Making a difference

Taylor Woodrow plc
Report and Accounts 2003

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Taylor Woodrow

Taylor Woodrow is a housing and development company, working across the UK and in selected markets in North America, Spain and Gibraltar. Our primary business is housing which makes up 95% of operating profits.

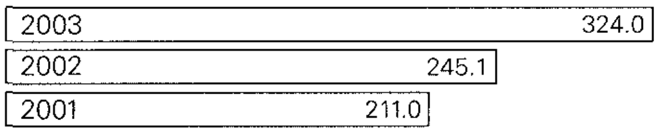
Our vision is to be the leading developer of living and working environments in the UK and other chosen markets.

Contents

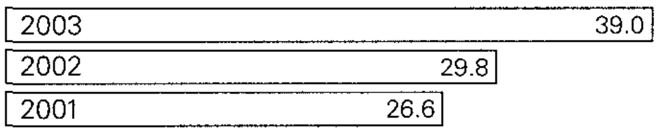
Group Financial Highlights

Year ended 31 December	2003	2002 as restated
Group turnover	£2,669.4m	£2,208.6m
Group operating profit	£337.8m	£257.7m
Profit before taxation	£304.0m	£233.1m
Basic earnings per share	36.5p	28.2p
Adjusted basic earnings per share*	39.0p	29.8p
Dividends per share	8.9p	7.4p
Net debt	£742.9m	£260.4m
Net gearing	43.9%	18.7%
Equity shareholders' funds per share	276.7p	255.6p

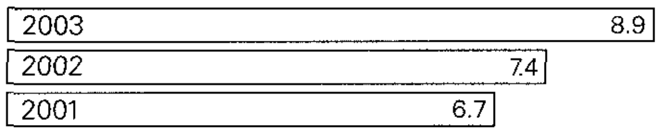
Profit before taxation
(before exceptional items)*
£m



Adjusted basic earnings per share
(before exceptional items)*
pence



Dividends per share
pence



*Adjusted for exceptional integration costs in 2003 and restructuring costs in 2002. Both are detailed in note 8 to the Financial Statements.

Chairman's Statement

"During 2003, Taylor Woodrow has delivered strong financial results, due to good positioning in our markets, complemented by the benefits of the business realignment which we announced last year."

"The successful acquisition of Wilson Connolly in October 2003 will be a further driver of growth in the coming years."

NORMAN ASKEW, CHAIRMAN

In 2003, Taylor Woodrow

- Reported excellent growth in profits, with profit before tax rising 30%
- Successfully acquired Wilson Connolly for £499 million
- Invested £540 million in land purchases across our housing businesses, up 5% on last year
- Delivered £21 million of cost savings from the realignment of our UK business
- Strengthened our Board with the appointment of experienced executive and non-executive directors

Chairman's Statement
continued

GROUP TURNOVER INCREASED BY

21%

TO
£2,669.4 million

OPERATING PROFIT INCREASED BY

31%

TO
£337.8 million

TOTAL DIVIDEND FOR 2003 OF
8.9 pence
AN INCREASE OF

20%

Strong growth in profits
Group turnover increased by 21 per cent to £2,669.4 million (2002: £2,208.6 million). Operating profit rose by 31 per cent to £337.8 million. Operating margins, before £20 million of exceptional items and £15.0 million of goodwill amortisation, improved to 14.0 per cent (2002: 12.8 per cent).

Profit before tax increased to £304.0 million (2002: £233.1 million) and return on average capital employed, before exceptional items and goodwill amortisation, improved from 20.1 per cent to 22.9 per cent. Adjusted earnings per share, before exceptional items, rose to 39.0 pence, an increase of 31 per cent on last year's 29.8 pence.

In line with our stated strategy we announced, on 27 February 2004, the sale of St Katharine's Estate and the adjoining K2 development property for £283 million.

The Board recommends an increase in the final dividend for 2003 to 6.5 pence from 5.2 pence in 2002. Together with the interim dividend of 2.4 pence paid on 3 November this makes a total dividend for the year of 8.9 pence, an increase of 20 per cent. Subject to confirmation at the Annual General Meeting on 20 April 2004, the dividend will be paid on 1 July 2004 to shareholders on the register at close of business on 28 May 2004.

This dividend will be paid as a conventional cash dividend but shareholders are once again being offered the alternative to reinvest some or all of their dividend under the Dividend Re-investment Plan, details of which are contained in a separate circular to shareholders.

Board changes
On 29 July 2003, I was appointed to the Board as non-executive Chairman. I am delighted to have joined Taylor Woodrow.

Following the successful acquisition of Wilson Connolly, on 6 October 2003, Graeme McCallum, previously Chief Executive of Wilson Connolly, was appointed to the Board as an Operations Director. Graeme brings to the Board significant experience of the UK house building market having worked in the industry for over 25 years.

Michael Davies joined the Board as a non-executive director on 13 October 2003. Michael has a strong background in the building supplies industry and is the Chairman of Baxi Group Limited and an active member of the Construction Products Association.

Vernon Sankey joined the Board as a non-executive director on 1 January 2004. Vernon is currently a non-executive director of Pearson plc and of Zurich Financial Services AG (Swiss). He is Deputy Chairman of Photo-Me International plc. Vernon has considerable experience of leadership, global change management and personal development matters.

As we had previously announced, Dr Robert Hawley retired from the Board on 29 May 2003. After three and a half years' service as a non-executive director, Norman Broadhurst decided to step down from the Board on 30 November 2003. I express the Board's appreciation to them for their contribution to the business.

OUR CORE RANGE OF UK HOUSETYPES INCLUDE 9 WILSON CONNOLLY DESIGNS AND 35 TAYLOR WOODROW DESIGNS.

ADJUSTED EARNINGS PER SHARE INCREASED BY

31%

DEVELOPING OUR FUTURE MEANS: CONTINUING TO INVEST IN OUR LAND BANK; THE EXCELLENCE OF OUR DESIGN AND PRODUCT RANGE; ANTICIPATING FUTURE TRENDS AND THE NEEDS AND REQUIREMENTS OF OUR CUSTOMERS.

Andrew Dougal has succeeded Norman as chairman of the audit committee.

After eleven years' service as a non-executive director Sir George Russell will be stepping down from the Board on 19 April 2004. He has made a significant contribution to Taylor Woodrow and he leaves with our very best wishes for the future.

Our people

Our excellent results, together with the successful acquisition of Wilson Connolly, would not have been possible without the energy, commitment and professionalism of our people. Thank you to my Board colleagues, our management and all our teams for a job well done in 2003.

I extend a warm welcome to our new colleagues who have joined us from Wilson Connolly and recognise the good work that they are already undertaking.

Thanks are also due to our customers, trading partners, shareholders and the other stakeholders in our business for the continuing support that they give Taylor Woodrow.

Looking ahead

With the acquisition of Wilson Connolly, 2004 will be an exciting year as we see the full year benefits of the integration accruing. The UK housing market remains attractive, supported by a surplus of demand for new houses and low interest rates.

In North America, we continue to enjoy very strong demand for our product and are well positioned to grow in 2004.

The company remains well placed to take advantage of our opportunities and face all challenges that lie ahead. Housing is the key driver of growth, accounting for over 95 per cent of operating profit. However our skills in property, development, and construction position us uniquely amongst our peer group. Taylor Woodrow is able to offer, from within our own operation, the wide portfolio of expertise so important in today's complex development environment.

Developing our future means: continuing to invest in our land bank; the excellence of our design and product range; anticipating future trends and the needs and requirements of our customers; nurturing the entrepreneurial spirit of our people who will shape our business in the future.

Norman Askew

Norman Askew
Chairman
2 March 2004

Chief Executive's Review

"Our business strategy is to create sustainable shareholder value by growing, both organically and by acquisition, as a developer of living and working environments."

"2003 was another successful and busy year for Taylor Woodrow. A year of change but also of delivery."

IAIN NAPIER, CHIEF EXECUTIVE

As previously forecast, we realised the £21 million of cost savings from the realignment and simplification of our UK business. We reduced 19 separate offices into one integrated network of 11 regions today incorporating a central office in Solihull, West Midlands.

We acquired Wilson Connolly in early October for £499 million. The fit between the two businesses has proved to be excellent. Wilson Connolly gives us stronger presence in areas where our regional business was less developed. For example, Wilson Connolly business was strong in the North West, an area where we had been working to get our regional business up to scale. Importantly, Wilson Connolly, like Taylor Woodrow was not over represented in the London and South East markets which have not recently been as attractive as other regional markets.

The integration of Wilson Connolly is proceeding well and we remain confident of securing £12.5 million of synergies in 2004, rising to £25 million in 2005.

BUSINESS REVIEW

Housing
Operating profit from housing worldwide, before exceptional items and goodwill amortisation, increased by 39 per cent to £356.2 million (2002: £255.4 million) on turnover of £2,236.8 million (2002: £1,751.8 million). In total we sold 10,819 homes and 3,662 lots, worldwide.

Chief Executive's Review
continued

OPERATING PROFIT FROM HOUSING OPERATIONS WORLDWIDE INCREASED BY

39%

IN 2003 WE SOLD

10,819

HOMES
AND 3,662 LOTS

UK HOUSING OPERATING MARGINS INCREASED TO

16.5%

In the UK, over the course of the next year we will be rebranding Wilson Connolly sites as Bryant Homes and running one integrated housing business across the country. During 2003, we sold 7,690 homes, up 23 per cent on 2002. Operating profit, before exceptional items and goodwill amortisation, increased to £244.7 million (2002: £177.6 million). Average selling prices fell marginally to £181,000. Operating margins improved to 16.5 per cent from 15.0 per cent in 2002. At year end, our forward order book was the strongest it has ever been at £601 million, 131 per cent ahead of 2003.

The Wilson Connolly business contributed 1,600 completions and £47.1 million operating profit at an operating margin of 16.3 per cent in the first three months of ownership.

The UK housing business at year end had 34,918 owned or controlled plots with planning permission, representing 3.3 years' supply. In addition we have strategic land holdings which should provide approximately 90,000 plots.

North American housing operating profit before goodwill amortisation increased by 38 per cent to £91.2 million. Profit in local currency increased by 45.3 per cent and return on average capital employed increased to 27.4 per cent (2002: 21.6 per cent). Total home completions rose 51 per cent to 2,786, due mainly to a full year of operation in Arizona and the turnaround of our California business.

Average home sales prices reduced by 12 per cent to £207,000, reflecting the continuing repositioning of the business to the middle market, in line with our previously announced strategy.

In Florida, we enjoyed another buoyant year, completing 384 homes at an average selling price of £301,000. We successfully launched our first beach-front high-rise condominium project with contracted sales of £75 million, securing 76 per cent of the total projected revenue prior to the commencement of construction. In Canada, our Monarch brand also performed strongly. The low-rise market remains robust, although, after several years of strong growth, high-rise activity has moderated.

In Texas, we recently acquired two sites in Houston and are making good progress towards our strategy of growing our homebuilding businesses. The turnaround and repositioning to the middle market of the California business has been successful, with 497 home completions at an average price of £479,000 (2002: £709,000). Arizona has exceeded expectations in its first full year of operation, with 689 home completions.

Overall, operating margins improved to 13.3 per cent (2002: 12.7 per cent) and the North American order book stood at £444 million, up 35 per cent on last year.

The North America housing business had 25,758 owned or controlled plots at the year end representing 4.5 years' supply.

Our business in Spain and Gibraltar has continued to perform well with an operating margin of 30.8 per cent. Operating profit rose by 75 per cent to £20.3 million. Our land bank in this business stands at 1,409 lots, 4.1 years' supply.

ORDER BOOKS IN OUR HOUSING BUSINESSES ARE AT RECORD LEVELS UK £601 MILLION NORTH AMERICA £444 MILLION SPAIN AND GIBRALTAR £65 MILLION

OUR OVERRIDING AIM REMAINS ENHANCEMENT OF SHAREHOLDER VALUE WITH THE DELIVERY OF INDUSTRY LEADING RETURNS ON CAPITAL EMPLOYED AND EARNINGS GROWTH

NORTH AMERICA HOME AND LOT COMPLETIONS ROSE BY

25%

Property and Construction
In property, operating profit of £8.2 million was recorded as we continued to maintain minimal exposure to this weak market. Construction performed well, reporting profit before tax of £20.8 million. At year end, its forward order book, which includes internal work, stood at £785 million, up 17 per cent on 2002. The construction business also won both Contract Journal's Building Contractor of the Year and Building Magazine's Major Contractor of the Year.

THE FUTURE

With strong forward order books across our businesses, we start 2004 with confidence. At 31 December 2003, our UK order book stood at £601 million, up 131 per cent on last year; our North America order book stood at £444 million, up 35 per cent and our Spanish and Gibraltar order book was at £65 million, up 40 per cent.

The UK housing market remains robust. The 0.25 per cent interest rate rise in November last year had no discernible effect on demand for our homes and we remain confident that the latest 0.25 per cent rise will not adversely affect demand. Historically low interest rates continue to underpin affordability. However planning delays have continued to frustrate the industry.

Taylor Woodrow participated in the UK Government's Barker Review of Housing Supply and welcomed its interim report which was published in December 2003. We are supportive of initiatives to narrow the gap between demand for new homes and housing supply through a reform of the UK planning regime to provide greater speed, certainty and consistency in the planning process.

In North America the housing market remains strong across all our businesses, and we are well positioned to continue delivering growth.

Over the next twelve months we will ensure that we complete a successful integration of Wilson Connolly and deliver the synergy savings we outlined at the time of the acquisition. Customer satisfaction also remains of paramount importance and we will strive for continuous improvement in our performance. We also monitor employee satisfaction to maintain our strength in a competitive labour market.

Our focus remains enhancement of shareholder value through earnings growth whilst delivering good levels of return on capital employed.

We start 2004 with high levels of visitor numbers and reservations. We expect house price inflation in the UK to be around 5 per cent depending on geography. In North America the outlook remains good and we anticipate house price inflation of between 4 and 5 per cent over the year.

I look forward to reporting on our progress.

Iain Napier
Chief Executive
2 March 2004

Making a difference
by growing the business

In October 2003, we completed the successful acquisition of Wilson Connolly Holdings Plc. True to our strategy of seeking growth organically or by acquisition, we had identified Wilson Connolly as our preferred acquisition due to the complementary land banks and synergies we could extract by combining the two businesses.

From 1 January 2004, we are now operating one integrated UK housing business across the UK, through eleven regions which report to three operations directors. We have no individual development located more than 90 minutes away from a regional office. In general, our sites are becoming larger and our regions will be responsible for delivering between 650 and 1,300 completions per region in 2004.

The Bryant Homes brand will be strengthened further as a national name in housebuilding through marketing former Wilson Connolly sites under the Bryant banner.

Taylor Woodrow   Bryant Homes by Taylor Woodrow   Monarch by Taylor Woodrow

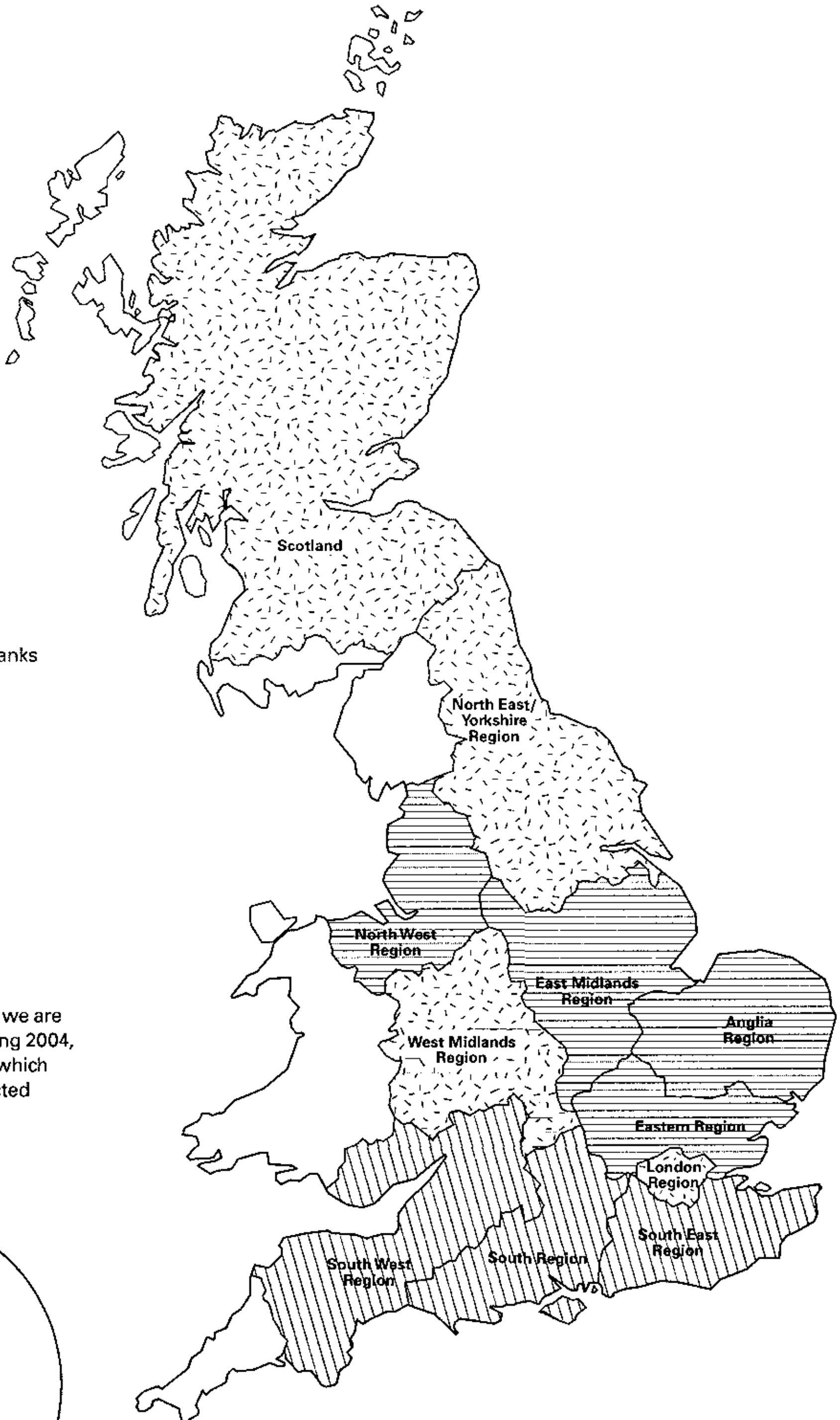
Strength in depth

High presence Taylor Woodrow regions
London, Yorkshire and North East, Scotland, West Midlands

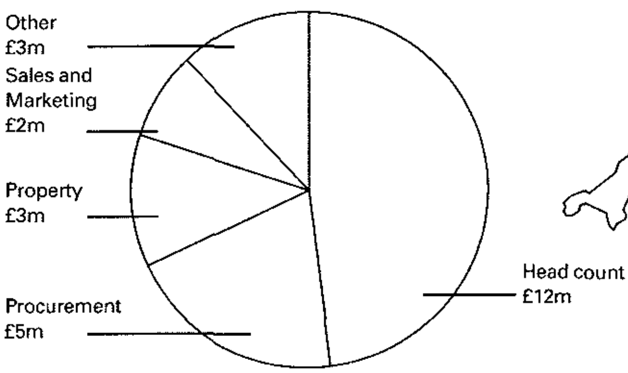
High presence former Wilson Connolly regions
East Midlands, Eastern, North West, Anglia

High presence with the combined businesses
South, South East, South West

Presence is defined as a combination of land banks and completions.



By combining the two UK housing businesses, we are beginning to extract significant synergies. During 2004, we expect to realise £12.5 million of synergies which should rise to £25 million by 2005. These projected synergies are split as follows:



Making a difference
by understanding our customers

We are committed to delivering excellent customer service and value. Our goal is to exceed customer expectations by enhancing quality and adopting a 'right first time' approach. By developing a closer relationship with our customers we are better equipped to deliver added value and improve our range of products and services.

We research our customers' needs before we start building to ensure that our product design is targeted to meet their lifestyles. We have ensured that we have a robust mechanism for measuring customer satisfaction across our business.

Throughout the home buying process we monitor our customers' feedback, which allows us to understand how to do things better.

In the UK, we use the Customer Satisfaction Index (CSI) for Bryant Homes, which covers 10 areas of the customers' experience and is measured at varying stages of the buying process. Monthly reports identifying trends are collated centrally and communicated to regional staff.

In North America, we frequently conduct focus groups to ensure our product designs are suitably targeted.

In Spain, we have started to introduce CSI and will be rolling it out across the business in 2004.

