TAYLOR WOODROW plc PRELIMINARY RESULTS STATEMENT

(for the year ended 31 December 2003)

Delivering growth

Financial Highlights

- Operating profits up 31 per cent to £337.8 million (2002: £257.7 million)
- Profit before tax up 30 per cent to £304.0 million (2002: £233.1 million)
- Profit before tax and exceptional items up 32 per cent to £324.0m (2002: £245.1 million) *
- Adjusted earnings per share up 31 per cent to 39.0 pence (2002: 29.8 pence) **
- Dividends per share up 20 per cent to 8.9 pence (2002: 7.4 pence)

Operational Highlights

- World wide home completions up 29% to 10,819
- Successful £499 million acquisition of Wilson Connolly
  - Contributed £47.1 million operating profit in 2003
  - Integration proceeding well
- Strong order books for 2004
  - UK Housing £601 million, up 131%; up 39% on a like for like basis
  - North American Housing £444 million, up 35%
  - Spain & Gibraltar Housing £65 million, up 40%
  - Construction £785 million, up 17%
- Cost savings of £21 million achieved in 2003

** Adjusted for exceptional integration costs in 2003 and restructuring costs in 2002 as detailed in note 5 and after goodwill amortisation of £15.0 million (2002: £13.1 million)*

*** Adjusted for exceptional integration costs in 2003 and restructuring costs in 2002 as detailed in note 5.*

Norman Askew, Chairman of Taylor Woodrow, said today:

"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"

Iain Napier, Chief Executive of Taylor Woodrow, subsequently commented:

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

We acquired Wilson Connolly in early October for £499 million. The fit between the two businesses has proven to be excellent. The integration process has started extremely well and 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.

As previously forecast, we realised £21 million of cost savings from the realignment and simplification of our UK business, we reduced our regional offices and established the new central office in Solihull, West Midlands.

Turning to our markets, the UK housing market remains robust. Demand continues to outpace supply and recent interest rate rises have had no discernible effect on our levels of site traffic or conversions. In North America the housing market continues to be strong across all our businesses.

With high levels of both visitor numbers and reservations, we start 2004 with confidence. We expect the national house price inflation in the UK to be around 5 per cent. In North America the outlook remains good and we anticipate continued favourable market conditions over the coming year.

Taylor Woodrow participated in the UK Government's Barker Review of Housing Supply and welcomed its interim report that 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.

We made significant progress in our business strategy to create sustainable shareholder value by growing, both organically and by acquisition, as a developer of living and working environments this year. I look forward to reporting on our future progress. "

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High resolution photographs are available to the media free of charge at www.newscast.co.uk, +44 (0)20 7608 1000.

A presentation to analysts will be made at 10.00 hrs. This presentation will be broadcast live on taylorwoodrow.com.

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Operating and Financial Review

Highlights

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 that was 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 Plc 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 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.

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
House completions		10,819	8,370

** pre average goodwill of £264.7 million (2002: £244.2 million)*

*** pre 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

** pre average goodwill of £258.0 million (2002: £240.6 million)*

*** pre 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 include 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 (2002: £177.6 million) to operating profit 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 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

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

Total home completions for the North American operations increased 51 per cent to 2,786. Underlying operating profit was up 45.3 per cent to £96.2 million before allowing for currency translation differences.

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 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. Operating performance during 2003 was significantly higher than previous years as we benefited from one large site which was purchased on attractive terms in the late 1990s. 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).

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

** pre 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 our business and we were pleased to announce the sale on 27 February 2004 of the investment and development properties at St Katharine's, London for £283.3 million. Further information can be seen in Note 9 of the Preliminary Accounts.

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, 25 per cent of the construction business' total workload – up 7 per cent on last year.

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 Plc 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 Holdings plc 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.

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 changed timings of interest payments and the acquisition finance for Wilson Connolly.

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 8.

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

Treasury Management and Funding

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.

Shareholder Information

The 2003 final dividend will be paid on Thursday 1 July 2004 to shareholders whose names appear on the register of members at the close of business on Friday 28 May 2004.

The company offers a Dividend Re-Investment Plan which provides shareholders with a facility to use their cash dividends to purchase Taylor Woodrow plc shares in the market. Details will be sent to ordinary shareholders with the 2003 annual report and accounts which will be posted on 19 March 2004. Copies of the 2003 annual report and accounts will also be available from that date on the Company's website taylorwoodrow.com and from the registered office at 2 Princes Way, Solihull, West Midlands, B91 3ES.

