Slide Preliminary Results 2003

Good morning ladies and gentlemen and welcome to the Taylor Woodrow results presentation.

With me on the podium are Iain Napier, our Chief Executive and Peter Johnson our Finance Director.

Slide Agenda

In the audience today we also have members of the executive team – Denis MacDaid, Tony Wilby and Graeme McCallum, our three operations Directors for Taylor Woodrow Developments, Andrew Wyllie our Construction

Managing Director and John Peshkin who runs our North American business.

Other members of our executive team are also present.

In a moment I will hand over to Iain who will go through operational matters. Peter will then give the financial presentation.

Following that I will chair the usual questions and answer session.

Slide Record performance

2003 was another successful year for Taylor Woodrow.

Profit before tax and exceptional items increased by 32% to a record £324 million. In 2003 there was a £20 million exceptional item for the integration of Wilson Connolly and in 2002, a £12 million exceptional for restructuring costs.

Adjusted earnings per share increased 31% to 39.0 pence per share and the board announced a final dividend of 6.5p, which makes a full year dividend of 8.9p up 20% on last year.

We remain committed to our strategy of growing shareholder value organically and by acquisition.

Iain will now lead us through the major operational highlights of 2003.

Iain Napier

Slide Preliminary Results 2003

Thank you Norman and good morning everyone.

Before we go into the results presentation I thought it worthwhile to say a few words on the St Katharines and K2 sale.

We had previously mentioned that we had planned for this to happen in the first half of 2004. We were therefore pleased to get it away in February.

The total price received is £283.3 million and Peter will go into more details on the profit and loss implications of that in his presentation.

Needless to say, this was our last major investment property in a portfolio that had exceeded £800 million in 1991.

Our focus is clearly now on house building.

Turning to the 2003 results,

Slide Record performance

In 2003 we saw strong growth in operating profit to £338 million, up 31%.

Our group operating margin improved 1% to 12.7%.

Returns on average capital employed improved to 23%. Of course in this regard we had a disproportionate benefit from the 3 months of Wilson Connolly ownership.

Gearing is down from the 65% proforma level at the half year to 43.9%.

Slide Total Housing

In our total housing operations, operating profit rose 39% during 2003 to £356 million.

Margins increased 1.3% in the year to 15.9% and return on average capital employed increased by 3.3% to 25.0%.

On a worldwide basis we completed 10,819 homes and sold 3,662 lots.

Slide 2003 Key Highlights

UK and North American housing operating profits each increased by 38%, while Spain and Gibraltar increased by 75%.

Our recent acquisition reinforces Taylor Woodrow as a focused developer with housing accounting for 95% of operating profit.

We also benefited from £21 million of cost savings from the 2002 realignment of our UK business, of which £18.5 million was directly attributable to UK Housing.

Now looking at the business segments in some more detail,

Slide First Half vs Second Half

We can see here the progress made in the second half in operating margins.

Cost savings and increased volumes in the second half pushed the standalone Bryant margin upto 17.1% resulting in a full year margin of 16.5%.

As we said at the time of our half year results, our target was to sustain our margins by using our cost savings to offset any negative factors.

It is therefore pleasing to see that we have achieved our objectives with some overall improvement as well.

Mix affected the North American margin in the second half with more volume coming through from the lower margin states. This resulted in a second half fall to 12.7% with the full year at 13.3% but an exceptionally strong growth in absolute profit terms.

Property reported a negative margin in the second half as we provisioned against carrying values and reported a second half loss.

Overall therefore the total company margin remained constant at 14% and we made good progress in Bryant.

Slide UK Housing

In Uk Housing, operating profit rose from £177 million to £244.7 million and return on average capital employed grew 2.1% to 23.1%. Total UK completions increased 23% to 7,690 as we benefited from the Wilson Connolly acquisition which contributed 1,600 completions in the period of ownership.

We entered 2004 with a strong forward sold position with our order book up 131% at £601 million. The like for like order book, excluding Wilson Connolly, was up a healthy 39%.

Slide UK Housing

We were 2% down in terms of completions for Bryant Homes, but showed strong overall growth after including the Wilson Connolly volumes.

Bryant Homes operating profits were 11% up at £197.6 million with margins at 16.5%. Wilson Connolly contributed £47.1 million to operating profit.

