Taylor Wimpey plc

Annual Report and Accounts 2014

Creating sustainable value

Our vision is to be the UK's leading residential developer for **creating value and delivering quality.**

Visit us online at www.taylorwimpey.co.uk

Inside this report

The essential read

See our Chairman's Statement on page 8

See our Chief Executive's Review on page 10

See our Group Financial Review on page 40

See our Corporate Governance Report for 2014 on page 46

Sustainability

A full Sustainability Report is published separately online and is available from www.taylorwimpey.co.uk/corporate/sustainability

Key information about our approach to sustainable development is available in the following areas of this report:

Governance
Pages 46-55

Approach and policies
Pages 16-23, 26-29, 30-33

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- Cross reference to information online
- Cross reference to information in this report
- KPI Key Performance Indicator
- Cross reference to our Sustainability Report

Proactively Managing the Cycle

A transformation to a **value driven business** with a **long term focus**

The market context

2011 onwards was a period of stability in the underlying housing market, following a sharp downturn in 2008 and 2009. Whilst sentiment improved and customer confidence gradually increased, mortgage availability and affordability remained the key constraint on the industry. The introduction of various Government initiatives including Funding for Lending and most notably Help to Buy in April 2013 increased both the accessibility to and the affordability of mortgages.

During the second half of 2014 we saw a return to a healthier and more balanced housing market after a very strong first half of the year.

The UK housing market continues to grow and we have continued to see positive signs, with prices increasing slowly. This is underpinned by solid consumer confidence and good mortgage availability and affordability.

2011-2013
Clear and effective strategy executed well

Our strategic response

Repositioned business

Following the sale of our North American business in 2011, we became a UK-focused residential developer, with a small operation in Spain.

Long term strategy articulated

Our long term strategic objectives are through the cycle measures:

- Earn top quartile operating profit* margin
- Deliver at least a 15% return on net operating assets** through the cycle
- Grow net assets by 10% per annum on average through the cycle including returns to shareholders

See pages 18-23 for more information

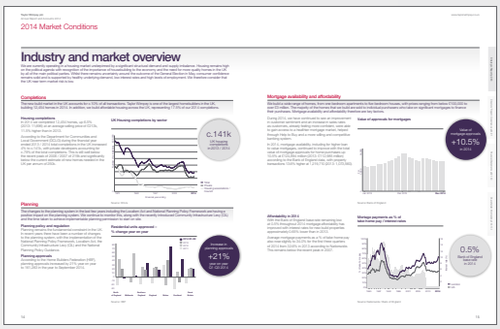
2014
A strong position in a stable housing market

Completed 12,454 homes across the UK, up 6.5%, with an 11.5% increase in total average selling price to £213k (2013: 11,696 homes at £191k).

2014 record UK operational delivery

- 39% of completions were from strategically sourced land (2013: 29%)
- Contribution per completion increased by 27.8% to £49.6k per home (2013: £38.8k)
- Worked with communities, planners and landowners to convert a record 10,779 plots from the strategic pipeline
- Contributed £300 million to local communities in which we build across the UK via planning obligations, providing infrastructure, affordable homes, public transport and education

See pages 24-25 for more information



See pages 14-15 for more information

Industry macro economic trends

- Significant demand in the UK after low transaction levels
- Low near term market risk
- Housing continues to remain high on the political agenda with recognition of the importance of housebuilding to the economy and the need for more quality homes in the UK by all of the main political parties
- Customer confidence solid, underpinned by low interest rates and high levels of employment

2014 highlights

Stretching Group financial targets announced for 2015-2017 reflecting our confidence with good progress made in 2014:

- Operating profit* margin up 430 basis points to 17.9% (2013: 13.6%)
- Return on net operating assets** up 570 basis points to 22.5% (2013: 16.8%)
- Tangible net asset value per share† increased by 11.9% to 77.9 pence (2013: 69.6 pence), 15.8% growth in net assets before cash distributions
- £49.7 million cash returned to shareholders in 2014 (1.54 pence per share), with a further c.£250 million (7.68 pence per share) to be returned in July 2015 as previously announced subject to shareholder approval
- Maintenance dividend pay-out doubled to 2% of net assets reflecting both confidence in our performance and the resilience of the UK housing market
  - Total maintenance dividend for 2014 of 1.56 pence per share (2013: 0.69 pence per share), with final dividend of 1.32 pence per share (2013: 0.47 pence per share) proposed

Note: Definitions can be found on page 5.

