Pete Redfern
Group Chief Executive

We have acted swiftly and decisively at an operational level

UK key performance indicators	2008
Operating margin*	2.2%
Order book as a percentage of 2008 revenue	23.5%
Average outlet numbers	455
Private sales rate (per outlet per week)	0.40
Customer satisfaction	79.4%
Health and safety injury frequency rate (per 100,000 hours worked)	0.296

UK strategy

- Goal is to be the leading homebuilder in the UK
- Current priority is cash management and cost reduction, followed by volume growth from increasing outlet numbers as the market recovers

Adapting to market conditions

- Maintain sales momentum
- Reduce build costs
- Tight control of work in progress
- Deliver value from our existing landbank
- Reduce overheads, whilst maintaining national coverage

UK housing market

After a subdued first quarter, the UK market saw a sharp decline in April and continued to be weak throughout the remainder of the year. This slowdown has been driven by an intensification of three key factors which were becoming apparent in the later stages of 2007:

- Availability of credit and lender restrictions;
- Adverse media coverage of the housing market;
- Loss of consumer confidence; and
- Increasingly cautious mortgage valuations on properties.

According to the Bank of England, the total value of loans approved for house purchases during 2008 was £69,655 million. This represents a fall of 61.7% against the 2007 figure of £181,822 million. Whilst interest rates fell sharply over the course of 2008, from 5.50% at the start of the year to 2.00% in December, the number of applicants able to qualify for new loans was restricted by requirements for higher levels of deposits and also increasingly cautious mortgage valuations on properties.

National house price indices have reflected these deteriorating market conditions with sharp declines over the course of 2008. The Nationwide House Price Index shows a fall of 15.9% over the year to an average house price of £153,048, with the Halifax House Price Index recording a fall of 18.9% to an average house price of £159,896.

The UK Government recognises the importance of the housebuilding industry to the wider UK economy and has launched a number of initiatives during 2008 to try to support housebuilding volumes in the face of the current downturn. For example, £400 million of Government funding has been allocated to the HomeBuy Direct scheme, which aims to help up to 18,000 first time buyers purchase their own homes. In addition, following the recapitalisation of some of the largest banks in the UK during 2008, the UK Government is now a significant shareholder in some of the country's largest mortgage lenders.

The housebuilding industry, including housing associations, has responded to these conditions by reducing the number of homes started during 2008 to 106,894 (2007: 200,697) according to the National House-Building Council (NHBC). This compares to forecast average household formations of 252,000 per annum for England alone and the UK Government's ambition to build three million new homes by 2020. Industry forecasts suggest that the number of home starts in the UK during 2009 could fall below 80,000 (source: Royal Institution of Chartered Surveyors). As such, the UK housing market remains an attractive environment in which to do business, with a structural undersupply of new housing likely to continue.

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 have 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

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. Exceptional items are discussed in more detail on pages 30 and 31. Net operating assets in the UK were £2,585.7 million at 31 December 2008 (2007: £3,773.2 million).

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

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

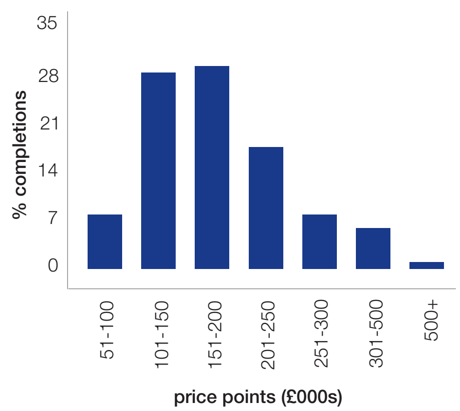
Potential risk factors

- 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

- Reduced number of unsold completed homes by 44% from June to December 2008
- Restructured our UK operations, closing 13 of our 39 regional offices during 2008
- Net land and work in progress write downs of £904.4 million

UK Housing private development price mix



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.

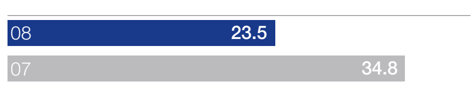
Our 2008 year-end order book stood at £562 million (2007: £1,064 million).