Slide Integration progress

We are well advanced with the integration of Wilson Connolly.

As we previously indicated, from the start of this year we are operating one integrated housing business in the UK.

We have confirmed we will operate from 11 regions in the UK reporting into 3 operations directors.

In total we are closing ten offices in the UK and to date we have closed six of these. The last office will close during May.

We will be using Taylor Woodrow business systems across the integrated business.

Slide Regional businesses as expected

In deciding the number of regions in the UK we looked closely at the location of the sites.

As we have mentioned before, no site is more than 90 minutes drive time from any of our regional offices.

Its also worth noting that sites in themselves are getting larger. This means that regional offices are able to push more volume through each site.

Slide Resources are linked to the site

It is also worth remembering that regions are very comfortable with larger volumes because of the affect of IT in supporting them with the day to day requirements of sites.

The site manager, in most cases now supported by an assistant, can now control the site set up process, schedule production, arrange all procurement, as well as plan and track sales.

The regional office is also linked into these systems to speed up day to day information flows.

Our conveyancing solicitors, now rationalised in number through our supply chain, are also linked in.

Slide Integration progress

As part of our integration planning we have introduced a new core range of house types across the business. These will be used on all of our sites unless there is a clear business reason not to do so which would most likely be planning requirements.

In total there are 44 core designs, 9 of which come from Wilson Connolly.

We are rebranding all sites as Bryant Homes.

I can confirm that we remain firmly on track to realise the initial synergies we mentioned last September which in total will rise to £25 million in 2005.

Slide UK Land Bank

Looking now at our land bank,

At the end of the year we had a 3.3 year land bank in the UK. As I have said before, we feel comfortable at any level between 3 and 3 and a half years.

The land bank is supported by strong strategic land holdings, which we estimate would give us around 90,000 additional plots.

In terms of completions from strategic land holdings, both Bryant Homes and Wilson Connolly were at levels similar to prior years with our new acquisition pointing to some scope for improvement in this area.

Slide UK Housing Active sites

This chart shows the average number of sites for both Bryant Homes and Wilson Connolly.

As we reported at the half year we opened up with a shortage of sites and only averaged 120 sites during the first quarter.

We successfully opened more sites in the second and third quarters which are the peak selling quarters.

At the end of the year we are operating from just over 200 sites on a combined basis.

Slide North America Housing

2003 was a year of exceptional profit growth in North America.

Whilst reported operating profit grew by 38% to £ 91 million, underlying profit growth in dollars actually increased by 45%.

Returns on capital and completions also improved and we started 2004 with an order book of £444 million, up 35% on last year.

This year we have aligned the way we calculate land banks in our North American housing business so that it uses the same definitions as the UK Housing business.

Specifically this has meant we now include controlled plots in the calculation whereas in the past they were included in the UK calculation but excluded in the North American calculation.

At the start of the year we had 5,261 controlled plots but by the end of the year this had grown to 12,897 plots.

Slide North American Markets

Our Florida business continued its success in 2003. The market remains very good and our current portfolio of master-planned communities continue to perform well.

During 2003 we expanded our product mix to include high-rise beach-front condominiums. The first of four new developments was released for sale in the fourth quarter and we are pleased to have contracted 76% of this building by year end.

This new segment of our business is expected to contribute to profit commencing in 2005

.We believe the North American high rise market to have great potential as we are able to mitigate risks by taking non refundable deposits of up to 20% before we start building. We reserve the right not to proceed with construction if deposit levels do not meet our expectations of around 50-60%.

At the end of the year the Florida land bank was 6.5 years.

In Texas we acquired two new sites and it is worth noting that the local economies in both Houston and Austin are performing well.

The Texas land bank at the end of the year was 7.6 years reflecting our significant inventory at the highly successful Steiner Ranch development in Austin.

Slide North American Markets

Our Arizona business, which we acquired in August 2002, has continued to exceed our expectations. During the year we successfully purchased middle market plots as we repositioned the business away solely from the starter home market.

At the end of the year the land bank was 2.3 years.

In California the market has been strong in both the North and the South and we were able to double our completions to 519 in 2003. At the end of the year the land bank was 4.6 years.