2015-2017

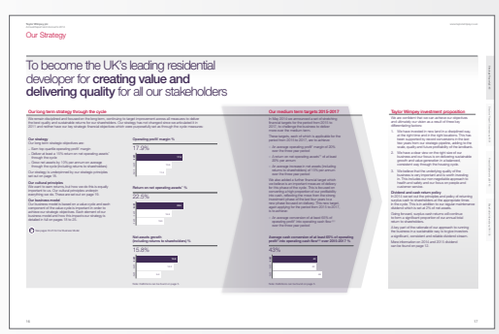
Optimally positioned to deliver more in the good trading environment and on a sustainable basis

Maximising future strength

- Strong order book of £1,397 million (31 December 2013: £1,246 million) reflecting site locations and products where customers choose to live
- Optimum landbank scale at c.75k plots with over 50% sourced from the strategic land pipeline
- Strategic pipeline of c.110k potential plots

Focused on medium term targets (for 2015-2017) and sustainability of returns

- Average 20% operating profit* margin
- At least 20% return on net operating assets** each year
- Average 15% pa increase in net asset value (including returns to shareholders)
- An average conversion of at least 65% of operating profit* into operating cash flow††† over the three year period



See pages 16-17 for more information

Key Highlights for 2014

2014 was a record year for the Group and we are well positioned for the future

Strong progress made towards medium term targets.

Group operating profit* margin
17.9%
in 2014

Group return on net operating assets**
22.5%
in 2014

Tangible net asset value per share†
77.9p
in 2014

Cash return to shareholders
£49.7m
in 2014
c.£250m
in 2015

Highlights

- Completed 12,454 homes across the UK, up 6.5%, with an 11.5% increase in total average selling price to £213k (2013: 11,696 homes at £191k)
- Continued to focus on maximising future strength:
  - Optimum landbank scale at c.75k plots with over 50% sourced from the strategic land pipeline
    - Acquired 8,315 high-quality plots in the UK short term land market
    - Worked with communities, planners and landowners to convert a record 10,779 plots from the strategic pipeline
  - Excellent year end order book representing 6,601 homes (31 December 2013: 6,627) and a total value of £1,397 million (31 December 2013: £1,246 million)
- £49.7 million cash returned to shareholders in 2014 (1.54 pence per share), with a further c.£250 million (7.68 pence per share) to be returned in July 2015 as previously announced subject to shareholder approval
- Maintenance dividend pay-out doubled to 2% of net assets reflecting both confidence in our performance and the resilience of the UK housing market:
  - Total maintenance dividend for 2014 of 1.56 pence per share (2013: 0.69 pence per share), with final dividend of 1.32 pence per share (2013: 0.47 pence per share) proposed

See pages 40-43 for our Group Finance Review

See pages 34-39 for our Operating Review

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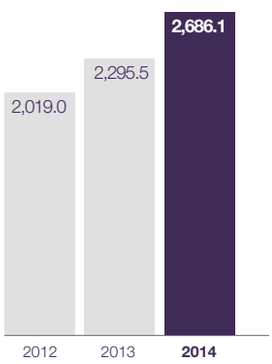
Continuing Group

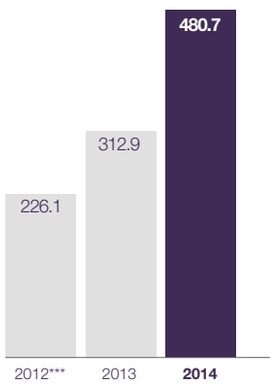
Revenue (£m)

£2,686.1m



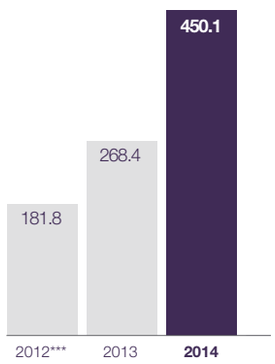
Operating profit* (£m)

£480.7m



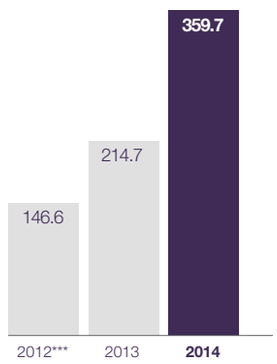
Profit before tax and exceptional items (£m)

£450.1m



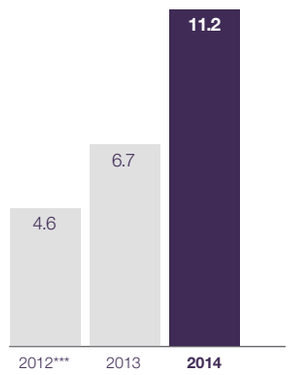
Profit for the year before exceptional items (£m)

£359.7m



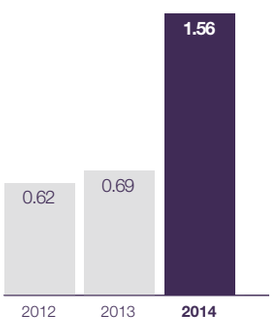
Adjusted basic earnings per share (p)††

11.2p



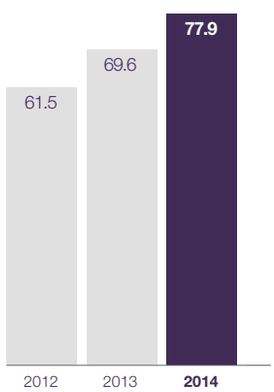
Total maintenance dividend (p)

