TAYLOR WIMPEY PLC - ANALYST AND INVESTOR DAY
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Corporate Speakers:

- **Pete Redfern**; Taylor Wimpey; Chief Executive, Director
- **Ryan Mangold**; Taylor Wimpey; Group Finance Director
- **Nigel Holland**; Taylor Wimpey; Divisional Chairman, Central and South West
- **Chris Carney**; Taylor Wimpey; Divisional Chairman, London and South East

PRESENTATION – PETE REDFERN

Pete Redfern: Good morning. Thanks for joining us. I know it's a huge trial to come out here in the sun and see all the posh cars. A number of people have said they'd rather go here than in the fish restaurant we took you to about two years ago.

Thank you for joining us. Thank you for taking the time out of the day to come out here to Oxford. You've got four presenters, myself and Ryan, and I think Ryan and I will focus between us on different aspects of the statement today; dividends, strategy, new targets. We'll then do a Q&A between the two us around those sorts of issues and specifically around London – happy to sort of take sort of top surface London questions. But if you're can hold on to those London questions because Chris Carney will talk about his business in the South East and also the Central London business that Ingrid runs sort of later on. And then Nigel will talk about his business in the South West.

Then we’ve got a trip out to Didcot, our single largest site, and we've chosen it for that reason. It's an old strategic land site and it's a good way of just giving you a sense of the sorts of production levels we've got on a site like that, how we run it, the future strategic land profile for a site like that, those kinds of things.

So, hopefully, between the balance of Ryan and I on the bigger numbers, the strategy, the shift in policy during the course of sort of the statement that you've already read, the two new Divisional Chairmen talking about their own businesses and each of them picking up a particular operating theme – Nigel, strategic land; Chris, customer service, and Chris picking up Central London questions and that site visit, you'll get a pretty good flavor of the business from strategy through to operations during the course of the day.

Obviously, one of the main reasons to hold an event like that is to give you all a chance to meet, chat too, and ask questions of a much deeper set of the management team than you get to do half year or the prelim stage.

I think particularly at this point because as everybody knows Pete Truscott left us last year having been in that role for a long time and Chris and Nigel are there presenting because they are effectively Pete’s replacement. As you know, we've divided that business into two. You've got a management structure on the chart ahead of you, the people in blue are our sort of top level management team.

Everybody that's there is here today from that team except Ingrid. Ingrid is coming back to us at the moment from maternity leave; she's kind of back on a part time basis but only just over the course of the last few weeks. The team in red, most of whom are here, are what we call our divisional MDs; each of them oversees, three or four businesses. Most of them are in the room. There's a couple that are on holiday, but hopefully during the course of the presentation, the Q&A and most importantly over lunch and site visits you'll get a chance to talk to a pretty good cross-section of the team.

We find that dual structure of having a divisional chairman, so Nigel, Chris and Fergus in the North and a divisional MD sort of gives us really good depth. It means that we can manage continuity but also means we can focus on the strategy and the operational issues of the business unit pretty well. We changed that structure about eight or nine years ago. We've stuck to the same structure since. We think it's worked well for us.

So as I say, Ryan and I will cover the key changes from the statement this morning. I will talk about strategy first of all, and then talk about managing through the cycle, not because we're looking over our shoulder very concerned about what's going to happen on June 23 or during the balance of this year or next year or even the year after, but we have said consistently for the last five or six years that we are a cyclical business and actually being able to talk about the cycle, be conscious of how we're managing it, for it to affect our strategy, and our decisions, is important. And it's important to us that we have a very open conversation with you about that, where we think the future risks are and how we're managing them. So, we'll spend some time on that.

We will also talk obviously about dividend policy, the logic behind it, particularly talking about the new ordinary dividend and the scale of it, how we've arrived at that and what we mean when we say that that dividend can be sustained through a normal downturn. We see that dividend policy change today as probably the single biggest piece of news, not just the scale of the 2017 total dividend, but that structural change in the ordinary dividend.

And then last of all, I'll finish up with the targets, which are important, and give you a sense of us stretching ourselves and where we think the business can get to. But we see it slightly subservient to the strategy and to that dividend policy.

So, first of all, talking about the strategy; we do think this is a particularly good time to really challenge ourselves. We have been through over the course of the last nine months every element of the strategy that we set out five years ago and I think it was almost five years to the day in 2011 that we set out the principles that we were operating to.

The next slide I'll show you repeats what we said in 2011, because I wanted to go back and sense check what we said to you then, what we believe now, what has changed and what is the same. We'll talk a bit about the underlying environment compared to what we expected five years ago, compared to what we expected two years ago, just a sense of what is different about our market and what is different about the house building industry.

We'll also talk about the balance that we've been striking over land investment strategy and what we see as risk-averse growth. We're not opposed to growth. We will continue to grow but we do recognize and consciously set ourselves out to be probably more risk-averse than many of our peers. I will also spend some time and I touched on it at the prelims, Nigel and Chris will touch on it look at some of the areas of continuous business improvement. More operational matters; don't immediately come through the bottom line but we do think are an important part of the business improving, developing, laying down some real planks for future strategies.

So, I said I'll repeat a slide from 2011. The only thing that's changed is the green ticks because we kind of went through and said do we still believe that, is that still core to us? We said we'd maximize the value from each home completion. We still believe that is critically important. It is not about maximum profit in any one year. It's about the quality of that profit and it's about making sure that in a world where land availability is something that we to have manage tightly, that capital invested in land is key, that maximizing the contribution we get from each home completion is important.

Probably more importantly, we said we will not ever return to the 'Feed the Machine' mentality. And that definitely coloured – we'd never have called it that for the last cycle – but it definitely coloured our decisions. That has not changed at all. We said that we weren't just a house builder, we were a land portfolio company, that our main driving goal, our main way of adding value was adding value to the landbank, taking it through the planning process. We still believe that today.

But also that an efficient engine room, both on the production side, the technical side, the planning side of the business was necessary to protect and enhance value through that build stage. And we said, and it's why we come back to you to talk about it today, that we would have a far more active approach to managing the cycle than we've had historically.

Those five principles we set out five years ago all stand today. We could use almost exactly the same words and feel comfortable. The environment is slightly different; we've changed a few things. We've changed a few tactics. We've put a bit more focus on certain areas and those are the things we'll talk about, but every principle that we set out five years ago stands today.

But what is different? Well let's stand back and first of all look at the overall housing market. First of all, the drivers are very similar, I mean, I think through the last cycle we talked as an industry about supply, demand and that would underpin sort of any downturn, and in reality that was true. The scale and the sharpness of the 2008 downturn were dramatic.

But if you look at the graphs which we'll come on to in a second, and which I think you all know actually we found a floor surprisingly quickly and then recovered from that. What we see at the moment is still that strong underlying demand. We still see mortgage availability and the cost of mortgages being the key short term determinant of volume and value. And as you look three or four years out, that's something we have to track very closely.

And we do believe that we'll see new build production trend up to give or take 200,000 units. And we don't think we're going to be a long way off that as an industry overall. What is different and fundamental is the underlying drivers of the financing market which are so key, both to volume, but particularly to price.

They're in balance but it's a very different balance from what we've seen historically. Help to Buy has had a material impact. But balancing that has been the tighter mortgage controls through various different processes, the banks' own funding, the banks' own approach, through valuations and also through policy structural things like the mortgage market review.

It's quite different and as we look ahead making sure we understand those differences and how they'll play out is critically important. And then if you look at our customers, in many ways they're still driven by the same thing.

One of the reasons we don't worry as much as some people sitting in central London worry about the impact of the central London market is our customers don't worry about it. They don't worry about it until it really is knocking on the door.

What they worry about is the location of the house. They worry about their own short term financial positions. They worry about their own job security. It's not a given that people look at central London and think that what happens in central London will always happen – good and bad – somewhere else.

What we are seeing I think through this cycle is a slightly different dynamic. Through the last cycle, we were over 20% investors and that changes our perception a little. But we see at the moment is customers buying a house to live in not just – not as an investment but to live in for longer than they have done historically, thinking differently, not actually quite as much of a bias towards seeing that house as a long term investment.

So seeing the house as not is this going to go up 10% next year but actually look at it, can I afford it, can I pay the mortgage and actually looking at a security rather than an upside. The balance has shifted. And whilst we've seen a strong period of price growth, it's nothing like the strength that we've seen in previous upswings and I think that's coloured people's views. And I do think it gives more underlying robustness in the level of demand that we see.

I'll come back to this graph in a more detailed way but I think just flagging and we've used the nationwide statistics, there are none of the house price indices that we think are quite right but actually all of them show broadly the same path. And so, I think they tell the overall story. We're still not at real price levels that we hit in the previous cycle. In fact – and I'll come back to it – we're probably somewhere 15% to 20% below that. All other things being equal, there is that potential upside before we have to look too nervously at where prices are going to go, but we'll come back to that.

What is different from a house builder point of view and you know many of these things I'm not going to labour them, land and planning still remain the single key determinant to success. They are still the single most important thing in terms of delivering our product, our scale, our financial returns, what our customers want.

They govern our locations. They govern our financial structure. They govern our returns and our margin. But that importance in balance is slightly diminished. I'd have said actually getting the right site in the right way in the previous cycle and in the early stages of this outweighed everything else put together from the point of view of the financial performance of the house builder.

With more land availability, more flexibility, more choice, actually it's still the most important factor but it doesn't outweigh everything else, and that does mean we have to be more focused on some of the other elements of the business than we have been historically.

That's because, as I said I won't labour the point, competition for land is reduced and I think that is a long term thing. I don't think that's going to swing around at any time soon. We have, particularly for us as a business, the potential for significantly more control of our own destiny through strategic land.

I also think that customers, and as well as being slightly more cautious in their perception of buying and looking for a house they're going to live in for a longer period of time, are also more discerning, combination of social media, of the level of competition on products, of actually that sense of I'm not just buying as an investment. People are much more conscious and careful. We see that as a good thing. We see it as an opportunity. But relatively it's a shift. We're not just building an investment asset. We're building a home for people to live in. And it has to colour how we run the business.

In the short term but actually not just in the short term, the ability to manage and retain skills and resources, both our own employed people, our subcontractors, materials and the way we build houses has also become more important and we don't think that's just true for this cycle. It will ebb and flow through this cycle, there will come a point when we're building less houses than we are today and those pressures will ease.

But as we look ahead, we think that will get progressively more challenging. So, we have a lot and there's some stuff downstairs, sorry stuff that are in the other room where you had coffee, around our project 2020 looking ahead not at what we're going to do in the half of this year into next year but looking further ahead at how we build.

But our management of our people is critically important. Through this period of the previous cycle, we were struggling to keep our staff turnover at below 20%. It tended to run somewhere between 21% and 23% between 2002, 2006, 2007.

The pressure on staff today is greater than it was in that period and our staff turnover is running between 12% and 13%. That's because we've done an awful lot in how we structure terms and conditions, how we structure development, how we manage people and that makes a huge difference to our continuity and particularly as we sort of move ahead, it makes a huge difference to the quality of what we're doing.

We also think that clear and effective systems and process become important. Our business gets more complex every year like many businesses. We went through the last cycle with significant number of acquisitions and additions, making those systems complex. We've bedded those down in 2008 and 2009.

We continue to evolve them. We continue to add to them. We continue to get better but actually the fact we have that consistency makes a huge difference. And it actually gives us much more control, much lower risk and, therefore, much more confidence in being able to set out some of the financial targets that we'll talk about in a second.

So, conclusions. House building is still a cyclical industry, that hasn't changed. The cycle may be slightly different – we'll talk about that in a second – but targeting maximum growth each year will lead to bad decisions sooner or later. You have to have a view about what the right level for you is and it certainly colours our discipline about opening up new businesses and looking at acquisitions.

Acquiring right land in the right way with the right planning is still the single most important success factor. But some of the things we talked about in the past about the length of landbank that we need and the scale of landbank, somewhere around 75,000 to 80,000 plots, somewhere between five and five and quarter years of land, they still feel about right. We're not changing that.

The limitation is more about processing now than it is about accessing. We don't think that land values are going to rise consistently and steadily over the next couple years. We think actually land values remain fairly muted because the level of competition, will remain fairly muted.

So, holding lots more land for the sake of it that you don't need doesn't really add a lot of value. And so, these sorts of levels feel about right. And if you work through the maths you could see that gives us a little bit more volume upside.

Strategic land remains a great way to add value and reduce risk, because processing and getting things through and open on time is such a constraint and because resources are such a constraint. In some ways, the biggest benefit we see from strategic land at the moment is the fact that all of our 24 business units – have got two or three, in some cases more, long term strategic sites that they don't need to use their scarce resource of technical and planning to actually manage each year.

They’re there, we build, we sell, they work very smoothly. It makes a huge difference. As well as the superior margins, the control, the upside. And if the land environment tightens or if we're nervous about the cycle, it gives us a lot more control over our longer term book.

We do believe the major developments business that we talked about the half year last year and have come back to and again, there is some stuff in the other room on that and Lee Bishop who runs it is there talk you through that, and the success of those larger sites mean there's a bit of a volume upside.

We haven't changed the underlying principles of how we arrive at our volume, but I think with the larger strategic sites and low risk major development less capital intensive sites, we think it probably trends above the 14,000 units. We're not going for 16, 17, 18; it's not about setting a target. We think it naturally beds down with all those same principles somewhere between 14.5 and 15.5, which means that in 2017, 2018 and probably 2019 we've got something like 3% to 4% annualized growth rather than the flat profile that we've pictured before.

But we are still fundamentally focused through this next stage of the cycle on cash generation and asset efficiency which we do believe can be stepped up and I'll come back to those in the three-year targets. That's the next phase of where the quality drivers from the financial performance start to come from.

Now, I've already touched a couple of times that we think as the land environment has shifted, there are other elements of the business that become more important than they've been historically. Health and safety for us has always been our top priority. And I know it doesn't drive the financial performance, but for us as a business it's a fundamental principle. Nobody in our management team wants to work in a business that is not run as safely as it possibly can be.

But there are other practical business improvement measures that do have a more direct financial impact. Those business operating processes, the principles that we set out in 2008 as to how the business run and actually how we then continue to improve those. They have made a huge difference and will continue to do so.

Customer service which is something that we don't think we got right in 2013 and 2014 and we think we're starting to get more right again in 2015, but still have a long way to go. We're investing in it. We're investing in it partly because we think it's right but also because we think as I said it will become more and more important over the next four or five years. We think there are risks for those businesses that do not get that right. We think there are upsides for those businesses that do.

People and resources and I touched on it. It is probably the single biggest constraint we face today. It will ebb and flow as the cycle changes but actually managing that right, retaining people, retaining people in the right way not just through pay but through combination of the right terms and conditions with the right culture makes a huge difference in our industry. And something we've again probably neglected until quite recently really looking at our product and how we produce it, looking long term. We have a tendency in this industry to look at a site individually in this way and say, well, actually does it work on that site, well, we'll go and do it.

We do our R&D as a prototype sort of our product that we're going to give to our customer and we're committed to putting more into proper research and development with a longer term plan, because actually we think there's potential for it and we think there are risks if we don't do it.

Those are our overall strategy thoughts. Now coming on the cycle. It is critically important that we review it. We do think now is a good time. We're clearly through the recovery stages. We're into a growth phase. We have been, arguably for two years, maybe three.