10

KEY AREAS OF THE CUSTOMERS' EXPERIENCE ARE MEASURED BY A CUSTOMER SATISFACTION INDEX IN OUR UK HOUSING BUSINESS

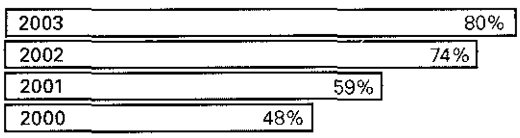
Making a difference to the way we innovate

1.

2.

3.

Since its launch in 2000, Bryant Design has seen significant growth. By 2003, customers across 80 per cent of our plots, where Bryant Design was offered, had taken up the service.



We continue to explore new and innovative ways to inspire our customers. By using the latest technology and materials we are able to develop new building techniques and products and apply these to the market place.

Equally, our supply chain relationships enable contractor, designer and supplier to work together, sharing input into design and building of the living and working environments our customers demand.

1,2. Modular housing research at the Leighton Buzzard innovation centre
3 Space saving interior from the Bryant Design bathroom range
4. The Bryant Design studio – Warwick, UK
5,6. The latest in home technology from Bryant Design

5.

4.

6.

During 2003 we strengthened our research and development procedures in order to improve the design, construction processes and quality of our housing.

Bryant Design offers our customers in the UK interior design and practical options for the home with buyers spending an average of £2,800. New additions include garden design packages and state of the art home networks including babycams, TV and audio systems.

A new Bryant Design service known as 'Your Choice' will be launched later in 2004 which will allow customers the opportunity to continue to buy from our design portfolio post purchase.

Flexible living arrangements have been launched in the UK and a pioneering scheme named 'Your Space' is available at the Victoria Park development, Lichfield. It allows buyers to select the floor plan and room configuration of their new home from 18 different options.

A new concept in off-site residential manufacture has been tested at our innovation centre in the UK and will shortly be trialed at a housing development in Manchester.

This approach could deliver a more efficient and reliable form of construction that will also improve the interior layout of kitchens and bathrooms using modular frames engineered to maximise space and reduce snagging.

In North America, we have established best practice groups in strategic areas, which enable team members from all regions to share ideas. Areas that have benefited from this programme include: purchasing, customer service, sales and marketing, health and safety and human resources.

The North America team is implementing a new integrated computer system across its business, that includes financial and cost accounting, purchasing, construction scheduling, warranty and sales prospect components, that employs automated workflow techniques. Benefits include lower overhead costs, improved cycle times and increased customer satisfaction.

We are also looking at opportunities to add value to our customer relationship. For example, after a successful trial in Arizona, we are now extending our mortgage broking business, Taylor Woodrow Mortgage, to all regions in the United States. This gives us better control of the sales closing process and is expected to create additional revenues.

Making a difference by planning for the future

Imaginative community planning is a pre-requisite of large scale housing development. Our in-house expertise puts us in a great position to deliver a diverse portfolio. Our integrated approach: combining skills in construction, engineering, residential and commercial property enables us to offer solutions for brownfield and complex mixed-use developments.

1.

2.

1, 2. Glasgow Harbour
Part of a £500 million consortium scheme with Cala and Park Lane to regenerate the banks of the River Clyde in the heart of the City. The project will transform a 94 acre derelict site into a thriving location for business and residential use. Our first two releases, each of 50 apartments, both sold out within a day.

We are helping to create mixed and inclusive developments, including the provision of affordable housing where required. We are proud to have built a reputation for both quality and innovation in the provision and delivery of affordable homes and we have a range of bespoke social house types that meet 'The Housing Corporations Scheme Development Standards', as required by government.

Through our Strategic Partnering relationships with major housing associations in the UK we have delivered new homes for key workers: for example, through the Starter Home Initiative at Wallington in Sutton. We have also delivered 40 key worker homes at our Bryant Homes development in Cambourne, Cambridgeshire.

Working with the Sutherland Housing Association, we have delivered 30 new one-bedroom Bryant Homes apartments for key workers at our Grand Union Village (GUV) development in West London.

A 54 acre brownfield regeneration scheme, GUV will provide a total of 700 apartments and houses together with offices, retail and leisure outlets set alongside the Grand Union Canal.

We are the first private housebuilder to pilot working directly with a local authority in this initiative offering 36 homes for teachers at our Bryant Homes development at Bishop's Mead in Chelmer, Cambridgeshire. Six Bryant Homes apartments are also being offered as part of a similar initiative to key workers at New Road, Solihull, West Midlands.

In North America, we are unusual in having considerable expertise in land development, which gives us more control over our supply of land and over the quality of the communities that we develop. We define quality in terms of the environment and lifestyle, as well as construction quality. For example, at Waterchase, in Tampa, we felt that preserving a natural landscape was important to the quality of life in the community. We invested over $500,000 to preserve more than 225 oak trees, which were transplanted to an intensive-care nursery where they were treated and carefully monitored for a 14-month period before being replanted throughout the community. In 2003, these efforts were recognised through the award of a National Arbor Day Foundation Award of Excellence.

AT OUR FORMER CONSTRUCTION HEADQUARTERS IN SOUTHALL, WEST LONDON, WE ARE BUILDING OVER 700 HOMES TOGETHER WITH OFFICES, RETAIL AND LEISURE OUTLETS.
35% OF HOMES BUILT WILL BE AFFORDABLE HOUSING.

Making a difference by successfully working overseas

1.

2.

1,2. Tierra Rosa, in Phoenix, Arizona offers spacious family homes within a master planned community.
3. La Perla, Mallorca

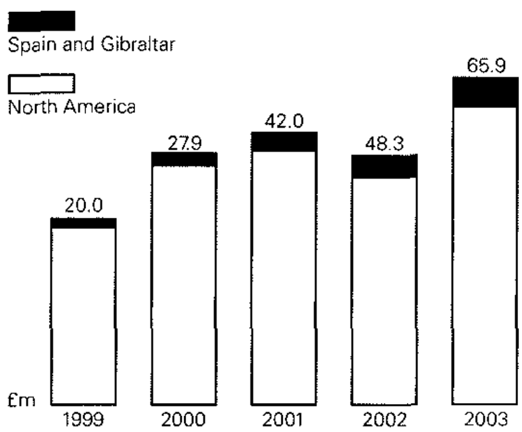
Our capability in housing and development stretches beyond the UK, and we have successfully operated in selected markets in North America and Spain for more than 50 years. With core operations in community and mixed-use developments, mid range housing and high-rise residences, our overseas housing business is healthy and has shown significant growth over the last year.

MANY OF OUR BUYERS OVERSEAS ARE NOW SECOND HOME PURCHASERS. IN 2003 UPTO 80% OF SALES IN FLORIDA, SPAIN AND GIBRALTAR WERE FROM BUYERS LOOKING FOR RETIREMENT OR HOLIDAY HOMES IN THE SUN.

3.

Our North America operations now encompass more than 60 active developments throughout Arizona, Florida, Texas, California and through our Monarch housing brand in Ontario, Canada. We're proud that the Taylor Woodrow name is seen by many to be synonymous with quality, style and craftsmanship.

Housing turnover in North America, Spain and Gibraltar



Our overseas housing business is healthy and in 2003 we saw significant growth in the North American and Spanish markets.

In 2003 we were recognised for design excellence at the 20th annual Ottawa-Carleton Home Builders Association Housing Design Awards. Our Monarch Stonebridge development won 'Community of the Year' for its mixture of housing designs developed alongside a prestigious golf and country club with 180 acres of rolling parkland and nature trails. At Kanata, the Monarch Country Club Estates also scooped 'Adult Lifestyle Community of the Year'.

The Tierra Rosa community in Phoenix, Arizona proved popular with those seeking innovative and spacious family homes in the sun.

In Spain, our 240 acre master planned golf community, Los Arqueros, opened in 1997 and is attracting a significant amount of customers from the UK. Current phases are now selling two, three and four bed apartments, townhouses, penthouses, villas and villa plots.

Making a difference to the communities where we work

We understand that through our activity we impact directly on other aspects of society and we have a committed and proactive Corporate Social Responsibility (CSR) agenda across our business. From use of environmentally friendly materials, the provision of local amenities and transport, to setting up Community Development Trusts, we aim to create sustainable communities, which are integrated with surrounding areas and which are economically viable.

1. Image by Terry Farrell and Partners

CHARITY – HUNDREDS OF SCHOOL CHILDREN TOOK PART IN A NATIONAL UK NATURE SURVEY AT BRYANT HOMES DEVELOPMENTS THROUGH TAYLOR WOODROW'S SUPPORT OF THE RSPB'S BIG GARDEN BIRDWATCH.

We have made changes to energy efficiency standards for the fabric of our homes together with the promotion of the use of renewable energies. We benchmark the environmental performance of our new housing. For example, all our residential phases at Greenwich Millennium Village (GMV) development have been awarded the highest Eco Homes BRE environmental assessment rating of 'Excellent'.

At our Grand Union Village (GUV) development householders will be able to purchase environmentally friendly, energy efficient appliances as design extras including 'intelligent' washing machines and dryers that sense the weight of the load and adjust the power accordingly.

A Community Development Trust established at GUV, supports local economic, social and environmental initiatives. Board members include representatives from councils, housing associations and community groups.

We participate in the Considerate Constructors Programme in order to minimise environmental impact on the lives of our neighbours. During 2003 waste reduction has been addressed and we have increased the amount of plasterboard being segregated for recycling by 170 per cent. Taylor Woodrow has been an active supporter of National Construction Week. We promoted careers in building to youngsters across the country through a programme of site visits, talks and demonstrations.

In North America, we have a strong record of environmental stewardship. One example is our close link to the Audubon society, a leading international conservation group. We give back to our communities both through corporate donations and through the individual efforts of our team members. Major areas of support this year have been homeless charities, environmental protection and children with long-term illnesses.

Also in North America, we launched a Health and Safety programme in spring 2003, which set standards in excess of national requirements and monitored progress through twice yearly independent audits. As a result, we have achieved exceptionally low accident levels and have reduced the cost of our Workers Compensation Insurance.

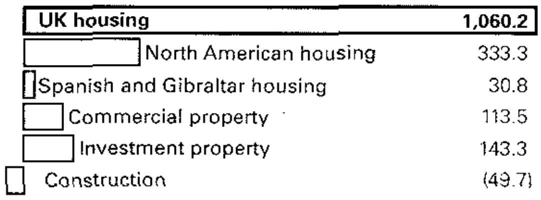
Operational and Financial Review

Highlights

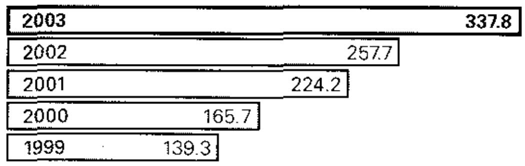
- Return on average capital up from 20.1% to 22.9% **
- Operating profit increases by 31% to £337.8 million
- Profit before tax up 30% to £304.0 million
- UK housing margin up from 15.0% to 16.5% **
- North American housing margin up from 12.7% to 13.3% *
- Adjusted earnings per share up 31% from 29.8p to 39.0p

* before goodwill amortisation ** before goodwill amortisation and exceptional items

Average total capital employed allocation, excluding goodwill (£m)



Group operating profit (£m)



Strategy and business objectives

With over 95% of operating profit coming from housebuilding Taylor Woodrow is a focused housebuilder. Our main markets are within the United Kingdom and selected markets in North America.

Taylor Woodrow is committed to growing its business, either by acquisition or organically, aiming to increase shareholder returns.

Our housebuilding operations are supported by in-house commercial property and construction skills, which we believe give us a competitive advantage in the increasingly complex housing environment in the UK.

Taylor Woodrow continued to deliver strong profit growth during 2003 with operating profit increasing by 31 per cent to £337.8 million. Pre tax profit was 30 per cent higher at £304 million.

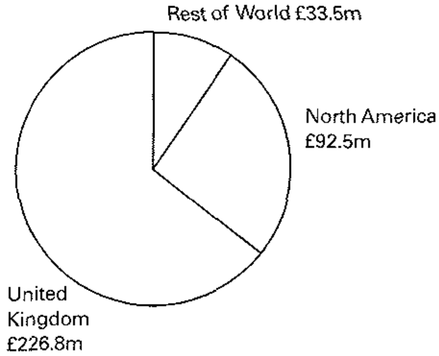
A £20 million exceptional item was charged against profits to cover the costs of integrating Wilson Connolly.

In 2003, cost savings of £21 million were achieved from the realignment of the UK operations announced in 2002. As we have previously announced, these savings are forecast to rise to £30 million in 2004.

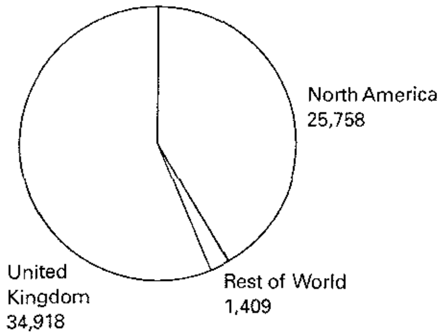
In addition to these cost savings, synergy benefits arising from the integration of Wilson Connolly into Taylor Woodrow, of £12.5 million are forecast for 2004. These savings are expected to rise to £25 million in 2005.

Return on average capital employed is calculated as operating profit pre goodwill and pre exceptional items divided by the average of opening and closing capital employed, which has been weighted to include 25 per cent (£141.2 million) of Wilson Connolly's average capital employed since acquisition. 2003 return on average capital employed increased to 22.9 per cent (2002: 20.1 per cent). The balance sheet remains strong with gearing at the year end of 43.9 per cent (2002 as restated: 18.7 per cent). Shareholders' funds increased by £300.2 million during 2003, to end the year at £1,693.5 million.

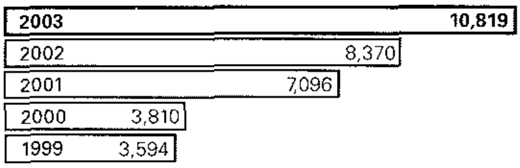
Operating profit before goodwill amortisation by geographical market (2002: £270.8 million)



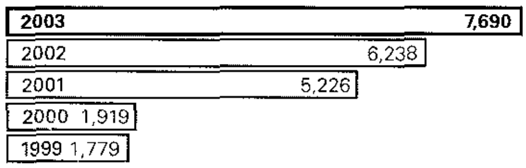
Land bank – plots owned/controlled with planning consent (2002: 42,380 plots)



Total housing completions



Total UK housing completions



Total housing

		2003	2002
Average Capital Employed*	£m	**1,424.3**	1,177.5
Operating Profit**	£m	**356.2**	255.4
Return on Average Capital Employed	%	**25.0**	21.7
Operating Margin**	%	**15.9**	14.6
Home completions		**10,819**	8,370

* before weighted average goodwill of £264.7 million (2002: £244.2 million)
** before goodwill amortisation of £15.0 million (2002: £13.1 million) and exceptional items of £20.0 million (2002: £10.4 million)

The housing businesses located in the United Kingdom, North America, Spain and Gibraltar all had a successful 2003. Worldwide housing completions rose 29 per cent to 10,819 (2002: 8,370) with operating profits, pre goodwill amortisation and exceptional items, increasing 39 per cent to £356.2 million, (2002: £255.4 million).

UK housing

		2003	2002
Average Capital Employed *	£m	**1,060.2**	844.2
Operating Profit **	£m	**244.7**	177.6
Return on Average Capital Employed	%	**23.1**	21.0
Operating Margin **	%	**16.5**	15.0
Home Completions		**7,690**	6,238

* before weighted average goodwill of £258.0 million (2002: £240.6 million)
** before goodwill amortisation of £14.5 million (2002: £12.9 million) and exceptional items of £20.0 million (2002: £10.4 million)

The UK housing business, which accounts for 66 per cent of Group operating profit, operated in more normal markets in 2003, following several years of exceptionally strong selling price growth. The 2003 results in the table above includes three months' contribution from Wilson Connolly.

UK housing, excluding Wilson Connolly, reported 6,090 home completions (2002: 6,238) and 720 lot completions (2002: 445). The average sales price increased to £184,000 (2002: £182,000).

UK housing, excluding Wilson Connolly, contributed £197.6 million to operating profit (2002: £177.6 million) and achieved an operating margin of 16.5 per cent (2002:15.0 per cent).

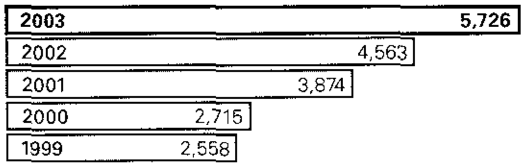
Since acquisition, Wilson Connolly contributed 1,600 home completions. The average sales price for homes in this period was £171,000. The business generated £47.1 million of operating profit at an operating margin of 16.3 per cent.

At the year end the UK housing land bank consisted of 34,918 owned or controlled plots with outline planning permission, representing some 3.3 years' supply. In addition to this there is a strategic land portfolio which should give rise to a further 90,000 potential plots.

During the year, the Group changed its accounting treatment for professional fees associated with land development; such costs, consistent with other

Operational and Financial Review continued

North American home and lot completions



development costs, are now included in stocks and, where related to land options, amortised over the life of the option. The effect of the change is to increase UK housing profit for the year ending 31 December 2003 by £5.4 million.

At the end of the year the UK housing business had a strong forward order book of £601 million – up 131 per cent on the previous year.

North America housing

		2003	2002
Average Capital Employed*	£m	**333.3**	306.7
Operating Profit**	£m	**91.2**	66.2
Return on Average Capital Employed	%	**27.4**	21.6
Operating Margin**	%	**13.3**	12.7
Home Completions		**2,786**	1,839

* before average goodwill of £6.7 million (2002: £3.6 million)
** before goodwill amortisation of £0.5 million (2002: £0.2 million)

Total home completions for the North American operations increased 51 per cent to 2,786. Underlying operating profit (before allowing for exchange differences) was up 45.3 per cent to £96.2 million. We successfully executed our strategy to increase housing volumes in all of our markets while repositioning our product mix toward the high opportunity segments of the middle market. While lot sales increased marginally to 2,940 (2002: 2,724), North America is strategically positioned to grow home completions.

Most of the increase in home completions resulted from a full year of operation in Arizona, 689 (2002: 211), and the turnaround of our California business, 497 (2002: 241). The average price in Arizona remained stable at £80,000, while average prices in California decreased 32 per cent to £479,000, in line with our repositioning into the mid-market. Average selling prices in California are anticipated to reduce by a further 20 per cent in 2004. Both of these regions exceeded expectations and are well positioned to achieve excellent results in 2004.

Operations in Florida enjoyed strong sales, in line with our expectations. In 2003 home completions increased to 384 (2002: 305) with an average selling price of £301,000 (2002: £378,000).

In Canada, operating under the Monarch brand, another year of robust performance was delivered. Home completions in 2003 were 1,157 (2002: 1,030) at an average selling price of £131,000 (2002: £112,000). The increase in average selling price resulted solely from the mix of high-rise completions, where average prices rose to £98,000 (2002: £58,000).

In Texas, the region expanded homebuilding operations in Houston with the acquisition of two additional sites. 2003 home completions were 59 (2002: 52) at an average selling price of £275,000 (2002: £287,000). Lot sales at the region's highly successful Steiner Ranch development were 246 (2002: 147).

The total North American owned and controlled land bank contains 25,758 lots (2002: 20,215) which reflects a 4.5 year supply. This provides us with sufficient inventory to meet our growth targets, while managing our capital efficiently.

Going into 2004, the total order book for North America was £444 million – up 35 per cent on the previous year.

Spain and Gibraltar housing

		2003	2002
Average Capital Employed	£m	**30.8**	27.3
Operating Profit	£m	**20.3**	11.6
Return on Average Capital Employed	%	**65.9**	42.5
Operating Margin	%	**30.8**	24.0
Home Completions		**343**	293

Housing operations in Spain and Gibraltar continue to perform well. Taylor Woodrow is principally active in Mallorca, Costa Blanca and the Costa Del Sol, and achieved an operating profit of £20.3 million (2002: £11.6 million) at a margin of 30.8 per cent. Return on average capital employed for these housing operations increased to 65.9 per cent (2002: 42.5 per cent).

Going into 2004 the order book for Spain and Gibraltar was £65 million - up from the £46 million at the same time last year. The land bank at the end of the year consisted of 1,409 units (2002: 1,508).