Slide North American Markets

Monarch, in Toronto, had another year of excellent growth with home completions up 12%. To capitalize on the low-rise market strength, we are selling fewer lots to other builders. Whilst there have been concerns of over supply in the Toronto high rise condo market, our experience has not borne this out. The market has slowed a little after several years of strong growth but still remains attractive.

At the end of the year the land bank was 6.7 years.

Slide Spain & Gibraltar Housing

Our Spanish housing business has continued to deliver excellent returns from its developments during 2003 with continuing interest from UK customers. Operating profits rose by 75% to £20.3 million.

Our order book was up 40% at £65 million and at the end of the year the land bank was 4.1 years.

This higher level of profitability is expected to continue into 2005.

Slide Property

In these slow markets we have continued to have a low exposure to the commercial property business.

During the second half of 2003 we did not complete any significant commercial property developments and in the full year our profits fell to £8.2 million.

However this is a core competence, especially in the mixed use arena.

2004 will however, be another very quiet year for commercial property with only a handful of transactions currently being considered.

K2 profits will be booked either in late 2004 or early 2005.

Slide Construction

Construction has continued to grow both its internal and external workload during the year.

PBT level performance was in line with last year and we finished the year with a strong order book. Internal work performed grew to £125 million, from £82 million in 2002.

I'll now pass you over to Peter for the financials.

Peter Johnson

Slide Preliminary Results 2003

Thanks Iain and good morning everyone.

Slide Financial Highlights

Turnover rose 21% to £2.7 billion with operating profits increasing by 31% to £338 million. Profit before tax before exceptionals rose 32% to £324.0 million.

Earnings per share grew by 31% and the board is recommending an increase of 20% in the full year dividend to 8.9 pence per share.

We remain committed to a progressive dividend policy throughout the business cycle.

Slide Profit and Loss Account

Looking in more detail at the profit and loss account,

I have already mentioned the growth in turnover. Wilson Connolly contributed £289 million of the increase.

Operating profit before goodwill and exceptionals grew 32% to £373 million.

Goodwill amortisation increased to £15 million. This will rise to around £19.5 million next year.

The exceptionals in 2003 reflect the integration costs of Wilson Connolly.

JV operating profits fell as the number of JVs we have decreased.

Profits on disposals reflect the M6 PFI equity sale in the first half along with some minor fixed asset sales.

Net interest increased due to the financing of the Wilson Connolly deal.

Tax came in at 33%.

Minorities decreased due to lower profits from the few partly owned subsidiaries we have.

Slide Operating Profit to Operating Cash Flow

This slide reconciles the operating profit of £338 million to the operating cash flow of £247 million, which is up £100 million on last year.

Land stocks increased by £114 million - £52 million in the UK, £59 million in North America and the rest in Spain. Work in progress increased by £73 million – virtually all in the UK.

Land creditors increased by £73 million.

Other creditors increased by £71 million reflecting the timing of payments and increased accruals.

Debtors increased by £56 million reflecting increased debtors from land sales in the UK and land deposits made on land to be purchased.

Slide UK Housing Performance

The next three slides look at the main performance metrics for the UK Housing business.

This slide shows the combined figures – Bryant Homes and Wilson Connolly. This is the format we will be reporting going forward.

Average selling prices fell due to the inclusion of the lower priced Wilson Connolly business and a greater proportion of the Bryant Homes business in the North of the country in 2003.

As I mentioned earlier, there was strong growth in operating profits.

The return on capital benefited this year by the disproportionate result from the Wilson Connolly business – 3 months of overhead but over 40% of completions.

Slide UK Housing ex Wilson Connolly

These figures are on a like for like basis and exclude Wilson Connolly.

Bryant Homes had a 2% fall in completions during the year as we were short of sites in the first half.

Profits from land sales in the year were 9% of operating profit, at £18m – in line with previous years.

Return on capital showed a 0.5% increase to 21.5%. Capital employed increased by £105 million in 2003 due to increases in work in progress and land. This ties in with the larger forward sold position at the year end.

Slide Wilson Connolly performance

Wilson Connolly continued its progress during 2003. For the 3 months of ownership, operating margins were 16.3% and return on average capital employed 33.4%

Slide UK Housing Analysis

This slide shows the split in our land bank between the Northern divisions of the Taylor Woodrow business, the southern divisions and the Wilson Connolly business.