1.56p



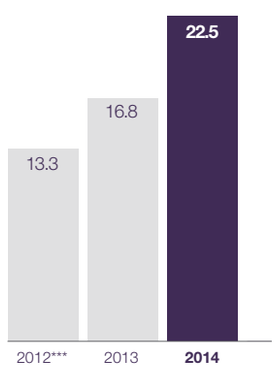
Tangible net assets per share† (p)

77.9p



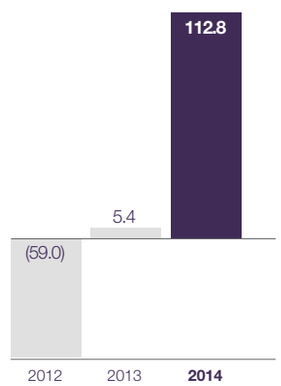
Return on net operating assets** (%)

22.5%



Year end net cash / (debt) (£m)

£112.8m



* Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures.

** Return on net operating assets is defined as 12 month rolling operating profit divided by the average of the opening and closing net operating assets, which is defined as net assets less net cash less deferred tax balances.

*** 2012 has been restated following the adoption of IAS19 'Employee Benefits' (amended 2011), with changes in the presentation of certain costs relating to the defined benefit schemes.

† Tangible net assets per share is defined as net assets before any accrued dividends, excluding goodwill and intangible assets, divided by the number of shares in issue at the period end.

†† Adjusted basic earnings per share represents earnings from continuing operations, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares in issue during the period.

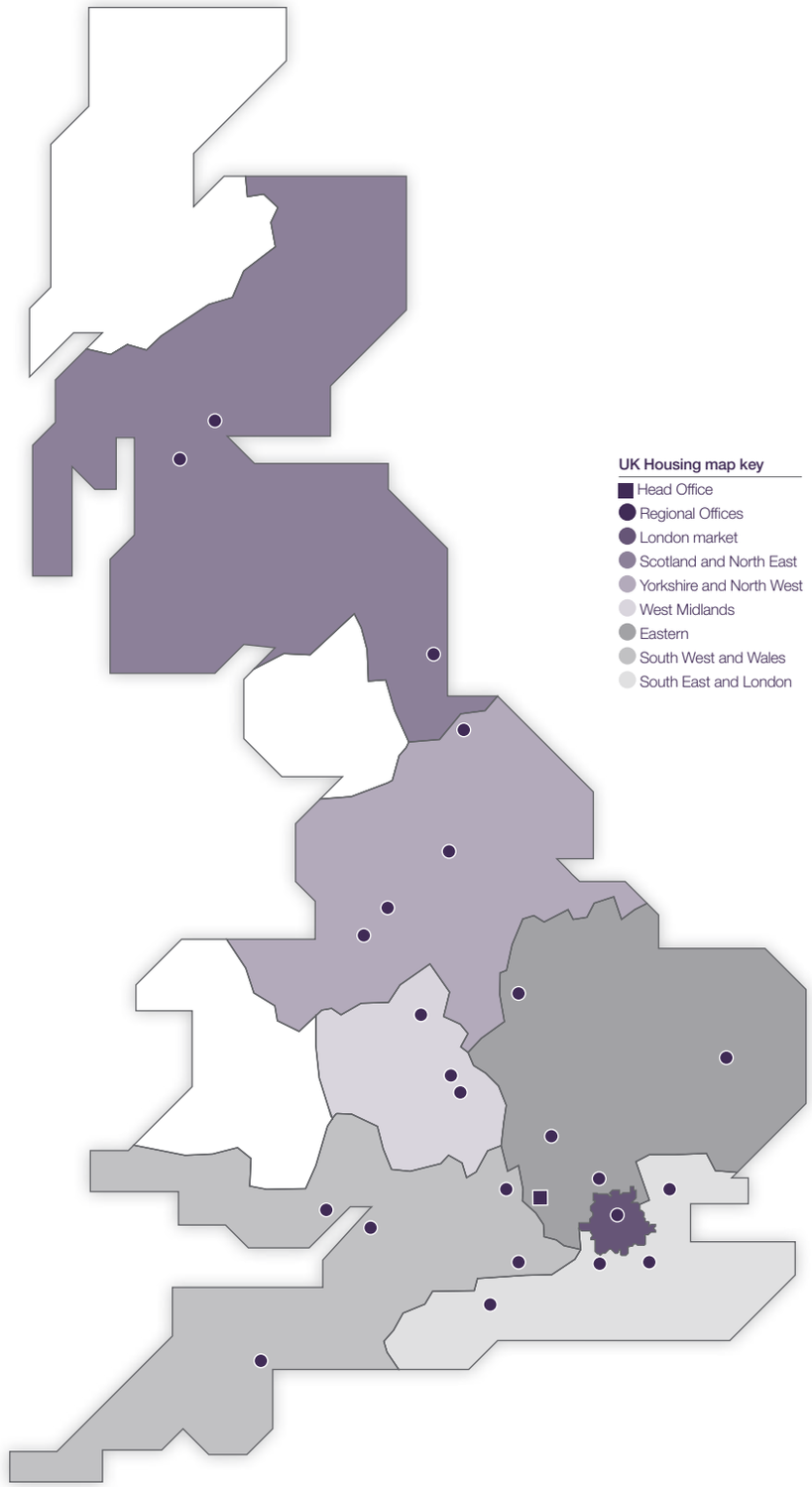
††† Operating cash flow is defined as cash generated by operations before taxation and interest paid.