The environment remains supportive. Underlying demand is very strong. Lending is still affordable and I don't think that there are going to be any significant changes of interest rates in the short term that are going to change that so, I don't think there are likely to be significant changes of banks' ability to lend.

We'll touch on the EU issue as a separate kind of point issue in a moment. I'm sure we'll come back to it in Q&A. But the underlying environment in the housing market remains strong. You get back to that view of the cycle; actually we're still quite a long way below the peak in terms of real price movement.

And if you strip London out of that graph, for the vast majority of the country that drives the vast majority of our business, we're still a long, long way below historic peaks. So, we do see the short term market risk is reasonably low but it does accumulate in this kind of environment.

If we continue to see selling price movement, on average across the country of between 5% and 10% a year which is roughly the trend we've seen over the last sort of three or four years, then you look three or four years out and that cyclical risk is significantly greater. It's definitely there.

And as we get closer, the market becomes more fragile. So, as we start to think about how we're running the business today, and our land investments now tend to average much longer than they did in the past so, our land investments are generally five, six, seven years, not two or three years.

You look at the lead time it takes to get on site. You look at the scale of sites. And so it has to start colouring the kind of land investments that we make. That's one of the major things that that major developments business is about, taking some risk off the table without reducing the scale of the business.

And we do have in the short term some politically-driven risk. We're not too concerned and we wouldn't be setting the dividend policy that we set out today, about that EU risk. If we were to exit EU it clearly would have a short term impact on the market. But we do believe in that scenario we could continue to pay that ordinary dividend and we don't think it changes the long term dynamics of the business.

But there are also other political risks we need to be aware of. If you look on the demand side, we think Help to Buy is very robust but we as a business don't like the dependence on it, so the more over the next three or four years we can move away from that dependence, the happier we will be.

If you look on the supply side, the government clearly would like the industry to be delivering more. Our policy is we will not buy a site, sit on it, that's not what we do and actually pushing up some of the production on our large sites sort of helps that balance.

But we don't think that it's up to us to invest our shareholders' capital in sites to deliver a government objective. If we manage the site, we'll manage it properly and that will include delivering volume at a reasonable pace. But we do think it's a good time to review but we're not too worried at the moment.

You go back to subset of that sort of chart I put up earlier, Nationwide House Price Index, it probably shows you more clearly how far we're off the real house price peak. It also shows you that sort of we've been seeing growth really since Help to Buy was introduced. There is no doubt that has made a material impact on the market.

If you stand back, and we could have put this slide in the section on dividends. We could have put this slide on the section on the market. We could have put this slide on the section on the three-year targets. We did think it was useful and I know you all know roughly what these numbers show.

But to just show you a snapshot particularly of what our business is like today in financial terms compared to what it was like in 2007, and because not only is the environment quite different, the business is fundamentally different. We had a short term landbank, and we've been driving it hard to get up there, of 4.2 years compared to 5.7 years today.

We had a strategic pipeline of five years compared to eight years today. At the prelim stage, I highlighted the next number, the plot cost, it's been in the 22%, 23% of average selling price on the balance sheet over the course of the past sort of 10, 15 years. Right now, it's 16%. That's a fundamentally different level of risk and capital lock-up.

Our profit margins are 5% higher than they were at the peak and as you can see from the targets we still think there's further to go in this cycle. Probably most importantly is that cash conversion number, although we've dropped it from our three-year targets, we'll still continue to measure it and report on it.

And the fact that as were nearing the peak of the previous cycle, our cash conversion was only 10%, because we were driving money into the landbank both for future growth and to catch up with our competitors compared to 67% last year and growing over the course of the next two or three years, you get a real sense of where the strategic difference in the business is as well as its strength.

And then that measure of quality of the financial performance per completion, 50% higher this time than last time and the combined cash and dividend piece, we were paying out just over £100 million a year in dividends 2006 combined between George Wimpey and Taylor Woodrow and 2007, over £300 million and growing as you've seen today in 2015 and still having a balance sheet which is positive cash rather than over a £1 billion of debt. It isn't just a bit different, it’s fundamentally, structurally, totally different.

But we still think we're a cyclical the business. We still we're not standing up here saying that risk is gone, but our operational approach, maintaining quality over quantity, managing every site to the optimum and outlet openings is one I want to pick.

We have not given you over the course of the last five years strong guidance on outlet openings. And we won't give it to you over the next five years. And I am not going to apologise for it. We give you lots of guidance. But every single competitor that has given you outlet opening guidance has failed to meet it. And what it does when we give you guidance that we then fail to meet is drive us to do quite silly things at a detailed level in each of our business units, not necessarily, sort of, the CEO and FD level; do you know what those silly decisions always are? But it forces you to put pressure on the business that is not healthy.

We are trying to manage each outlet properly. If we're growing volume a bit on some of those larger outlets it is because it's the right thing to do on those sites, in this environment with these sales rates and where we have a long landbank in those locations.

As I touched on earlier, we have very strong discipline for opening new regions or undertaking acquisitions. It's still very, very unlikely that we'll undertake any large scale acquisition.

And that higher strategic land proportion has started to have a very materially impact in the business, both financial performance and how it operates. It also shows through that approach to managing the cycle in our balance sheet structure – low debt or no debt.

We don't think no debt is a particular meaningful target, but a level of debt that's not going to stress the business and gives us outlets if the market is softer or if we see great land opportunities. It gives us flex both ways.

But as we start to look at, sort of, a risk building maybe three years out, maybe four years out, we will be tightening our land credit policy. We're starting to do it today. And actually -- and that isn't just about scale. It's also about the term for that land creditor and making sure our business units are not, sort of, thinking that as free money because it comes out in the business two years out, three years out, four years out.

If it's a creditor, it's committed. And so I'm making sure we understand the total exposure that we've got is key. And also tightening out – tightening our land policies. And when I said here including major developments, I don't mean we're tightening major developments, I mean the major developments business is part of tightening those land policies. It's about not having to own outright the land on all of our sites. It's not having full land risk. But we’ve started to tighten our land policies, push up our margins on products that we see being at risk from, starter homes for instance and in other areas. That will be a general trend over the next couple of years.

And I think you're seeing our approach to managing cyclical risk in what see as a value proposition for shareholders. Driving for highest margin that we can reasonably sustain, capital efficiency as the cycle matures, so return on net assets becomes a more key part of the strategy over the course of the next two years than the last three or four and that dual stream dividend, which I'll move on to underpinned by a significant ordinary dividend but maximizing special dividend in most years. And we wouldn't rule out there being a special dividend in pretty much every year of the cycle.

So moving on to the dividend policy and I'm not going to repeat, sort of, the policy that's in there if there are questions about clarity and we know having two elements to it and the difference between when dividends are declared and paid can easily misunderstood. So we're very happy to clarify any points. But an ordinary dividend to be paid for this cycle, a special dividend at appropriate times and in the three-year targets, in setting out what we're aiming as a management team to pay over the next three years, we hope we give you confidence that we see that lasting for at least that period if not for longer.

The ordinary dividend being set at 5% of group net assets at least £150 million and what we mean by that is if the assets move around to the dividend, we're not going to reduce that dividend, so if it slowly builds up to 160, it's very unlikely we'll reduce it from 160 to 150, but we're not quite saying it's progressive because in a downturn, we think people read progressive as it always goes up.

We read it as we're going to get it, but it never goes back and it's a subtle difference, but to us it's an important one and this is probably the most important phrase in the course of the morning, including through a normal downturn.

Now, Ryan will talk about this in more detail, but what we mean is a downturn that's probably up to the, sort of, scale that we saw in the UK in 2008 and 2009, but not necessarily the severity of what we saw in the US in 2007 and 2008 when you saw prices fall by 40%, 50% in some markets and volumes fall by 60.

So something where prices fall by 20% and volumes fall by 30%, we believe we could and would continue to pay this dividend and still have the flexibility to make sensible land investments and a special dividend in that environment would be the flex to get that land investment strategy right.

We do think that they will continue to be a feature for much of a cycle certainly for the next three years and probably for beyond that, but we continue to believe giving you much firmer guidance beyond that is a bit spurious.

And just on clarity, so those changes happen from 2017. At this point, we're announcing the 2017 special dividend here in May. We will revert to announcing it in the previous half year, obviously we won't have a capital markets day in May every year, so the timing for that announcement will always be 12 months ahead.

The ordinary dividend will be paid in two halves. And we see that as a signal that it's a dividend that people can rely on. It's not just that profit from that year. It's based on net assets, so I'm paying in two halves. We're not waiting until the end of the year to firm up what that final dividend piece is. We think that gives people more confidence in its reliability. So our total dividend in 2016 remains just over 350 million and roughly 450 million for 2017.

So last of all, the targets. We do see these as, sort of, slightly less critical than the dividend policy, but that's still important. And they do put the management team under stress. I know you all think that the targets we set out two years ago were very relaxed. And I don't remember when we announced them with everybody in the room, sort of making that point, I seem to remember everybody being quite surprised and quite pleased we put out for that three-year targets. But these do for the team under stress.

I think the one that stresses the most is actually the operating profit margin because they’re short-term movements. If you look at the cash generation return on capital we have lots of levers that we can pull, which is what gives us the confidence in the dividend.

But giving investors two key relative targets in net operating asset return and in the profit margin, we think, really underpins what we say about the quality of the business. And then giving them a scale measure on dividends, which is obviously a new thing for us, but on a time line what we feel is about right.

That we can see our land supply, we can see a lot of our order book. And we can certainly get a reasonable sense of what the market could do over the next two or three years. And we think that gives people a real sense of guidance.

But there is some growth still to come and there is certainly growth in the cash returns that people can get, but combine that with that confidence in the underlying dividend that we think it underpins the value of the business as we look forward.

PRESENTATION – RYAN MANGOLD

Ryan Mangold: Thanks, Pete, and good morning ladies and gentlemen. And just to echo Pete's thanks for travelling all about to this venue to listen to the presentation and to see some of the business.

What I am going to be covering is our confidence in delivering these medium term targets, both operational, return on capital employed or the operating margin or more specifically on the cash quantum that we've announced today.

In doing that, I'm going to be covering the quality of the business on historical delivery, looking back to sort of 2007 as a benchmark, looking a bit -- reminding you again on the quality of the landbank that supports the confidence and the quality of the land buying that we continue to do. And all of that then translates into the return on net operating assets, which then translates into the cash conversion and returns to shareholders.

The business has taken a very disciplined approach since we set out the strategy back in 2011. That's on both investment in the landbank from a margin perspective. In other words, what margins we're expecting to deliver from the sites. What returns we're expecting to deliver from the sites and – but also most importantly in the quality of those locations which we think would be a big differentiator irrespective of the cycle.

And that has driven a significant shift in the underlying quality of the business in the balance sheet to support the business' future generation. The length of the landbank provides us a huge amount of security as well, to be able to make the right decisions at the right times in the right locations.

And that's also supported massively by the strategic pipeline as an underpin and which gives us greater level of flexibility. And those two factors, I think is what the primary driver is as well as some operational excellence for driving stronger operational financial performance.

We've got a slightly higher invested work in progress today than we had say three, four years ago. And I'll cover that a bit more in the presentation and to some of the reasons for that. But also looking back to 2007 in terms of the trends that happened through the last cycle and the cash generation that came as a consequence.

And through all of this, as Pete noted before, the business is in a very, very significantly different place from a balance sheet strength perspective. The leverage is from a debt perspective almost zero throughout the year.

I think if you take in the context of 2015, the average borrowing or average net debt for the year was roughly about £99 million, but we ended with positive cash at £223 million. And we returned £208 million to the shareholders during the course of the year. And so that average net debt of, sort of, £99 million, we expect to be broadly at that kind of level, but at all times we believe maintaining high quality balance sheet will be a differentiator.

We've seen this slide before, which I think is one of the most important bits of information if you look at it as a business. And both from the investment margins, so these are the gross margins and the return – expected return on capital employed from investments that we've made. And you're seeing the trend from 2012 through to 2015 with a gradual nudging up in terms of contribution margins, but a more significant jump up in terms of expected returns on capital employed, which gives us a greater confidence in delivery.

Two very, very important statistics clearly is the scale of the operations and the scale of the businesses in what we describe in better quality locations, so they're not primarily only sitting in the AA quality locations.

AA quality locations are clearly more competitive from a land investment perspective, but also give us this flexibility to drive further value out from planning gains, for example. And so the blend of sites moving further up the curve into the sort of ambers and the greens is what the focus has been over the last few years.

And the other most important statistic is it's all good and well for us to put up fancy charts and presentations in terms of what we think and we're going to do. And there's nothing like testing what we say we're going to do, by looking at the performance through the P&L and the margins that we're achieving on sites that we traded through in 2015 was 2.8 percentage points higher than the investment thesis, which gives us great confidence that the margins inherent in our landbank are justified in us believing that we can continue to draw the business further forward.

If you look at our land pipeline in terms of what's on the balance sheet, which is the first column closing 2015, as well as then forecast delivery. What becomes very, very clear from this chart, very clear from this chart, is that the security from the delivery, from home completions that we're expecting to deliver over the few – over the subsequent years up to 2019, there's only a 10% gap in 2018 and 20% gap in theory in terms of sites that we do not currently have in our landbank or with planning permission.

Clearly, the promotions from our strategic pipeline and we'll change that dynamic to close that gap. But there's no specific site that we necessarily need to acquire to be able to deliver on medium term priorities.

Clearly, these sites have got planning permissions but they don't necessarily have all obligations discharged against them so there's a bit more work to be done, so that doesn't demonstrate a very easy passage necessarily going forward, but certainly for 2016 and 2017 we are in incredibly strong position.

If you look at our trend in profitability and capital efficiencies, over the past few years going back to 2011 when we originally set out our strategy following the sale of the North American business and becoming UK-focused, the return on net operating assets have increased almost three-fold from 9.8 percentage points to 27.1%.

Operating profits, driven by the quality of that land coming through as well as the supportive market have increased from 8.8 percentage points to 20.3%, but at the same time our net operating assets have grown by about £700 million over their time scales. And so we have invested wisely and continue to invest wisely into the business.

As a concept that I introduced with full year results presentation called EBITLA which has got a huge amount of traction I noticed by all the analysts. They're constantly talking about this concept of EBITLA, but for a business that's, sort of, heading towards maturity as we are from a scale perspective, that EBITLA of £1.2 billion in 2015 translates into cash flow before interest, tax and land spend of approximately £1 billion with a difference primarily going into work in progress and for servicing, for example, the pension scheme and other working capital demands.

But we only spent £604 million on land. So in terms of a business that's maturing towards optimal scale from profit generation, I think that EBITLA is a measure that is quite an important focus and going forward.

The cash fundamentals have been and continue to be very, very strong for the business. In this chart over here, you can see the cash generated from operations in the bottom part of the table as well as the gearing.

And as you can see through the last downturn 2007, 2008, and 2009, we started from a substantially stronger gearing position, so all of the operating cash that was generated through the model as it was taken out of the balance sheet, that's still reinvested, particularly from 2010 onwards in land, that surplus cash generation was principally driven into deleveraging the business.

