional items for the year total £1,895.0 million (2007: £379.7 million) and primarily relate to reviews of the carrying value of our land and work in progress, as well as writing off the value of our goodwill and intangible assets. As a result, Taylor Wimpey reported a loss before tax from continuing operations of £1,969.7 million (2007 loss: £33.6 million).

### Review of capital requirements

During the early stages of the sharp downturn in the UK housing market, we identified a risk that the Company would breach its interest cover covenants when they came to be tested for the full year 2008. We took appropriate action at an operational level and, following a period of prolonged and complex negotiations with our debt providers, we announced the agreement of a revised set of covenants on 7 April 2009.

We recognise that there was considerable uncertainty regarding the Company's prospects during 2008 and the early months of 2009. However, with a solid financial platform now secured, we are focused on delivering value for shareholders over the medium term.

### Sale of Taylor Wimpey's construction business

We have exited our construction activities in line with the strategy of focusing on our core homebuilding operations. We completed the sale of the UK business of Taylor Woodrow Construction on 9 September 2008 and the sale of our construction businesses in Ghana on 21 April 2009.

### Dividends

The Board did not feel it appropriate to propose an interim dividend as a result of the deterioration in market conditions. Given that conditions in both our major markets remain weak, we are not proposing a final dividend for 2008 (2007 total dividend: 15.75 pence). We will review our dividend policy in the light of prevailing market conditions in the future, once dividend payments become permissible under our revised financing arrangements.

### Corporate governance

As external events have shown, strong corporate governance is, if anything, even more essential in challenging market conditions. A full report on our corporate governance activities can be found on pages 34 to 52.

### Board changes

Ian Sutcliffe resigned from the Board on 14 April 2008 and Peter Johnson stood down from the Board with effect from 16 October 2008. On behalf of the Board I would like to record my thanks to Ian and Peter for their contributions to Taylor Wimpey and particularly to the success of the merger and subsequent integration.

Pete Redfern has assumed full management responsibility for the UK Housing division and we will review this arrangement once we see a stabilisation of market conditions. We were delighted to appoint Chris Rickard as Group Finance Director on 16 October 2008. Chris has significant experience as a Finance Director of public companies and I would like to take this opportunity to formally welcome him to the Board.

### Our people

The deterioration in market conditions during 2008 has led to a significant restructuring of our UK business, along with further cost reduction initiatives in our North American and Spanish businesses. The Board is grateful for the dedication and professionalism that our employees have displayed through this difficult year.

### Corporate responsibility management

Details of our approach to corporate responsibility can be found on pages 25 and 26, as well as in our Corporate Responsibility Report, which is available on our Web site at: [www.taylorwimpey.com/CRreports](http://www.taylorwimpey.com/CRreports).

### Shareholder information

Full details of the facilities available to shareholders can be found on page 108 of this Annual Report and Accounts and at [www.taylorwimpey.com](http://www.taylorwimpey.com).



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### Electronic communications

2008 is the first year that Taylor Wimpey has issued an electronic Annual Report to those shareholders who have not requested a paper version. This has three key benefits:

- A significant reduction in printing and postage costs, without reducing the level of information available;
- Faster access to information; and
- Reducing the amount of resources consumed, such as paper, and lessening the impact of printing and mailing activities on the environment.

The Company also encourages shareholders to elect to receive notification of the availability of Company documentation by means of an e-mail. Shareholders can sign up for this facility by logging onto our Web site at [www.taylorwimpey.com](http://www.taylorwimpey.com).

View the report on-line  
[www.taylorwimpey.com/reportaccounts](http://www.taylorwimpey.com/reportaccounts)