Where We Operate

Operating across **24 regional business units**

Taylor Wimpey is a national developer operating at a local level from 24 regional businesses across the UK.

We also have a small operation in Spain.



See pages 34-39 for our Operating Review

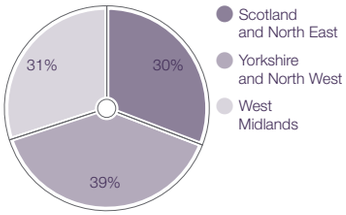
See pages 14-15 for 2014 Market Conditions

North

Our North Division covers Scotland, the North East, Yorkshire, the North West and the West Midlands.

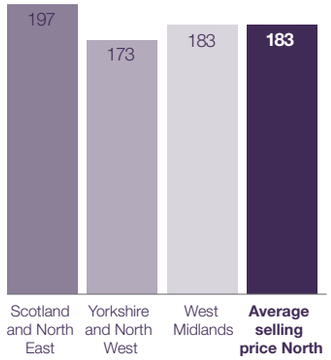
Completions excluding JVs

5,016
(2013: 4,505)



Average selling price £k

£183k



Highlights

- Average selling price increased 6.4% to £183k in 2014 from £172k in 2013
- Private sales rate increased to 0.58 homes per outlet per week (2013: 0.54)
- Average plot cost as a % of average selling price in the owned landbank of 15.1% (2013: 15.7%)

South

Our South Division incorporates our businesses in the East, South West and Wales, and South East including London.

Completions excluding JVs

7,278
(2013: 7,042)

Average selling price £k

£233k

Highlights

- Average selling price increased 14.2% to £233k in 2014 from £204k in 2013
- Private sales rate of 0.69 homes per outlet per week (2013: 0.70)
- Average plot cost as a % of average selling price in the owned landbank of 18.4% (2013: 18.9%)

London

- Strong and established presence in London, building around 1,000 homes a year
- Growing and diverse portfolio across the London boroughs, delivering a variety of homes and communities for all market segments

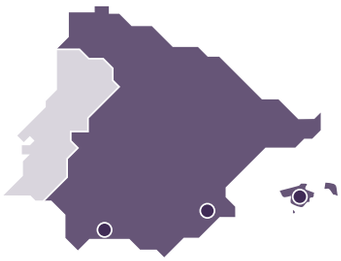
Spain Housing

We build high-quality homes in the popular locations of Costa Blanca, Costa del Sol and the island of Mallorca. We build homes that appeal to both Spanish and foreign buyers. Our Spanish housing business represents approximately 1% of Group revenue.

Highlights

- Completed 164 homes (2013: 118)
- Average selling price increase of 9.2% to €250k (2013: €229k)
- Order book increased by 33% to £58.4m (2013: £43.9m)

See page 39 for more information on our Spanish housing business



Chairman's Statement

Focused on **creating value and delivering quality** across the housing cycle

"I am delighted to report that in 2014 shareholders have continued to benefit from the results of our strategy."

Kevin Beeston
Chairman

2014 performance and positioning the business for the future

It is very pleasing to note that, during the period since we set out our strategy in 2011, we have seen the transformation of Taylor Wimpey, underpinned by our clarity of focus and value driven business model. During this time, we have consistently outperformed the pace of improvement that we aspired to, whilst continuing to improve the quality of our business and positioning it to achieve our vision of becoming the UK's leading residential developer for creating value and delivering quality. I am delighted to report to you that 2014 has not only been a further step in the journey to achieve this long term ambition but that we also delivered an excellent in-year performance, delivering 54% growth in operating profit*, converting a record 10,779 plots from the strategic land pipeline – more than any time in our history – and commencing an additional cash return policy to shareholders over and above our regular maintenance dividend. I set out more details on this below. In December 2014, we were also delighted to be re-admitted to the FTSE 100 Share Index.

Returns to shareholders

In 2014, shareholders have continued to benefit from the results of our strategy with a 26% increase in 2014 total shareholder returns and 433% cumulative earnings per share growth in the last three years. Our dividend return is an inherent part of our strategy and the Board has set out a policy of making cash returns to shareholders through both regular maintenance dividend payments and additional surplus cash returns at the appropriate time in the cycle. More information on our dividend policy and strategy can be found on page 12.