You look at the EBITLA statistic, which is earnings before interest, tax and land amortization. It stays static for 2010 in the 40%, 45% to 43%. It stays absolutely static in the range. But the EBITLA from a cash generation perspective was 95 – from £50,000 to £95,000, but the operating margins at the same time the EBITLA stayed static have driven significantly further forward over the same time period, which is that better quality of land coming through the P&L, which is driving that result.

If you look at working capital, working capital demands have increased. And this is a relatively complex slide in terms of data content. And what we're trying to demonstrate here is where our working capital balance is on equivalent unit basis was clearly all homes that we are delivering are at some stage of production until we finally deliver the keys to the customer.

But you can see from 2007, our approximate units of delivery in terms of an equivalent basis was about 13,000 units. They are down to 8,000 units, which is significantly shorter than what it has been historically.

There's a small amount of growth more recently. Some of that is driven by the pace of delivery, our sales rate increasing dramatically from the, sort of, 0.5 to the 0.7s, which has a command on capital in terms of pace of delivery, but also what impacts this is our attitude towards customer services and how about -- and hopefully we'll see that in the site this afternoon, about how we like to get things right for a customer before we deliver them the homes and that just takes a little bit more time. I mean that's what's in the equation from a work in progress commitment perspective.

From an outlet perspective, we stayed broadly static at just on 300 outlets, so it's not really the outlet count that's driving it, but it's actually just the commitment in the ground. And if you look at the chart on the left-hand side, this is work in progress cash spend. So what you're physically spending on cash going through the balance sheet relative to what's been released through the P&L.

And you can see the inflection point on the chart where the blue line and the grey line cross is back in 2011, which is at exactly the point that the market started to come up more buoyant and in, sort of, correlation to our sales rates and in preparation on site for delivering the homes.

Pete mentioned on the confidence of delivering the dividend through the cycle. And we believe that we've got the best quality unlevered balance sheet that the group has ever seen. The fundamentals remain very, very strong, high quality landbank as well as combined with efficient operational delivery.

Land creditors as Pete noted, get used selectively on a site-by-site basis. We do not use land creditors to justify the investment. We use land creditors to enhance the investment as opposed to just simply as a way of acquiring short-term gain into the marketplace.

And hence, there's a significantly lower overhang from that dynamic between land and land creditors in the balance sheet today than it was back in 2007 and 2008. What we've done in terms of maintaining that ordinary dividend at least £150 million for this cycle is that we've stress-tested the model.

And as Pete noted before, we took a pretty steep cut to volumes, a 30% reduction to volumes, which we think is quite extreme in this environment, where there's still a significant structural undersupply of housing. And we expect that to go forward for a number of years.

And we've reduced pricing by 20% in the model and kept it low at 20% before we reflected any form of recovery in the future. And that generated a scenario where there is a substantial amount of cash generation as you've seen from the earlier charts in the trend back to 2007 and 2008 from the cash release, but the significant difference this time that there is no gearing on the balance sheet to consume some of that capital.

The special dividends, even in a stressed scenario as Pete noted and could be a feature that we will continue to pay as well as we kind of react and look as to what's driven the correction in the cycle and what opportunities we have to invest, which will be clearly the dynamic that we will be playing with at that point in time, but we do expect to maintain those at a fairly healthy level.

So if you look -- in terms of the operational performance and the confidence in the cash delivery, we have one of the largest strategic landbanks in the sector at 8.1 years. We have a proven track record of promoting a strategic landbank into our short-term landbank with approximately 77% of completions in the last three years equivalent, being promoted from the strategic landbank into the short-term landbank, which has a significant, underpin on high quality margins inherent in those sites and slightly lower capital drag from a returns perspective.

The landbank quality, as Pete noted, down to 16.3% of average selling price in the short term owned landbank, which in itself is another measure that we believe would significantly continue to underpin our sustainable top quartile operating margins in terms of the quality of the balance sheet.

And combined with all of those aspects together and we think translates to a strong return on net operating assets with the optimal scale of the balance sheet. And if the graphic works, this cog should start turning and what comes out of that is sustainable cash generation.

And that cash generation is primarily used to, for some debt servicing because we do carry a small amount of debt. We're starting to pay cash tax in anger this year in terms of the flow from the P&L, profit before tax through to the cash flow is almost direct at the corporate rate.

We service the pension scheme and which is a slight differentiator for us relative to the risk of the sector, but at approximately £21 million per year. We don't think that's significant, but it still gives us the opportunity to continue to invest in the business as and when we think is the appropriate time.

We now go onto Q&As.

QUESTION AND ANSWER – PETE REDFERN and RYAN MANGOLD

Glynis Johnson, Deutsche Bank:. Four if I may. The first one strategic land, your slide 29 showed us the portion of strategic land that you envisioned coming through in terms of, I think your completions. But can you just elaborate? You used to give us a median and upside scenario. I wonder if you can talk us through that for strategic land?

Second of all, in terms of the EBIT margin target, 22%, I wonder if you can talk us through what your intake margin at EBIT level is and where your landbank sits right now, i.e., what else do you need to have, what are the other assumptions that we need to get there?

Thirdly, in terms of – just one of the comments in terms of tightening the criteria and in brackets larger sites. Did I hear you say that you were looking for a higher margin on sites that might involve starter homes? Does that mean that you are concerned there is a downside risk for starter homes? Or is it just to combat the risk of the unknown?

And then lastly, just in terms of -- just make sure I understand the work in progress on the slides. Are you saying that work in progress per plot is down 30% from the first year that you had on that slide? Is that the interpretation? If so, is that sustainable longer term?

Pete Redfern: Okay. On strategic land our sort of target remains to keep it at and above 40%. A gut instinct and there are so many moving parts, there comes a point when it becomes meaningless to have a target.

You're actually, sort of, getting our short-term land right and through in the right way at the right time is as important, so, yes, we do think having both is key. We’ve seen businesses in the past that becomes so strategic land dominated, they lack sharpness, it keeps the business units competitive.

So we're at a point where we’re kind of within a range we were pretty comfortable, but the range is probably 40 to 60. I think our gut instinct is it probably balances out about 50, but it could go higher. The success continues to be ahead of where we expected it.

But the greater the level of success the higher we push the margins on the short-term land, the more the gap and the more you end up blurring what is short-term on what is strategic land because it's in theory a very specific definition, but the bigger the proportion you get through the more it becomes a balancing act, so you can't just take 60% and put the higher margin that we talked about in the past, but it definitely helps drive, you know, sort of, underlying margins.

On EBIT input margins, the balance is still roughly 20%. I haven’t actually got up-to-date numbers, but it may be a million miles off that. I couldn’t swear whether it was 19.7% or 20.3% but it's somewhere in that patch.

And it’s stayed fairly stable now at that, sort of, level for the last, sort of, for three years maybe even four. I think over the course of the next few years, we'll be pushing that up a little bit, but it's going to be here and here because we have, particularly concerned about certain market segments, so, you know, and we touched on and I’ll come back to, starter homes.

On starter homes, we've always been concerned about starter homes, sort of, I think some of the changes that have been driven, sort of, through the House of Lords, still hard to know where they pan out through the final stages of consultation. But some of those changes reduce that risk quite significantly. I think government has had to step back and put some realism into the policy which it lacked at the beginning so that risk gets reduced, but I don't thinking it's gone away.

And as we see over the next two or three months what the impact of starter homes is and over the course the next 12 months how that actually happens and how that actually works its way to individual planning permissions we'll get a better sense of it, but definitely and what I mean when I say putting some premium where we see, sort of, significant starter homes competition. If we've got a site which is heavily first-time buyer orientated that we're looking at, then we're looking for margins that are more like 24 than 20. But it's on that first-time buyer element where first-time buyers are the key driver of value because if you got a competitor or we're driven through a planning process to have starter home, you've got almost directly competing product.

We have some sense of how we'll manage that. We think it will end up being quite a differentiated product more than we perhaps thought six months ago. But we'll perhaps talk about that later in the year when we see where the final consultation beds down.

Ryan Mangold: Yes. And I think we had a question on the model assumptions going forward in terms of market dynamic. Were you going with that? In terms in the landbank and what we're expecting for future margins?

Glynis Johnson, Deutsche Bank: Just in terms of that 22% (inaudible) 20%.

Ryan Mangold: Yes. I mean yes. And I think from our perspective, if we go back to the 2.8 percentage points outperformance from investment that we achieved in 2015. We are expecting that to continue if the market fundamentals continue exactly what's driven that 2.8% outperformance.

We're in a stage now where, the pricing growth that we captured into the landbank comes off out of the landbank as we deliver to the P&L replaced by a site that was more recently acquired.

If you recall that EBIT bridge that we did, that margin bridge that we do at the full year results announcement and the half year results announcement – and we'll come back to that again because it's another important data point.

We don't make any assumptions on price and growth from line investment perspective. We don't make any assumptions on bulk cost growth from a land investment perspective. And these medium term targets we've set out today and make no assumptions for either of those either.

All we're saying is that this is what we've captured to our landbank and this is what we're seeing being delivered into the P&L in 2016. And all things being equal, that the expected outcome will be the medium term targets that we've set for ourselves.

But as Pete did note, I mean the operating margin is the one that makes us feel slightly more uncomfortable. And the reason why it makes us slightly more uncomfortable because we're down to the minutia of trying to manage between 10 to 20 basis points over a three-year period.

And we are investing slightly more in the overhead as Pete said in terms of customer services, on the people agenda and which we're hoping will then translate to gain in the future, but we are talking about tens of decimal places as opposed to anything more extreme than that.

Pete Redfern: Yes. I mean the one part of your question I didn't answer was, what that number looks like in the landbank today. And, yes, I mean it's easy for me to answer it, about 21%. What's very difficult, because there's all sorts of subjective decisions in that is to know what size the risk is. So we have 24 businesses all of which are estimating prices and costs on those sites. Now, sort of my instinct is there's already upside on that 21% number historically, there tends to be. Isn't that right, Nigel.

Sort of, but when we said – and I can't remember exactly what year but probably 2009 or early 2010 that we'd hit a double digit margin in 2012. Our internal forecast didn't say that. When we said two years ago that we'd hit a operating margin of 20% which everybody now thinks was easy, our internal forecast didn't quite say that.

But you could see quite strongly where the direction was. And as we said at the time, we were not dependent on selling price inflation to get there. But we were relying on understanding how the dynamic works.

And it's a bit the same if you cast all of the internal numbers you get to slightly under 22. My instinct is there's already more in there from inflation that's already happened because everybody's setting targets.

But that's why it's always going to be nervous for us. If we set a target that is stretching, there's always an element of we've got 400 or 500 sites in there and there's judgment calls on each of them. We've never quite known where the margin plateaus and we still don't. We could be sat here in two years' time in a reasonably flat market and you'll be telling us that 22% was soft and why were we so easy. But at the same time, stood here today putting it in black and white is a bit uncomfortable.

Ryan Mangold: And your point on work in progress, I think in terms of being 30% down relative to 2007, what that chart is trying to demonstrate is the pace and scale of delivery. In 2007, we were still carrying a reasonable amount of speculative stock in terms of finished product.

And if you look at the sales rate on that chart. 2007 was a net 0.55. Maybe you could argue there's a slight overhang from 2006 going to 2007 just pre-downturn, but the overall scale of delivery, physical delivery in the ground was substantially greater than where we are today.

Whereas today, we're pretty much building at the pace of orders, specifically almost full completion, and that is a big differentiator in terms of efficiency of balance sheet relative to the last time around. So it's not a 30% reduction in work in progress. If you look at the scale, average outlets in 2007 was 337. Average work in progress was 1.2 billion. Now, we have an average outlet of 301 with average work in progress of 967.

Glynis Johnson, Deutsche Bank: Can I just follow up on that EBIT target? So just to be clear, you are not assuming house price inflation within as part of what gets you to that 22% but you are assuming that sites may come in at higher levels of intake.

Pete Redfern: Technically, we're assuming a net 1% gain on the balance between house price inflation and cost. My own instinct is we'd just about get there even if it was flat because there's that much swing in the way the estimates are put together. And if you've got 300 sites, then you won't be within 1% tolerance anyway so it may be wrong.

Glynis Johnson, Deutsche Bank: One percentage point of margin upside –

Pete Redfern: Margin, yes. Technically.

Gregor Kuglitsch, UBS : I'll try to be a bit shorter. Two questions. This is Gregor Kuglitsch from UBS. The first question is on asset turn. I think if I do the math, it suggests basically your asset turn is going to be broadly consistent with what you did in '15. I just want to understand if that's what you're actually implying and if so, why?

Second question is I think we do the math and the dividends, I think you're implying a 70% payout ratio, correct me if I'm wrong, which implies that you've got £500, 600 million of additional capital that you're generating over the next three years. And I think on the £2.4 billion of net operating asset, that implies a 25% growth rate in net operating assets.

I just want to understand if that's what you're actually talking about in terms of reinvestment into the business or whether you've kept a little bit of wiggle room in terms of the cash generation when you set the dividend policy because obviously that 25% would imply more growth than what you were talking about, Pete, which I think was 3% volume growth. Thank you.

Pete Redfern: Sorry. Can you just repeat the first question? I think I captured the –

Gregor Kuglitsch, UBS: On asset turn. So I think the implication was that it was flat from your words.

Pete Redfern: Yes. I think if you take a – I assume you're working off a 30% return on net assets and then working back from ours.

Gregor Kuglitsch, UBS: So 1.36 or whatever rather than 1.3 last year.

Pete Redfern: Yes. And that's our sort of start point. Whereas, as we said, sort of fairly openly the operating margin is the one that's hardest for us to call. There's definitely upside on the return on capital, there continues to be upside over the 30%. If that's, we're talking internal forecast, then they're just over 30%. So there is definitely slightly more sort of upside there.

So, yes, that's the start point on the asset turn. And our instinct is with a bit more growth from the larger sites that we already have sort of the neutral level of overall land investment, the asset turn should continue to increase. You get a bit of a balancing effect with London, but over the course of three years that should actually go back the other way. So there is upside to that, but that is the start point.

And it's sort of the same with the payout ratio. We're trying to give you an ordinary dividend policy that we are trying to underwrite in a downside scenario. And we're trying to give you a special dividend guidance for three years, but we have to be able to accommodate in that there might be a slow point in the market, that you're basing your payout ratio off one set of profit forecasts.

We have to base it off a set forecast with a swing around it. So, clearly, there is upside to that if everything goes well. What we're trying to give you is something that we can give you a real sense of confidence that you will get.

I think and it does go back to where the degree of confidence is in each of the three targets in the dividend policy. There is a very high degree of confidence in the ordinary dividend. There is a very high degree of confidence in getting to the sort of special dividend numbers over those three years. There’s a very high level of confidence in the return on capital employed.

There's more pressure on the operating margin, but we may turn around and look at it in two years' time and think we were being too cautious. But in order to give you that level of confidence, we’ve got to have levers to go because not everything over that three-year period will go perfectly. We'll have some cost issues, we'll have some market softness in some parts geographically or timing wise and we have to allow for those. I think we'd be doing any favors if we set out targets where our sort of central case.