UK housing completions

Greenfield	**37% and 2,826 completions**
Brownfield	63% and 4,864 completions

Operational and Financial Review continued

Commercial property

		2003	2002
Average Capital Employed	£m	113.5	94.8
Operating (Loss)/Profit*	£m	(1.4)	4.6
Return on Average Capital Employed	%	(1.2)	4.9
Operating Margin*	%	(3.0)	5.3

* before exceptional items of £nil in 2003 (2002: £1.0 million)

As we had previously indicated, our commercial property business continues to be quiet in challenging markets. This is expected to continue. During the second half of 2003, provisions of £7.6 million were taken against carrying values of certain properties, causing a £1.4 million loss for the year to be recorded.

Investment property

		2003	2002
Average Capital Employed	£m	143.3	196.4
Operating Profit	£m	9.6	11.1
Return on Average Capital Employed	%	6.7	5.7
Operating Margin	%	55.2	43.9

Our investment property portfolio is a non core part of the business and we were pleased to announce the sale on 27 February 2004 of the investment and development properties at St Katharine's, London. Further information can be seen in note 34 to the Financial Statements.

Construction

		2003	2002
Profit Before Tax	£m	20.8	21.1

Key external areas for the business remain repeat work from blue chip customers, healthcare PFI and facilities management. However the fastest growing part of the business is supporting the house building and commercial property activities. In 2003, £125 million of internal work was completed – a significant increase from the £82 million reported in 2002. Profit before tax was £20.8 million (2002: £21.1 million). The construction order book, which includes internal work, stood at £785 million at the year end – up 17 per cent on the previous year.

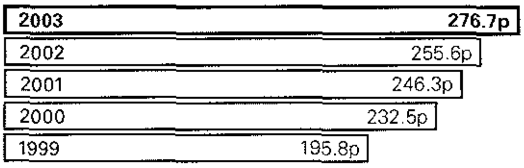
Shareholders' funds

Total shareholders' funds at the end of 2003 increased from £1,393.3 million to £1,693.5 million.

Retained profit for the year of £151.7 million and new share capital of £173.1 million for the part payment of the Wilson Connolly acquisition were partly offset by £24.6 million of other movements, of which £19.5 million represents the downwards revaluation of the investment property portfolio.

At the end of the year, £347.6 million of goodwill remained on the balance sheet. £121.9 million of goodwill was recorded on the balance sheet for the Wilson Connolly acquisition. This is being amortised over 20 years. The amortisation charge for the year was £15.0 million in total - £12.9 million relating to the Bryant Homes acquisition, £1.6 million relating to the Wilson Connolly acquisition and £0.5 million to the Journey Homes acquisition.

Growth in equity shareholders' funds per share (pence)



Shareholders' returns

Adjusted earnings per share increased by 31 per cent from 29.8 pence to 39.0 pence. The proposed final dividend of 6.5 pence produces a total for the year of 8.9 pence, an increase of 20 per cent over last year, and reflects the Board's confidence in Taylor Woodrow's continuing strong profit performance and cash generation. The dividend was covered 4.1 times by earnings. The share price at 31 December 2003 was 267 pence a 4 per cent discount to equity shareholders' funds per share. We remain committed to a progressive dividend policy through the business cycle.

Cash flow

Through 2003 cash decreased by £10.3 million compared with a £12.3 million increase in 2002.

Operating profits of £337.8 million resulted in net cash inflows from operating activities of £247.4 million (2002: £147.4 million). The difference of £90.4 million primarily reflects movements in working capital balances.

Increased land stocks of £113.9 million (excludes land assets acquired with Wilson Connolly), were partly funded by an increase of £72.6 million in land creditors. Debtors have increased by £56.0 million, of which £30.9 million relates to UK land sales.

An increase of £72.6 million in work in progress, primarily related to UK housing, has been offset by an increase in UK trade creditors.

Net interest payments have increased by 129 per cent from £20.7 million to £47.4 million reflecting the acquisition finance for Wilson Connolly and changed timings of interest payments.

Net cash flows from capital expenditure and financial investment in 2003 have reduced by £70.4 million from 2002, primarily due to disposals of investment properties in the prior year.

The Wilson Connolly acquisition resulted in a net cash outflow of £435.2 million, as detailed in note 31 to the financial statements.

The net cash inflow from financing of £313.9 million largely reflects acquisition financing for Wilson Connolly.

A reconciliation of net cash flow to movements in net debt is contained in note 30 to the financial statements.

Treasury Management and Funding

The Group operates within policies and procedures approved by the Board. A Group capitalisation policy was implemented in 2003. This establishes overall parameters for the consolidated capital structure together with guidelines in respect of interest and currency translation exposures. The Group seeks to match long term assets with long term funding and short term assets with short term funding. Strict controls are exercised on the use of financial instruments in managing the Group's financial risk. The objectives are to ensure sufficient liquidity is maintained to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not undertake speculative or trading activity in financial instruments or foreign currencies.

Long-term debt is required primarily for land. In addition to equity and retained profits, a mixture of bank and other debt is used to finance our housing and property operations. Where possible, temporary cash balances made available by our construction business are used to reduce our short-term borrowing facilities.

The Group maintains a balance between certainty and flexibility through the use of term borrowings, overdrafts and committed revolving credit facilities with a range of maturity dates. It is the Group's policy to maintain committed facilities with overlapping maturity dates in order to ensure continuity of funding.

Treasury functions are centralised in our main geographic locations. All treasury operations must remain in compliance with Group policy and are closely monitored by the Group treasury department.

Equity retained profits and long-term debt are primarily used to finance goodwill, fixed assets and land. Short-term borrowings are primarily required to finance net current assets other than land bank assets of more than one year and commercial developments and are therefore kept at a floating rate. The Group also uses derivatives to manage interest rate exposure if economically appropriate and associated with underlying borrowings.

A significant proportion of the Group's capital employed is in currencies other than sterling with the result that currency movements can affect the balance sheet.

Where appropriate, foreign currency translation exposure is reduced by financing overseas assets with borrowings of the same currency.

Net debt stood at £742.9 million (2002: £260.4 million) equivalent to net gearing of 43.9 per cent (2002 as restated: 18.7 per cent). Net interest cost for the year was £41.2 million (2002: £34.7 million).

Average net debt for the year was £584 million.

At the year end Taylor Woodrow had undrawn committed facilities totalling £518.1 million.

Taxation
The effective tax rate in 2003 of 33 per cent is above the standard UK corporation tax rate. This is attributable to the amortisation of goodwill and fair value adjustments and the blend of ordinary trading profits from countries with tax rates higher than the UK.

Pensions
The pension charge for the year was £12.7 million (2002: £8.0 million). This charge was related to the most recent valuations of the pension schemes. FRS 17 – Retirement Benefits – replaces SSAP 24 – Accounting for Pension Costs – and will change existing accounting and disclosure requirements for defined benefit pension schemes. Although transitional rules apply, when fully implemented the principal changes will be the inclusion of pension scheme surpluses or deficits on the balance sheet, analysis of components of the pension charge between operating profit and net interest and the reporting of actuarial gains and losses in the statement of total recognised gains and losses. Disclosures required by FRS 17 can be found in note 32 to the Financial Statements.

The deficits reported under FRS 17 reflect the different bases of valuing assets and liabilities compared with SSAP 24 and include the immediate impact of the fair value of assets at 31 December 2003. FRS 17 does not have any impact on the basis of funding those schemes.

Corporate Social Responsibility

The development and construction industry has a direct impact on society, the natural and built environment and upon the many stakeholders with whom it interacts.

In Taylor Woodrow we are committed to making a positive contribution to society within an overall business context.

We acknowledge the growing recognition that environmental and social issues play in the continued success of the business and we have responded by continuing to develop our strategy in respect of Corporate Social Responsibility (CSR).

The importance the Board of Taylor Woodrow places on Corporate Responsibility is emphasised through our improvement group process, supervised by members of the executive team and the Chief Executive. Reports on Corporate Responsibility are also reviewed at each meeting of the Main Board and the Executive Committee. During the year we have relaunched our continual improvement process to include a broader range of Corporate Responsibility issues. This process covers all levels of the organisation worldwide.

We have a comprehensive suite of policies in place incorporating: Corporate Social Responsibility (and Sustainability), Health and Safety, Environment, Biodiversity, Community, Human Rights, Ethics and a number of other policies in the areas of human resources and supply chain. Some of these policies have been established for some time and systems are in place to deliver in these areas. Other policies are relatively new and we are in the process of developing systems to support their implementation.

Risk and opportunity management is one of the key processes that supports our Corporate Responsibility agenda. We have a number of systems in place at different levels of the organisation. At senior management level, Corporate Responsibility risks are assessed at Board meetings and at the meetings of the CSR improvement groups. The level one improvement group is chaired by the Chief Executive. At project level, Corporate Responsibility risks are assessed at inception and on an ongoing basis during the course of projects. Management plans are put in place at project level to manage key risks such as health and safety and environmental issues.

Objective and target setting is crucial to encourage improvement. In the last year our primary objective has continued to be improvement in the management of health and safety and later in this report we illustrate our progress in this area. We have also targeted an environmental objective relating to improvement in waste management in which we are able to demonstrate progress.

In engaging with stakeholders, we have continued to participate in a number of benchmarking analyses with mainstream organisations such as Business in the Community and the Dow Jones Sustainability Index. During the year we entered into dialogue with some major institutional investors, which had sought direct engagement with the company in order to assess our CSR credentials against their own socially responsible investment (SRI) priorities. In June 2003 we published our first ever CSR report, which gave a detailed account of Taylor Woodrow's CSR activities during 2002. This was made available via our website. We will also be publishing a separate 2003 CSR report.

IN JUNE 2003 WE PUBLISHED OUR FIRST EVER CSR REPORT, WHICH GAVE A DETAILED ACCOUNT OF TAYLOR WOODROW'S CSR ACTIVITIES DURING 2002.

WE ARE ALREADY ONE OF THE LEADING HOUSEBUILDERS IN THE IMPLEMENTATION OF THE ENVIRONMENTAL ASSESSMENT METHOD, ECO-HOMES. DURING THE YEAR WE HAVE COMPLETED 199 UNITS AT GREENWICH MILLENNIUM VILLAGE WHICH HAVE BEEN CERTIFICATED TO THE HIGHEST ECO HOMES STANDARD OF 'EXCELLENT'.

The key Corporate Responsibility issues for Taylor Woodrow are:

Sustainability
The sustainability of new developments is a matter of growing relevance to our sector and it holds increasing importance to Taylor Woodrow. The UK Government, in particular, is promoting sustainability and we recognise the increasing interest in this area from some of our investors. We are not yet experiencing a similar growth of such issues from our residential customers, however, we are following this developing agenda very closely and are taking steps to ensure that we maintain a positive and practical position.

We are already one of the leading housebuilders in the implementation of the environmental assessment method, Eco Homes. During the year we have completed 199 units at Greenwich Millennium Village which have been certificated to the highest Eco Homes standard of 'Excellent'. We have a development under construction in Manchester where we are also targeting the same standard. A number of other schemes are either about to commence or are in the planning stage which also draw upon Eco Homes as a benchmark for environmental quality.

We have many examples of good sustainability practice within Taylor Woodrow. Our homes are designed to achieve high Standard Assessment Procedures (SAP) ratings for thermal efficiency. We install energy efficient appliances in our homes. We have employed new technologies such as photovoltaic panels and solar heating and we have applied sustainable urban drainage systems (SUDS) on some sites.

In 2003 we were winners of the North West Creative Land Development Award for our Macintosh Village development in Manchester.

Health and Safety
We drive improvement in health and safety through developing a culture of zero tolerance to poor practice and encouraging good practice through training, sharing of knowledge, active monitoring of performance and incentivisation, particularly of senior managers and site managers.

Our active monitoring process is second to none in the industry. In the UK we employ a team of specialist health and safety advisors who regularly visit our project sites to provide support and to monitor performance. The project sites are scored on their health and safety management and site-specific safety performance and positive steps taken by project sites are rewarded. Part of the variable reward of the Executive Committee members and other senior managers is dependent on the achievement of improved health and safety standards within the overall business.

Our achievements in health and safety management have continued to be recognised by the Movement for Innovation (M4i) in selecting Taylor Woodrow as a demonstration organisation for health and safety. We are also working with the Royal Society for the Prevention of Accidents (RoSPA) as a founder member under their 'Partners in Progress' initiative.

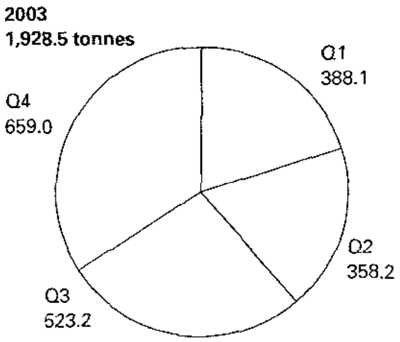
Despite the positive progress achieved, we have been acutely reminded of the risks involved in house building following a tragic incident on one of our project sites during 2003 which resulted in a fatality.

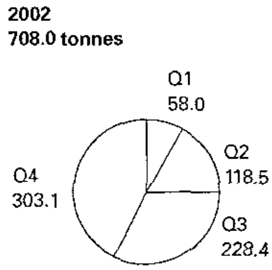
Environmental management
There are a number of potential environmental impacts that arise as a direct consequence of our activities. Particular areas of importance are the risk of environmental pollution during construction and construction waste. Our record in respect of environmental pollution is very good. During the year we have reinforced the management of these issues on our projects by rolling out project environmental management plans across our project sites in the UK. Implementation of a waste management strategy has been a key objective for our housing sites in 2003.

These new practices are leading to a reduction in our waste disposal costs and an increase in materials recycling. We believe we are a leader in our sector in recycling with an increasing proportion of our plasterboard waste being segregated and returned for recycling.

Corporate Social Responsibility continued

Plasterboard segregation for recycling
UK residential





The construction business is certificated to the environmental management standard ISO14001 and the golf course at our Los Arqueros development in Spain has also recently been awarded certification to this standard.

Our construction business received awards for environmental performance during 2003, a number of which relate to Newburn Riverside, a remediation project in Newcastle-upon-Tyne carried out on behalf of One North East.

Community involvement
We are involved with communities at many different levels. In carrying out our developments, we enter into agreements with planning authorities to provide infrastructure and community facilities, which provide significant benefits to local communities. Our development at Grand Union Village in West London and our proposed development in Swindon are cited as exemplars of the way in which community consultation should be conducted on large schemes.

Many of Taylor Woodrow's new developments are adjacent to existing communities. We strive to minimise any disruption to our neighbours that our activities may cause and we regularly use public meetings and newsletters to keep interested parties up to date on what we are doing.

We have a programme of corporate giving which in the past year has contributed to a wide range of charities at home and overseas. We also involve ourselves in many local initiatives through the efforts of our employees and through sponsorship by our regional teams.

Employees

Teamwork
We strive to be an attractive company for talented and motivated people in which high levels of personal and company performance will be recognised and rewarded. Our reward strategy considers all aspects of salary, incentives and benefits as a total package with the intention of providing competitive levels of renumeration and enhanced earning opportunities in recognition of business success.

We believe in determining remuneration levels from appropriate 'pay market' information with an emphasis upon fairly rewarding high levels of personal performance. We aim to create efficient working arrangements, personal development opportunities and promote a challenging and fulfiling working life.

Consultation teams made up of staff from all businesses, nominated by their colleagues, meet on a quarterly basis to discuss recent and future business developments within the company. This process is designed to encourage our people to contribute to decisions affecting the company, their teams and themselves.

We value diversity. Equality of opportunity is an integral principle of the company. Each employee has an obligation to colleagues, customers and business partners to ensure a safe and fair working environment in which individuals can seek, obtain and continue employment without experiencing discrimination on grounds of gender, age, marital status, ethnic background, disability or religious belief.

Communications
Our staff worldwide receive regular communication to ensure they are fully up to speed with developments in Taylor Woodrow. Members of our top management team also regularly visit our offices to hold informal 'skip level' meetings where staff are invited to exchange views on any topic of their choice.

Future plans
In the coming year we will further develop our strategy on sustainability and we will set and implement a wider range of objectives and targets based around our key Corporate Responsibility issues.

IN THE COMING YEAR WE WILL FURTHER DEVELOP OUR STRATEGY ON SUSTAINABILITY AND WE WILL *SET AND IMPLEMENT A WIDER* RANGE OF OBJECTIVES AND TARGETS BASED AROUND OUR KEY CORPORATE RESPONSIBILITY ISSUES.

Board of Directors

Norman Askew
BA
Chairman
Non-Executive Director.
Appointed a Director and Chairman on 29 July 2003. Attended 4 Board meetings in 2003. He chairs the nomination committee and is a member of the remuneration committee. His current appointments include the Chairmanship of Kidde plc and Derby Cityscape. He was Chief Executive of British Nuclear Fuels plc from 2000 to 2003.
Age: 61

Iain Napier
ACMA
Chief Executive
Appointed a Director in 2002. Attended 13 Board meetings in 2003. He chairs the executive committee and is a member of the nomination committee. He is also a Non-Executive Director of Imperial Tobacco Group plc. Formerly Chief Executive of Bass Brewers, a Director of Bass plc and a member of the Executive Management Committee of Interbrew SA.
Age: 54

Peter Johnson
BA, ACA
Finance Director
Appointed a Director in 2002. Attended 13 Board meetings in 2003. He is a member of the executive committee. He has a background in financial services and property investment in the UK and North America. He was formerly Group Finance Director of Henderson plc and of Norwich Union Life and was Chief Financial Officer of Pearl Assurance.
Age: 49

Lady Robin Innes Ker
MA, DPhil
Non-Executive Director
Appointed a Director in 2001. Attended 12 Board meetings in 2003. Lady Innes Ker was appointed Chairman of the remuneration committee on 29 January 2004. She is a member of the nomination committee. Previously a Non-Executive Director of Bryant Group plc, her other directorships include Fibernet Group plc, The Television Corporation plc and Williams Lea plc.
Age: 43

Andrew Dougal
BAcc, CA
Non-Executive Director
Appointed a Director in 2002. Attended 12 Board meetings in 2003. A Chartered Accountant, he is Chairman of the audit committee and a member of the nomination committee. He spent sixteen years with Hanson, including a number of years with ARC, its building materials subsidiary. He was Finance Director of Hanson plc from 1995 to 1997 and its Chief Executive from 1997 to 2002. He is a non-executive director of BPB plc.
Age: 52

Denis Mac Daid
Eur Ing, BSc, CEng, FICE, FIEI, FRSA
Executive Director
Appointed a Director in 2001. Attended 12 Board meetings in 2003. He is a member of the executive committee and Operations Director (South) of Taylor Woodrow Developments Ltd. He was previously Chief Executive of Bryant Homes Ltd and before that Managing Director of Taylor Woodrow Construction Ltd. He has wide experience of the industry, gained during a 38 year career with Taylor Woodrow.
Age: 59

Graeme McCallum
BSc, FCA
Executive Director
Appointed a Director on 6 October 2003. Attended 1 Board meeting in 2003. He is a member of the executive committee and Operations Director (South Eastern) of Taylor Woodrow Developments Ltd. He was previously Chief Executive of Wilson Connolly Holdings Plc. He is also a non-executive director of National House Building Council. He has had over 25 years' experience in the housebuilding industry.
Age: 57

Sir George Russell
CBE
Non-Executive Director
Appointed a Director in 1992. Attended 12 Board meetings in 2003. He is the Senior Independent Director and is a member of the nomination, audit and remuneration committees. He retires from the Board on 19 April 2004. He is Deputy Chairman of ITV plc and Granada plc and a director of Northern Rock plc. He was previously Chairman of 3i Group plc and Camelot Group plc.
Age: 68

Michael Davies
BSC
Non-Executive Director
Appointed a Director on 13 October 2003. Attended 1 Board meeting in 2003. He will become the Senior Independent Director on 19 April 2004 and is a member of the audit, remuneration and nomination committees. He is Chairman of Baxi Group Ltd and was formerly a director of Williams Holdings plc and also held senior positions with British Aluminium and then British Alcan Aluminium.
Age: 57

Vernon Sankey
MA, FRSA
Non-Executive Director
Appointed a Director on 1 January 2004 and is a member of nomination, audit and remuneration committees. He is also a non-executive director of Pearson plc and of Zurich Financial Services AG (Swiss). He is Deputy Chairman of Photo-Me International plc and Beltpacker plc, a Supervisory Board Member of Cofra AG (Swiss) and Chairman of The Really Effective Development Company Ltd.
Age: 54

Report of the Directors
to the members for the year ended 31 December 2003

Review of activities and future developments
A detailed review of the company's activities, the development of its businesses, and an indication of likely future developments, are contained in the Chief Executive's Review, 'Making a difference' and the Operational and Financial Review on pages 6 to 27.

Results and dividends
The Group's profit for the financial year before taxation on ordinary activities was £304.0 million. The profit after taxation and minority interests was £202.1 million.