We remain committed to paying a regular annual maintenance dividend. Reflecting both confidence in our performance and the resilience of the UK housing market, we have announced our intention to double this pay-out to 2% of net assets subject to shareholder approval. The 2014 final maintenance dividend of 1.32 pence per share (2013: 0.47 pence per share), if approved by shareholders at the Annual General Meeting (AGM), will be paid as a conventional cash dividend on 20 May 2015 to shareholders on the register at close of business on 10 April 2015. Shareholders are once again being offered the opportunity to reinvest all of their maintenance dividend under the Dividend Re-Investment Plan (DRIP).

In February 2014, we set out the principles and the first stages of our cash return plan and returned £49.7 million in July 2014. Through 2014, we have continued to outperform our own expectations, both in terms of cash generated, and our forecast cash requirements. Reflecting this performance, at our half year results in July 2014, the additional cash return in 2015 was increased by £50 million to £250 million, equating to 7.68 pence per ordinary share. Subject to shareholder approval, this will be paid on 3 July 2015 as a cash dividend to all shareholders on the register at close of business on 22 May 2015. Further details are set out in the Notice of Meeting on page 144. Following a change in the law, with effect from April 2015, companies are unable to offer shareholders a choice over the form of a cash return. Shareholders will however be offered the opportunity to reinvest all of their 2015 special dividend under the DRIP (your attention is drawn to an important message regarding the DRIP on page 152). The Board intends to keep the mechanics of how the Company will pay its special dividends under regular review.

The way we do business

For Taylor Wimpey, the way in which we conduct ourselves both internally and externally matters. The Board is firmly of the view that strong values and culture are the cornerstone of our success and that they are key to protecting and enhancing our reputation, both internally and externally. We recognise that we have both the obligation and the opportunity to lead by example and that, whilst we inevitably do not get everything right, we continue to embrace these responsibilities and strive to improve in everything we do.

During the year, we have had a particular focus on customer service, following a fall in our externally rated

customer satisfaction score from 90% to 87% and a general belief that customers expect and deserve an enhanced level of service. Whilst an external score of 87% continues to be high by industry and historic standards, we are committed to improving further our service to our customers. We have embarked on several initiatives and introduced additional resourcing to improve what we do and how we do it for our customers – further detail is set out on page 38.

We have an implicit obligation to serve the local communities in which we operate and firmly believe that this responsibility grows with our success. In 2014, we invested £300 million in communities pursuant to planning obligations in England, Wales and Scotland (2013: £227 million) providing infrastructure, affordable housing and community facilities including schools, transport and play areas.

More information about our efforts including local sponsorships and partnerships and our support of charity partners can be found on page 31 and within our Sustainability Report which will be available from 27 March at www.taylorwimpey.co.uk/corporate/sustainability

Corporate Governance

We have a strong track record of good corporate governance which your Board will continue to strengthen, underpinned by a robust and effective governance framework and risk management structure. More information on what this means can be found within our Corporate Governance Report and the reports of the Board Committees (on pages 46 to 85). This is further enhanced by the policies and guidelines we have in place, setting standards concerning ethics, sound business practices and wider governance, which are regularly reviewed and can be found on our website.

We value open and honest dialogue and work hard to maintain high levels of trust and transparency with all of our stakeholders. As your Chairman, I continue to proactively meet with a number of investors and industry representatives to answer their questions and to gain a better understanding of their policies and views on governance.

We also understand and support the importance of linking executive reward to the longer term objectives of Taylor Wimpey and, in turn, the longer term interests of shareholders and are very alert to the need for fair and proportionate remuneration arrangements. We have again consulted very constructively with our major shareholders and their representative bodies concerning both 2014 and 2015 policy and practice. More information on this can be found in the Remuneration Committee Report on pages 66 to 85.

The Board has reviewed the 2014 UK Corporate Governance Code (the 'Code') announced in September 2014, and welcomes the new changes which will apply to our 2015 financial year. Consistent with past practice, the Board has already moved to comply with certain aspects of the Code.

2014 Board evaluation

In accordance with the Code, the Board is required to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. It is also a requirement that the evaluation should be externally facilitated at least once every three years. The evaluation is a very important part of the corporate governance framework and is taken very seriously by the Board, its Committees and also by each individual Director. In 2014, the evaluation was externally facilitated by Independent Board Evaluation via a very comprehensive process involving all Directors and others who work closely with the Board, both internal and external. I am pleased to report to you that this review confirmed that your Board is a well-functioning and effective board which serves the Company well and takes its duties and responsibilities very seriously. Naturally, there are areas for improvement and the Board has reviewed and will be acting upon the recommendations. A summary of the main findings from the evaluation are outlined on pages 50 to 51.