Mark Howson, HSBC: Just looking at the number of regional offices you’ve got at the moment, 24 and one of those is central London, I think, I just want to stack this up in terms of do-ability. I think from the moment you’re broadly just under about 600 units per regional office. So if you take out the one that you've already said in central London you do about, no more than 300 you probably averaging about 650 for the rest. Just how many of those sort of 23 regions are already doing 650 or more is a good question, give us your views on that?

Pete Redfern: We've got about 10 that are doing or have done last year or have got the land to this year, that sort of scale. So enough that it's a tested model. And as you know, Mark, because you and have seen all sorts of business models in this sector that set out numbers of business units and number of completions by business unit, number of outlets.

In the past, we have never set out with strategy where that was a target. Yes, Taylor Woodrow did it and it felt wrong to the rest of us when they did it and it was wrong sort of when you saw it internally after the merger.

The difference here is we have the land in place, in a lot of instances we have the land in place and the site open with planning, up and running selling at a rate, and we're not driving either artificial levels of outlets through double-heading. We're not driving artificial levels of outlets through sharing sites in a massive way, with competitors, we do it a bit, you'll see that today but not six or seven competitors per outlet as we were at times in 2006 and 2007. And we're not driving artificially high sales rates in each of those sites.

So we're hitting those sorts of numbers today in quite a number of business units. And as we look at the land profile of our other business units, we – I don't think and Nigel and Chris may touch on it when they talk. And feel free, guys, to correct me if I'm wrong. I can't think of a business unit that doesn't have at least two or three decent strategic sites that give them a long-term underpin. As I said before, it doesn't put pressure on their technical resources. It doesn't put pressure on them to be out in the land market trying to replenish next year's and that's fundamentally different. And it has shifted our view about what the business can do without that level of stress.

Mark Howson, HSBC: So more larger sites coming from strategic, that naturally kind of almost gets you there to some degree.

Pete Redfern: Yes. Yes. Exactly. And we've always said we wouldn't artificially hold back individual sites. It's not about trying to hit a number for the sake of it. The world has just slightly changed.

Kevin Cammack, Cenkos: Yes, I just really want to – just can you talk me through the Board's thinking on the – basically, you're saying a maximum 5% of net assets is the payment, which appears at first sight incredibly generous against the old basis.

But having heard you stand there and say we've done this in a sense against the worst case scenario, that we can still pay that dividend if you've basically got, I don't know, virtually probably a 70% drop in earnings, but obviously you're looking at from even with that you'll still generate the cash to pay it. I just – I suppose what I'm asking is why in those – if that's part of the basic theorizing of why you get there, why shouldn't it be 10% of net assets?

Because it's just about – I guess where I'm getting at is the balance between ordinary and special because you could sort of sit here and argue from what you've said that actually it could be a lot more or it should be a lot more than 5.

Pete Redfern: I think I would agree we could. I wouldn't agree we should. And it is about the balance between scale and risk and it always has been. I wouldn't rule out that it changes at some point in the future, but sort of not in the plans to do so.

But the more we push the assumptions, if we can stand up and say to you, well, this dividend will be sustained through a 10% price fall and a 20% fall in volume, there'll be 25% more investors who think, well, so that's the scenario I'm expecting so that means nothing to me. So we're trying to find the balance between the right scale that we can give people confidence, actually, will be sustained through most scenarios that they can imagine.

And in a sense, what we're trying to do is try the differential valuation for a cyclical business because if you – what we're trying to do is we give people a sense that their level of risk on that dividend is not too much different to what you'd expect from a utility company or a non – any other non-cyclical business, so that you end up with a valuation section of that cash flow that you put reliance in. And the more you push the scale of it, the harder it is to be honest and give that same level of confidence.

If we're sitting here uncomfortably not quite able to answer the questions, then you'll be questioning its sustainability and that damages is the point. Whether we've said it at exactly the right level, the range we talked about actively was between 150 and 190, just give you a sense. Whether we've set it at exactly the right level is subjective.

But we wanted a level that we could stand up here and be confident on. That in anything other than a complete meltdown, and a completely radical change in the economics of the UK that we could still pay.

So it's that confidence that lets us say, well, actually, we're not too worried about a Brexit that context of the dividend because we actually think that we continue to pay in that scenario. If we pushed it to double that level, I'm not sure we could be that confident. I don't know, but I don't think we could. So it's just that balance.

Kevin Cammack, Cenkos: So in a sense, what you're equally saying is that even in a scenario of declining profitability, if the levers are pulled sufficiently hard on land and WIP, you would still envisage some level of special dividend potential in that environment.

Pete Redfern: I think it's not impossible. I think in most – as we model it, in most years you get a special dividend, the vast majority. And almost by definition we've tried to cut it to in the worst possible year, the special dividend is a pound. It's that sort of way of looking at it.

But if we've oversized our downturn, or been a bit cautious or act a bit smarter in terms of how we manage the timing on land investments then you get some kind of special dividend in every year. I mean there are two things, that's one.

If we go through a downturn and we kind of think actually no, we could continue to pay £200 million dividend of £250 million dividend then we'd resize it. And in the same way, one thing we haven't talked about today is the long-term targets that we set five years ago about net asset accumulation, return on capital through this cycle. And we haven't because there's a lot of information on the statement, we've got a lot to get through.

But, actually, we did debate whether we change those long-term targets. My own view is that we change them when we've managed through some of those difficult conditions, say, well, this is what it looks like. It's a bit spurious to change them now. It's easy to change them when times are good. I think when you change them when times are tough and people will give it a lot more credibility.

And it's the same sort of discussion. At the end of the day, personally, I think people should value the two dividends in a similar way and have their own judgment of what the cycle is. But, actually, people take a lot more confidence from how you present it. And to give you that confidence, we've got to have some levers that we can pull and that's always been the case.

Andy Murphy, Bank of America Merill Lynch: Just a couple of points of clarity. It's Andy Murphy from Bank of America. Can you just run us through – you dropped the cash conversion targets, wondered what was behind dropping that out, whether you felt it was a lot less relevant now. And, secondly, again, clarity, on the 1.3 billion of dividends over the 2016 to '18 period, is that dividends being paid for the years in question or in the years in question? Thank you.

Pete Redfern: The second one's – so you talk very straightforward. It's the cash paid in the year in question which the dual dividend policy we just think is a simpler way of expressing it. So it's the actual cash paid in those years.

We'll still report on the cash conversion. We still expect to beat the 65% that we set for the three years that we set and probably for 2018 as well. We just feel that about 50% of investors really get it. And we've actually started using it quite intensively internally and we'll continue to do that because we think it's quite a good measure.

But some investors didn't and actually when you look at the measures that we set out two years ago, they're relative measures including the cash conversion. And actually we do think having one measure, that total cash dividends paid, which is absolute, does give those who are concerned about growth profile some sense that our commitment is, there is a scale that we think is right for the business. That not everything is totally relative, sometimes absolutes matter.

So we think it's a better suite of measures together. But we dropped the net asset sort of accretion target and, again, not because we have any concerns about it being delivered over that period. But because when you look at – we never got any questions on it, so when people aren't, but it's not very useful as a target to get people real sense but they're not really testing it and trying to understand it. So we just think this gives people a better sense of the real balance of what we're trying to achieve.

Ryan Mangold: And the principle, Andy, on net asset growth was to never go backwards. So it's the quality of the business. You know, there might be some sites that we'd get slightly wrong through a cycle in terms of margin and expected delivery from it, but the quality of remainder sites on the balance sheet that transfer to P&L will still more than drive the profitability forward, so it's net asset growth as opposed to being backwards.

Charlie Campbell, Liberum: Yes, this is Charlie Campbell of Liberum. Two questions really. The first point you made – one of the points you made was about you thought the industry would get to 200,000 units at some point in time. Just wonder what that means for things like labour availability and the land market once the housing market gets to that sort of scale.

And the second question on the sort of the politics as well. Clearly, government's put things like Help to Buy in place to get industry volumes moving forward and clearly have been in a sense. But you still keep hearing sort of stories about use-it-or-lose it policies out there. And is that something that worries you in terms of the political risk. That government wants to find ways to improve industry volumes that may not be to the benefit of the listed house builders.

Pete Redfern: I mean the first one's really easy to answer. The second one's pretty tough to answer. I think if we do get to about 200,000 units, where we are at the moment with the planning system, and I don't think that's going to get worse. It might get incrementally better. I don't think land will be the main constraint. And so I wouldn't have said that five years ago, but it's becoming increasingly true. There is a real underlying shift.

I don't think materials are a constraint. We see bottlenecks, but I think they have been bottlenecks and we've done some work over the course of the last 12 months really looking at where long-term restrictions on materials are. And they don't stop 200,000 units and don't really have a big impact. There will again be regional bottlenecks, product bottlenecks; there will be a factory that's offline three months or whatever. So there will be stresses, but not long-term constraint.

Labour is the sort of slightly bigger question. We've definitely seen that balance shift, the industry as a whole at all levels, not just the big house builders but a lot of our major subcontractors, and our subcontractors have consolidated to some degree and are better placed to then invest in new skills, definitely has made a difference.

It's probably the biggest bottleneck short-term, but it doesn't structurally stop us getting to that sort of level. It just delays it and makes it a difficult manage, and it makes it a competitive skill to get the right labour in the right place which is inevitably partly about price, but a lot about how well you run your sites and how well you treat your subcontractors while you're dealing with them. But I don't think in the end it stops us, it just delays us.

I think the political piece is really tough to answer. I mean you can see the debate, you can see some briefing from government going behind some of the press articles you see. The conversations that we have tend to be more constructive than the press articles as you could imagine.

But sort of there's pressure there, but I think there is a reasonable understanding that most of the draconian policies you could implement would actually have a negative impact on supply. But at the same time you can't rule out that politicians under pressure won't do something that isn't actually going to achieve objective that they've got.

And as I said earlier, our principles are quite clear. We will not stand in the way. We're won't stop sort of small house builders, we won't delay sites. We'll try to move things forward. We're happy to look at our larger sites and you've seen that kind of discussion between government and the HBF which we've been a part of.

We're happy to look at that. It makes sense to us anyway, but we wouldn't have had a principal problem with it anyway. But we don't think it's our job to go out and buy sites that we don't think work for our investors and our business just to drive an overall total. That's not what we're here for. So but it's impossible to take that risk away completely. Sort of I don't think it's likely to materialize in a big shift but it's impossible to say it couldn't.

Ryan Mangold: Yes. And in my view, kind of short-term fundamentals that might happen in that regard would be withdrawal by the sector more widely from the land market until we understand the new rules of engagement. Once we understand the new rules of engagement, if there's elevated uncertainty in that regard, we'll have to price it somehow and the only way we can price it is in margin. And so that in theory should translate to a lower land value.

But that being said would a new competitor or new entrant decide that, actually, in this new environment is more sustainable delivery of land in which case we run a slightly lower landbank as a consequence, I'm not sure that that can happen. But if that is the case, of course, margin squeeze would be the only any reason why it could go the other way.

Scott Fulton, Whitham Howard: Scott Fulton at Whitman Howard. Good morning. Just one question from me. I think you mentioned during your presentation, Pete, that you were – I think the word was uncomfortable with the industry's dependence on Help to Buy looking forward and said that you were looking at that. Could you just be a little bit more specific in terms of what the Company's thinking about, if Help to Buy falls away and what you could do as a business on that basis.

Pete Redfern: Yes. I mean I think it's very unlikely that government will withdraw Help to Buy over the next two years, three years. I mean you can never really call it much more than two years out because the political world can change quite dramatically.

But, you know, it's their policy, it has achieved a lot of their objectives. It's positive politically, even the opposition wouldn't argue with it. So the pressure to withdraw it are pretty limited. But I don't like the dependence, I think it drives up new build prices relative to secondhand which is fine in terms of short-term profitability, but it increases risk over time. And so our moves are not about what would we do if it was withdrawn in three months' time. We know what we'd do but that's about, you know, sort of mitigation of the risk. And we've see in Scotland a partial withdrawal which actually has had a much less of an impact on the market than we would have expected which is giving us a little bit of confidence.

But as we look longer term, you know, it doesn't feel like a policy that can be around forever and it tends to be the sort of policy, you know, and I guess I'm a little bit scarred by Fannie Mae and Freddy Mac in the US. And the withdrawal of government support first time buyers at the worst possible time in the cycle. So, you know, I kind of look at that and think what will happen if it's withdrawn at that point. And it's just this another thing that encourages us up the market in terms of targeting, you know, sort of buyers further down the chain, quality of locations, making sure that we've got the balance sheet capacity to use our own shared equity at some point in the future if it's essential in the short term, all those sorts of things, just making sure that in that first time buyer product we're less exposed over the course of the next four or five years and we've got more levers that we can use that are in our direct control.

Scott Fulton, Whitham Howard: Just to be clear, sorry. On that point where you mentioned that the balance sheet strength could be used selectively in terms of shared equity. Is that effectively part of the Company's strategy post Help to Buy falling away 2021?

Pete Redfern: I think, you know – I mean, you're talking about the strategy for a specific event that might happen three years from now, might happen six years. It is one of the levers that we might use if that happened. So it will be a bit strong to say it's part of our strategy. We just have an ongoing discussion about what levers we have in that sort of event. Like I said, it's that 20 – I think the chances are – the chance of it being withdrawn on its current committed date are very low. There will be a political trigger or an economic trigger that causes its withdrawal, which is probably past that date. But making sure as a business we don't forget that that sort of support is not necessarily there forever is the key.

Aynsley Lammin, Canaccord: Thanks Aynsley Lammin, Canaccord, just wondering if you have bit more clarity in the statement, I think you said that you don't believe that zero debt or positive cash position is necessarily an efficient way to deliver value for the business. Should we read into that that actually – I mean, first of all, what is your definition of an efficient balance sheet? Also is there possibility going forward to maybe take kind of bit more debt when you review the special dividends, you know, the absence of Brexit vote, etc?

Ryan Mangold: Yes. The reason why we put that comment in there to a certain extent are covered in the presentation, you know we start the year £223 million of net cash. I'm expecting to have average borrowing some point during the course this year, you know, some hundred million, but we will have average borrowing through the course of this year with the timing of dividend payments etc. But at the same time I'm expecting to end the year at, you know, a slightly stronger net cash position than I started the year. You know, subject to timing of land deals that can swing that by £20 million to £30 million to £40 million potentially.

So it's a more of – the purpose of that statement is more of a medium term in terms of what we try to drive from the business. We're not looking to use that surplus cash to be able to sustain the maintenance dividend, the ordinary dividend and the special dividend. We're not looking to use leverage to pay total cash returns to shareholders, and the we run the business in a very unlevered basis and expect to continue to do so, but there might be relatively large swings between the full year and the half year and during the course of the year with the special dividend going out in the first weeks of July. But leverage will not be used. We do not plan to use leverage as a way of justifying the special dividend return.

Clyde Lewis Peel Hunt : Thanks, just one for me. The length of the landbank at five and a quarters years or give or take is still historically a long landbank. If you look back certainly to, you know, the 1990s, the industry was a lot lot lower. And as you've said today, Pete, the landbank or the land market is extremely accessible. Your success rates on strategic pull through again are expected to be very high. So why don't you think you can take that landbank down to 4.5 years and, you know, unlock a huge amount of capital for investors?