The company paid an interim dividend of 2.4 pence per share in respect of the year 2003 on 3 November 2003 (2002: 2.2 pence). The directors have recommended a final dividend for 2003 of 6.5 pence per share (2002: 5.2 pence) which, subject to confirmation at the Annual General Meeting, will be paid on Thursday 1 July 2004 to shareholders on the register on the record date of 28 May 2004. The company operates a Dividend Re-investment Plan, details of which are set out in full in the Annual General Meeting circular.

Directors
The directors of the company at the date of this report are shown on pages 34 to 35. Dr Robert Hawley retired as Chairman on 29 May 2003. On the same day, Norman Broadhurst was appointed as Acting Chairman, and held this office until Norman Askew's appointment as non-executive director and Chairman on 29 July 2003.

Graeme McCallum was appointed as an operations director on 6 October 2003 and Michael Davies as non-executive director on 13 October 2003.

Norman Broadhurst stepped down from the Board on 30 November 2003. Vernon Sankey was appointed as non-executive director on 1 January 2004.

Retirement and re-election of directors
Norman Askew, Michael Davies, Graeme McCallum and Vernon Sankey, being newly-appointed to the Board, will retire from office at the Annual General Meeting. Lady Robin Innes Ker and Denis Mac Daid will retire by rotation. All these directors, being eligible, offer themselves for re-election in accordance with the company's articles of association.

Auditors
Deloitte & Touche LLP have confirmed their willingness to continue in office as auditors of the company and a resolution to re-appoint them will be proposed at the Annual General Meeting.

On 1 August 2003 Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

Deloitte & Touche LLP also provide non-audit services to the Group within a policy framework which is described on page 38 – Corporate Governance.

Annual General Meeting
The Annual General Meeting will be held at 11.30am on Tuesday 20 April 2004 at The Renaissance Hotel, Warwick Road, Solihull, West Midlands, B91 1AT. Formal notice and details of the meeting are set out in the Annual General Meeting circular.

Registrar
The registrar is Capita Registrars whose details are set out in Shareholder Information on page 78.

Share capital
Details of the share capital are shown in note 23 to the Financial Statements. The following persons have notified the company of their interests in the ordinary share capital under section 198 Companies Act 1985:

Name	Number of equity shares held (millions)	Percentage of issued equity share capital
Beneficial interests		
AXA SA	23.26	3.98
Legal and General Investment Management Limited	21.97	3.97
Britannic Asset Management Limited	16.95	3.06
Non-beneficial interest		
AXA SA	59.18	10.12

At 2 March 2004 no change in these holdings had been notified nor, according to the register of members, did any other shareholder at that date have a disclosable holding of the issued capital.

Corporate Social Responsibility
Taylor Woodrow places great emphasis on its role as a good corporate citizen. A summary statement of the company's policies and practices on Corporate Social Responsibility appears on pages 28 to 33. The Corporate Social Responsibility Report 2002 is available on our website at www.taylorwoodrow.com/downloadables/CSR_Report.pdf

Research and development
The company is committed to investing in research and development projects where there are clearly defined business benefits. Further details are contained on pages 14 and 15.

Report of the Directors continued

Charitable donations
During the year Group companies donated £189,000 (2002: £234,000) to various charities, £98,000 (2002: £131,000) in the UK and Europe and £91,000 (2002: £103,000) in North America. An outline of the Group's programme of charitable giving appears on pages 28 to 33 – Corporate Social Responsibility.

Political donations
The company did not make any donations to political parties during 2003 (2002: £nil). Subscriptions totalling £170,000 (2002: £145,000) were paid to the House Builders' Federation, the Major House Builders Group and the Scottish House Builders' Federation, which are active in supporting the interests of the housebuilding sector. Some may consider that these payments may fall within the meaning of 'EU Political Expenditure' as defined by Part XA of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000). At the 2002 Annual General Meeting, shareholders consented to such donations.

Policy on payment of suppliers
Because of the nature of the Group's operations there is no single Group standard in respect of payment terms to suppliers. Generally, subsidiaries are responsible for establishing payment terms with suppliers when entering into each transaction or series of linked transactions. In the absence of dispute, valid payment requests are met as expeditiously as possible within such terms. This policy continues to apply in 2004. Trade creditor days for the Group for the year ended 31 December 2003 were 46 days, based on the ratio of year end Group trade creditors (excluding subcontract retentions and unagreed claims of £11.3 million (2002: £12.6 million) and land creditors – note 18 to the Financial Statements) to amounts invoiced during the year by trade creditors. The company had no trade creditors at 31 December 2003.

Corporate governance
Detailed statements of the company's corporate governance principles and the Group's systems of internal control are set out on pages 38 to 40 – Corporate Governance.

The members of the principal Board committees and members' attendances during 2003 are shown below. The committees have clearly-defined terms of reference, which will be published during 2004. These outline the committees' objectives and responsibilities and are reviewed annually.

The Audit Committee
The committee consists of the following, all of whom are independent non-executive directors:
The committee met 4 times during 2003.
Andrew Dougal BAcc, CA (committee chairman) 4
Sir George Russell 4
Michael Davies – appointed 29 January 2004
Vernon Sankey – appointed 29 January 2004

Lady Robin Innes Ker ceased to be a member of the committee on 29 January 2004. She attended 4 meetings during 2003.

In accordance with the 'Smith Guidance' the Board has determined that Mr Dougal, the committee chairman, who has a qualification from one of the professional accounting bodies, has recent and relevant financial experience.

Remuneration Committee
The committee consists of the following, all of whom are independent non-executive directors:
The committee met 5 times during 2003.
Lady Robin Innes Ker (committee chairman from 29 January 2004) 5
Sir George Russell 5
Norman Askew – appointed 29 January 2004
Michael Davies – appointed 29 January 2004
Vernon Sankey – appointed 29 January 2004

Andrew Dougal ceased to be a member of the committee on 29 January 2004. He attended 5 meetings during 2003.

The Nomination Committee
The committee consists of the following, the majority of whom are independent non-executive directors:
The committee met twice during 2003.
Norman Askew (committee chairman) – appointed 29 January 2004
Iain Napier 2
Sir George Russell 2
Lady Robin Innes Ker 1
Andrew Dougal 2
Michael Davies – appointed 29 January 2004
Vernon Sankey – appointed 29 January 2004

Important events since the year end
On 27 February 2004, Taylor Woodrow contracted to sell its investment and development properties at St Katharine by the Tower, London for £283.3 million. Further details are in note 34 to the Financial Statements.

This report of the directors was approved by the Board of directors on 2 March 2004.

Richard I Morbey
Secretary
2 March 2004

Corporate Governance

The Financial Services Authority Combined Code
Taylor Woodrow plc is committed to the principles of good corporate governance and maintains good corporate governance procedures, recognising the part they can play in contributing to enhanced benefits for shareholders.

Throughout the accounting period to 31 December 2003, the company has been in compliance with the provisions set out in Section 1 of the Financial Services Authority Combined Code on Corporate Governance as issued in June 1998.

The Board
The Board consists of ten directors whose names and details appear on pages 34 and 35 of this Report and Accounts. Four of the directors are executive and six are non-executive.

The appointment of directors follows a process in which the whole Board is involved. The appointment of non-executive directors is for a specified term and re-appointment is not automatic. In the three years up to and including the 2004 Annual General Meeting, each director will have submitted himself for re-election at least once.

Norman Askew was appointed as Chairman on 29 July 2003. Iain Napier is the Chief Executive. There is a clearly established division of responsibilities between the Chairman and Chief Executive, set out in writing and agreed by the Board.

Sir George Russell continues as the Senior Independent Director until his retirement on 19 April 2004, when he will be succeeded by Michael Davies. The Board has reviewed and affirmed the independent status of all of the non-executive directors, including the Chairman.

The Board met 13 times during 2003 and members' attendances are indicated against their names on pages 34 and 35. It has adopted formal schedules of matters which are specifically reserved to it for decision and which it will publish during 2004. The Board has also approved a framework of delegated commercial and operational authorities which define the scope of the Chief Executive's powers and those of subsidiary management.

All directors have access to the advice and services of the company secretary and the Board has established a procedure whereby directors may take independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors.

There are procedures for directors (including non-executive directors) to receive induction, training and continuing familiarisation about all aspects of the company's businesses, and the discharge of their duties as directors.

Board performance evaluation
In January 2004 the directors evaluated the performance of the Board and its committees during 2003. The evaluation was performed using a self-assessment framework and included strategic, operational and organisational matters. The output of the assessment will be included in the setting of objectives and procedures for 2004.

Board committees
The Board has the following committees, whose members and attendances are listed in the Report of the Directors on page 37.

1. The Audit Committee
In addition to the members listed on page 37, the Chairman, the Chief Executive, Finance Director, head of Group business process review & audit department, representatives of the external auditors and senior executives of major Group companies also attend meetings of the committee by invitation.

The committee reviews the internal control framework, the business' registers of financial and non-financial risk, the internal audit process, the financial reporting practices and the external audit process.

In monitoring the financial reporting practices the committee reviews accounting policies, areas of judgement, the going concern assumption, compliance with accounting standards and the requirements of the Financial Services Authority. The committee reviews, prior to publication, the interim and annual financial statements and other major statements affecting the Group concerning price-sensitive information.

The committee has approved a policy on employing the auditors for non-audit services, which is to require a competitive tender except in narrowly-defined circumstances where the company considers that for confidentiality, past knowledge or other reasons, there is an advantage in using a single tender procurement procedure.
The following assignments are not to be undertaken by the auditors:
- the provision of internal audit services;
- advice on large IT systems; and
- advice on tax structuring and fiscal vehicles, unless approved by the chairman of the committee.

2. The Remuneration Committee
Full details of the Remuneration Committee and the company's policies and procedures on remuneration are set out in the Directors' Remuneration Report on pages 41 to 48.

3. The Nomination Committee
The committee makes recommendations to the Board on the size and structure of the Board, the appointment, continuation in office and re-election of

directors. It reviews succession planning for executive and non-executive directors and the leadership needs of the organisation, with a view to ensuring the continued ability of the business to compete effectively in the marketplace.

The committee recommends appointments to the Board committees.

During 2003 the committee used the services of professional search consultants to identify potential candidates for appointment to the Board.

4. The Executive Committee
Consists of all the executive directors of the company and senior executives of major Group companies. The Chief Executive chairs its meetings.

The committee reviews the financial and operational performance of all Group companies and divisions, and key issues relating to human resources, communications and legal matters.

A risk sub-committee has been established to promote risk management and internal controls across the Group.

Within the delegated authorities framework, the investment sub-committee reviews all major investment proposals affecting the Group's business.

Other Group committees

The Group has also established committees to co-ordinate initiatives in the areas of Corporate Social Responsibility, embracing health, safety and environmental matters.

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying and managing the Group's significant risks. This process is regularly reviewed by the Board and accords with the internal control guidance for directors in the Combined Code. The Board confirms that this process was in place throughout the year under review and up to the date of its approval of the Report and Accounts.

A Group-level review is carried out by the members of the executive committee to identify the major risks facing the Group and to develop and implement appropriate initiatives to manage those risks. This process applies across the Group. During the business planning process, risk reviews are carried out in each of the operating divisions to identify business risk, evaluate existing controls and develop strategies to manage the risks that remain. These reviews are updated throughout the year. As part of the Chief Executive's quarterly business performance reviews, assessment is made of the progress against objectives, changes to operational risk and adequacy of control.

The Chief Executive has responsibility for preparing and reviewing a three-year corporate plan and the annual budgets. These are subject to formal approval by the Board. Budgets are re-examined in comparison with business forecasts throughout the year to ensure they are sufficiently robust to reflect the possible impact of changing economic circumstances. The Chief Executive and the Board conduct regular and systematic reviews of actual results and future projections with comparison against budget and prior year, together with various treasury reports. Disputes that may give rise to significant litigation or contractual claims are monitored monthly.

The Group has clearly-defined policies and procedures governing its investment in land, property and other significant assets, and for acquisitions and disposals. These include detailed appraisal requirements, defined authorisation levels and post-investment review procedures.

Investment decisions, including PFI projects, and tenders for contracts are subject to approval by the board, the Chief Executive or subsidiary operating management, depending on the value and nature of the investment or contract.

Internal controls are set out in procedures manuals. These include Group standards and policies for key control activities.

There is a clearly identifiable organisational structure and a framework of delegated authority approved by the board within which individual responsibilities of senior executives of Group companies are identified and can be monitored.

The annual employee performance appraisal process is objective-based, with individual objectives cascaded down from the appropriate business objectives. Development reviews identify training needs to support achievement of objectives.

The Group's business process review & audit function reviews the effectiveness and efficiency of the systems of internal control in place to safeguard the assets, to price, transfer, avoid or mitigate risks and to monitor the activities of the Group in accomplishing established objectives. Regular reports from these reviews are provided to the Board and reported to the Chief Executive, audit committee and management, who consider them on a regular basis. The head of the

Corporate Governance continued

Group's business process review and audit function has direct access to the chairman of the audit committee.

Throughout the year the Board considers the effectiveness of the Group's internal control systems. On 26 February 2004 it completed the annual assessment for the year to 31 December 2003 by considering the audit committee's reports on presentations and supporting documentation from the operating divisions, the Group business process review & audit department and by taking account of events since 31 December 2003.

Wilson Connolly Holdings Plc, a UK listed plc at the time of acquisition, came under the ownership and control of Taylor Woodrow plc on 2 October 2003. Wilson Connolly was subject to the provisions of section 1 of the Combined Code up to the date of transfer of ownership. Key features of the risk management and internal controls, which had been in place throughout the year to that point, include:

- an ongoing process for identifying, evaluating and managing risks, overseen by an executive risk committee
- a formal schedule of control parameters that matched risks to appropriate control processes
- a defined structure with formal lines of responsibility in a structured reporting framework with clear delegated authorities
- annual plans, budgets and performance targets monitored by the Board on a monthly basis
- policies and procedures manuals

Wilson Connolly had an internal audit team, the function of which was to review the effectiveness and efficiency of the Group's system of internal control and to report to the Audit Committee.

Since the acquisition and subsequent to the year end, the newly enlarged Group adopted a number of procedures, briefly summarised as follows:

- The establishment of an executive risk committee operating under formally agreed terms of reference, with the objective of overseeing the risk and control framework of the Group
- quarterly executive committee risk reviews that monitor progress of agreed control actions
- a web-enabled tool to facilitate the mapping, publication and continuous improvement of business processes that went live on 1 January 2004
- as part of the business integration plan, a programme to retrain the entire new UK team was initiated in January 2004

The Board considers these procedures will further reinforce the existing internal controls.

Director's transaction

Pursuant to the authority given by shareholders at the Annual General Meeting in 2003, missives were entered into in January 2004 in respect of the purchase by Mrs Romaine Napier (the wife of Iain Napier) together with her sister, of Flat type A, Plot number 19, Block 1, currently under construction at the company's development at Ayr Road, Giffnock, Glasgow at its fair market value of £315,000.

Investor relations

The Board operates a structured programme of investor relations, based on formal announcements and publications covering the full year and interim results. There are associated briefings for stockbroking analysts and investors for which the presentation material is published on the company's website. The company maintains a dialogue, conducted primarily by the Chief Executive and the Finance Director, with institutional and other shareholders in order to establish a mutual understanding of objectives. There is the opportunity for major shareholders to have contact with the Chairman, the Senior Independent Director and other directors as appropriate to review issues and concerns.

The Annual General Meeting is used as a valuable opportunity for private and other shareholders to meet and communicate with the board to develop a better understanding of the company's operations and prospects.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the accounts, that there is a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

The new Combined Code

In July 2003, the Financial Reporting Council published a new Combined Code on Corporate Governance, which will apply for reporting years beginning on or after 1 November 2003. The new Code now forms part of the Listing Rules of the Financial Services Authority (FSA). The company has taken steps to anticipate and implement the requirements of the new Code and in doing so has given consideration to the Guidance on Audit Committees (the Smith Guidance) and the Suggestions for Good Practice from the Higgs Report.

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002.

The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company on 20 April 2004 at which the Financial Statements will be laid before the shareholders.

Remuneration Committee

The Board, whilst ultimately responsible for the framework and approval of executive remuneration, has delegated responsibility for determining the remuneration levels and conditions of service of executive directors of the company and senior executives of the Group to the Remuneration Committee.

The members of the committee and their attendances are listed in the Report of the Directors on page 37.

The Chief Executive attends meetings by invitation to discuss senior executive remuneration issues, but does not otherwise participate in the Committee's proceedings and has no vote.

None of the Committee members has any personal financial interest in the matters to be decided (other than as shareholders), nor any conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. No director plays a part in any discussion about his or her own remuneration.

Advice

Towers Perrin and the company's director of Human Resources, Mr Luhaste, advised the Committee or provided data during the year on which the Committee placed reliance.

KPMG LLP advises the company on executive pay and practices, including share-based reward.

Policy on executive directors' and senior executives' remuneration

It is the Board's policy that remuneration paid within the business should be effective in attracting and retaining high quality directors and executives, and in motivating them to achieve a high level of corporate performance in line with the best interests of shareholders.

There are five main elements of the remuneration package for executive directors:

- basic annual salary and benefits;
- annual bonus payments;
- cash bonus deferral plan for shares;
- share-based reward and incentives; and
- pension arrangements.

The remuneration of the executive directors and of senior executives consists of fixed pay and variable pay. It is the Committee's policy that a significant proportion of total remuneration is delivered through variable pay with payment dependent on the achievement of 'stretch' performance targets set by the Committee. Total remuneration is aligned with performance against a range of corporate financial, operational and personal targets.

Basic salary

Basic salary is determined by the Committee annually and when an individual changes position or responsibility by reference to individual responsibilities, performance and external market data including industry-specific information. Salary levels reflect the experience, responsibility, effectiveness and market value of the executive and generally are set between market median and moving to upper quartile for strong performance.

In addition to basic salary, the executive directors receive certain benefits in kind, typically provision of a car, or an allowance in lieu, and private medical insurance. With effect from 1 January 2003, executive directors and all UK salaried employees have been provided with the benefit of an Income Protection Plan, which provides cover if individuals are unable to continue to work due to prolonged periods of ill health or disability.

Basic salaries were reviewed in February 2003 with increases taking effect from 1 April 2003.

During late 2002, the Remuneration Committee reviewed the reward structure for the business. A new framework was introduced with effect from January 2003, based on a guiding reward framework, whereby pay will increasingly be linked to performance. The review of basic salaries which was carried out in February 2003 and the bonus targets applicable to 2003 reflect the new reward structure.

Directors' Remuneration Report continued

Annual bonus payments
The Committee establishes the objectives that must be met for each financial year if a bonus is to be paid.

For the financial year 2003 these objectives were:
- achievement of targeted levels of Group profit before tax
- evidencing of improvements in the customer focus of our businesses; and
- achievement of specified Group Safety Inspection scores

Each executive director and senior executive was also assigned additional personal business objectives, which were agreed with the Chief Executive and in the case of the Chief Executive, by the Chairman.

For the year ended 31 December 2003 directors' awards were made varying between 45 and 67.5 per cent of basic salary. Mr McCallum was awarded a bonus of 110 per cent of basic salary as shown on page 45.

For 2004, the following objectives have been assigned:
- achievement of 'stretch' targeted levels of Group profit before tax
- achievement of specified Group safety matrix ratings
- achievement of specified ratings on the customer satisfaction index
- specific personal business objectives

The maximum potential bonus of the Chief Executive will be 100 per cent of basic salary and for the other executive directors, 85 per cent of basic salary. In each case, the maximum bonus is payable only for exceptional performance. The Committee will have the discretion to require selected participants or groups of participants to forgo a proportion of potential bonus compulsorily for ordinary shares of the company under the terms of the 2004 Deferred Bonus Plan.

2004 Deferred Bonus Plan
There is the opportunity for the executive directors and key executives to participate in a Cash Bonus Deferral Plan by investing their bonus in the purchase of shares in the company. If these shares remain undrawn for three years, they will be matched by the company on a one for one basis, provided that earnings per share shall have grown by at least 3 per cent compound during the prior three financial years.

Directors' bonuses and benefits in kind are not pensionable.

Share options
Executive Share Option Plan
The company has operated an Executive Share Option Plan, which was approved by shareholders on 7 June 1996, under which awards of executive options have been made as part of the overall reward and benefit arrangements. The most recent awards were made on 3 October 2003.