Our people

The Board is particularly proud of the level of eligible employee participation in the Company's all-employee share plans, namely Sharesave (37%) and SIP (27%). Each plan gives employees the opportunity of owning their own personal stake in Taylor Wimpey and our future success. We believe that this is important as it encourages a greater sense of alignment between our employees and our shareholders, together with a greater sense of pride and sense of ownership. Further, all Executive Directors hold shares significantly in excess of individual guidelines and similar individual guidelines have also been applied to senior management below Board level. More details of our share schemes can be found on pages 70 to 71.

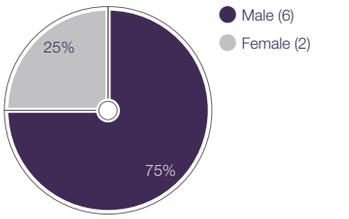
We continue to progress our diversity and inclusivity initiatives as we recognise that there are still improvements to be made and that we are still in the early part of the overall journey. More detail on our initiatives is set out in the Corporate Governance section.

As I reflect on a very successful 2014, I would like to express my sincere thanks and appreciation to all 4,014 Taylor Wimpey employees for their professionalism, hard work and dedication throughout 2014. I am confident that we have in place the strategy, people and framework to continue to create value and deliver quality for all our stakeholders in the years ahead.

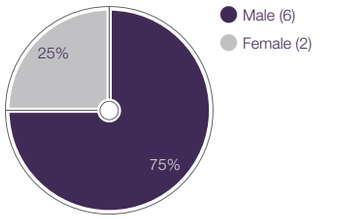
Corporate Governance pages 46-51

Board of Directors pages 44-45

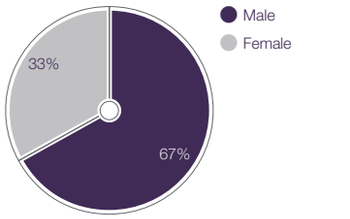
Board diversity



Senior Management diversity



Employee diversity



Chief Executive's Review

We are **well positioned for the future**

"We have delivered an excellent 2014 performance, growing steadily and sustainably and creating additional value."

Pete Redfern
Chief Executive

2014 Group highlights

- 67.2% increase in adjusted basic earnings per share†† to 11.2 pence from 6.7 pence
- 53.6% increase in operating profit to £480.7 million (2013: £312.9 million)
- Continued to keep our UK Annual Injury Incidence Rate low at 209 per 100,000 employees and contractors in 2014 (2013: 207)
- £49.7 million cash returned to shareholders in 2014 and c.£250 million announced for 2015, subject to shareholder approval
- Doubled our maintenance dividend pay-out to 2% of net assets, subject to shareholder approval

2014 summary

In 2014 we saw the positive benefit of the improved environment in all of our regional markets and we were pleased to see greater balance across the regional markets coming into effect in the second half of 2014 with slower and more sustainable price growth, after a very strong first half.

Customer demand remained high across all regions and was helped by a more affordable and accessible mortgage market, due both to Help to Buy and a more competitive lending environment.

Against this backdrop, and in line with our strategy, we have continued to grow steadily and sustainably, delivering increased completions and creating additional value, increasing operating profit by 53.6% to £480.7 million (2013: £312.9 million).

2014 was an important year for the Group as we met or exceeded all previous financial targets and committed to delivering more by setting new stretching targets for the medium term, which I will detail later. We are pleased that in 2014 we have made significant progress towards all of these medium term targets. More information on our financial performance can be found in the Group Financial Review section on pages 40 to 43. Alongside this, there were many operational highlights including achieving a record contribution per completion of £49.6k (2013: £38.8k), significantly increasing our intake of trainee and apprentice programmes and contributing £300 million to local communities across the UK via planning obligations, providing infrastructure, affordable homes, public transport and education.

Health and safety is our non-negotiable top priority and we were particularly pleased to see that this was reflected in our 2014 employee survey which found that 99% of our staff believe that Taylor Wimpey is committed to health and safety and keeping people safe. We have continued to keep our UK Annual Injury Incidence Rate (AIIR) low at 209 per 100,000 employees and contractors in 2014 (2013: 207). We reduced our AIIR for major injuries from 60 in 2013 to 26 in 2014.

Proactively managing the cycle

Our views about managing the cycle have not changed. Housebuilding is a cyclical industry and, whilst sensible measures from Government, interest rate setters and regulators can help to reduce the scale of that cyclicality, we do not believe it can be removed completely. Therefore, whilst we remain focused on delivering strong returns and growth, we are also mindful of mid and long term risk. This means that we need to take a more active approach to managing the cycle than has been historically undertaken in the business, or the sector. We are

currently operating in a housing market underpinned by a significant structural demand and supply imbalance. Housing remains high on the political agenda with recognition of the importance of housebuilding to the economy and the need for more quality homes in the UK by all of the main political parties. Whilst there remains uncertainty around the outcome of the General Election in May, consumer confidence remains solid and is supported by healthy underlying demand, low interest rates and high levels of employment. We therefore consider that the UK near term market risk is low.

We believe that we are currently operating at the early stages of the housing cycle. The charts on pages 14 to 15 show some of the key external measures we follow closely and these will change depending on the stage of the cycle. However, the housing cycle is influenced by many factors and these should not be viewed in isolation.