Pete Redfern: I mean, the first thing is, it's not that it's impossible. We just don't think that it's right. The second thing is that compared to those times when landbank were shorter, sites are significantly bigger. Fifteen years ago the average site we acquired were 70 plots. Today, the average site we acquired is about 160 plots. That makes quite a big difference to the dynamics of your landbank even if you're running some of those sites that bit faster, and sites take longer to get through the planning stages.

So compared to 15 years ago or 10 years ago, although the planning environment is more certain there are more processes to go through. So even once you have an outline planning permission, the period to actually physically be starting completions is longer and that makes quite a big difference. That adds easily six months to the landbank just across the board for the average site.

You put all those together and it feels like the right balance. It doesn't mean when we say 5 to 5.25 years, it doesn't mean like throughout the cycle, that's the number we're aiming for, we have a huge range of that within our business depending on the local planning environment, the particular mix of sites, the scale of those sites. It only makes rational sense as a number statistically when you add it altogether on a reasonable large scale business that is broadly spread and they're running, you know, greater than that at the moment, we're about 5.7 years. And I wouldn't rule out there will be a point in the cycle where we'll be comfortable in the short term that that gets down to four point something, but still think, you know, sort of somewhere in that range is the right strategic place for us to aim for, and you can see from the maths, you know, with the sort of volume growth we've talked about, you know, keeping the landbank at sort of 75, 80,000 units. That's about where we are. I mean that has a pretty positive impact on cash generation.

Jon Bell, Barclays: It's Jon Bell from Barclays. Just one from me, actually. I think you hinted that you'd be tightening your land creditor policy. Just wondered how are you going to do that and really the reasons why? Is it because you perceive is a risk within the business that land creditors could run slightly out of control in some regions?

Pete Redfern: Yes. No. It's not that it could run out of control. I mean obviously we sign off a land creditor decision at the same time as we sign off a piece of land. So it's very easy to control. And it's not so much tightening the policy. It's actually tightening the guidance to our business units. And the thing that we're particularly focused on -- there's two elements. From a behavioral point of view in the business. It's a bit too easy as I touched on for people to see that as capital it's not on my balance sheet and people forget that it's at risk. We have a measure that we talk called return on capital and a measure called return on capital at risk. The latter prices in that risk on land creditors far more fully. But people still don't quite behaviorally get what that is. So they see it as a bit of a free ride. You know, there is a huge difference between a conditional land deal and a deal with land creditors when the market turns against you. So part of it is education, making sure people get that balance and see that that land creditor is not free. It might not cost you interest but it still costs you capital that you've committed and in a downturn has a risk.

And when I say we tightened the policy, it's around looking at specific sites where you might have a site at say six or seven years in expected delivery length and, you know, I can remember a site going back to a few years £70 million, 10 million a year for seven years. And actually that drives you a great return on capital, you know, so to the point you buy it on paper. You got a downturn through the middle three or four years of that and that cash drain through that period. So it's looking at the mix of timing of those land creditors and how they pan out over time.

Because the key thing – the key thing that underpins that dividend in actual term is how quickly in that environment you turn from being cash consumptive to cash generative. And the shorter you make that period, the higher your confidence you can have in having a higher ordinarily dividend. And land creditors are probably the single biggest swing factor that's really turning that period from two years are the worst going from, you know, sort of going along swimmingly making high profits to going through a downturn and getting back to cash generation again two years at the worst point.

If you're very smart about your timing, about those land creditors, I think you're going to get it down to about six months and that makes a massive difference to how much capital you need, how big the buffers you need, how big the other levers that you need are. And so that's why land creditors is such a focus. Because right now, people forget how important it is at that point in time and because of the scale of site, some of them do have pretty long slow burnout rates. So it's not about what happens next year, it's longer term than that.

I think we covered all of the questions.

PRESENTATION – CHRIS CARNEY

Chris Carney: I have been with the Company for 10 years now and I recognize quite a few people in the room. But there are also some unfamiliar faces. So by way of introduction, I started with the Group as a Group Financial Controller in 2006. In 2008, I became the UK Finance Director. 2011, I made the switch to operational management as the Managing Director of our South Thames regional business. And I've been in my current role as Divisional Chair of London and the South East for the last nine months. The aim of the next 20 or so minutes, I realize we're under a bit of time pressure now, is to give you an overview of the London Southeast division and I will aim to cover current trading, financial performance. I will look at a little bit at the diversity of the products we deliver in the markets that we operate in. And as Pete mentioned earlier, I will also look at what we're doing on a national basis together, customer service right.

So my division consists of five businesses and as the name suggests, we cover London and essentially the Home Counties. The numbers that I present today will include a sixth business, our Central London business which is separately managed by Ingrid Skinner.

So current trading then. Sales across my division in the year to date have been strong. No discernable impact from uncertainty arising from Brexit and that is seen in the sales rates and the cancellation rate, which are broadly comparable with last year. The Central London business is slightly different in that it is softer and, you know, that market is stabilized, off the back of obviously a number of years of pretty exceptional growth. To give you a little bit of colour, the Central London business this year has reported 60 net private sales at an average selling price of £977,000. 2/3 of those fall beneath of a million pound mark and 10% are in excess of £2 million. So whilst it is softer in Central London and that is driven mainly by a drop-off in the international investors, it's certainly not as bad as perhaps you might believe from reading some of the press.

We remain active in the land market both inside and outside of the M25, couple of recent acquisitions inside the M25, we bought unconditionally a site at Hackney Wick which is just on the edge of zone two, 150 apartments and you may well have seen recently that we acquired a site at Ebsley from Land Securities and that was for 539 plots.

Moving on and looking at financial performance and looking back at 2015, the London South East division together with Central London delivered 22% of the group's combined completions, and because obviously the average selling prices are higher than the rest of the group, that meant that we contributed a much greater proportion of the group's revenues and profits. The outlook is very positive. We are almost 80% forward sold for 2016 and that's private completions. And we have an environment where build cost pressures are probably less than what we experienced in 2014 and 2015, which means we are very confident about delivering significant improvements in operating profit in 2016.

So looking at capital then. You will see that we have more capital invested in London and the South East than either of our two divisions. And you'll also see that we are returning it to lower rate than either of those divisions. Two principle factors that contribute to that, land prices obviously greater in the South East and also – as you will see a little bit later in the presentation the nature of our developments, are much more capital intensive and both of those factors combine to give us lower asset turns and therefore a lower return on net operating assets.

If you look at the movement in capital year on year, you'll see that the other two divisions are broadly reaching a level of maturity in terms of their capital investment. Whereas the lion's share of the net group's – net capital investment in recent years has gone into London and the South East and the returns from that recent investment will start to see coming through in 2016 and 2017 beyond. Now, I could probably bore you with lots of demographic projections on population and household growth and wealth creation in the South East that would underpin an investment case for investing on the South East. But I think you probably would be more interested hopefully in seeing a bit of diversity in terms of our products and also some of the markets. So we'll look at three different markets within London and the South East.

So we'll start with inner London. And inner London for today's purposes is everything within zones one and two heavily influenced of course by foreign investment with, I think over 50% of the transactions being sourced by, from overseas. And we have grown reasonably substantially in this segment in recent years and we sort of reached a level of capital maturity in this market. We have three business units that operate both, you know, most prominently it's Central London. And I suppose we would expect the returns in the profit to continue to increase from this segment as that business reaches output maturity in 2017.

Looking at some of the products that we're delivering in zones one and two. You can see these are reinforced concrete frame apartment blocks. They tend to have basements. They tend to have commercial space whether it be retail or office space. And you can see from the images as well that they have reasonably complex and expensive facades. We tend to deliver these schemes using main contractors under a JCT contract simply due to the, you know, extent of the challenges of developing such constrained locations.

Second segment then is outer London and this is everything within the M25 but outside of zones one and two. And I like to sort of refer to this as the London for Londoners market. We have volumes running at 20% more than the inner London segment but profits are roundabout half of inner London simply because the average zone prices are quite a bit lower. I see this as a real growth opportunity for us and we have been investing accordingly over the last couple of years. And so those returns from this segment we'd expect to improve and increase in the future years.

Again, looking at some of the products that we currently delivering. You'll see again – we're talking about reinforced concrete frame apartment schemes. But these typically are lower, so talking low to medium rise. Some of them will have basements, some won't, some will have commercial spaces, some won't. It's not absolutely essential. And I suppose what you obviously see from these images is that the facades are much simpler and less costly. And what we typically do with these schemes is we build them ourselves using our own site teams, our own site managers. Obviously, in conjunction with our subcontractors.

And then lastly, by the third segment everything else which lies outside of the M25 is at Home Counties. And this is a much more traditional housing market. It delivers 2/3 of the division's volumes and roundabout half of the division's profits. And you can see that that blended average selling price at 277. It's worth bearing in mind that that still -- I mean, it looks pretty low compared to London but it's still 20% higher than the average for TWUK, which is at 230.

So just moving on then to some of the product that we'd see. The pictures on the left are not from our standard house type range. It probably won't surprise you that a lot of the houses that we deliver in the Home Counties unfortunately are bespoke houses. We would dearly love to build a few more of the ones that – you'll see on the right and some of the ones that in fact you'll see on the site visit later today that are from our standard range. But our – I suppose as we get more take of the new national space standards perhaps we'll get a few more opportunities to do that.

All right. In terms of customer service then. Pete explained I think at the prelims that we are absolutely committed to getting customer service right and it's not because we believe it's going to be a massive driver of financial performance. It's because the customer environment is evolving and we believe it is a very good measure of the quality of our business and the sustainability of our business. Now, over recent years, our scores have dropped a bit. They're still pretty high with 87% of our customers recommending us. But what we found when we really looked at it in detail is there's quite a bit of inconsistency in customer experiences and we weren't happy with that.

So what we've done is really look hard at our processes, about the way that we work and we are now in the midst of implementing a fundamental change to our customer journey. So where are we at with that? Well, all of our businesses now have Heads of Customer service in place and very shortly we will have named Customer Relationship Managers in place for all our new prospective customers. We're just in the process of training out CRMs [Customer Relationship Managers] at the moment. And our Customer Relationship Managers, their job is not simply to manage the snagging process. It's absolutely to make sure that we get our communications spot on with our customers.

One of the other things that we’ve done is we’ve introduced a home quality inspection that complements our existing process but it really is very detailed. And what it aims to do is to look at the house, the finished home, through the eyes of the customer rather than just through the eyes of us builders. So for instance when we’re inspecting the bathroom, we would sit on the toilet to inspect the bathroom. When we were in the bedrooms, they’re going to be lying on the floors to simulate, you know, what the customer’s going to see when they’re lying in bed. You know, there’s rafts and rafts of detail. And I would encourage you when you get on site obviously to ask the guys about it. But it’s a much much more detailed process than we’ve had in the past.

So in April, we embarked on a Company-wide strategy road show and we visited six different locations around the UK and we reached all of our employees. And it was a really good opportunity to reinforce what we’re doing with customer service and also to get feedback. And it was great to get really positive feedback from our employees that they’re absolutely bought into what we’re trying to do, they understand it. They want the work for a company that is a successful financially as we are, but they want to do in the right way.

So, you know, very great to have the internal buy in. But we do have some challenges that we still need to get over and the two that I picked out in particular would be bringing our subcontractors along with us. And we’ve got a process ongoing at the moment to really communicate what we’re trying to achieve and how we’re trying to achieve it with our subcontractors. That process is going well but it’s reasonably early days and we’ll see how that progresses over the next six to twelve months. Also, I suppose, when we were hiring into these new positions that we’ve created, we took a conscious decision to hire from outside as well as inside the industry and we're absolutely sure that that's the right approach to take, and we've already saved of that, but it also does put an extra burden on those in terms of the amount of training and transition that some of those individuals need. We're making progress. We are doing of different things, including buddying them up with people of more experience.

So in terms of readiness then we are very confident that we'll be in a position to have new processes fully implemented by the end of quarter three. And again, when you go out onto site today I'd really encourage you to talk to the teams about it because we are tremendously excited about this change and we can really see the impact these changes potentially can have on our customer service. And I'm sure they'll be able to see and deliver that more sort of excitement than I might be able to do today in this forum.

And then looking to the future, Taylor Wimpey at the moment is a four-star builder from a customer service perspective. If you take my division out of those results, it would become a five-star builder. So it's no great surprise that I am – one of my key priorities is really to drive an improvement in our customer service, but there are also some other things that we're looking to do to continuously improve the business.

I don't want to steal Nigel's thunder too much as he's going to be talking about Strat Land, but I just wanted to say that it's undoubtedly the case that it's much harder to drive

Strategic Land in the likes of Surrey and Berkshire but those locations drive such significant values that we are now focusing more of our time, and our efforts, and our resources towards the Home Counties.

We are faced with the skill shortage. Potentially the biggest issue for the industry. It's particularly acute in the South East, and it's particularly acute when you look at production as a discipline in the South East.

We've recently launched a production academy, which again, has been a while coming, but it's been worth the wait and it's very well set up and very well organised and it is getting a lot of traction internally.

We're working also with technical colleges and universities to increase that fresh flow of talent into the Company because once we get that talent we have a great record of developing and retaining it.

And then lastly you've seen a little bit of the variety of the product that we produce in London and the South East. And it is complex, but as I have got to know the division of the last nine months, it's pretty clear as well that there are opportunities to drive further consistencies in our approach, in the way that we deliver schemes. And that will certainly be one of my focuses over the next 12 months.

So bang on 20 minutes, and I suppose in summary I would say that the division is in good shape and it's well set up for the future.

So we now have the opportunity for questions or lunch?

QUESTION AND ANSWER – CHRIS CARNEY

Glynis Johnson, Deutsche Bank: Good morning. I have two questions if I may, first of all, in terms of land buying in central London. We've heard some of your peers talk about the difficulties of meeting hurdle rights for land in Zone 1 and Zone 2. So I wonder if you could just talk about some of the Taylor Wimpey experiences, are you able to buy land in Zone 1 and Zone 2, each hurdle rates, how do you feel that might progress going forward, and also if you can talk about three, four, five zones as well?

And then also about build timetables, you've talked about the difficulties of the shortage of the skilled labour, we are hearing that causing delays particularly again in central London, but I'm wondering if you can just talk about how your build timetable is working, or are you finding delays are coming through, where are the bottlenecks?

Chris Carney: Yes, okay. So firstly in terms of land then we are – and I think one of the things that was touched on a little bit earlier. We're in a lucky position where we are not desperate land by any stretch of the imagination. And having a landbank at the five and a quarter years it really helps. Clearly the landbank in London as Pete I think touched on, is shorter than that because of the financial dynamics that are at play there.

And are we having lots of trouble sourcing high-quality land there? No, but it – what I would say is it takes quite a long time; it's not a short process. I remember one site that we acquired towards the end of last year and I met the owner of that site two years prior to exchanging on it, so it can be quite a lengthy process.

And what we're actually finding is that is as was the case in that particular acquisition that I went in and I spoke to quite a few people and was running a few different horses but eventually they came back to us because they were certain that we would do what say we were going to do. And I think that has a lot of traction not only with the London agents but also with landowners.

And I don't think the position necessarily outside of zone 2 is a lot different. I must say that, you know, as I mentioned we sought and reached a level of maturity in terms of our capital investment in that inner London segment.