Details of the executive options awarded to the directors are shown later in this report. Generally, the Committee limits the maximum aggregate value of options that may be awarded to any individual to six times basic salary. In October 2003 the Committee exceptionally awarded an executive option to Mr Napier which, together with prior awards, aggregated 6.26 times basic salary. Options are satisfied by new share issue and purchases on the market. For options which are to be satisfied by the allotment of new issued share capital, the maximum value of options that may be awarded to any individual is four times basic salary.

Except in special cases, executive options have normally been granted on a phased basis, with annual awards ranging from 0.5 times to 1.5 times basic salary, depending on seniority. Executive options are subject to a performance criterion, which applies to all participants. This requires that options may only be exercised if growth in the company's earnings per share exceeds a specified retail prices index (RPI) measure. Earnings per share growth has been selected, as it is considered to be the most appropriate indicator of management's success in advancing the performance of the business.

Earnings per share must exceed the RPI by a specified margin measured over the three year period immediately preceding the year in which the option first becomes exercisable, as follows:
- Options granted prior to 2001: eps to exceed RPI by 6 per cent
- Options granted in 2001: eps to exceed RPI by 9 per cent
- Options granted in 2002 onwards:
  - eps to exceed RPI by 12 per cent (awards which cause aggregate option values, measured at the time of grant, to exceed three times basic salary);
  - eps to exceed RPI by 15 per cent (awards which cause aggregate option values, measured at the time of grant, to exceed four times basic salary).

These performance measures under the executive share option plan were modified as so detailed to ensure that reward was commensurate with increasingly stretching performance targets.

For awards made prior to October 2003, if the earnings test is not satisfied at the first opportunity, it can be repeated annually until it is satisfied, or the option lapses. Once the test is satisfied, such options may be exercised during the remainder of their life without further tests, subject to the Plan rules.

For options granted from October 2003, the company reduced the number of performance re-tests to two, which are applied at the 4th and 5th anniversaries of the date of grant. For these re-tests, the measurement period is four years and five years respectively. If the

Directors' Remuneration Report continued

earnings test is not satisfied at the final re-test, the option lapses.

Earnings per share is calculated in accordance with FRS 14 and the RPI is taken from data published by Incomes Data Services.

Savings-Related Share Option Scheme

The Group operates a Savings-Related Share Option Scheme in which all employees working in the UK are eligible to participate if they have worked for the Group for three months or more. Generally, options awarded under this Scheme are priced at a discount of 20 per cent below the market price of the company's shares at the commencement of any offer period.

Employee share trust

The company has established the Taylor Woodrow Group ESOP Trust which has been used with the Executive Share Option Plan and the Executive Bonus Plan.

Directors' interests in shares and options

Details of all options granted to and exercised by executive directors during 2003, and details of options held at 31 December 2003, appear in the table showing details of options for directors who served during the year on page 46.

Future proposals

The Remuneration Committee decided in November 2003 that no further grants will be made under the Executive Share Option Plan for the foreseeable future and that it will for the time being be replaced by a Performance Share Plan.

The company proposes to seek shareholders' approval at the Annual General Meeting on 20 April 2004 to:

- Adopt a Performance Share Plan
- Adopt a Deferred Bonus Plan
- Adopt a Savings-Related Share Option Plan
- Adopt a Share Incentive Plan; and
- Establish an Employee Benefit Trust.

Except as previously noted in this section, no significant amendments are currently proposed to the terms and conditions for any directors' entitlement.

Pensions

Details of the Group's principal UK pension schemes are given in note 32 to the Financial Statements. All members of those schemes are entitled to payment of a lump sum in the event of death in service. Dependents of members of the defined benefit schemes are eligible for dependents' pensions. Of the executive directors, Mr Mac Daid and Mr McCallum participate in the Group's Defined Benefit Schemes. Mr Mac Daid is a member of the Taylor Woodrow Group Pension and Life Assurance Fund, which provides defined benefits of 2 per cent of final pensionable salary for each year of pensionable service. This defined benefit scheme was closed to new entrants from 31 March 2002. Mr McCallum is a member of the Wilson Connolly Holdings Pension Scheme. He has a target annual benefit of 7.8 per cent of pensionable pay which is restricted to the earnings cap, currently £99,000, at his normal retirement age of 60. To reflect the impact of the earnings cap on his pension, he also receives an additional salary allowance of 12.5 per cent of his basic salary.

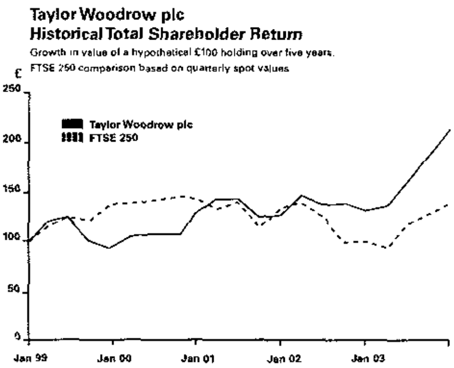
Details of Mr Mac Daid's and Mr McCallum's accrued pension entitlements and the opening and closing transfer values of their accrued pension rights are shown in the tables of directors' pension entitlements on page 48.

With effect from 1 April 2002 the company introduced the Taylor Woodrow Personal Choice Plan, a defined contribution Pension Scheme which all new eligible UK employees are invited to join.

At 31 December 2003 Messrs Napier and Johnson were members of the defined contribution scheme. The company will contribute to the Plan 38 and 34.5 per cent respectively of their basic salary, of which an amount up to the Inland Revenue 'cap' will be applied to the scheme and the balance paid as an additional allowance, this being reduced by the amount of employer's National Insurance contributions thereon. Mr Napier and Mr Johnson will each contribute 5 per cent of basic salary, subject to the 'cap'.

Performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE 250 share index also measured by total shareholder return. The FTSE 250 index was selected for this comparison as the company is a constituent of that index and to provide consistency of comparison with the 2002 Remuneration Report.



The graph has been prepared from information obtained through Datastream. It shows the theoretical growth in the value of a shareholding over the specified period, assuming that dividends are re-invested to purchase additional units of equity at the closing price applicable on the ex-dividend date. Historical data is based on the constituent companies at each given date.

Directors' Remuneration Report continued

Directors' contracts
It is the company's policy that executive directors should have contracts with a rolling term, providing for a maximum of one year's notice. However, it may be necessary occasionally to offer longer notice periods to new directors.

Details of the contracts of employment of executive directors who held office during the year are summarised below. In no case do they contain notice entitlements exceeding one year.

Name	Date of contract	Unexpired term	Notice periods: By the company	Notice periods: By the director	Normal retirement age
Iain Napier	10 January 2002	12 months	12 months	12 months	60
Peter Johnson	1 November 2002	12 months	12 months	12 months	60
Denis Mac Daid*	3 August 2001	12 months	12 months	6 months	62
Graeme McCallum*	2 October 2003	12 months	12 months	12 months	60

*Executive Directors seeking re-election at the Annual General Meeting.

It is the company's policy that liquidated damages should not apply on the termination of an executive director's contract. In line with this policy, payment for early termination (without cause) by the company is, in the case of each of the executive directors, to be determined by reference to normal principles of English Law, which requires mitigation of liability on a case by case basis.

Executive directors' contracts of service, which include details of remuneration, will be available for inspection at the company's registered office during usual business hours on any weekday (Saturdays and public holidays excepted) between 19 March 2004 and up to and including the date of the annual general meeting and at the place of the meeting fifteen minutes prior to and until the close of the meeting.

Non-executive directors
All non-executive directors have specific letters of engagement, but none, including Mr Askew, Mr Davies, Lady Robin Innes Ker and Mr Sankey, who are seeking re-election at the AGM, has a service contract. Non-executive directors' appointments are for individual terms of 3 years with the possibility of an extension of one further 3 year term and subject to re-election by shareholders. The remuneration of the non-executive directors is determined by the Board and based on market surveys by Towers Perrin and Monks Partnership of fees paid to non-executive directors of similar companies. The Chairman is remunerated for his services to the company, which requires him to devote the equivalent of one day per week to the business. The other non-executive directors receive fees as outlined opposite.

The Chairman receives a fee of £150,000 p.a.

The basic fee of the other non-executive directors is £30,000 p.a. in addition to which they receive additional fees for the services described below:

Deputy Chairmanship	£30,000 p.a.
Membership of committees	£2,500 p.a. per committee
Chairmanship of committee	Additional £2,500 p.a.
Chairmanship of pension trustee Board	£10,000 p.a.

During the year Mr Broadhurst was paid additional fees aggregating £30,000 for his services as Deputy Chairman from 4 March 2003 to 28 May 2003 and 29 July 2003 to 30 November 2003 and as acting Chairman from 29 May 2003 to 28 July 2003.

The fees payable to Messrs Davies and Sankey have been set at £37,500 p.a., to include fees for serving on Board committees.

Non-executive directors do not participate in any of the company's share option schemes and are not eligible to join the company's pension schemes.

Directors' Remuneration Report continued

AUDITED INFORMATION

Directors' emoluments

Name of director	Basic salary/fees £000	Salary supplement in lieu of pension £000	Annual bonuses £000	Benefits in kind* £000	2003 £000	2002 £000
Executive directors						
Iain Napier	470	135	328	17	950	738
Peter Johnson	284	67	158	57	566	43
Denis Mac Daid	269	-	124	17	410	366
Graeme McCallum†	67	8	303 **	3	381	
Keith Egerton (former director)	-	-	-	-	-	32
Adrian Auer (former director)	-	-	-	-	-	336
Non-executive directors						
Dr Robert Hawley (former director)	81	-	-	-	81	188
Norman Askew	64	-	-	-	64	-
Sir George Russell	60	-	-	-	60	65
Norman Broadhurst (former director)	90	-	-	-	90	49
Michael Davies	8	-	-	-	8	-
Andrew Dougal	38	-	-	-	38	5
Lady Robin Innes Ker	38	-	-	-	38	36
Aggregate emoluments	1,469	210	913	94	2,686	-
2002:	1,233	154	404	67		1,858

Notes on remuneration

* Benefits in kind includes provision of company car or allowance in lieu and private medical insurance and in the case of Mr Johnson £47,000 for relocation expenses and car rental.

† Mr McCallum's basic salary is £275,000 p.a.

** The amount shown in the table is an executive bonus awarded pursuant to the Wilson Connolly 2003 Executive Bonus Scheme by reference to the achievement of specified profit targets. In addition a special bonus of £500,000 was paid by Wilson Connolly under the terms of an agreement entered into between Mr McCallum and Wilson Connolly Limited in 2002 and recorded in a service agreement in August 2003.

Payments to former directors

No payments were made to former directors.

Pensions of former directors

During 2003 no special arrangements were made for the provision of pensions for former directors.

Directors' Remuneration Report continued

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of the options exercised during the year (or up to the date of cessation, if earlier) are as follows:

Name of director	Plan	Number of shares under option	Exercise price (pence)	Market price at exercise date (pence)	Gains on exercise 2003 £	Gains on exercise 2002 £
Denis Mac Daid	Executive bonus plan	15,969	0	175.5	28,026	7,578
	SAYE option	5,307	130	244.25	6,063	0
					34,089	7,578

Details of options for directors who served during the year are as follows:

Name of director	Plan	1 January 2003 or date of appointment	Granted (Number)	Exercised (Number)	Cancelled (Number)	31 December 2003 or date of cessation	Exercise price (pence)	Date from which exercisable	Expiry date
Iain Napier	Executive option	1,193,819	-	-	-	1,193,819	178	10.1.2005	9.1.2012
	Executive option	236,111	-	-	-	236,111	180	8.10.2005	7.10.2012
	Executive option	-	196,754	-	-	196,754	246.5	3.10.2006	2.10.2013
	SAYE	6,350	-	-	-	6,350	148.8	1.12.2005	31.5.2006
	Bonus Plan:								
	Matching award	-	112,046	-	-	112,046	-	7.4.2006	6.4.2013
Peter Johnson	Executive option	295,857	-	-	-	295,857	169	9.12.2005	8.12.2012
	Executive option	-	174,036	-	-	174,036	246.5	3.10.2006	2.10.2013
	SAYE	-	8,037	-	-	8,037	197.2	1.12.2008	31.5.2009
Denis Mac Daid	Executive option	40,000	-	-	-	40,000	156.5	7.11.1999	6.11.2006
	Executive option	15,000	-	-	-	15,000	181	29.3.2002	28.3.2009
	Executive option	60,000	-	-	1	59,999	153	17.10.2003	16.10.2010
	Executive option	130,000	-	-	-	130,000	170	20.12.2004	19.12.2011
	Executive option	208,333	-	-	-	208,333	180	8.10.2005	7.10.2012
	Executive option	-	167,342	-	-	167,342	246.5	3.10.2006	2.10.2013
	Bonus Plan:								
	Qualifying awards	10,646	-	10,646	-	-	-	28.3.2000	27.3.2010
	Matching award †	5,323	-	5,323	-	-	-	28.3.2003	27.3.2010
	Matching award Δ	-	60,654	-	-	60,654	0	7.4.2006	6.4.2013
	SAYE	5,307	-	5,307	-	-	130	1.12.2003	31.5.2004
	SAYE	7,601	-	-	-	7,601	133.2	1.12.2004	31.5.2005
	SAYE	-	3,215	-	-	3,215	197.2	1.12.2008	31.5.2009
Graeme McCallum	Executive option *	-	111,561	-	-	111,561	246.5	3.10.2006	2.10.2013

* On appointment

† The entitlement is to receive matching shares on the basis of one free share for every two shares held under a qualifying award, provided that the option to receive the qualifying shares remains unexercised for a minimum period of three years.

Δ The entitlement is to receive matching shares on the basis of one free share for every one share held under a qualifying award, provided that the qualifying shares are held for a minimum period of three years.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

The performance conditions relating to executive options are stated on page 42.

The market price of the ordinary shares at 31 December 2003 was 267 pence and the range during the year was 160 pence to 267 pence.

Directors' Remuneration Report continued

Directors' interests in shares of the company and its subsidiary undertakings

Taylor Woodrow plc 25 pence Ordinary Shares:

Shares held (fully paid)	at 1.1.03	at 31.12.03
Norman Askew	0 *	9,974
Iain Napier	19,000	131,046
Michael Davies	0 *	5,000
Andrew Dougal	5,000	5,000
Lady Robin Innes Ker	*0*	*1,000*
Peter Johnson	16,129	30,663
Denis Mac Daid	75,300	157,230
Graeme McCallum	0 *	102,123
Sir George Russell	12,152	12,600

* On appointment

At 31 December 2003 each executive director had a notional additional interest in 7,643,914 ordinary shares of the company, being the unappropriated part of holdings of ordinary shares by the trustee of the Taylor Woodrow Group ESOP Trust in connection with Taylor Woodrow's executive share option plan and the executive bonus plan, details of which appear on page 46 and by the Wilson Connolly Employee Share Trust in connection with the Wilson Connolly Incentive Share Plan.

Directors' Remuneration Report continued

Directors' pension entitlements
Mr Mac Daid and Mr McCallum are members of the defined benefit pension schemes. Mr Mac Daid has enhanced pension rights by virtue of overseas service for the company which entitles him to retire on maximum pension at age 60 and 7 months. Mr McCallum has enhanced rights which entitle him to benefits at the age of 60. Their accrued entitlements under the schemes are as follows:

Pension benefits earned by directors (1)

Name of director	Accrued pension 31 December 2002 or date of appointment £000	Increase in accrued pension in the year excluding inflation £000	Increase in accrued pension in the year including inflation £000	Transfer value in respect of increase in accrued pension £000	Accrued pension 31 December 2003 £000
Denis Mac Daid	165	17	14	232	182
Graeme McCallum	2	1	1	8	3

The following table sets out the transfer values of Mr Mac Daid's and Mr McCallum's accrued benefits under the scheme calculated in a manner consistent with the 'Retirement Benefits Schemes – Transfer Values (GN11)' published by the Institute of Actuaries and the Faculty of Actuaries.

Name of director	Transfer value 31 December 2002 (2) or date of appointment £000	Transfer value 31 December 2003 (2) £000	Increase in transfer value in the year net of contributions (2) £000
Denis Mac Daid	2,314	3,049	735
Graeme McCallum	37	44	7

The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead, they represent a potential liability of the pension scheme.

Notes
1 The pension entitlements are those which would be paid annually on retirement based on service to the end of the year or *date of retirement or leaving if earlier and on pensionable salary at the year end or date of leaving, or retirement, if earlier.*
2 The transfer values have been calculated on the basis of actuarial advice in accordance with GN11 less any directors' contributions. The transfer value does not represent a sum paid or payable to the individual director. Instead it represents a potential liability of the schemes. Members of the schemes have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above total.

Approval
This report was approved by the Board of directors on 2 March 2004 and signed on its behalf by:

Lady Robin Innes Ker
2 March 2004

Directors' Responsibilities for the accounts

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select appropriate accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records. They are also responsible for the Group's system of internal financial control and for taking such steps as are reasonably open to them to safeguard the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the members of Taylor Woodrow plc

We have audited the financial statements of Taylor Woodrow plc for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the note of historical cost profits and losses, the statement of accounting policies and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This Report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the Annual Report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the Annual Report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

Opinion
In our opinion:
- the financial statements give a true and fair view of the state of affairs of the company and the Group as at 31 December 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

2 March 2004

Accounting Policies

The following accounting policies have been used consistently, unless otherwise stated, in dealing with items which are considered material.

Basis of preparation
The financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention modified by the revaluation of certain properties. As permitted by the Companies Act 1985 the company has not presented its own profit and loss account.

Basis of consolidation
The financial statements consolidate the accounts of the company and its subsidiary undertakings and include the Group's share of the results and post-acquisition reserves of its joint ventures. The results of the companies acquired are included from the date of their acquisition.

A joint venture is defined as an undertaking other than a subsidiary or associated undertaking in which the Group has a significant influence and which is jointly controlled by the joint venturers.

The Group's share of the post-acquisition results of joint ventures is shown in the consolidated profit and loss account.

Investments in joint ventures are included in the consolidated balance sheet at cost plus the appropriate shares of post-acquisition results and reserves as disclosed in the latest balance sheets.

Goodwill
Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised as an asset and amortised through the profit and loss account over its useful economic life, to a maximum of 20 years. Goodwill arising on acquisition of subsidiary undertakings prior to 1 January 1998 was written off against retained profit and loss account under the Group's policy prior to the implementation of FRS 10 'Goodwill and Intangible Assets'. The goodwill has not been reinstated in the balance sheet. Any goodwill written off against reserves will be charged to the profit and loss account in the event of the disposal of the related business.

Turnover
Turnover comprises sales of private housing and development properties on legal completion, gross rents receivable, the value of the contracting work executed during the year and the invoiced value of other sales.

Profit on ordinary activities for the year
The profit for the year includes the result of the year's operations together with residual profits in respect of work done in prior years. Profit on contracts is stated after provision for known losses and contingencies. No credit is taken for claims until the cash is received.

Realised profits or losses on the disposal of tangible assets are included in ordinary profit; such profits are calculated by reference to the carrying value of the asset.

Research and development costs are written off as incurred.

Overseas currencies
Exchange differences arising in the ordinary course of trading are reflected in the profit and loss account.

Profit and loss accounts of overseas subsidiary undertakings, joint ventures and branches are translated into sterling at average rates. Assets and liabilities are translated at exchange rates ruling at the balance sheet date.

Unrealised exchange differences on share capital, revaluation reserve, pre-acquisition retained profit and loss account, inter-company long-term loans and foreign currency borrowings, to the extent that they hedge the Group's investment in overseas operations, are taken to revaluation reserve.

Exchange differences on post-acquisition profits in overseas currencies are taken to retained profit and loss account.

Operating leases
Operating lease rentals are charged to the profit and loss account on a straight line basis.

Liquid resources
Liquid resources are deposits repayable after more than one day.

Fixed assets
Investment properties are valued annually. Fixed asset properties are valued every three years. Long leasehold properties are defined as those properties with an unexpired lease term of more than 50 years.

Net surpluses on valuations of investment properties are credited to revaluation reserve. Any permanent diminution in value of investment properties below cost is charged to the profit and loss account. No depreciation is provided on investment properties; this constitutes a departure from the statutory rules requiring fixed assets to be depreciated over their useful lives and is necessary to enable the accounts to give a true and fair view.

Accounting Policies continued

Depreciation is only one of the many factors reflected in the annual valuation and the amount, which might otherwise have been shown, cannot be separately identified or quantified.

Surpluses on valuations of fixed asset properties are credited to revaluation reserve and any deficits below original cost are written off to profit and loss account. Depreciation is provided where material on fixed asset properties on the cost or valuation less estimated residual value so as to write them off systematically over their useful economic lives.

Depreciation on plant is calculated on a straight line basis to write off the cost over the estimated useful lives, which range from 1 to 20 years.