Our strategy

Taylor Wimpey's vision is to become the UK's leading residential developer for creating value and delivering quality across the housing cycle. Since we set out our strategy in 2011, we have seen the transformation of Taylor Wimpey to a value driven business, with a long term focus on generating the best quality sustainable returns. We are confident that we can achieve this as a result of three key differentiating factors:

1. We have invested in new land in a disciplined way, at the right time and in the right locations. This has been supported by record conversions in the last few years from our strategic pipeline, adding to the scale, quality and future profitability of the landbank.
2. We have a clear view on the right size of our business and our focus is on delivering sustainable growth and value generation in a balanced, consistent way through the housing cycle.
3. We believe that the underlying quality of the business is very important and is worth investing in. This includes our non-negotiable approach to health and safety and our focus on people and customer service.

Following a period of strong investment, we are now at our optimum size of landbank at c.75k plots, equating to c.six years of supply at current completion levels. We have therefore moved to a land replacement position in the short term land market and, together with the increasing profitability of the business, are becoming increasingly cash generative. This has enabled us to move to a phase focused on delivery, maximising the returns from our investments, and

The Group Management Team

The Group Management Team (GMT), which is responsible for the day to day running of the Company, comprises:

Pete Redfern
Chief Executive
Responsibilities
As head of the GMT, my responsibilities include key strategic and operational decisions, corporate responsibility and health and safety.

Ryan Mangold
Group Finance Director
Responsibilities
Ryan's role covers all areas of Finance, including tax, treasury and managing the Group's defined benefit pension scheme, as well as Information Technology. Ryan also plays an active part in our Investor Relations programme.

James Jordan
Group Legal Director and Company Secretary
Responsibilities
James is responsible for our Company Secretariat department, as well as overseeing all legal matters from plot conveyancing to land buying.

Anne Billson-Ross
Group Human Resources Director
Responsibilities
Anne has responsibility for all areas of Human Resources, including recruitment, benefits, talent and performance management.

Fergus McConnell
Divisional Chairman, North
Responsibilities
Fergus oversees the 10 regional businesses within our North Division. He is also the project sponsor for our new IT system.

Peter Truscott
Divisional Chairman, South
Responsibilities
Peter heads our South Division, which contains 14 regional businesses, and also has responsibility for our business in Spain.

Peter Andrew
UK Land and Planning Director
Responsibilities
Peter oversees our Strategic Land team and is leading our response to the evolving UK planning system.

Ingrid Skinner
Managing Director, Central London
Responsibilities
Ingrid oversees the Central London regional business and also has responsibility for the integrated London strategy.

Lee Bishop
Major Developments Director
Responsibilities
Lee is managing our new Major Developments business which has been specifically created to secure and project manage large scale land opportunities. Lee joined the GMT on 1 January 2015.

View full biographies online at www.taylorwimpey.co.uk/about-us/who-we-are

continuing to ensure that the business is optimally positioned to deliver those returns on a sustainable basis. In May 2014 we announced a set of stretching financial targets for the period 2015 to 2017, to challenge the business to deliver even more over the medium term.

These targets, each of which is applicable for the period 2015 to 2017, are to achieve:

- An average operating profit* margin of 20% over the three year period
- A return on net operating assets** of at least 20% per annum
- An average increase in net assets (including returns to shareholders) of 15% per annum over the three year period
- An average conversion of at least 65% of operating profit* into operating cash flow††† over the three year period

Whilst we clearly do not expect to deliver all of these three year targets in 2015, we do expect to show significant progress towards all of them.

More information on these targets and how they fit into our long term strategy through the cycle can be found on pages 16 to 17.

Our strategy is underpinned by our strategic principles set out on page 18.

We want to earn returns, but how we do this is equally important to us. Our cultural principles underpin everything we do. These are set out on page 19.

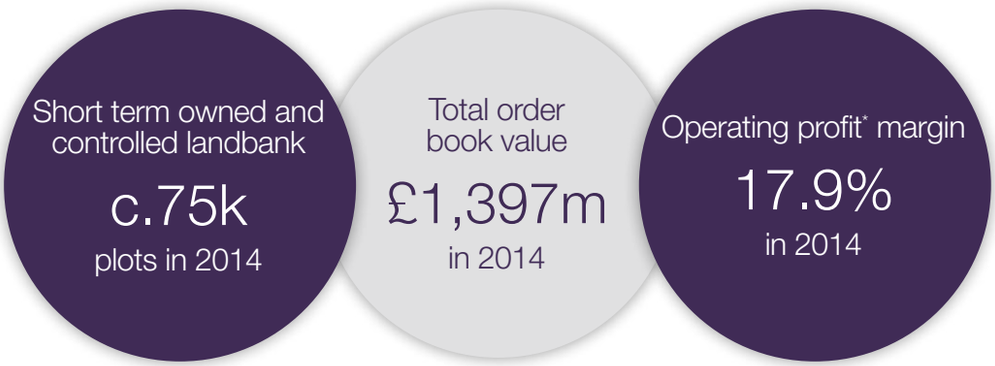
Our focus is on maximising the returns from our investments, and ensuring that the business is optimally positioned to deliver sustainable returns.