So could we add to our landbank there? Yes, we could, but only if the right piece of land comes along. We're not in a position where we need to add a piece of land, and that is true throughout, not just my division but I think all the way through the piece.

Did that answer the first part of it? And then I think build time tables, again, where you have – and you see in the information, the current trading slide we're operating at around about the same number of outlets that we were last year. And in that context is it easy to deal with, the challenges of the skill shortages? No, but it's certainly well within our capacity.

And one of the secrets of it is and again this was mentioned earlier, is treating our sub-contractors properly, you know, really them having certainty that they will get paid when we say that we'll pay them is a massive thing, and isn't always the case in this industry.

So, yes, we build relationships but we also run a very competitive tender process and we like to get new blood working for us to keep things fresh. So, yes, it's challenging but it's something that we are managing very well at the moment.

Glynis Johnson, Deutsche Bank: : Sorry, you said that you would only add it if it is the right piece of land, what is the right piece of land in central London, has the price point for the product come down, has the build complexity increased? I mean, what is right now, is it the same as what was the right thing for you two years ago?

Chris Carney: Yes, well, I think if you look at – I suppose the hot topic is, you know, homes that in the center of London they are priced above £1 million.

What we see is we have sites that - and I think this is true across the market, is it's all about location. You know, if you have a site that is in Nine Elms then you're going to struggle. If you have a site like we do in Paddington we are absolutely not struggling at that price point. So it's all about location and picking the right ones. And so, that's certainly the lion's share of the issue. And then it comes down to price and the terms and whether we think it is a good deal, and if it isn't we won't buy it.

Gregor Kuglitsch, UBS: Two short questions, one is can you just actually give us the capital employed, Zone 1 and 2, I think you mentioned it, reached maturity, but what's the actual quantum of the capital exposure of the Company, of Zone 1 and 2 that that particular part within the billion I think for the whole segment that you were talking about.

And the second question is can you give us a sense of the degree of how much forward sold you are in that inner London bit – I don't know how you would want to quantify that but if you can give us a sense of how much of your landbank or sort of tower blocks are forward sold.

Chris Carney: Yes, okay, so dealing with the forward sold piece and you see on one of the earlier slides - if you get your calculators out and work out the average selling price that's in that older book it's quite high compared to the sales price that is quoted as what we achieved on private sales and in the first 16 weeks.

And the reason is because our central London operations, the nature of what we are selling there means that we are very far forward sold. And, you know, if we look at that specific order book we would have in excess of 100 properties of that, are sold in exchange that are in excess of £1 million. So that was the – I suppose it gives us a great deal of confidence when we come to looking at that forward order book.

I think we've also, you know, obviously we're highly forward sold for 2016; I think we're 30% sold for 2017 as well, so that gives you an idea of the levels. Sorry, I forgot your first question?

Gregor Kuglitsch, UBS: To 30% is for central London is the –

Chris Carney: Yes, for central London I'm sorry.

Gregor Kuglitsch, UBS: The first question was in capital employed –

Chris Carney: Yes, quite right. So I think if you look at central London balance sheets towards the end of this year you would be looking at round about, and I'm looking at Ryan as well, right around £300 million.

Gregor Kuglitsch, UBS: Thank you.

Scott Fulton, Whitham Howard:: Sorry, three for me. I'm basically following off the last question. Can I just clarify the central London at £300 million of capital employed, that's 300 million out of the 994 million you showed in net operating assets.

Chris Carney: Correct.

Scott Fulton, Whitham Howard: On that point could you just split the remaining £694 million between the two other markets? Secondly, there was an implication from what you were saying this afternoon that return on net operating assets for this particular set of markets would improve over time. I think you mentioned capital maturity and highlighted the gap between your own return on net operating assets and the other two markets.

Which markets within those three do you expect to drive that return going forward, is it that second market, the one you mentioned is London for Londoners? And finally do you believe the return on net operating assets for this business is structurally lower than the other two businesses given the capital employed and the nature of the demographics you're dealing with?

Chris Carney: Yes, let's deal with the first one or the last one first. Yes, it's definitely is structurally lower and you would see that if you look at any of our competitors as well. It goes to the things we talked about, you know, the land prices are higher, the capital intensity of the projects. So definitely, you know, in Fergus and Nigel's patches they would quite happily deliver asset turns of 1.4, 1.5. That's not possible in London, in the South East, at least what I keep telling Ryan.

In terms of the split whilst I've got a good visibility on the central London the split between outer London and the rest is pretty tricky for me to give you -- so I'd rather not sort of give you the wrong number, so apologies that I can't answer that particular question.

Pete Redfern: Chris, you don't need to apologise because, I think, you know, we've given quite a lot of granularity of the geographic splits, more than anybody would ever do. I'm slightly concerned someone is going to ask Chris to break it down by site in a second.

But, you know, so there isn't anything to hide in there, you know, you can have a decent stab at it based on the turnover. Central London does have a different bias but you can kind of take the greater London piece at being halfway in terms of asset intensity between central London and the rest of the business. And, you know, sort of – but I think that gives you a reasonable flavor.

Chris Carney: Yes, we've re-cut these segments, obviously this is not how we'd report internally, really, to give you a different colour on the numbers.

In terms of which segments do I expect to drive that improvement in RONOA, all of them quite simply. The inner London segment, we believe, you know, as it reaches an output maturity that's going to improve.

Certainly in outer London that will definitely be improved with the additional investment that we've put there in recent years. And in our Home Counties market we're continually getting more efficient as we, you know, as we improve our operational gearing effectively with slightly higher volumes, so I would fully expect them all to improve. Probably to different degrees but that's…

Emily Biddulph, JP Morgan: Good morning, if the London market or the central London market was to slow significantly, how much flex is in the build program, and also what would the plan be effectively if you sort of – if the remaining 30% you haven't sold for next year suddenly starts to be a little bit more difficult to sell, how much or beyond that how much flex is there in the system?

Chris Carney: Yes, well, the nature of the, you know, the products that we build as you saw once you start you really don't stop because it doesn't make sense really when you've got that much capital invested both in the land and the structure to then hold off so you've just got to keep going. And then you've got to see at the end of it where you got to in sales.

What we are seeing at the moment I think is that there is relatively small amounts of standing stock. We certainly don't have any – you know, I could count the number of plots we have in central London that are finished on one hand, so we don't certainly don't have issues in that regard. But some of our competitors might have some schemes that are coming to fruition. So that perhaps will be discounting a little bit more at the moment.

But I think what you see is there's a little bit of a hiatus around Brexit in central London. There is an expectation that once that date is passed then some stability will return to the market and things will return to a type of normal.

Ami Galla, Citi: Hi. Could you talk a bit about your sales and marketing effort in central London? How do you deal with it? Has it changed over the last year? If the market remained soft do you have plans of how do you tap into that overseas buyer?

Chris Carney: Yes, I mean, whilst I am presenting central London I'm not quite into the detail because I literally don't manage that business. But we -- historically the main markets overseas have been Middle East, Singapore and Hong Kong. And we've seen softness in all of those. But none of them have stopped.

And I think that really one of the key things is first to have presence, continued presence, in those markets because that's what gives those investors, those international investors confidence. And we have absolutely no intention of pulling out of those markets because we're, you know, we're in this for that long term.

So it's important to us that we maintain our brand and maintain our presence, and we're confident that will bear fruit.

Yes, there are – I think if you looked last year we were picking up in really small numbers sales from Russia and France, and Switzerland and a whole heap of jurisdictions and countries that have dried up but those really are more peripheral.

Mark Howson, HSBC: Yes, thanks, I appreciate that Central London is not your business, it's not your business, so it would be unfair on you, really. But you mentioned available to sell in central London right now is less than what you can count on one hand, but can you just give us a feel for available to sell, plus still to be built, what would be coming in the pipeline left to sell or build and above the £1 million mark, I mean, could that be in total?

Chris Carney: I'm going to be struggling so I'm going to be guessing if I will give you some numbers. So again, apologies.

Pete Redfern: The magnitude 35, 40, you know, but you're talking about 18 months to two years sort of supply in that, if you see what I mean. You know, you take out -- I mean the majority of our products is below that point, you know, taking out what's already sold, then you know, it's not particularly material.

Mark Howson, HSBC: Thanks.

Pete Redfern: And that's including stuff that's not yet released and on sale.

Andy Murphy, Bank of America Merill Lynch: Just interested in your build cost question, sorry, quality control issues, you're putting I think one person into each business division. I was just wondering (a) what that additional cost is. And perhaps more importantly how come you ended up in a position where you felt it was necessary to introduce those sort of captains of quality if you like.

Chris Carney: Yes, and just to be clear it's not just one person into each business. So if I've given you that impression I'm sorry.

We have looked at our resources in each business unit, obviously, and we've replicated that across all of our businesses, but in the past we would have what we would call a customer services manager and they would typically not have sat on the Board of those businesses, wouldn't have been involved in the management team meetings of those businesses, but would have dealt with customer issues and managing I suppose aftercare, for want of a better phrase.

And what we've looked at is how did that old process and structure with the team beneath that customer care manager, what worked and what didn't work, and we came to the conclusion that we really needed a different structure within that team. So it's a complete re-organization. Of the roles, the different roles, so the Customer Relationship Managers that I mentioned didn't exist before and each business would have probably, you know, three, four, five of those depending on what their volumes are, so they're incremental heads.

Some of the customer service managers, a relatively small proportion did migrate across into being heads of customer services and they do sit on the boards of the companies and they give us a much better profile around that management table on customer issues because we believe that's so much more important. So it's not just one head in each business, this is a fundamental reorganization and reshaping of our customer care operations.

And in terms of costs – Ryan, could – £3 million –

Pete Redfern: Which is, you know, sort of already in that guidance for this year is the number we talked about at the prelims, a little bit of that cost came in at the backend of that last year. Most of that will be in this year but it will be full year next year.

I've got another, if I can jump in with another customer service question for you, Chris, the process you talked about, are there any other bedroom positions that you checked out, as well lying on the floor?

Kevin Cammack, Cenkos: Did you just – generally on the customer service thing but I guess it's most relevant to your division are there things you're prepared to sacrifice to get the Holy Grail of five star because presumably your division, you know, the biggest challenge it faces is compared to the others is that I imagine your sales rate is much higher and therefore one assumes the build rate has to some degree go hand in hand with that.

And, you know, if the average Joe is paying £0.5 million for one of your properties rather than 200,000 his expectations probably are going to be a bit higher as well.

So would you – I mean, is it such an important issue in the business that you would, for example, accept a slower sales rate to get you the advantages of being five star or is it, it's something, you know, probably isn't worth investing too much money in because it's almost impossible to reach?

Chris Carney: Yes, that's a really good question and the reality is five-star is not the Holy Grail for us. We are not doing this to hit five stars, we're doing this because we fundamentally believe it is the right thing to do after the sustainability of the business to have great customer service.

And I suppose I may have miss-led you earlier if I said, you know, if you take my division out, Taylor Wimpey would be a five star builder. I'm just competitive with the other Divisional Chairmen and there's absolutely no reason why London and the South East can't have customer care or customer service offering and delivery that is as good as the rest of the Company.

And you're quite right my sales rates are slightly higher than some of the other divisions but nowhere – the margin in that is nowhere near what it has been in previous years, certainly in previous cycles. And you'd be quite surprised, I remember when I joined the business back in 2006, and you know, the sales rates down south were 1.2, 1.3 a week on average per site. We're nowhere near that.

And quite frankly I have no desire to get back to that because at the sales rates that you've seen earlier and I don't need that – I don't need that sales rate to be any higher, the order book is in really good shape, and we have the ability though with the length of the order book to, you know, to manage the cycle appropriately.

What we are, you know, very focused on at the moment is not selling too far forward because we want to give our customers real visibility and certainty on when they're going to get their home. That's one of the things perhaps in the past when we've let that sales rates get too high that that ability to really hone in on a date that they're going to move into their property that's been more difficult further forward what you sell. In a traditional market it's slightly different in central London and those apartment schemes, but in a traditional housing site, you know, we've really pulled that back of it.

So would we sacrifice anything to get to five stars? Absolutely not. And do we thing that the changes we are making are really, really important for the business? Yes. And I would really underline that point I said earlier about, you know, we want to be a company that is successful financially but we want to do it in the right way. And it's as simple as that.

Would we take some sort of reduction in margin to achieve what we consider a great level of customer service? Yes, we would. And I think that's effectively what we've said today, you know, in terms of three million of costs on implementing the new structure.

Pete Redfern: Can I add a couple of things because I mean I think the answer is spot on, the five star isn't the Holy Grail, it's an interesting benchmark; it's not perfect by any means. There's an awful lot of other granularity we have both from that survey, from specific feedback, from social media, from all sorts of sources and it's the collective view of where our customer service sits and the actual experience that people have that make a difference rather than any one number.

And, you know, you touched on a couple of things, Chris, that we would sacrifice, but there are the things that we are sacrificing. You know, we took about 120 completions out of 2015 in December because we weren't happy that the quality was right. Historically people would have moved into those homes, we see competitors moving people into homes and then moving them out into hotels after the New Year is over, you know, and that drives year-end performance.

It's a lousy way to run a business for your customers, for your people. The risk of it is high and the cost of it in the end is high and it comes from chasing short-term annual profitability. And, you know, when we sort of talked at the prelim stage about central London and that our bigger concern about this year is on build timing, it's about a block that we know that we can have structurally built to get people completed to move in, we're just not we're going to have it right.

And we're rather set ourselves up with expectations that allow us to get those completions in January and get them right than move people in, in December and spend an awful lot of their time and emotional energy and our management time and cost trying to resolve our issues afterwards.

So we think in the end it ends up being very good value investment but there are definitely things, you know, in terms of work in progress and timing that we're sacrificing in the way through.

Kevin Cammack, Cenkos: Thank you.

Mark Howson, HSBC: Just a quick one – I'm conscious, I won't take up too much time, but just outer London can you give us a feel on the home counties, what the average square footage of the product is in those regions?

Chris Carney: Yes, that will be just in excess of 1,000 square feet.

Mark Howson, HSBC: On which one, both of them, or –

Chris Carney: Both pretty much. I mean, we're slightly less in inner London because of, you know, you've got more flats, so you're probably talking there at 950ish maybe 920, but outside, you know, it will be a 1,000, 1,100, you know. I can't be more specific I'm afraid just because of the – we don't usually carve the numbers up in this way.

Mark Howson, HSBC: And looking at those price points that you put up there, I mean can you give us a feel for how things have gone post the introduction of London Help to Buy?

Chris Carney: Yes, I mean, we’ve had a relatively small take up of London Help to Buy, simply because we don’t tend to have stock available six months prior to completions. So when we’re developing apartment schemes inside London, we would forward sell them with a path such that when we get to complete the building, we’re fully sold.

So when you get – typically when you get six months out you’re pretty much done by then and what’s left certainly wouldn’t be the cheaper end of, you know, the one beds for instance.

The one beds are always going to go very, very quickly and it will only be, in most of the boroughs, it only be the one beds, and at a push some two beds, that would fall beneath the cap on Help to Buy.

We have had London Help to Buy sales, not a great deal of them but they've taken place actually on our JV sites but we've got quite a lot of throughput and a lot of product coming out of them. So we've got some but there's not lots simply because the model is slightly different and I think as we see more London Help to Buy data come through, I don't think the government's published any yet, I think you will see that they'll be relatively low levels not because it's not a good scheme that people wouldn't want to participate in it but it will all come down to availability and staff levels.