Total UK Housing land bank is 3.3 years.

The Wilson Connolly land bank is lower than the proforma level at the time of the acquisition as selling rates increased during Q4 and also land purchases slowed.

Build

Completions grew by 6% in the Northern division but fell by 11% in the South, reflecting the strength of these markets in 2003.

Similarly sales price increases were achieved in the North but not in the South.

Build

The order book at the end of December shows good growth across the whole business.

In total the order book is up 131%.

Like for like, the Bryant order book is up 39%, excluding the Wilson Connolly volumes.

Wilson Connolly standalone is up 7% on 2002.

Slide North American housing performance

In North America the average selling price fell across all regions, except Canada, as a result of our strategy to offer more affordable product in the middle markets. In Canada, prices increased by 17% solely as a result of a change in mix to high-rise units where prices increased by 69%.

Completions increased across all the businesses in North America. The most noticeable increase being in California where volumes doubled.

North America housing achieved operating profit of £91 million, up 38% on last year while significantly increasing return on capital.

Slide Property performance

The commercial property market continues to be a weak as reflected in these figures.

Development gross profits fell to £3.1million as a £7.6 million carrying value provision was booked in the second half of 2003.

Slide St Katharines and K2 sale

As Iain mentioned we announced the sale of St Katharines and K2 last week.

Looking first at St Katharines,

In terms of profit, you should expect a profit of around £10 million from the sale of the Estate, This will be recorded as a profit on disposal of fixed assets in the profit and loss account.

We’ll use the proceeds to redeem the first mortgage debenture, crystallising a £43 million interest loss.

In total, we are expecting a net reduction of £120 million in debt from the St Katharines sale.

Turning to K2 – which is a development property,

We’re targeting a 15% pre interest profit margin on the sale, which will be booked in operating profits when the construction is complete.

We’ve still got a long way to go though with the construction.

Slide Construction performance

Whilst construction external turnover has been flat, internal turnover has increased by 52% to £125m.

During the year business development costs, specifically PFI, increased and we made a £2 million provision against a contract in Poole.

At a profit before tax level, performance was flat year on year.

Slide Cash flow

This slide summarises the cash flow statement.

There was strong growth in the operating cash flow .

Cash payments for interest and returns on investments increased from £18 million to £43 million reflecting the cost of the acquisition finance for Wilson Connolly and the timing of interest payments.

Capital flows reduced sharply primarily due to a lack of disposals of investment properties in 2003 compared to the prior year.

Acquisitions reflects Wilson Connolly this year and Journey Homes in Arizona last year.

Cash management and financing largely reflect the acquisition financing for Wilson Connolly.

Slide Pensions and Taxes

The pre tax FRS 17 deficit grew by £19 million, largely caused by the inclusion of an £18 million deficit from Wilson Connolly.

With the 2002 valuation being used for the Taylor Woodrow pension scheme, the profit and loss pension charge increased from £8 million to £12.7 million. Of this £0.6 million reflects the Wilson Connolly pension charge.

Our tax charge for the year was 33% - a level we think is sustainable going forward given our business mix and level of disallowables.

Slide Acquisition Accounting

This slide summarises the acquisition accounting.

The net assets acquired were £377 million, which gave rise to goodwill of £122 million. This is being amortised over 20 years as previously indicated.

On an annual basis there will be an incremental £6.2 million charge for goodwill.

Next year we would expect the goodwill charge to be around £19.5 million.

Slide Fair Value Exercise

We have completed a provisional fair value exercise, which is summarised on this slide.

For fixed assets we wrote off purchased goodwill and intangible software licences.

The significant accounting policy change on the slide reflects a different accounting treatment for the purchase of land and is a balance sheet adjustment only.

Wilson Connolly recorded land as an asset on exchange of contract, whilst we have always recorded land as an asset on completion. This reduced creditors by £130 million, decreased land by £148 million with the balance of £18 million being deposits for land exchanged, which are now shown as debtors.

With respect to land stocks, the total fair value adjustment to be amortised over future sales is £26 million.

Slide Balance Sheet

Closing equity shareholders funds were 13% higher than the opening position.

A prior year adjustment of £13 million for the accounting treatment change for owned shares decreased the opening position.

Increase in shares reflects the preference shares issued during the year and also the equity shares. Both of these are due to Wilson Connolly.