Group undertakings
Investments are included in the parent company's balance sheet at cost less the Group's share of any post-acquisition losses and provision for any further permanent diminution in value.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost includes all direct costs and production overheads where appropriate.

Deferred taxation
Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The potential liability to taxation on the surpluses on valuations of properties is not provided for in these accounts.

Pensions
Pension contributions are charged to the profit and loss account so as to spread the expected costs of providing pensions over the service lives of employees in the schemes operated within the Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Group Profit and Loss Account for the year ended 31 December 2003

		Notes	Before goodwill amortisation and exceptional item £m	Goodwill amortisation and exceptional item (note 1) £m	2003 £m	2002 £m
Continuing operations						
Turnover:	Group and share of joint ventures					
	Existing operations		2,383.4	-	2,383.4	2,215.8
	Acquisitions		289.5	-	289.5	-
	Continuing operations		2,672.9	-	2,672.9	2,215.8
	Less: share of joint ventures' turnover – existing operations		(3.5)	-	(3.5)	(7.2)
Group turnover		1	2,669.4	-	2,669.4	2,208.6
Cost of sales			(2,154.0)	-	(2,154.0)	(1,797.9)
Gross profit			515.4	-	515.4	410.7
Administrative expenses			(142.6)	(35.0)	(177.6)	(153.0)
Group operating profit		1	372.8	(35.0)	337.8	257.7
Existing operations			325.7	(32.0)	293.7	257.7
Acquisitions			47.1	(3.0)	44.1	-
Share of operating profit in joint ventures			1.1	-	1.1	2.0
			373.9	(35.0)	338.9	259.7
Profit on disposal of investments and properties		2			6.3	8.1
Profit on ordinary activities before interest					345.2	267.8
Interest receivable					4.0	4.5
Interest payable:	Group	3			(44.2)	(35.9)
	Joint ventures				(1.0)	(3.3)
					(45.2)	(39.2)
Profit on ordinary activities before taxation		2			304.0	233.1
Tax on profit on ordinary activities		6			(101.5)	(76.9)
Profit on ordinary activities after taxation					202.5	156.2
Minority interests (including non-equity interests)		29			(0.4)	(1.1)
Profit for the financial year					202.1	155.1
Dividends paid and proposed on equity shares		7			(50.4)	(40.6)
Finance costs of non-equity shares		23			(1.1)	-
Profit retained		27			150.6	114.5
Basic earnings per share		8			36.5p	28.2p
Diluted earnings per share		8			36.3p	28.1p
Adjusted basic earnings per share		8			39.0p	29.8p

Group Statement of Total Recognised Gains and Losses
for the year ended 31 December 2003

	2003 £m	2002 £m
Profit for the financial year	202.1	155.1
Unrealised deficit on revaluation of properties	(19.3)	(20.7)
Revaluation reversed on properties transferred to stocks	(1.1)	(19.8)
Tax on realised revaluation surplus	-	(1.0)
	181.7	113.6
Currency translation differences on foreign currency net investments	(2.1)	(25.0)
Total recognised gains and losses relating to the year	179.6	88.6

Reconciliation of Movements in Group Shareholders' Funds
for the year ended 31 December 2003

	2003 £m	2002 As restated (note 28) £m
Profit for the financial year	202.1	155.1
Dividends on equity shares	(50.4)	(40.6)
	151.7	114.5
Other recognised gains and losses relating to the year (net)	(22.5)	(66.5)
New share capital subscribed	173.1	1.7
Proceeds from sale of own shares	1.8	2.9
Purchase of own shares	(3.7)	(11.2)
Own shares acquired on acquisition of subsidiary	(0.2)	-
Net increase in shareholders' funds	300.2	41.4
Opening shareholders' funds as previously stated	1,405.9	1,356.2
Prior year adjustment (note 28)	(12.6)	(4.3)
Opening shareholders' funds as restated	1,393.3	1,351.9
Closing shareholders' funds	1,693.5	1,393.3

Group Historical Cost Profits and Losses
for the year ended 31 December 2003

	2003 £m	2002 £m
Reported profit on ordinary activities before taxation	304.0	233.1
Realisation of revaluation (deficits)/surpluses of previous years	(0.2)	13.9
Historical cost profit on ordinary activities before taxation	303.8	247.0
Historical cost profit for the year after taxation, minority interests and dividends	150.4	127.4

Balance Sheets at 31 December 2003

			Group		Company	
			2003	2002 As restated (note 28)	2003	2002 As restated (note 28)
	Notes	£m	£m	£m	£m	£m
Fixed assets						
Intangible assets						
Goodwill	9		347.6	241.4	-	-
Tangible assets						
Investment properties	10		160.2	183.9	-	-
Other	11		30.3	21.1	-	-
Investments						
Joint ventures						
Share of gross assets (2002: £27.2m)		0.9				
Share of gross liabilities (2002: £27.2m)		(0.9)				
	13		-	-	-	-
Other	13		3.3	3.2	-	-
Group undertakings	14		-	-	2,029.1	1,117.1
			541.4	449.6	2,029.1	1,117.1
Current assets						
Stocks	15		2,596.7	1,707.0	-	-
Debtors	16		304.9	212.5	633.6	394.3
Cash at bank and in hand			146.5	180.6	40.6	94.1
			3,048.1	2,100.1	674.2	488.4
Creditors: amounts falling due within one year	17		(1,001.2)	(632.3)	(792.2)	(183.7)
Net current assets			2,046.9	1,467.8	(118.0)	304.7
Total assets less current liabilities			2,588.3	1,917.4	1,911.1	1,421.8
Creditors: amounts falling due after more than one year	18		(849.4)	(497.4)	(674.9)	(342.6)
Provisions for liabilities and charges	22		(44.3)	(26.7)	-	-
			1,694.6	1,393.3	1,236.2	1,079.2
Represented by:						
Capital and reserves						
Non-equity share capital	23		10.0	-	10.0	-
Equity share capital	23		146.1	138.2	146.1	138.2
Called up share capital	23		156.1	138.2	156.1	138.2
Share premium account	24		745.7	591.2	745.7	591.2
Revaluation reserve	25		38.4	63.4	-	-
Capital redemption reserve	26		21.5	21.5	21.5	21.5
Other reserve	23		1.1	-	1.1	-
Profit and loss account	27		745.4	591.6	326.7	340.9
Less: Own shares	28		(14.7)	(12.6)	(14.9)	(12.6)
Shareholders' funds			1,693.5	1,393.3	1,236.2	1,079.2
Minority interests (including non-equity interests)	29		1.1	-	-	-
			1,694.6	1,393.3	1,236.2	1,079.2
Shareholders' funds are analysed as:						
Equity interests			1,592.4	1,393.3	1,135.1	1,079.2
Non-equity interests			101.1	-	101.1	-
			1,693.5	1,393.3	1,236.2	1,079.2

These financial statements were approved by the Board of directors on 2 March 2004.
Signed on behalf of the Board of directors

N B M Askew
Director

P T Johnson
Director

Group Cash Flow Statement for the year ended 31 December 2003

	Notes	£m	2003 £m	£m	2002 As restated (note 28) £m
Operating activities					
Cash inflow from operating activities	30		247.4		147.4
Returns on investments and servicing of finance					
Interest received		4.0		4.4	
Interest paid		(47.4)		(20.7)	
Dividends paid by subsidiary undertakings to minority shareholders		(0.1)		(1.6)	
Net cash outflow from returns on investments and servicing of finance			(43.5)		(17.9)
Taxation					
UK corporation tax paid		(48.5)		(51.2)	
Overseas tax paid		(33.9)		(23.3)	
Tax paid			(82.4)		(74.5)
Capital expenditure and financial investment					
Purchase of fixed assets and properties		(12.8)		(8.8)	
Sale of fixed assets and properties		3.9		70.3	
Net cash (outflow)/inflow from capital expenditure and financial investment			(8.9)		61.5
Acquisitions and disposals					
Purchase of subsidiary undertaking	31	(425.5)		(29.7)	
Net overdrafts acquired with subsidiary	31	(9.7)		-	
Net cash outflow from acquisitions and disposals			(435.2)		(29.7)
Equity dividends paid			(41.4)		(37.8)
Net cash (outflow)/inflow before use of liquid resources and financing			(364.0)		49.0
Management of liquid resources					
Cash withdrawn from/(placed on) short-term deposit		39.8		(61.0)	
Net cash inflow/(outflow) from management of liquid resources	30		39.8		(61.0)
Financing					
Issue of ordinary share capital by Taylor Woodrow plc		5.8		1.7	
Issue of preference share capital by Taylor Woodrow plc		100.0		-	
Proceeds from sale of own shares		1.8		2.9	
Purchase of own shares		(4.1)		(11.2)	
Debt due within one year:					
new loans		411.7		2.9	
repayment of loans		(482.2)		(207.4)	
Debt due after one year:					
new loans		397.4		263.3	
repayment of loans		(116.5)		(27.9)	
Net cash inflow from financing			313.9		24.3
(Decrease)/increase in cash in the year	30		(10.3)		12.3

Notes to the Financial Statements for the year ended 31 December 2003

1. Segmental analysis

	Group turnover by origin 2003 £m	2002 £m	Group operating profit 2003 £m	2002 £m	Capital employed 2003 £m	As restated (note 28) 2002 £m
By activity						
Housing	2,236.8	1,751.8	336.2	245.0	1,862.7	1,225.4
Property development and investment	63.9	92.9	8.2	14.7	279.0	234.5
Construction	368.7	363.9	8.4	11.1	(51.8)	(47.6)
	2,669.4	2,208.6	352.8	270.8	2,089.9	1,412.3
Goodwill amortisation/goodwill – housing			(15.0)	(13.1)	347.6	241.4
			337.8	257.7	2,437.5	1,653.7
By market						
North America	691.4	544.3	92.5	66.5	340.9	337.8
Rest of the World	113.5	98.5	33.5	23.3	34.1	7.2
Total overseas	804.9	642.8	126.0	89.8	375.0	345.0
United Kingdom	1,864.5	1,565.8	226.8	181.0	1,714.9	1,067.3
	2,669.4	2,208.6	352.8	270.8	2,089.9	1,412.3
Goodwill amortisation/goodwill			(15.0)	(13.1)	347.6	241.4
			337.8	257.7	2,437.5	1,653.7
Net debt					(742.9)	(260.4)
Minority interests					(1.1)	-
Shareholders' funds					1,693.5	1,393.3

Turnover by origin represents sales to third parties and is not materially different from turnover to third parties by destination.

Operating profit for construction excludes its share of the construction joint ventures and interest. Profit before taxation for construction is £20.8m (2002: £21.1m) including these items.

Operating profit in the United Kingdom is stated after deduction of exceptional administrative expenses of £20.0m relating to the integration of Wilson Connolly operations with Taylor Woodrow Housing (2002: £12.0m for restructuring, mainly redundancies and office relocations, being Housing £10.4m, Property £1.0m and Construction £0.6m).

The charge for goodwill amortisation of £15.0m (2002: £13.1m) is in respect of United Kingdom £14.5m (2002: £12.9m) and North America £0.5m (2002: £0.2m). Goodwill of £347.6m (2002: £241.4m) is in respect of United Kingdom £341.5m (2002: £234.1m) and North America £6.1m (2002: £7.3m).

The profit and loss account for 2003 includes the following amounts relating to the acquisition of the Wilson Connolly Holdings Plc Group (for the period from 2 October to 31 December 2003):

	£m
Turnover	289.5
Cost of sales	(231.2)
Gross profit	58.3
Administrative expenses (including integration costs of £1.4m and goodwill amortisation of £1.6m)	(14.2)
Operating profit	44.1

Immediately following the acquisition, land acquisition and working capital commenced being managed on a combined basis and it is therefore not possible to analyse the cashflows of the acquired business separately.

Notes to the Financial Statements continued

2. Profit on ordinary activities before taxation

	2003 £m	2002 £m
Ordinary profit before taxation includes		
Rents on investment properties, less outgoings	11.9	13.9
Profit on disposal of investments	5.2	3.9
Profit on disposal of investment and fixed asset properties	1.1	4.2
Profit on disposal of investments and properties	6.3	8.1
Profit before taxation is after charging:		
Plant hire	23.9	21.4
Rentals under operating leases:		
Hire of plant and machinery	5.1	3.9
Other operating lease rentals	4.1	2.3
Research and development (net of contributions received of £0.7m; 2002: £1.0m)	0.4	0.3
Auditors' remuneration for external audit services (including UK £0.4m; 2002: £0.4m)	0.6	0.6
Auditors' remuneration for other services (including UK £0.3m; 2002: £0.1m):		
Other assurance	0.1	-
Tax services	0.3	0.1
Other	0.1	0.1
Depreciation – plant (including loss on disposal £nil; 2002: £0.1m)	6.8	7.2

Auditors' remuneration for other services in 2003 does not include amounts totalling £0.5m which were capitalised as part of costs of acquisition of Wilson Connolly Holdings Plc.

3. Interest payable: Group

	2003 £m	2002 £m
Bank loans and overdrafts	12.2	2.7
Other loans	32.0	33.2
Interest payable	44.2	35.9

4. Directors' emoluments

Details of directors' emoluments are contained in the audited part of the remuneration report on pages 45 to 48 and form part of these financial statements.

5. Particulars of employees

	2003 No.	2002 No.
Average number employed		
Housing	3,318	2,535
Property development and investment	84	230
Construction	3,196	3,265
	6,598	6,030
United Kingdom	3,998	3,456
Overseas	2,600	2,574
	6,598	6,030

	£m	£m
Remuneration		
Wages and salaries	176.4	160.8
Social security costs	16.2	13.8
Other pension costs	12.7	8.0
	205.3	182.6

Notes to the Financial Statements continued

6. Tax on profit on ordinary activities

		2003 £m	2002 £m
United Kingdom tax			
Corporation tax:	Current year	57.8	53.1
	Prior year	(3.3)	(5.3)
Relief for overseas tax		(4.2)	(3.8)
Deferred tax:	Current year	7.6	3.9
	Prior year	(1.4)	4.2
Joint ventures		-	0.7
Overseas tax			
Current:	Current year	37.7	22.2
	Prior year	(1.7)	(4.7)
Deferred:	Current year	5.5	6.2
	Prior year	3.5	0.4
		101.5	76.9

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2003 £m	2002 £m
Profit on ordinary activities before tax	304.0	233.1
Share of joint ventures' (profit)/loss before tax	(0.1)	1.3
Group profit on ordinary activities before tax	303.9	234.4
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	91.2	70.3
Effects of:		
Overprovision in respect of prior years	(5.0)	(10.0)
Amortisation of goodwill and fair value adjustments	7.9	6.7
Other permanent disallowable expenditure	3.1	0.5
Non taxable income	(7.2)	(3.2)
Overseas income receivable	4.2	3.9
Double tax relief for overseas tax	(4.2)	(3.8)
Higher rates of tax on overseas earnings	7.8	5.2
Capital allowances for the period (less than)/in excess of depreciation	(0.4)	2.5
Short-term timing differences	(10.4)	(10.3)
Pension provision	(0.3)	(0.4)
Tax trading losses carried forward	(1.2)	(0.6)
Other	0.8	0.7
Group current tax charge for year	86.3	61.5

There is no material difference between the tax rates on ordinary activities and exceptional items.

7. Dividends paid and proposed on equity shares

	2003 £m	2002 £m
Interim paid of 2.4p per ordinary share (2002: 2.2p)	13.0	12.2
Final proposed of 6.5p per ordinary share (2002: 5.2p)	37.4	28.4
	50.4	40.6

Notes to the Financial Statements continued

8. Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares:

	Basic		Adjusted	
	2003 £m	2002 £m	2003 £m	2002 £m
Profit for the financial year	202.1	155.1	202.1	155.1
Less: Finance costs of non-equity shares	(1.1)	-	(1.1)	-
Add: Exceptional integration (2002: restructuring) costs (note 1)			20.0	12.0
Less: Tax effect of exceptional costs			(6.0)	(3.6)
	201.0	155.1	215.0	163.5

	2003 m	2002 m
Weighted average number of shares:		
For basic and adjusted earnings per share	550.9	549.3
Weighted average of dilutive options	3.0	2.8
Weighted average of dilutive awards under the Group Executive Bonus Plan	0.1	0.3
Weighted average of dilutive awards under the Cash Bonus Deferral Plan	0.4	-
For diluted earnings per share	554.4	552.4

9. Intangible assets – goodwill

	Group £m
Cost	
31 December 2002	265.2
Changes in exchange rates	(0.8)
Additions in the year (note 31)	121.9
31 December 2003	**386.3**
Accumulated amortisation	
31 December 2002	23.8
Changes in exchange rates	(0.1)
Charge for the year	15.0
31 December 2003	**38.7**
Net values	
31 December 2003	**347.6**
31 December 2002	241.4

10. Investment properties

	Freehold £m	Long leasehold £m	Total £m
Valuation			
31 December 2002	169.6	14.3	183.9
Changes in exchange rates	0.4	-	0.4
Transfers to stocks	(3.5)	-	(3.5)
Revaluation reversed on transfers to stocks	(1.1)	-	(1.1)
Net deficit on revaluation	(19.6)	0.1	(19.5)
31 December 2003	**145.8**	**14.4**	**160.2**

Notes to the Financial Statements continued

10. Investment properties continued

	Freehold £m	Long leasehold £m	Total £m
Representing:			
Properties valued			
Cost	108.5	10.0	118.5
Net surplus	37.3	4.4	41.7
Valuation in 2003	145.8	14.4	160.2

The investment properties of the Group were valued at £160.2m as at 31 December 2003 by Knight Frank LLP, external Chartered Surveyors, on a market value basis in accordance with the Appraisal and Valuation Standards (5th Edition) of the Royal Institution of Chartered Surveyors.

11. *Other tangible assets*

	Freehold properties £m	Plant £m	Total £m
Cost and valuation			
31 December 2002	9.6	56.0	65.6
Changes in exchange rates	-	(0.4)	(0.4)
Acquisition	2.5	5.0	7.5
Additions	-	12.5	12.5
Transfers to stocks	(2.5)	(1.2)	(3.7)
Disposals	(0.1)	(3.6)	(3.7)
Net surplus on revaluation	0.3	-	0.3
31 December 2003	9.8	68.3	78.1
Representing:			
Properties valued			
Cost	11.9	-	11.9
Net deficit	(2.1)	-	(2.1)
Valuation in 2003	9.8	-	9.8
Others not valued – cost	-	68.3	68.3

	Freehold properties £m	Plant £m	Total £m
Depreciation			
31 December 2002	-	44.5	44.5
Changes in exchange rates	-	(0.4)	(0.4)
Disposals	-	(3.1)	(3.1)
Charge for year	-	6.8	6.8
31 December 2003	-	**47.8**	**47.8**
Net values			
31 December 2003	**9.8**	**20.5**	**30.3**
31 December 2002	9.6	11.5	21.1

The fixed asset properties of the Group were valued at £9.8m as at 31 December 2003 by Knight Frank LLP, external Chartered Surveyors, on an existing use value basis in accordance with the Appraisal and Valuation Standards (5th Edition) of the Royal Institution of Chartered Surveyors.

Notes to the Financial Statements continued

12. Operating lease commitments

At 31 December 2003 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2003 £m	Other 2003 £m	Land and buildings 2002 £m	Other 2002 £m
Leases which expire:				
Within one year	0.1	0.8	0.2	0.6
Within two to five years	0.8	5.1	0.8	4.1
After five years	3.8	-	1.2	-
	4.7	5.9	2.2	4.7

13. Investments in joint ventures and other companies

	Joint ventures – shares unlisted £m	Other investments £m
Cost		
31 December 2002	0.3	3.9
Additions	-	0.3
Reductions	-	(0.2)
31 December 2003	0.3	4.0
Amounts provided		
31 December 2002	0.3	0.7
Charge for year	-	-
31 December 2003	0.3	0.7
Net values		
31 December 2003	-	3.3
31 December 2002	-	3.2

The directors' estimate of the value of unlisted investments was £3.3m (2002: £3.2m).

A Group undertaking is a participant in a maintenance contract for a Private Finance Initiative project for Autolink Concessionaires (M6) PLC (Group interest in capital 19.5% until 11 June 2003, when half this interest was sold).

The Group's share of the value of this contract is £10.8m and the contract will continue for four years up to 2007.

14. Investments in Group undertakings

Company	*Shares* £m	*Loans* £m	*Total* £m
Cost and net values			
31 December 2002	876.1	241.0	1,117.1
Changes in exchange rates	*(10.3)*	-	*(10.3)*
Additions	913.3	9.0	922.3
31 December 2003	1,779.1	250.0	2,029.1

All of the above investments are unlisted.