Pete Redfern: Thanks Chris. Can we wrap up the Q&A there? I mean – you know, Chris is around and Ryan and I are also happy to deal with any questions on Central London.

PRESENTATION – NIGEL HOLLAND

Nigel Holland: Well we're good to go. It's always nice to get the shift straight after lunch. So I've got two choices, I can either talk very quietly and softly and say nothing of any interest so you all have a nice nap for 20 minutes. Or I can try and be a little bit more interesting and tell you something about the subjects we want to cover this afternoon. Those being a little bit about the Central and South West division which is where you're based today.

A little bit about strategic land and also a little bit about how we're going to work on making our assets work a little bit harder for us on some of those key assets going forward.

The – some of you I've met before. About four, five years ago, we had a similar event in Andover which is another large development of 3,000 plus homes that we have in the Central and South West division and not dissimilar in many ways from the Great Western Park development at Didcot where we're going this afternoon.

I will also occasionally I'm afraid be referring to my notes because I have a terrible habit of digressing and if those of you remember back in Andover I think I missed half my presentation by going off on a different subject. So I apologise in advance if I end up looking down and ignoring you. And I've also got a horrible cold. So I'll try to put my hand over the microphone before I cough into it any way.

And somebody has nicked the clicker off this, ah here we go, there's a spare. I said you're in the Central South West division today. Central South West is a pretty geographically diverse division that stretches from the North Sea cost in Lincolnshire, to the tip of Cornwall. There's eight business units that are based within it with offices from Bury-St-Edmunds to Exeter, Cardiff, Abington, Milton Keynes, Leicester, down in Winchester, Abington most close to here, and Bristol as well.

So eight different business units that are operating the division, a big geographic area that it covers. But although geographically it's quite diverse as you can see from the map, in many ways, there's a lot of commonalities between those eight business units that operate in the division. There's a lot of commonalities in terms of the market we sell in to, the people we sell to.

There's a lot of – they tend to be as our customer-base very much aspirational, very much looking for that 850 to 1,500 square foot home that we provide across the division and it's very much the suburbs Britain home buyer.

So a lot of commonality in the product, a lot of commonality in the customer-base across the division and it gives us a benefit because it means we can find economies of scale for how we operate in those eight business units and that's something I'll touch on the end that finding the consistent way of doing things, the best practice way of doing things is something we're working hard on across the division to get those efficiencies of good practice.

In terms of the current trading division and how we're doing at the moment, this – the business units within here, if you look at the numbers that are up there you will see we're slightly lower on outlets in 2015 and 2016 than we were in 2015. That's very much a conscious decision within the businesses coupled with a few early closings because if you look at the sales rate that sits there in terms of how the private sales rate has moved between the same period of 2015. That same first 16 weeks on this year which substantially increase in the sales rate moving up to 0.88 this year.

That led to some early closings but I said there's also a conscious decision in terms of some of that reduction and a number of outlets. It's no good starting a sales outlet without the right information for your customers. Chris touched earlier on about getting information right for customers so they knew when their home will be ready.

If you sell too early to them you've got less certainty. Starting a development when you're right and ready and you've got certainty, is the right thing to do. That doesn't necessarily mean you deliver less homes or you sell less homes. You tend to concertina the sales period by starting slightly later and have a greater certainty in giving the right level of service and quality to customers.

It also means you're starting the construction of the developments with the right information and not potentially slowing down construction from having to rethink things through. The selling prices in the business, although we got a higher sales rate we also got higher average selling price.

You look at the year-on-year position with regards the average selling price, it's up 12%. Now that's – if you look at the recently published Halifax figures, that's a little bit ahead of Halifax in terms of the standard inflation will be expected. Part of that is of course driven by where we're selling this year compared to last year.

Part of the strategy of the business is to be able to look for better locations, look for higher value locations, look for areas of greater demand and that contributes to a sales price performance which is ahead of what you would see in the mainstream inflation in the market.

We also have a situation where the sales price is contributed towards 24% increase in the order book year-on-year as well which is again pretty substantial in terms of that forward sales position that we've got across the business and that's value over volume strategy which we've been following for some time now.

You can also pick out - it's been more than able to work out from this - but if you look at the selling prices that we've achieved in the first quarter of 2016 compared to those that were in the order book at the end of 2015, that's over 3% higher as well which again is ahead of where the market figures that have been recently published, would expect to be on a quarter-by-quarter movement and that's again focusing on being able to drive value through the business.

On the land fronting division, the short-term landmark is relatively benign, you've heard that from Pete and from Chris earlier on, not a lot of activities from competitors in the short-term land market. Those tend to be more active, are those with newly opened offices, newly opened businesses within their operations and a need to feed those infant companies earlier in their life with additional land. Those are the only one or two of our competitors who are being particularly active in the short-term land market.

Staying with the financial performances, the division Central South West has not only increased its volume and its profit margin between 2015 and 2016, it also increased its proportion of the overall Taylor Wimpey business that it's delivering.

All eight business units in the division are now pretty close to maturity. There was a question earlier on about the number of units in the business unit and how many were averaging the circa that 650. All the eight businesses in the division are between the 625 to 700 units per annum that is a fairly steady comfortable place to be in.

The volume itself isn't the critical measure, it is – again, it was touched on earlier, it's the size of the developed number units come off the development; it's managing the number of outlets as a critical factor in the mature size of the development as much as it is the individual volumes.

So that doesn't mean the fact that it reached maturity, we're not going to continue to see growth in the division. We will continue to see it but it's more from that moving toward better locations where its new piece of land is a better location than other one, concentrating on areas that have got the best demand and have got the greatest opportunity for our population growth and economic growth within them.

So focusing the growth in the division not just on volume, not on numbers of outlets but on the quality of what we're doing out there. And the immediate future, the division is on – I'm not going to – don't ask any questions guys, I'm not going to answer it, we have a significant PBIT pounds and PBIT margin growth projected in 2016. So the business continues to go from strength-to-strength from 2015-2016 and then beyond.

Now in 2015 we also saw a material improvement in our return in net operating assets rising from 25% in 2014 to over 34% in 2015. And controlling our balance sheet making our key assets work harder for us is obviously going to be absolutely critical to being able to continue to keep growth and return on net operating assets in the division.

And the strategic land assets is something I'll touch on later generally in the Company, specific to Central South West. We've got the benefit of a really strong landbank in the division and that gives you the opportunity – a lower plot cost in terms of your land acquisition. But to counter that you also then have a higher work in progress commitment in terms of early infrastructure again those development started.

So having a great strategic landbank and a low plot cost has to be managed alongside the balance sheets in terms of work in progress as well and that's one of the challenges to the division to keep driving that return on net operating assets.

I talked - I'd touched on better control site start earlier on as well, that can tend to – and I think was a question this morning about the work in progress and the way we were starting sites but certainly it tends to have a little higher work in progress initially if you're ensuring that you're managing your developments to a point whereby you've got certainty on sales delivery. But it's relatively short-term once the development starts to move in a normal manner, you get back to a normal level of work in progress and capital employed on each site.

In terms of strategic land, I said at the start I wanted to touch on this. The strength of the Company in strategic land is very well documented and it's been the subject of presentations, and prelims, and full years in the past for some time. We've got over 350 pipeline opportunities that are set out and we're bringing forward and then many of those are actually already forming partly the current or emerging allocations.

So there's a lot of strength within that 354 pipeline opportunities. And although that map makes it look like UK's got the worst case of the measles you've ever seen, you will – if you look closely you'll see that the opportunities that are out there are well clustered. They're clustered around centers of population, they're clustered around major communication roots, and they're distributed across the whole of the UK's operating geography, they're not just focused in particular areas it's just not just Central South West that benefits for that.

They are predominantly, in fact almost entirely where people want to live, that's part of the strategy in choosing where we're investing in strategic land. If you then look at the contribution that strategic land makes to our outlets, you'll see there 143 of the current 297 developments of strategically source land and that's 48% of our existing outlets are strategically sourced.

You may also pick up from the map, the red ones are obviously strategic and the blue ones are the non-strategic, the shorter term land. There is a greater concentration of those strategically sourced outlets in areas where historically it's been more difficult to find land or drive through planning. And there was a conscious decision to pick on areas not only where we've got the right population growth historically and we've got the right communication links but also if it's going to be more difficult to find land than start to look where the place where you find it.

So you have things like Oxfordshire where we are today, you have South Midlands, you have the South Coast where it's been harder in Hampshire to find short-term land in the past and the decisions made in terms of where we're looking for strategic land have paid dividends now.

If you then move that across to – I thought I pressed it, we'll try again. If you look at that in terms of this division, Central South West, again, uncannily the figure's 48%. Of the 95 outlets we have at the moment, 46 are strategically sourced. From this map you're going to start to see a little bit more that clarity of the clustering and in terms of Oxfordshire, the South Coast, around Milton Keynes, and the South Midlands, those are difficult to source land areas.

Interestingly enough, of those 46 strategic sites, and this will become relevant in a minute when we talk about the assets, 29 of those had more than 300 homes remaining to sell as of the 1st of January this year. So the actual size of some of these assets is also important, as well as their location in the fact that they exist.

And we've also got another 23 strategic land opportunities in this division that we're pretty confident are going to come through in the next couple years and pull through to live outlets. And of those, 17 of those 23 are again 300 or more homes in all probability when the planning comes through. So the size of the strategic land opportunities that we have is also important to us.

In terms of conversion, we continue to convert our strategic land exceptionally well into live outlets. So if you look at the map on the left, shows the UK, the number of strategic opportunities that were converted in 2015, the one on the right shows those within this division, Central and South West.

Nationally, we converted 57 strategic land opportunities into outlets; we've taken them through planning in 2015. That effectively gives us just under half a year's new outlet openings if you think in terms of the numbers we're trying to drive through in the average site size. And it's pretty reasonably evenly spread around those populations centers again in places where we want to concentrate with a little bit of a weighting down towards the south of the UK.

If you look at the Central and South West ones, again, you can see that clustering around Oxfordshire of the new conversions and there's 23 conversions just under half of the –

just over half of the UK's total conversion number in 2015 were in this division. And of those, predominantly, they were again larger sites averaging around 200 homes in those.

The conversions have also continued in the first quarter this year. In the Central and South West, we've had another 2,000 strategically sourced land consents in the first three, four months of this year so it continues. The conversion rates of our strategic opportunities continues to be exceptionally good.

Now I said I'll talk as well about making the assets work harder and this slide is highlighting rather than 300 plots, it's highlighting those developments of the existing 95 within the division which are of particular size. Fifty of those 95 had over 200 homes remaining for sale on the January 1 this year.

Now if you take a typical sales rate on the development, that's showing reasonably – if it was only 200 units you're showing a reasonable length of land site that we've got. And that's almost 1/3 of the developments have got over 300 homes.

Now historically on larger sites, we would have tended to sell land on. Now we've bought a large piece of strategic land with infrastructure we sell it on and we cover our land expenditure, recover our work in progress on infrastructure and we make a small gain terms of the added value in servicing the site. However, if we actually develop it ourselves, we also have the benefit of taking the developer margin on those parcels we develop.

And if a competitor of ours can find the subcontractors and can find the marketplace to sell them in to, then why can't Taylor Wimpey? So instead of selling 100 parcel – 100 unit parcel onto a Bellway or a Bovis or a Persimmon we started to consider on some of our largest strategic assets in fact on some of our largest sites generally whether or not the better returns and the better management of that asset is from increasing our own outputs rather than being in a competitor as we would have traditionally done.

Now the decision comes about how much you want to hold on the balance sheet in that particular asset, what the strength of the market is, what the throughput would be without trying to distort selling prices to whether or not it's something we would want to take forward on that basis.

And we started to take that approach now with some of this larger asset, some of them are already – I mean they've been taken down that route in 2015, more are going across in 2016 and 2017 to this approach. And to give you an idea of the difference that it makes, if you look at those larger developments in 2016 the average number of homes we would deliver on each of those larger sites is 65 compared to just under 50 on a smaller more normal development.

It's only a small amount of additional volume, it isn't a sea change, it's just a little bit of sweating that asset a little bit harder and gives us that developer profit as opposed to just a marginal gain on selling land on. It also gives us a benefit of taking a bit of, not that there is any pressure on the short-term land acquisition for us, but it just takes it off a little bit more.

You know, there's a less of a need for us to have a high level of activity in the short-term market if we're able to continue to work our existing land where we know the market, we know the subcontractors, we know what we're doing on them, it's far easier to take a little bit more of those outlets that have the ability to deliver than it is to start and find a new outlet. Particularly if you have build efficiencies on sites as well if you're doing that and that gives you an improvement in your operating margin.

The best example is the one you're going to see today. Great Western Park at Didcot, the land was acquired back in 2008, the development started in – pretty much six years ago in 2010. I said it's about making the right judgment call, the size of the balance sheet, initially Taylor Wimpey's share of this was over 2,800 plots, 2,800 homes. We have sold land to others that has enabled us to recover some of that early land expenditure and some of the initial upfront infrastructure cost to get the balance sheet to a position on this particular development where it's much more in control.

And a couple of years ago back in 2012, you know, three and a bit years back, we were selling just over a hundred homes a year instead of just over a hundred homes a year of all tenures on the development. Last year, it was over 230, it's growing again this year, it will grow again next year in terms of the total volume that's coming off that single asset.

The operating margin is still strong as you expect from a strategic asset, that is improved by the efficiencies in terms of the sites, they're running an operating margin in around 30% and as a site specific return on capital employed, that's generating nearly 40% there. We've got the asset on the balance sheet down to a level which we're comfortable with and we're able to sweat it by increasing the volume just slightly without the market being difficult and not allowing us to continue to drive sales price benefit at the same time.

And with a balance of completes of over 1,400 plots on Great Western Park, it's not as if we're running through that asset particularly quickly, we're going to have to replenish in two or three years. It's still got a reasonable life left with exceptional returns being produced from it.

The other one I wanted to pick up on the same subject is one that is an earlier stage of the process which is Emersons Green on the outskirts of Bristol. This is a couple years behind where Great Western Park is in terms of the timing of land acquisition, start on site, initial land sales to help balance the – help the balance sheet in terms of land expenditure and the work in progress of the infrastructure recovery have taken place. Second phase of infrastructure work that's being done at the moment will allow that marginal increase from sort of just under 60 to the mid 80s in volumes through to this year, for that to be able to change as well to 120, 130, 140 units next year instead of selling land to a Linden or Bellway why don't take the development profit, we'll take it ourselves. So it's another one.

Now this is not uniform in every large asset that this works. You have to be able to judge the market demand levels that you can to actually ramp that up and you've got the right subcontract supply base as well to be able to do it. But in terms of the operating margin you see very, very similar to where Great Western Park at Didcot's showing but fully expecting a return on capital moving from where it sits at the moment with that amount of recovery from the lower volume closer towards where Great Western Park sits, significantly over 30%.

It's a different thought process in terms of how we work our strategic assets harder. So that sort of touches on the three areas I wanted to pick up on in terms of Central South West where we are, what we're doing in strategic land and where we are in terms of sweating some of our larger assets and making them perform at a better rate for us.