Other gains and losses of £22 million reflect £2 million currency translation due to the weakening of the US dollar offset by the strengthening of the Canadian dollar and the Euro and a £19 million downwards valuation on investment properties.

Slide Balance Sheet Ratios

The closing equity shareholders funds equate to 276.7 pence per share – an increase of 8.3% over last year.

Gearing came in at the year end at 43.9% - down from the proforma 65% level we indicated at the interims.

Land creditors increased to £253.7 million and we'll continue to use land creditors as a method of financing where appropriate.

Slide Concluding comments

So this year has seen a good profit and loss performance with strong earnings and dividend growth.

We still have sufficient head room on the balance sheet for further growth.

All of our housing operations are performing well.

And we finish the year with significantly increased forward order books.

Slide Preliminary Results 2002

Thank you, I ‘ll now hand you back

Iain Napier

Slide Progress on Cost Savings

Thank you Peter.

Let me begin by summarising where we are at with our plans for cost savings and synergies.

We have achieved our first set of cost savings, and we remain on track to deliver the increased level of savings and synergies in 2004 and 2005 with the synergies rising to £25 million by this last year.

Slide Strong Order Books

As we have indicated we have strong housing order books, which holds us in good stead as we enter the main selling period of the year.

Uk Housing is up 131%, or on a like for like basis 39%.

North America is up 35% and Spain up 40%.

The Construction business also shows good growth in the order book, which includes internal work.

Slide UK Housing market

Turning now to the market going forward, we believe that the UK Housing market will remain robust during 2004.

Demand continues to outpace supply and recent interest rate rises have had no discernible effect on our levels of site traffic or conversions.

We expect house price inflation this year of around 5%.

However planning delays continue to frustrate the industry however.

To this end, we have been an active contributor to the Barker Review and welcomed the initial , which confirmed that house builders were not artificially restraining supply.

We are supportive of initiatives that will help to narrow the gap between demand and supply through a reform of the UK planning regime to provide greater speed, certainty and consistency in the planning process.

We look forward to the Final Report.

Slide North American housing market

Across all our regions in North America, markets remain very strong.

Low interest rates continue to underpin affordability

As does strong economic growth and good demographics in the markets where we operate.

We anticipate continued favourable market conditions over the coming year.

Slide North American housebuilders

Looking more broadly in the US market, this slide gives an indication of thePrice to Book and 2004 PE ratios for the US housebuilders.

As the chart clearly shows most US housebuilders are now trading at around two times net asset value and at PE ratios higher than in the UK.

It could be suggested that given our market niches in the US we provide even more value to our shareholders. North America will continue therefore to be an opportunity for growth and value creation.

Slide Growth from housing in 2004

Looking at 2004 in some more detail:

- Assuming the market remains stable, we expect to complete around 10,000 homes in the UK

- Wilson Connolly will contribute for a full year at margins which are targeted to be in line with those forecast by Graeme at his half year presentation

- To date we have reserved some 69% of our first half budgeted sales and 37% of our 2004 full year budgeted sales in the UK. At the same time last year, we were 64%

reserved for the first half and 31% reserved for the full year.

- Cancellations remain at a low level and are comparable to last year.

- Our North American business is set to continue its strong growth.

- To date we are over 90% reserved for the first half of 2004 and 59% reserved for the full year.

- We are expecting similar performance in our Spanish housing business in 2004.

- Commercial Property will continue to be very quiet in 2004.

- Construction will continue at existing level.

- Investment property is no longer an issue

Slide Conclusion

To conclude:

- Our clear focus on managing for value continues.

- We are well positioned for growth in 2004

- We’ll get a full years contribution from Wilson Connolly

- Expect synergies and cost savings to flow as we have forecast

- Our North American business remains extremely well placed for strong growth

- We’ll get a continued good contribution from Spain

- Construction will continue to be de-risked and provide a valuable contribution

- Investment property is no longer an issue

- And our balance sheet remains strong

In short Taylor Woodrow’s transformation is complete and we have real growth potential available to us.

Norman will now chair the questions and answer session.

Norman Askew

Slide Preliminary Results 2003

Thank you Iain.

Now can I please have the first question. So that we can get an accurate record of this session, please can you state your name and company?

Word count {4,466}