Our UK Housing key performance indicators

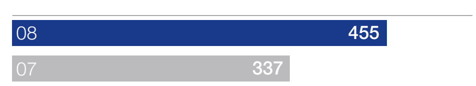
Given the significant changes in our operating environment during the course of 2008, we will be amending our suite of key performance indicators for 2009 to more accurately reflect the way in which we run the business.

	Operating margin	Order book as a percentage of revenue	Average outlet numbers
Objective	We aim to deliver industry-leading profit margins in each of our businesses.	We aim to hold an appropriate level of order book to give us visibility of profits for the forthcoming year.	In normal market conditions, we aim to increase outlet numbers over time in order to grow our business.
Definition	Profit on ordinary activities before finance costs, exceptional items and amortisation of brands divided by revenue.	Year-end order book value divided by revenue for that year.	Weighted average number of outlets open over the course of a year.

2.2%
for 2008
(13.7% for 2007)



23.5%
for 2008
(34.8% for 2007)



455
for 2008
(337 for 2007)

Product range and branding

We are currently operating with two core brands in the UK, Bryant Homes and George Wimpey.

We continue to offer a wide range of products from apartments to five bedroom houses, with prices ranging from under £100,000 to over £500,000. During 2008, the majority of our homes were priced within a range from £100,000 to £200,000.

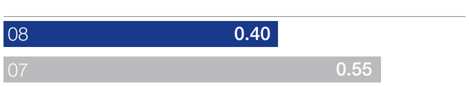
Social housing continues to increase as a proportion of our overall completions, growing to 21% during 2008 (2007: 16%). The UK Government has provided additional funding to enable Registered Social Landlords to buy housing originally designated for private sale and to potentially bring forward social completions. Whilst we have been able to achieve additional social completions during 2008, the reduced level of site openings in 2009 combined with the difficulty of bringing forward the social element of some sites under their current planning consents is likely to result in a similar level of social completions during 2009.

During 2008, we continued to develop our new house type range for the UK. This process involves a wide internal team specialising in fields from design to affordability and from health and safety to environmental sustainability. We are also working closely with our suppliers throughout the design process. All the new UK house types comply with Secured by Design principles and integrate the principles of Lifetime Homes to improve accessibility and cater for the changing needs of our customers. Every home design will also be capable of achieving level three or higher of the Code for Sustainable Homes.

Private sales rate

We aim to achieve an appropriate sales rate per week to prioritise cash generation over operating margin and completion volumes.

Annual net reservations divided by the average number of outlets, divided by 52.



0.40

for 2008

(0.55 for 2007)

Customer satisfaction

We strive to maintain and improve our customer satisfaction scores.

National New Homes survey undertaken by NHBC on behalf of HBF eight weeks after legal completion.

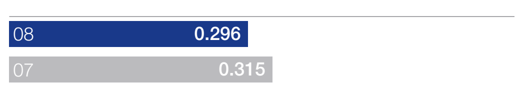
79.4%

customers satisfied or very satisfied with the quality of their home for 2008

Health and safety

We want to send our employees and sub-contractors home safely and uninjured day after day.

Reportable injury frequency rate per 100,000 hours worked.



0.296

for 2008

(0.315 for 2007)

UK Housing landbank

	2008				2007
Plots	Owned	Controlled	Pipeline	Total	Total
Detailed planning	40,753	1,300	–	42,053	45,161
Outline planning	23,438	3,547	111	27,096	32,152
Resolution to grant	3,361	2,518	381	6,260	13,746
Subtotal	67,552	7,365	492	75,409	91,059
Allocated strategic	6,816	6,485	–	13,301	12,495
Non-allocated strategic	19,106	57,668	–	76,774	90,397
Total	**93,474**	**71,518**	**492**	**165,484**	**193,951**

Quality and customers

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

We have reviewed our approach to measuring customer satisfaction and are now using two surveys. The first is the National New Homes survey undertaken by NHBC (the National House-Building Council) on behalf of HBF (the Home Builders Federation). Each of our customers is sent a survey eight weeks after their legal completion date. The second survey is the NHBC's own survey measuring the same elements but sent to customers nine months after completion. During 2008, 79.4% of our customers were satisfied or very satisfied with the quality of their home.

These surveys have become a key part of our Customer Service Management (CSM) system. The highest performing regions will be entered for our annual Hallmark Awards for customer service.

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 51 Quality Awards, 10 Seals of Excellence and two Regional Awards.

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.