Particulars of principal subsidiary undertakings are listed on page 76, which forms part of these financial statements.

Notes to the Financial Statements continued

15. Stocks

	Group 2003 £m	2002 £m
Raw materials and consumables	3.5	0.1
Finished goods and goods for resale	54.3	28.2
Residential developments		
Land	1,581.5	1,004.5
Development and construction costs	781.5	507.8
Commercial, industrial and mixed development properties	175.9	166.4
	2,596.7	1,707.0

16. Debtors

	Group 2003 £m	2002 £m	Company 2003 £m	2002 £m
Receivable within one year				
Trade debtors	89.9	58.0	-	-
Amounts recoverable on contracts	43.5	35.9	-	-
Group undertakings	-	-	626.7	393.0
Joint ventures	0.2	-	-	-
Other debtors	120.3	79.6	1.0	0.5
Prepayments and accrued income	29.6	13.6	5.3	0.1
Receivable after one year				
Prepayments and accrued income	9.6	7.8	-	-
Other debtors	11.8	17.6	0.6	0.7
	304.9	212.5	633.6	394.3

Prepayments and accrued income receivable after one year includes £7.4m (2002: £7.7m) in respect of the Taylor Woodrow Group Pension and Life Assurance Fund referred to in note 32.

Other debtors receivable after one year includes deferred taxation of Group £11.5m (2002: £15.0m) and company £0.6m (2002: £0.7m), which is also referred to in note 22. The movements in Group and company net deferred taxation assets are as follows:

	Group £m	Company £m
31 December 2002	13.5	0.7
Changes in exchange rates	0.2	-
Acquisition	8.8	-
Charged to profit and loss account	(15.2)	(0.1)
31 December 2003	7.3	0.6

The Group net deferred tax position of £7.3m (2002: £13.5m) relates to short-term timing differences of £15.3m (2002: £21.5m) offset by capital allowances of £8.0m (2002: £8.0m). The company deferred tax balance relates to short-term timing differences.

Notes to the Financial Statements continued

17. Creditors: amounts falling due within one year

	Group 2003 £m	2002 £m	Company 2003 £m	2002 £m
Debenture loans (note 19)	34.1	10.5	9.6	3.8
Bank loans and overdrafts (note 20)	115.8	5.6	90.0	-
Payments received on account	78.1	77.5	-	-
Trade creditors (note 18)	473.1	263.5	-	0.1
Group undertakings	-	-	635.5	131.3
Joint ventures	0.6	6.0	-	-
Taxation on profits	39.8	34.1	1.3	-
Other taxation and social security	11.1	5.6	-	-
Other creditors	22.5	17.9	0.2	-
Accruals and deferred income	188.7	183.2	18.2	20.1
Dividends	37.4	28.4	37.4	28.4
	1,001.2	632.3	792.2	183.7

Accruals includes £nil (2002: £0.3m) in respect of contributions to overseas pension schemes referred to in note 32.

18. Creditors: amounts falling due after one year

	Group 2003 £m	2002 £m	Company 2003 £m	2002 £m
Debenture loans (note 19)	393.2	424.4	333.0	342.6
Bank loans and overdrafts (note 20)	346.3	0.5	341.9	-
Trade creditors	105.9	68.3	-	-
Accruals and deferred income	4.0	4.2	-	-
	849.4	497.4	674.9	342.6

Trade creditors include the following amounts in respect of land, of which £178.8m (2002: £63.4m) is secured against land acquired for development:

	Group 2003 £m	2002 £m
Due within one year	147.8	55.5
Due in more than one year but not more than two years	39.3	29.4
Due in more than two years but not more than five years	55.7	38.9
Due in more than five years	10.9	-
	253.7	123.8

Trade creditors due after one year are interest free, have a weighted average life of 2.8 years (2002: 2.4 years) and are denominated £98.6m in sterling, £0.8m in US dollars and £6.5m in Canadian dollars (2002: all sterling). There is no material difference between the fair value and the book value of these financial liabilities.

Included in accruals at 31 December 2003 is £4.0m (2002: £4.4m) in respect of continuing post-retirement health care insurance premiums for retired long-service employees. Of this total £0.2m (2002: £0.3m) is disclosed as due within one year. The accrual is based upon the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 2003. The cost is calculated assuming a discount rate of 5% per annum and an increase in medical expenses of 12.1% per annum. The premium cost to the Group in respect of retired long-service employees for 2003 was £0.2m (2002: £0.2m).

Notes to the Financial Statements continued

19. Debenture loans

	Group 2003 £m	2002 £m	Company 2003 £m	2002 £m
6.92% debentures 2004 – unsecured	12.3	11.3	-	-
7.56% notes 2005 – unsecured	-	13.4	-	-
Floating rate notes 2006 – unsecured	13.0	3.8	3.0	3.8
7.04% notes 2008 – unsecured	49.5	49.5	-	-
7.333% debentures 2008 – unsecured	9.0	10.0	-	-
Floating rate notes 2008 – unsecured	6.6	-	6.6	-
6.625% guaranteed bonds 2012 – unsecured	236.3	246.2	236.3	246.2
9.5% first mortgage debenture stock 2014 – secured	96.7	96.4	96.7	96.4
Other secured loans at rates of interest from 7% to 11.4%				
Repayable wholly within five years	0.2	2.4	-	-
Repayable by instalments over periods exceeding five years	3.7	1.9	-	-
	427.3	434.9	342.6	346.4
Repayable				
In more than one year but not more than two years	2.3	17.8	-	-
In more than two years but not more than five years	56.6	10.9	-	-
In more than five years – instalment loans	1.3	3.6	-	-
– other	333.0	392.1	333.0	342.6
Total falling due in more than one year	393.2	424.4	333.0	342.6
Within one year or on demand	34.1	10.5	9.6	3.8
	427.3	434.9	342.6	346.4

Charges for secured loans have been given principally on investment properties and certain development properties.

The fair value of the Group's debenture loans is principally determined by reference to market prices and as at 31 December 2003 was as follows:

	2003 Book value £m	2003 Fair value £m	2002 Book value £m	2002 Fair value £m
6.92% debentures 2004 – unsecured	12.3	12.8	11.3	11.6
7.56% notes 2005 – unsecured	-	-	13.4	15.0
Floating rate notes 2006 – unsecured	13.0	13.0	3.8	3.8
7.04% notes 2008 – unsecured	49.5	51.9	49.5	52.0
7.333% debentures 2008 – unsecured	9.0	9.4	10.0	10.3
Floating rate notes 2008 – unsecured	6.6	6.6	-	-
6.625% guaranteed bonds 2012 – unsecured	236.3	246.6	246.2	263.9
9.5% first mortgage debenture stock 2014 – secured	96.7	129.4	96.4	131.1
Other secured loans at rates of interest from 7% to 11.4%	3.9	4.2	4.3	4.6
	427.3	473.9	434.9	492.3

Notes to the Financial Statements continued

20. Bank loans and overdrafts

	Group 2003 £m	2002 £m	Company 2003 £m	2002 £m
At rates of interest from 2.18% to 31.5% (Company from 2.18% to 5.04%)				
Repayable:				
In more than one year but not more than two years	-	0.5	-	-
In more than two years but not more than five years	342.8	-	341.9	-
In more than five years	3.5	-	-	-
Total falling due in more than one year	346.3	0.5	341.9	-
In one year or less or on demand	115.8	5.6	90.0	-
	462.1	6.1	431.9	-

Group secured bank loans and overdrafts amounted to £8.0m (2002: £3.3m). Secured bank loans and overdrafts are secured principally on certain fixed asset properties and land.

The fair value of bank loans and overdrafts at 31 December 2003 and 2002 is similar to their book value at those dates. At 31 December 2003, the Group had undrawn, committed borrowing facilities expiring as follows:

	Group £m
In more than two years	308.1
In one year or less	210.0
	518.1

21. *Financial instruments*

In accordance with FRS 13, the disclosures set out below exclude all short-term debtors and creditors.

Interest rates and currencies of cash and debt:

	Cash	Floating rate debt	Fixed rate debt	Fixed rate debt: Weighted average interest rate	Fixed rate debt: Weighted average time until maturity
31 December 2003	£m	£m	£m	%	years
Sterling	68.8	473.7	294.2	7.8	8.3
US dollars	44.6	88.8	1.0	8.3	4.5
Canadian dollars	19.1	5.0	24.2	7.6	1.7
Other	14.0	2.5	-	-	-
	146.5	570.0	319.4	7.8	7.8
31 December 2002					
Sterling	119.6	6.6	392.1	7.5	9.3
US dollars	42.6	-	14.7	7.7	1.9
Canadian dollars	6.2	-	25.0	7.5	2.5
Other	12.2	2.6	-	-	-
	180.6	9.2	431.8	7.5	8.6

Floating rate borrowings bear interest based on short-term inter-bank rates (principally LIBOR or equivalent applicable to periods of three months or less). Cash, which is all at floating rates, yields interest based on short-term bank rates applicable to periods of three months or less.

The above table does not include long-term trade creditors which are referred to in note 18.

Notes to the Financial Statements continued

21. Financial instruments continued

Currency analysis of net monetary assets/(liabilities) denominated in currencies other than the functional currency of the operations involved:

	Net monetary assets/(liabilities) denominated in other currencies		
Functional currency of operations	*US dollars* £m	*Other* £m	*Total* £m
31 December 2003			
Sterling	1.7	1.8	3.5
Canadian dollars	1.0	-	1.0
Other	(3.5)	(8.5)	(12.0)
Total	(0.8)	(6.7)	(7.5)
31 December 2002			
Sterling	5.5	(5.1)	0.4
Canadian dollars	1.2	-	1.2
Other	0.4	(12.0)	(11.6)
Total	7.1	(17.1)	(10.0)

Derivative financial instruments held to manage the Group's interest rate and currency profile have been excluded from the above disclosures. The Group has forward contracts to hedge intra-Group loans receivable of US$118.5m (2002: US$89.5m) to Canadian dollars, US$2.5m (2002: US$75m) to sterling and €7.6m (2002: €10.3m) to sterling. The company has currency swaps relating to part of its 6.625% guaranteed bonds 2012 which have swapped £100.0m into US$160.5m to hedge part of its investment in the United States of America and the interest on this has been swapped from 6.625% to floating rates based on US$ LIBOR applicable to periods of three months. The Group also has a currency swap relating to the 7.04% unsecured loan notes 2008 acquired with Bryant Group plc in 2001. They were issued by way of a US$81m 6.59% fixed rate US private placement. The dollar proceeds were swapped into sterling at a fixed rate of interest of 7.04%. The combined fair value of the loans and swaps is shown in note 19.

The Group also acquired derivatives with the acquisition of Wilson Connolly Holdings Plc Group on 2 October 2003. These comprise two five year cap and collar arrangements to August 2004 and December 2007 limiting the three month LIBOR interest rate to between 4.93% and 6.5% on £50.0m and to between 3.99% and 6.5% on £30.0m, together with a ten year interest swap to December 2012 on £35.0m from floating rate to a fixed interest rate of 5.8%. The book value of these derivatives at 31 December 2003 is a creditor of £4.1m; the fair value is a creditor of £2.5m.

22. Provisions for liabilities and charges

	Group £m
Pension obligations	
31 December 2002	4.7
Acquisition	4.8
Utilised	(1.1)
Credited to profit and loss account	(0.1)
31 December 2003	**8.3**
Deferred taxation	
31 December 2002	1.5
Changes in exchange rates	(0.4)
Charged to profit and loss account	3.1
31 December 2003	**4.2**

The balance arose from the effect of short-term timing differences of £3.2m (2002: £1.5m) and accelerated capital allowances of £1.0m (2002: £nil). The net deferred taxation asset of the Group is set out in note 16.

Notes to the Financial Statements continued

22. Provisions for liabilities and charges continued

	Group £m
Housing maintenance	
31 December 2002	20.5
Changes in exchange rates	(1.0)
Acquisition	5.4
Charged to profit and loss account	25.9
Utilised	(17.8)
Unused amounts reversed	(1.2)
31 December 2003	31.8
Total provisions	44.3

Pension obligations relate to the Bryant Group and Wilson Connolly Holdings pension schemes referred to in note 32.

There is no unprovided deferred taxation other than relating to surpluses arising on revaluation of properties referred to in note 25.

The provisions in respect of housing maintenance arise principally from warranties and other liabilities on housing sold and payment of these costs is likely to occur over a period of ten years.

23. Share capital

	Group & Company 2003 £m	2002 £m
Authorised		
40,000,000 floating rate cumulative redeemable preference shares of 25p each (2002: nil)	10.0	-
780,000,000 ordinary shares of 25p each (2002: 780,000,000)	195.0	195.0
	205.0	195.0

Called up, allotted and fully paid cumulative redeemable preference shares	Number of shares	£m
31 December 2002	-	-
Shares issued during the year	40,000,000	10.0
31 December 2003	40,000,000	10.0

Called up, allotted and fully paid ordinary shares	Number of shares	£m
31 December 2002	552,730,108	138.2
New share capital subscribed	27,638,648	6.9
Options exercised	3,813,128	1.0
Long service awards	6,500	-
31 December 2003	584,188,384	146.1

Non-equity shareholders' funds relate entirely to the floating rate cumulative redeemable preference shares. These shares carry an entitlement to dividend based on percentages per annum including a margin above LIBOR, 1.2 per cent above LIBOR up to 30 March 2004, 3 per cent above LIBOR for the six months to 29 September 2004 and 4 per cent above LIBOR for any six month period thereafter. The accrued finance costs of £1.1m in respect of these dividends for the period to 31 December 2003 have been charged to profit and loss account for the year and credited to other reserve on the balance sheet (2002: £nil). The shares may be redeemed at a sum equal to the capital paid up or credited as paid up on the shares together with any premium credited as paid thereon at any time at the option of the company or on or after 31 March 2004 at the option of a majority of the holders of the preference shares. Holders of the preference shares have one vote for every share but only on a resolution for the winding-up of the company or on a resolution affecting the rights attached to the shares or if the shares are not redeemed as required following the service of notice of redemption.

Notes to the Financial Statements continued

23. Share capital continued

During the year 27,638,648 ordinary shares were issued for £67.3m as part consideration for the acquisition of the Wilson Connolly Holdings Plc Group (note 31), options were exercised on 3,813,128 ordinary shares at varying prices from 107.2 pence to 189.5 pence and that number of shares was issued for a total consideration of £5.8m and 6,500 ordinary shares with fair values of 173.5 pence to 257.0 pence were issued and awarded to employees for twenty-five or forty years' long service totalling £0.0m.

Under the Group's senior executives' share option scheme and executive share option plan, employees held options at 31 December 2003 to purchase 19,735,955 shares (2002: 13,457,458) at prices between 117.4 pence and 252.75 pence per share exercisable up to 8 October 2013. Under the Group's savings-related share option scheme, employees held options at 31 December 2003 to purchase 8,183,878 shares (2002: 8,775,506) at prices between 90.88 pence and 197.2 pence per share exercisable up to 31 May 2009.

24. Share premium account

	Group & Company £m
31 December 2002	591.2
Amortisation of discount on issue of debt and expenses of issue transferred from profit and loss account	(0.7)
Premium on preference shares issued during the year	90.0
Premium on ordinary shares issued during the year less expenses of issues	65.2
31 December 2003	**745.7**

25. Revaluation reserve

	Group £m	Company £m
31 December 2002	63.4	-
Unrealised exchange differences	(4.8)	-
Realised and transferred to profit and loss account	0.2	-
Net deficit on property valuations	(19.3)	-
Revaluation reversed on properties transferred to stocks	(1.1)	-
31 December 2003	**38.4**	**-**

The Group's revaluation reserve includes surpluses arising on revaluation of properties, which, if realised at 31 December 2003, would have given rise to a maximum taxation liability of £nil (2002: £0.4m).

26. Capital redemption reserve

	Group & Company £m
31 December 2003 and 2002	**21.5**

27. Profit and loss account

	Group £m	Company £m
31 December 2002	591.6	340.9
Exchange differences	2.7	-
Transfers to share premium account	0.7	0.7
Transfer from revaluation reserve	(0.2)	-
Balance for the year retained	150.6	(14.9)
31 December 2003	**745.4**	**326.7**

The profit of the company for the financial year was £36.6m (2002: £72.4m).

In accordance with the Group's policy, the cumulative amount charged to retained profit and loss account in prior years in respect of positive goodwill is £4.1m (2002: £4.0m) net of amounts attributable to companies sold or closed; this goodwill would be charged against profit before taxation on subsequent disposal of the businesses to which it related.

Notes to the Financial Statements continued

28. Own shares

	Group 2003 £m	2002 £m	Company 2003 £m	2002 £m
Own shares	14.7	12.6	14.9	12.6

These comprise ordinary shares of the company held in trust for the:	Number		Number	
Taylor Woodrow Group Executive Bonus Plan	0.1m		0.1m	
Taylor Woodrow Group Executive Option Plan	8.2m		8.1m	
Taylor Woodrow Group Cash Bonus Deferral Plan	0.4m		0.4m	

The market value of the shares at 31 December 2003 was Group £23.0m and company £22.8m (2002 Group and company: £13.0m) and their nominal value was Group £2.2m and company £2.1m (2002 Group and company: £1.9m). Dividends on these shares have been waived except for 0.01 pence per share. These shares are all held to meet options to be exercised by employees. The Group investment in own shares is stated after deduction of £0.4m bonus charged to profit and loss account.

Prior year adjustment

Following the adoption of UITF 38 - 'Accounting for ESOP Trusts', investments in the company's own shares of Group £14.7m and company £14.9m (2002 Group and company: £12.6m) are shown as a deduction from shareholders' funds rather than as current *asset investments and they are therefore no longer shown as part of net debt with the cash outflow of £2.3m (2002: outflow of* £8.3m) regarding them shown as part of financing rather than within management of liquid resources. Comparative figures for 2002 have been restated accordingly.

29. Minority interests

	Equity £m	Non-equity £m	Total £m
31 December 2002	-	-	-
Profit on ordinary activities after taxation	0.4	-	0.4
Dividends paid and proposed	(0.1)	-	(0.1)
Acquisition	-	0.8	0.8
31 December 2003	**0.3**	**0.8**	**1.1**

Non-equity minority interests comprise 249,882 8% cumulative irredeemable 1st preference shares of £1 each and 531,001 *10.5% cumulative irredeemable 2nd preference shares of £1 each in Wilson Connolly Holdings Plc. The shares do not entitle the* holders to any rights against other Group companies.

Notes to the Financial Statements continued

30. Group cash flow statement

	2003 £m	2002 As restated (note 28) £m
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	337.8	257.7
Depreciation and amortisation	21.8	20.3
Increase in stocks	(201.3)	(253.6)
Increase in debtors	(56.0)	(20.9)
Increase in creditors	144.0	140.6
Exchange adjustments	1.1	3.3
Net cash inflow from operating activities	247.4	147.4
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in year	(10.3)	12.3
Cash inflow from increase in debt	(210.4)	(30.9)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(39.8)	61.0
Change in net debt resulting from cash flows	(260.5)	42.4
Amortisation of discount on issue of debt and expenses of issue for the year	(0.7)	(0.7)
Loan notes issued as part of consideration for acquisition	(6.6)	-
Debt acquired with subsidiary	(219.6)	-
Exchange movement	4.9	(0.2)
Movement in net debt in the year	(482.5)	41.5
Net debt at 1 January	(260.4)	(301.9)
Net debt at 31 December	(742.9)	(260.4)

Analysis of net debt

	At 1 January 2003 As restated (note 28) £m	Cash flow £m	Acquisition (excluding cash and bank overdrafts) £m	Non-cash changes £m	Exchange movement £m	At 31 December 2003 £m
Cash at bank and in hand	**180.6**	(30.4)	-	-	(3.7)	**146.5**
Less: Deposits due after one day	**(113.1)**	39.8	-	-	(0.3)	**(73.6)**
Overdrafts on demand	**(2.6)**	(19.7)	-	(2.8)	-	**(25.1)**
		(10.3)				
Debt due after one year						
Debenture loans	**(424.4)**	10.9	-	11.7	8.6	**(393.2)**
Bank loans	**(0.5)**	(291.8)	(54.0)	-	-	**(346.3)**
Debt due within one year						
Debenture loans	**(10.5)**	5.3	(9.9)	(19.0)	-	**(34.1)**
Bank loans and overdrafts	**(5.6)**	45.5	(155.7)	-	-	**(115.8)**
Add back overdrafts on demand	**2.6**	19.7	-	2.8	-	**25.1**
		(210.4)				
Liquid resources						
Deposits due after one day	**113.1**	(39.8)	-	-	0.3	**73.6**
Total	*(260.4)*	*(260.5)*	*(219.6)*	*(7.3)*	*4.9*	***(742.9)***

Notes to the Financial Statements continued

31. Acquisition of Wilson Connolly Holdings Plc

On 2 October 2003, the Group declared its offer for Wilson Connolly Holdings Plc unconditional. The company offered 0.132 ordinary shares and 200 pence in cash for each share issued and to be issued in Wilson Connolly Holdings Plc. The consideration amounted to the issue of 27.6m ordinary shares of 25 pence each in the company, £6.6m in loan notes and £425.5m in cash, including the expenses of the acquisition.