Looking forward from a divisional point of view, we've obviously got to complete a bit of an exercise in terms of working out, where to sell, where not to sell, where to get the balance sheet right in these larger assets, where the market's right to be able to take that little tweak of volume. And it isn't a volume-driven approach; this is a strategy for making sure those assets work better for us without selling them on and feeding a competitors machine.

We also have to – and Chris has touched upon it, we got to look the service we provide our customers in the quality of homes that we're handing over and in particular on these larger assets, we have to look at the completed living environment we're providing to our customers. It's not acceptable to have them waiting two, three years for the school, the play area, the community buildings, we have to think about handing over a more complete environment for people to live in if we're going to deliver really great service to our customers.

We also got to continue find those strategic land opportunities that will replace those in due course that we're working on at the moment. We can't sit back and relax with the strength of our strategic landbank as it sits at the moment because 10 years from now it will look very different than it does today if we don't continue to focus on finding those land opportunities in places where people want to live.

Again, Chris touched on people, attracting and retaining and developing the very best people that will help this business continue to go from strength-to-strength in terms – strength-to-strength in terms of what we do and we've got that consistency of operation, the consistency of process that I talked about early on that we have the benefits of with those eight very similar businesses, that's a work in progress.

Every single day we're looking at what we do, how we do it to ensure that we're finding the very best practice and make sure it's adopted and gives us those efficiencies of operation. Thank you.

They've even nodded off.

QUESTION AND ANSWER – NIGEL HOLLAND

Mark Howson, HSBC: Those, given that, you know, the better returns from holding on to it yourself, the sheet rather than selling it on to somebody else.

I'm trying to marry that comment up with the comment that was made earlier by Senior Management Team that they want keep a broadly a 50-50 balance between strategic and that bought in the open market because, you know, they want to keep that sharpness, etc.

You know, from this, you'd deduct naturally that you could be increasing proportion of your annual completion as a group can be coming from strategic. Can you just sort of marry that up, the difference between this and the earlier comment?

Nigel Holland: It's relative – it's relatively marginal. If you look at the – when Pete was talking earlier on, pretty much all the business units have got a couple of these larger assets in them.

Not all of these larger assets will be appropriate to tweak the volume up on. They'll be some, if you take somewhere like Exeter as an example, there is a lot of competitor activity already in around the Exeter area it's unlikely we get a substantial uptick without an impact on sales prices and volume.

So not all of those large assets will it fit with. So this is a marginal increase of volume, this isn't a chase volume approach. It may as a result across the division mean that we've got to buy one or two less short-term sites but the impact of working the already owned asset and the already infrastructured asset that bit but harder does gives us an improvement in both the operating margin through the efficiencies on site and also they obviously return on capital.

Glynis Johnson, Deutsche Bank: Three if I may. The first one…

Nigel Holland: I'd better write these down…

Glynis Johnson, Deutsche Bank: : Sure you'll remember them. The first on just in terms of making those larger outlets work better, some of your peers, you know, particularly talk about more about differentiated product within their own portfolio. To make those larger sites be able to sell more, do you need to increase the range of housing types that you use? Do you need to develop another brand, premium brand? I'd like to hear your view on that one.

Second of all, in terms of the place making, the making the sites look better for those early occupants, does that mean that we are going to see a pull forward of infrastructure costs, does that affect the return on capital employed going forward from where we are now?

And then lastly you said that plot cost to ASP was very much, you know, lower in your business, I wonder if you can just give us your plot cost to ASP for your division? We obviously have it for the group but where you sit.

Nigel Holland: Those trying to – I'll try to take those in order. In terms of product differentiation, no, we don't need to stretch what we're building; we don't need to create another brand.

If you think in terms of what I was talking about, instead of selling to a Bellway or Linden, or a Barratt or somebody else who are pretty much operating in the same ballpark market at 850 to 1,500 that we are. All we're doing is saying, "Well, you're buying from us not from them." So we're still dealing with that same core market, that same core customer-base that we're dealing with now. For that same reason, the brand, the badge – let's call it a badge rather a brand. The badge is not what's relevant, it still remains location, location, location. If we're building the right product in the right location, the badge that's on the door doesn't make that much difference to buyer.

What does makes a difference is the brand i.e. behaviors, the way the Company operates, our drive towards a level of customer service that is different and there is value – ultimately there is value in that. We touch in terms of just cost to doing what we're doing in customer service there is. I believe ultimately there will be value comeback from that. You wouldn't quantify it and say, "We're spending three million to get two back in value. But what we deliver in terms of the brand, I don't think we do need to change particularly if we did try and create two brands, you dilute what we're trying to achieve in terms of the way we operate.

Pete Redfern: You could call it Bryant if you did though Nigel.

Nigel Holland: Well exactly. The very point of why would you do it because it's – if Taylor Wimpey stand for something with our customers, and we call another part of development Bryant, it dilutes what it stands for, and we lose the benefits of what we're doing.

The second question was then in terms of place making and, yes, there is an increase work in progress commitment in terms of ensuring that we've got the completed environment right for our customers. But that's also about managing.

I talked about strategies and controls in place to make sure that that didn't start making the balance sheet go completely out of kilter with work in progress and infrastructure spent. Instead of putting five miles of road in and no play areas and no landscaping, it's about controlling how much you put in and how much you complete it. It's about making sure you're considering where you're committing that capital and how much you're doing it and why you're doing it, not for the benefits of the civil contractor because they want to do five miles of road not 2.5.

We've got to think about this from the point of view of our customers, the living environment, and what it means to be looking at buying a home from Taylor Wimpey rather than our competitors where it is a sea of mud outside the front door and there's scaffold in your back garden. And there's a definite – again, it's about delivery customer service about thinking about what we're capturing and handing over to our customers.

In terms of the – that's a very good question on the plot, I haven't a clue. From memory and Ryan might be able to correct me on this, I thought we're about 16.5%.

Pete Redfern: We quote it in the prelim numbers Glynis, you know, we – we quote by division exactly that number. I can't remember the exact one for each that's in the –

Nigel Holland: Yes. The back on my mind is about 16.5%, 18%, something like that.

Glynis Johnson, Deutsche Bank: Can I just follow-up on the first one? So you believe in the largest site you can sell more if you can – if you build more you can sell more at the same sort of price points, it's not that you need different product on a site to be able to attract a different type of customer in to increase the volumes.

Nigel Holland: I'll show you around Didcot later. That's the best – the best answer I can give you is that. There are different products in the range, it's not all the same product, not all three bedroom semis.

But within the core between that sort of 850 square feet to 1,500 square feet is the vast majority of it, there will be different house types in there and you'll see it's one brand – one badge, and multiple build operations. In fact even limited sales outlets you don't – if you double the volume you don't need twice as many show homes, you don't need twice as many shops and that again leads to the efficiencies in terms of the operation of the business.

Aynsley Lammin, Canaccord: Just a general question about the kind of relative attractiveness between the strategic line investment and open market.

As the land market is freed up a bit post MPPF and, you know, become a slightly easier market, is the differential in terms of margin between strategic land investment and open market as big as it was? You know, I think we used to think a couple of hundred basis points or is that narrowed at all? Any differences there?

Nigel Holland: It's not narrowed. One of the benefits of strategic land is being in the position whereby you are not actively competitively bidding for a piece of land.

You're at a point whereby you have the control that allows a negotiation and some of the – in fact that 200 BPS, that gap in some cases being significantly higher because of the position that the vendor is in in terms of their requirement for short-term cash and what the deal is finally closed on. So it's not just the discount to market value that an option would give you, its also the benefit you get through the negotiation as well.

So we have some that are significantly above 200 BPS, we've got some that are tighter where you have a relatively low land value per acre, your discount value per unit or per acre is reduced in the quantum. So you don't necessarily get the pure value out of the discount to market value in the option agreement. You can get it through the negotiation as well. Generally slightly higher than 200 BPS in this division.

Pete Redfern: Can I add something to that Nigel as well? I think Aynsley, the other piece which particularly as we've looked at land strategy over the next four or five years, you know, cautious about market long-term, the other thing that jumps out here as a benefit is we have an awful lot more choice with our strategic sites about when we commit the capital.

You know, a site like Didcot tends to be structured as an option with a drawdown of five acre parcels that we can drawdown a time that suites us. At the open market price with a discount at that point. And that means if we're cautious about a cycle, we don't have to commit to the whole of that site drawdown, at a particular point, we can look at the next two years of supply often more than five acres and negotiate a deal that works.

Buying that same size on the open market, very difficult not to get into a committed land creditor position with that kind of site even if you're not paying for the whole site up fronting cash. So, you know, sometimes we would take a decision we think the price is right, the timing is right, and fix the price and set up, you know, sort of a land creditor structure but we don't have to. And we just don't get that choice in the open market with land and particularly for size of that scale.

I don't know if you noticed on Nigel's slide on Didcot, there was a red line piece, you know, sort of off to one side which Nigel didn't touch on, you know, we have and I think just about got planning on an additional large piece of the same site. If that was a short term position we wouldn't be bidding on that today because we have too many – too much asset tied up that we wouldn't want to take that risk. But in terms of long-term value add, the ability to bring it through strategic land to control it, develop a sensible – sort of time profile is very attractive.

Kevin Cammack, Cenkos: You probably know the answer to this one given you said about a second brand and obviously the target for group margin in the medium term but just be interested to hear confirmation of your view on selling into any sort of PRS schemes to get parts of site – larger sites away?

Nigel Holland: There will be some of the larger developments where that may well be the right thing to do and there's the right PRS demand and it's not bringing a direct competitor into it.

But that's going to very much depend on a PRS operators' offer. There be some places Kevin where we look at it and say well actually you know what, I've got sufficient market that I'd rather build them and sell them and take and developers' margin rather than an effectively a contracted margin for building for PRS operator, but maybe others where as part of land and infrastructure recovery the right thing to do until we go through the portfolio of all the assets and pick the right ones and find whether or not we have a right PRS partner. I'm not – can't make that call.

Kevin Cammack, Cenkos: Okay.

Nigel Holland: I think we're done, Pete.

QUESTION AND ANSWER – PETE REDFERN

Pete Redfern: Great. Thank you Nigel and thank you Chris as well. That concludes our presentations here and we'll be off on a bus to Didcot.

We won't have a sort of a more general Q&A or closing kind of remarks at Didcot because I just think the way we work will have – may have some people leading a different timeline so we're going to wrap up the formal event now and then in a second I'll take any kind of closing questions particular on any of the – either, sort of more strategic stuff we talked about first thing today or anything that flowed out of either Nigel or Chris's presentations.

But hopefully you've got a good sense that both attracted the business and the underlying operating sort of targets that we have.

Mark Howson, HSBC: Thanks. If we're sitting here today and this was a Persimmon day, I'm sure there would be a really big chunk up there about 6,000 units coming out of space for about six weeks quicker internal capital employed etc.

You know, playing devil's advocate, you know, what would your response be to that and, you know, maybe to some of your team – you mentioned outside there was some stuff about project, you know, project 2020, you know, can you give us your thoughts all that please?

Pete Redfern: Yes, no. It's a good question and there wouldn't be many things we look at a particular competitor and sort of acknowledge that there's some things that we might consider and that would be one of them.

I don't think we do it in quite the same way but that's always the case, but we have been looking very closely at timber frame and modular timber frame specifically. We've looked through that project 2020 at a whole range of different things. So from some of the sort of lightweight concrete blocks, clay blocks, you know, sort of steel or concrete. I mean, you still come back to different takes on timber frame, I mean in general is kind of not in the frame but cross laminated timbers and other one.

And that definitely is the area where different production methods feel closest to a balance of cost and efficiency. You know, you all know we closed a timber frame factory that we sort of had acquired through the merger between Taylor Woodrow and George Wimpey about two years ago but we closed it knowing that we'd never quite rule out adding a significant element of timber back into construction but we closed it because it was the wrong people in the wrong place, building the wrong product for those sorts of things we want to do.

They were building a specialist product that really didn't really suite volume house building. So we have an open mind, if we do it today, it's more expensive or we don't have the capacity limitation but as we look forward over the next four or five years having the flexibility to have more than one lever to pull on construction methods may mean that we go down a route which is more like 20%, 30%, 35% timber. So we can, you know, sort of pull and push on the balance between traditional construction in timber frame.

And we're looking at that balance. At the moment, still traditional construction is overall quicker, more effective and actually still easier to get insurance on and more accepted by customers but it's becoming marginal. So, you know, we have pretty open mind and that project 2020 is looking at those things but if we do it, we want it to be a long-term conclusion on how we want to make that work rather than a site by site decision on, you know, this works from this cost base for this particular site.

Charlie Campbell, Liberum Capital: Thanks. Let me just come back to the sort of optimal size discussion. You've talked to us today about 15,000 units.

If we go back to the merger so I think pro-forma volumes were about 20,000. Just wondering if you can give us an idea of where that missing 5,000 is? So, you know, what are the sort of things that you as a group were doing back then that you won't do this time around just to help us understand sort of the way the group has changed cycle-to-cycle?

Pete Redfern: Yes. I know there are quite a lot of things. Although, I wouldn't ever describe it as a missing 5,000. You know, I think we've not kind of lost them. You know, there probably were 5,000 but were never really there if you see what I mean. There's a whole mix of different things happening at that point in time. You have Taylor Woodrow in pursuing a thousand unit business strategy in a very different land environment today and that had been their goal and they set the business up to do it and they were trashing this to achieve it both in terms of the cost-base, the quality, the control, the accounting.

You got George Wimpey that have been running harder at it site, to the highest sale, not to the same degree but certainly more at the volume than value end of that balance and then you got the dynamics of the merger and that sort of a growth driver appointment in the market was very hot and as I think Chris said earlier on these things sells rate particularly in the South East of the business the at the 1.2 to 1.3.

All of those things happening and you've got I think if I remember the maths right, 39 business units, all of those things are different. You know, we are sort of doing more per business unit than put down historically but it's because the size of them we're running them naturally without putting them under too much pressure.

We won't open lot of new business units, we never rule out one or two. If we feel the dynamics have shifted in certain geographies is enough that there's a real sustainability there but it's one or two. And we're not driving that sales rate. We like volume, we like growth, it's not about we sort of want to do as little as possible but that's not the driving force of what we're doing.

So across the business whether you look at it from a strategy point of view or whether you look at it from a sort of detail operation site by size, the balance of priority is slightly different.

Charlie Campbell, Liberum Capital : As a follow-up, I mean things like sort of high rise and secondary centers, secondary cities, does that not happen ever again?

Pete Redfern: I'll never say never again. You know, sort of never is a long time, isn't it? Not within the foreseeable future. Not in this cycle, hard to see it in the next.

I think as an argument there's a good business around suburban sort of low rise apartment in some secondary cities, you know, I think almost the pendulum has swung too far the other way. We're not tapping into that, haven't got any particular need or desire to do but I can see the argument - high rise in those secondary cities. I think you really are into a different balance of risk and reward that's more akin to a construction company than a developer and I don't think we'd ever consider that certainly in my time.

Any others? Thank you for those final questions. Thanks for your time this morning. I hope you enjoy the site visit. We're around to answer questions. I must say I'm conscious that not everybody will be there until right at the end but thank you for your time. Thank you.