Group profit and loss account
for the year ended 31 December 2003

	Notes	Before goodwill amortisation & exceptional item £m	Goodwill amortisation & 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				**(44.2)**	(35.9)
Joint ventures				**(1.0)**	(3.3)
				(45.2)	(39.2)
Profit on ordinary activities before taxation				**304.0**	233.1
Tax on profit on ordinary activities	3			**(101.5)**	(76.9)
Profit on ordinary activities after taxation				**202.5**	156.2
Minority interests (including non-equity interests)				**(0.4)**	(1.1)
Profit for the financial year				**202.1**	155.1
Dividends paid and proposed on equity shares	4			**(50.4)**	(40.6)
Finance costs of non-equity shares				**(1.1)**	-
Profit retained				**150.6**	114.5
Basic earnings per share	5			**36.5p**	28.2p
Diluted earnings per share	5			**36.3p**	28.1p
Adjusted basic earnings per share	5			**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 6) £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 6)	**(12.6)**	(4.3)
Opening shareholders' funds as restated	**1,393.3**	1,351.9
Closing shareholders' funds	**1,693.5**	1,393.3

Balance sheet
at 31 December 2003

		Group	
			2002
			As restated
		2003	(note 6)
	£m	**£m**	£m
Fixed assets			
Intangible assets			
Goodwill		**347.6**	241.4
Tangible assets			
Investment properties		**160.2**	183.9
Other		**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)		
		-	-
Other		**3.3**	3.2
		541.4	449.6
Current assets			
Stocks		**2,596.7**	1,707.0
Debtors		**304.9**	212.5
Cash at bank and in hand		**146.5**	180.6
		3,048.1	2,100.1
Creditors: amounts falling due within one year		**(1,001.2)**	(632.3)
Net current assets		**2,046.9**	1,467.8
Total assets less current liabilities		**2,588.3**	1,917.4
Creditors: amounts falling due after more than one year		**(849.4)**	(497.4)
Provisions for liabilities and charges		**(44.3)**	(26.7)
		1,694.6	1,393.3
Represented by:			
Capital and reserves			
Non-equity share capital		**10.0**	-
Equity share capital		**146.1**	138.2
Called up share capital		**156.1**	138.2
Share premium account		**745.7**	591.2
Revaluation reserve		**38.4**	63.4
Capital redemption reserve		**21.5**	21.5
Other reserve		**1.1**	-
Profit and loss account		**745.4**	591.6
Less: Own shares		**(14.7)**	(12.6)
Shareholders' funds		**1,693.5**	1,393.3
Minority interests (including non-equity interests)		**1.1**	-
		1,694.6	1,393.3
Shareholders' funds are analysed as:			
Equity interests		**1,592.4**	1,393.3
Non-equity interests		**101.1**	-
		1,693.5	1,393.3

Group cash flow statement
for the year ended 31 December 2003

	Notes	£m	2003 £m	£m	2002 As restated (note 6) £m
Operating activities					
Cash inflow from operating activities	7		**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	8	**(425.5)**		(29.7)	
Net overdrafts acquired with subsidiary	8	**(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	7		**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	7		**(10.3)**		12.3

Notes to the preliminary accounts

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 6) 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 cash flows of the acquired business separately.

Notes to the preliminary accounts continued

2. Profit on ordinary activities before taxation

	2003	2002
	£m	£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

3. Tax on profit on ordinary activities

		2003	2002
		£m	£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	2002
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.

Notes to the preliminary accounts continued

4. Dividends paid and proposed on equity shares

	2003	2002
	£m	£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

5. Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares:	**Basic**		**Adjusted**	
	2003	2002	**2003**	2002
	£m	£m	**£m**	£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	2002
	m	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

6. Prior year adjustment

Following the adoption of UITF 38 – "Accounting for ESOP Trusts", investments in the company's own shares of £14.7m (2002: £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.

Notes to the preliminary accounts continued

7. Group cash flow statement

	2003 £m	2002 As restated (note 6) £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 6) £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 preliminary accounts continued

8. 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 preliminary accounts continued

8. 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.

9. 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 £283.3 million. Of this total consideration, £166.3 million relates to the sale of St Katharine's Estate investment properties and £117.0 million 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 £2.8 million in the first year, £2.7m in the second year, £2.6 million in the third year and £75,000 in the fourth and fifth years under these arrangements.

10. General

Other than in respect of UITF 38 referred to in note 6 above, the preliminary accounts have been prepared on a basis which is consistent with the accounting policies adopted for the year to 31 December 2002.

The preliminary accounts were approved by the Board of Directors on 2 March 2004.

These accounts do not constitute the company's statutory accounts for the years ended 31 December 2003 or 2002 but are derived from those accounts. Statutory accounts for 2002 have been delivered to the Registrar of Companies and those for 2003 will be delivered following the company's annual general meeting. The auditors have reported on these accounts; their reports were unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.