Identifiable assets and liabilities acquired and their provisional fair value to the Group:

	Book value £m	Fair value adjustments £m	Accounting policy alignments £m	Fair value to Group £m
Fixed assets				
Intangible assets	21.3	(21.3)	-	-
Tangible assets	8.6	1.6	(2.7)	7.5
Current assets				
Stocks	849.0	17.6	(158.5)	708.1
Debtors	22.8	4.4	21.8	49.0
Cash	0.5	-	-	0.5
Total assets	902.2	2.3	(139.4)	765.1
Creditors				
Debenture loans	(9.9)	-	-	(9.9)
Bank loans and overdrafts	(210.2)	(9.7)	-	(219.9)
Taxation	(1.6)	-	-	(1.6)
Other creditors	(275.7)	-	130.3	(145.4)
Provisions				
Pensions	-	(4.8)	-	(4.8)
Other provisions	(4.1)	(1.3)	-	(5.4)
Total liabilities	(501.5)	(15.8)	130.3	(387.0)
Net assets	400.7	(13.5)	(9.1)	378.1
Minority interest				(0.8)
Own shares				0.2
Goodwill				121.9
				499.4

Satisfied by:

	£m
Shares issued	67.3
Loan notes issued	6.6
Cash	425.5
	499.4

The fair value adjustments are in respect of goodwill, fixed asset properties, stocks of residential land, deferred tax, bank loans and provisions principally for pension liabilities. The accounting policy alignments are in respect of the further amortisation of computer software, the amortisation of land option costs over the period of the options, the expensing of pre-acquisition professional fees regarding strategic land and the de-recognition of land purchases and related land creditors regarding purchases which had not yet been legally completed at the acquisition date; land deposits for land exchanged but not legally completed have been stated as debtors.

Net cash outflows in respect of the acquisition comprised:

	£m
Cash consideration	425.5
Cash acquired	*(0.5)*
Bank overdrafts acquired	10.2
	435.2

Notes to the Financial Statements continued

31. Acquisition of Wilson Connolly Holdings Plc continued

Wilson Connolly Holdings Plc earned a profit after taxation for the financial period from 1 January 2003 to 1 October 2003 of £17.4m (year to 31 December 2002: £34.6m). The unaudited summarised profit and loss account from 1 January 2003 to 1 October 2003, shown on the basis of the accounting policies of Wilson Connolly Holdings Plc prior to the acquisition, is as follows:

Profit and loss account	£m
Turnover	434.1
Cost of sales	(355.3)
Gross profit	78.8
Administrative expenses	(43.8)
Operating profit	35.0
Net interest payable	(9.5)
Profit on ordinary activities before taxation	25.5
Taxation	(8.1)
Profit on ordinary activities after taxation and for the financial period	17.4

There were no recognised gains and losses other than profit for the above financial period. Prior to acquisition Wilson Connolly Holdings Plc proposed an interim dividend of £6.2m of which £0.7m is to be paid to those shareholders who elected to receive a 3 pence per share dividend and 197 pence per share instead of 200 pence per share as the cash part of the consideration for the acquisition.

32. Pensions

The Group operates Defined Benefit and Defined Contribution pension schemes. In the UK the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF), the Taylor Woodrow NHS Pension Scheme (TWNHSPS), the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) are funded Defined Benefit schemes providing pensions related to pay at retirement. The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002. The schemes are managed by trustees. All scheme assets are held separately from the Group. With the exception of the TWNHSPS the Defined Benefit schemes are closed to new entrants. An alternative Defined Contribution arrangement, the Taylor Woodrow Personal Choice Plan, is offered to new employees. Other UK Defined Contribution arrangements operate for Wilson Connolly employees. The Group also operates a number of overseas pension schemes of the defined benefit type.

The most recent formal actuarial valuations of the defined benefit schemes were carried out at 1 June 2002 in the case of the TWGP&LAF, 1 April 2001 in the case of the BGPS, 1 February 2003 in the case of the WCHPS, 1 April 2001 in the case of the WHLPS and 1 January 2001 in the case of the PPS. The TWNHSPS commenced in December 2003 and the Actuary will be preparing the initial valuation shortly. The projected unit method was used in all valuations and assets were taken into account using market values.

The main financial assumptions, which are all relative to the inflation assumption, are as set out below:

Assumptions	TWGP&LAF	BGPS	WCHPS	WHLPS	PPS
Inflation	2.5% p.a.	2.5% p.a.	2.5% p.a.	3.0% p.a.	3.25% p.a.
Investment return – pre/post retirement	4.5/3.5% p.a.	4.0/3.0% p.a.	5.0/2.5% p.a.	4.0/4.0% p.a.	4.25/4.25% p.a.
General pay inflation	2.0% p.a.	2.0% p.a.	1.5% p.a.	2.0% p.a.	2.0% p.a.
Pension increases	0% p.a.	0.5% p.a.	0.5% p.a.	1.0% p.a.	0% p.a.

Valuation results	TWGP&LAF	BGPS	WCHPS	WHLPS	PPS
Market value of assets	£460.1m	£82.7m	£24.2m	£6.4m	£2.4m
Past service liabilities	£495.1m	£88.4m	£34.0m	£7.5m	£1.8m
Scheme funding levels	93%	93%	71%	85%	130%

The actuaries to each scheme calculated the long-term funding rates to be 22.0% p.a. (TWGP&LAF), 13.7% (BGPS), 21.1% (WCHPS), 14.0% (WHLPS) and 15.0% (PPS) of each scheme's respective pensionable salary roll. The Group has decided to pay an additional £1.09m p.a. for 6 years from 2002 to correct the underfunding position in respect of BGPS liabilities and an additional £15,000 a month to correct the under funding position in respect of WHLPS liabilities.

32. Pensions continued

The funding policy of the Trustees is to maintain a stable contribution rate with a funding level in excess of 100%.

The pension charge for the Group for the year ended 31 December 2003 was £12.7m (2002: £8.0m) representing the SSAP 24 charge of £13.8m less £1.1m provision utilised in respect of the BGPS referred to above. The charge includes £0.2m (2002: £1.0m) related to overseas schemes. This charge was based on the most recent valuation of the schemes as noted above. There is a net pension provision at 31 December 2003 of £0.9m (2002: net prepayment of £3.0m) (notes 16 and 22).

FRS 17 'Retirement Benefits' is due to replace SSAP 24 'Accounting For Pension Costs'. FRS 17 is intended to be fully effective for accounting periods ending on or after 1 January 2005. Disclosures are required in the transitional period, however.

The valuations of the Group's pension schemes have been updated to 31 December 2003 and the position of overseas schemes has been included within the FRS 17 disclosures. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

As at 31 December	United Kingdom 2003	United Kingdom 2002	North America 2003	North America 2002
Discount rate for scheme liabilities	5.4%	5.6%	6.0 – 6.25%	6.5 – 6.75%
Inflation	2.8%	2.3%	3.5 – 4.0%	3.5 – 4.0%
General pay inflation	3.8%	3.3%	4.0 – 4.5%	4.0 – 4.5%
Pension increases	2.5%	2.0%	0.0 – 0.3%	0.0 – 4.0%

The above annual assumptions are prescribed by FRS 17 and do not reflect the assumptions that may be used in future funding valuations of the Group's pension schemes.

The fair value of assets and actuarial value of liabilities of the Group's pension arrangements, including overseas schemes, are set out below:

31 December 2003	Expected rate of return % p.a.	United Kingdom £m	North America £m	Total plans £m
Assets:				
Equities	6.9	356.9	9.9	366.8
Bonds	5.4	110.3	5.2	115.5
Other assets	5.4	99.4	1.1	100.5
		566.6	16.2	582.8
Actuarial value of liabilities		(747.5)	(17.2)	(764.7)
Deficit		(180.9)	(1.0)	(181.9)
Related deferred tax asset		54.2	0.4	54.6
Net pension liability		(126.7)	(0.6)	(127.3)

31 December 2002	Expected rate of return % p.a.	United Kingdom £m	North America £m	Total plans £m
Assets:				
Equities	7.0	279.2	5.4	284.6
Bonds	5.5	98.0	3.2	101.2
Other assets	5.5	90.4	5.9	96.3
		467.6	14.5	482.1
Actuarial value of liabilities		(629.9)	(15.2)	(645.1)
Deficit		(162.3)	(0.7)	(163.0)
Related deferred tax asset		48.7	0.5	49.2
Net pension liability		(113.6)	(0.2)	(113.8)

Notes to the Financial Statements continued

32. Pensions continued

The movement in the scheme deficit is as follows:

	2003 £m
Opening deficit in the schemes	(163.0)
Current service cost	(10.2)
Contributions	13.1
Other finance expense	(5.2)
Actuarial gains	1.3
Acquisition (note 31)	(17.9)
Closing deficit in the schemes	(181.9)

Had the Group adopted FRS 17 early, the following amounts would have been included in the profit and loss account:

	2003 £m	2002 £m
Current service cost	10.2	10.7
Past service cost	-	-
Total which would have been charged to operating profit under FRS 17	10.2	10.7
Expected return on scheme assets	31.1	34.1
Interest cost on scheme liabilities	(36.3)	(33.2)
Net amount which would have been included as other finance (expense) / income under FRS 17	(5.2)	0.9

In addition, the following amounts would have been recognised in the statement of total recognised gains and losses:

	2003 £m	%	2002 £m	%
Difference between actual and expected return on scheme assets	44.9	8% of scheme assets	(78.1)	16% of scheme assets
Experience gains / (losses) arising on scheme liabilities	38.2	5% of scheme liabilities	(69.1)	11% of scheme liabilities
Changes in assumptions	(81.8)		8.4	
Total actuarial gains and losses which would have been recognised in the statement of total recognised gains and losses	1.3	0% of scheme liabilities	(138.8)	22% of scheme liabilities

Had the Group adopted FRS 17 early, Group profit and loss reserves would have been stated as follows:

	2003 £m	2002 £m
Profit and loss reserve as reported	745.4	591.6
Net FRS 17 deficit in relation to Group pension schemes (net of applicable deferred tax)	(127.3)	(113.8)
Remove existing SSAP 24 provision and prepayment for Group pension schemes (net of applicable deferred tax)	0.6	(1.9)
Profit and loss reserve on an FRS 17 basis	618.7	475.9

33. Contingent liabilities

The Group and the parent company have entered into performance bonds and agreements in the normal course of business. The parent company has given guarantees in respect of Group undertakings of £4.9m (2002: £19.4m).

34. Post balance sheet event

On 27 February 2004 Taylor Woodrow contracted to sell its investment and development properties at St Katharine by the Tower, London, for £283.3m. Of the total consideration, £166.3m relates to the sale of St Katharine's Estate investment properties and £117.0m relates to the sale of the K2 development property currently under construction. The Group has guaranteed certain rental amounts to the purchasers and will pay no more than £2.8m in the first year, £2.7m in the second year, £2.6m in the third year and £75,000 in the fourth and fifth years under these arrangements.

Particulars of Principal Subsidiary Undertakings

Country of incorporation and principal operations	Name of undertaking included in the consolidated accounts (*Interests held by subsidiary undertakings)	Taylor Woodrow plc interest is 100% in the issued ordinary share capital (unless otherwise stated)
Housing		
Great Britain	Taylor Woodrow Developments Limited*#	
	Taylor Woodrow Holdings Limited	
	Wilson Connolly Holdings Plc	
	Wilson Connolly Limited*	
Canada	Taylor Woodrow Holdings of Canada Limited##	
	Monarch Construction Limited *###	
	Monarch Development Corporation*	
Irish Republic	Taylor Woodrow Finance Ireland	
Spain	Taylor Woodrow de España S.A.####	
USA	Taylor Woodrow Holdings/Arizona, Inc.*	
	Taylor Woodrow Homes, Inc.*	
	Taylor Woodrow Homes Florida, Inc.*	
	Taylor Woodrow, Inc.*	
	Monarch Holdings (USA), Inc.*#####	
	Monarch Homes of Florida, Inc.*	
Property Development and Investment		
Great Britain	Taylor Woodrow Developments Limited*#	
	Taylor Woodrow Property Company Limited	
	Clipper Investments Limited*	
	Pennant Investments Limited*	
	St Katharine by the Tower Limited*	
Construction		
Great Britain (operating worldwide)	Taylor Woodrow Construction Limited	

Notes

Variable rate, cumulative, non-voting, irredeemable preference shares are additionally held.

Variable rate, cumulative, non-voting, redeemable preference shares are additionally held.

9.5% non-cumulative, non-voting, redeemable preference shares and 9% non-cumulative, non-voting, redeemable preference shares are additionally held.

9% cumulative, redeemable preference shares are additionally held.

Non-voting, redeemable preferred shares are additionally held.

Five Year Review

	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Profit and loss account					
Group turnover (plus share of joint ventures' turnover)	2,672.9	2,215.8	2,149.9	1,557.9	1,522.0
Group operating profit (plus share of joint ventures' operating profit)	338.9	259.7	227.5	171.2	141.3
Profit on disposal of discontinued operations	-	-	-	31.7	-
Profit on disposal of investments and properties	6.3	8.1	7.9	18.6	3.6
Net interest payable	(41.2)	(34.7)	(33.1)	(20.0)	(22.3)
Profit before taxation	304.0	233.1	202.3	201.5	122 6
Taxation charge	(101.5)	(76.9)	(64.8)	(54.4)	(34.4)
Minority interests	(0.4)	(1.1)	(2.5)	(7.3)	(6.0)
Profit for the financial year	202.1	155.1	135.0	139.8	82.2
Dividends	(50.4)	(40.6)	(37.2)	(31.7)	(20.9)
Finance costs of non-equity shares	(1.1)	-	-	-	-
Profit retained	150.6	114.5	97.8	108.1	61.3
Balance sheet					
Intangible assets – goodwill	347.6	241.4	247.0	-	-
Investment properties	160.2	183.9	259.9	346.7	378.5
Other fixed assets	33.6	24.3	72.2	76.9	103.9
Net current assets (excluding cash and debt)	2,050.3	1,303.3	1,114.5	539.5	474.8
Non-current creditors (excluding debt) and provisions	(154.2)	(99.2)	(39.2)	(28.4)	(21.2)
Capital employed	2,437.5	1,653.7	1,654.4	934.7	936.0
Represented by:					
Called up non-equity preference share capital	10.0	-	-	-	-
Called up equity ordinary share capital	146.1	138.2	137.9	95.8	95.3
Share premium account	745.7	591.2	590.5	233.7	232.2
Revaluation reserve	38.4	63.4	134.2	142.5	125.0
Capital redemption reserve	21.5	21.5	21.5	14.2	14.2
Other reserve	1.1	-	-	-	-
Profit and loss account	745.4	591.6	472.1	401.5	277.2
Own shares	(14.7)	(12.6)	(4.3)	(7.2)	(5.7)
Shareholders' funds	1,693.5	1,393.3	1,351.9	880.5	738.2
Minority interests	1.1	-	0.6	3.1	79.5
Net debt	742.9	260.4	301.9	51.1	118.3
	2,437.5	1,653.7	1,654.4	934.7	936.0
Statistics					
Number of ordinary shares in issue at year end (millions)	584.2	552.7	551.5	383.0	381.2
Basic earnings per share	36.5p	28.2p	25.3p	37.0p	20.7p
Dividends per ordinary share	8.9p	7.4p	6.7p	6.12p	5.45p
Equity shareholders' funds per share	276.7p	255.6p	246.3p	232.5p	195.8p
Dividend cover (times)	4.1	3.8	3.8	6.0	3.8
Net gearing	43.9%	18.7%	22.3%	5.8%	16.0%

The figures for 1999 to 2002 were restated in 2003 to include investments in own shares as a deduction from shareholders' funds rather than within net debt.

The figures for 2001 were restated in 2002 in respect of the change in accounting policy for deferred tax to comply with FRS 19.

The figures for 1999 to 2000 were restated in 2001 to show Group turnover including share of joint ventures.

Shareholder Information

SHAREHOLDER FACILITIES
Registrar
For enquiries concerning your shareholding or details of shareholder services, please contact:

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The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: + 44 (0) 870 162 3103
Email: ssd@capitaregistrars.com

Financial calendar
Annual General Meeting
The company's Annual General Meeting of shareholders will be held at 11.30am on Tuesday 20 April 2004 at The Renaissance Hotel, Warwick Road, Solihull, West Midlands B91 1AT. Notice and details of the business of the meeting are contained in an accompanying circular to shareholders.

2003 final dividend
Shares quoted ex-dividend on London Stock Exchange
26 May 2004

Record date for final dividend entitlement
28 May 2004

Latest date for receipt of Dividend Re-investment *Plan mandate forms (or Notices of Revocation)*
5pm on 10 June 2004

Payment date for final dividend for 2003 (subject to shareholders' approval at the Annual General Meeting)
1 July 2004

Despatch date for Dividend Re-investment Plan share certificates and tax vouchers
22 July 2004

Interim results
Announcement date
3 August 2004

On-line facilities for shareholders and electronic communications
Shareholders who have registered for on-line access at Capita Registrars' website can make on-line enquiries about their shareholdings and advise the company of changes in personal details.

Shareholders can also elect to receive communications such as the Report and Accounts in electronic rather than in paper form. Details are given in an appendix to the 2004 Annual General Meeting circular.

For further information about on-line access and electronic communications, please visit the company's website www.taylorwoodrow.com and navigate through to Corporate/Investor Relations/Shareholder Facilities and click on 'Shortcut to Shareholder Services.' For security of personal information, certain of these services require you first to apply on-line for a User ID.

The company's Reports and Accounts and Interim Reports and copies of recent shareholder communications can also be accessed on the company's website www.taylorwoodrow.com

Online proxies
Shareholders may also submit forms of proxy on-line through the company's web address shown above.

Dividend mandates
The company actively encourages all shareholders to receive their cash dividends by direct transfer to a bank or building society account. Shareholders who wish to use this facility should complete the dividend mandate form which will be attached to future dividend cheques.

Dividend Re-investment Plan
Under the company's Dividend Re-investment Plan, shareholders can choose to invest their cash dividend in purchasing shares of the company on the market. Details of the Plan are contained in the circular to shareholders and copies may be obtained from Capita Registrars.

Low-cost share dealing service
The company has arranged a low-cost share dealing service for buying and selling shares in the company through HSBC Bank plc Stockbroker Services. For details and the necessary forms, contact HSBC Bank plc Stockbroker Services, Exchange Place, Poseidon Way, Leamington Spa CV34 6BY (Telephone + 44 (0) 1926 834064).

Taylor Woodrow and 'CREST'
Taylor Woodrow's listed securities can be held in uncertificated 'CREST' accounts, which may make it quicker and easier for shareholders to settle stock market transactions. Holders who deal infrequently may, however, prefer to continue to hold their shares in certificated form and the company will continue to offer this facility for the time being.

Taylor Woodrow share price
The company's share price is printed in most UK daily newspapers and is also available on the company's website www.taylorwoodrow.com. It appears on Ceefax (BBC1 page 232, BBC2 page 223 and C4 Teletext page 531) and may be obtained by telephoning the Financial Times Cityline Service on + 44 (0) 906 003 4177 or + 44 (0) 906 843 4177 (calls cost 60 pence per minute).

Gifting shares to charity
The company has made an arrangement with the Orr Mackintosh Foundation Limited, a registered charity operating as 'Sharegift', enabling shareholders to gift small shareholdings to the charity which in turn will distribute the proceeds of the sale of the shares to a wide range of recognised charities. Any shareholder who wishes to receive further details should contact Capita Registrars or approach Sharegift directly on www.sharegift.org/sharegift or telephone them on + 44 (0) 20 7337 0501.

Personal equity plan
The Taylor Woodrow General and Single Company PEPs, which were open for investment through Bradford & Bingley (PEPs) Limited up to 5 April 1999, are now managed by The Share Centre, 1st Floor, Oxford House, Oxford Road, Aylesbury, Bucks. HP21 8PB. Telephone: + 44 (0) 129 643 9000.

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UBS

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Taylor Woodrow