Our business model is based on a value cycle, and each component of the value cycle is important in order to achieve our strategic objectives. Each element of our business model is detailed in full on pages 18 to 25. We believe that sustainability is fundamental to each aspect of the value cycle and, therefore, to the long term success of the Company. Further information on sustainability can be found on pages 30 to 33 and within our dedicated Sustainability Report 2014.

Dividend and cash return policy

In 2014 we set out the principles and policy of returning surplus cash to shareholders at the appropriate times in the cycle, in addition to our regular maintenance dividend. Reflecting both our confidence in our performance and the underlying resilience of the market, we have announced the doubling of the maintenance dividend pay-out to 2% of net assets, which is at the top end of previous guidance, subject to shareholder approval. This will give a proposed 2014 final maintenance dividend of 1.32 pence per share to be paid on 20 May 2015 to shareholders on the register at the close of business on 10 April 2015 (2013 final dividend: 0.47 pence per share). In combination with the interim dividend of 0.24 pence per share (2013 interim dividend: 0.22 pence per share), this gives a total maintenance dividend for the year of 1.56 pence per share (2013 total maintenance: 0.69 pence per share).

On 3 July 2014 we commenced the return of surplus cash to shareholders with a £49.7 million special cash payment, equating to 1.54 pence per share. As we previously announced on 30 July 2014, we will return approximately £250 million to shareholders on 3 July 2015, equating to 7.68 pence per ordinary share, to shareholders on the register at close of business on 22 May 2015, subject to shareholder approval at the 2015 AGM. Going forward, surplus cash returns will continue to form a significant proportion of our annual total return to shareholders. These cash returns will be set on an annual basis, in line with the cash generation of the business. They will be announced at our half year results and paid the following year. A key part of the rationale of our approach to running the business in a sustainable way is to give investors a significant, consistent and reliable dividend stream.



Our customers

In 2014 we achieved a customer satisfaction rate of 87% (2013: 90%), with the decrease reflecting the challenge to deliver our homes on time as the labour market adapted to the better sales market. Whilst this remains high in comparison to historic trends, we are very disappointed that this has decreased. During 2014 we began an in-depth review of every aspect and stage of our customer journey, to identify areas of improvement and to deliver a better homebuying experience for our customers. This is a very important area for us and will continue to be a key focus in 2015 and on an ongoing basis, as we work to realise improvements to our service and to our customers' experience. More information can be found on pages 22 and 38.

Our people

I would like to take this opportunity to reiterate Kevin's words of thanks to the teams and the individuals across our business. I believe we have the best people in the industry and we want to make Taylor Wimpey the employer of choice and establish a culture where individuals from all backgrounds can reach their full potential.

Whilst we have done a lot over the last few years in developing our people, we recognise there is still more to do. We will be focusing on the areas of learning and development and building on our success in our training programmes in 2015.

Our new Group Human Resources Director Anne Billson-Ross is working with our GMT and the wider business to update the human resources strategy for Taylor Wimpey and drive further improvement in 2015.

I am also extremely proud of the efforts of our employees around the country, supporting our chosen charities. In total during 2014 we raised over £539k (2013: £415k) for registered charities through donations and fundraising. More information on this can be found on page 31. Just one example of this was in March 2014 where nearly 200 of our staff from across 80% of the regional businesses completed Taylor Wimpey's inaugural teambuilding event in the Brecon Beacons with an aim to climb the Welsh National Park's 10 highest mountains in 10 hours for the Youth Adventure Trust, a charity which provides adventure camps and day activities for disadvantaged children aged between 11 and 14, to enable them to experience success, learn to go beyond their own expectations and grow in confidence. Our 45 teams raised over £141k. This was the highest amount raised in a single event in the charity's history. We are also looking forward to building on this with our next all-employee challenge in May 2015.

Diversity

During 2014, we continued to focus on diversity and inclusion. We remain committed to the belief that embracing diversity and inclusion will enable Taylor Wimpey to succeed through a workforce that is creative and innovative. We continue to actively embrace the business and local communities in which we operate and will strive to reflect their richness and character by including such aspects as gender, race and religion but also diversity of thought, background and experience. In 2014 we undertook a range of activities including establishing a senior management working party to create a diversity and inclusion strategy. For further detail please see pages 57 to 59.

Outlook

Looking forward, and as I mentioned previously, we are currently operating in a housing market underpinned by a significant structural demand and supply imbalance. Housing remains high on the political agenda with recognition of the importance of housebuilding to the economy and the need for more quality homes in the UK by all of the main political parties. Whilst there remains uncertainty around the outcome of the General Election in May, consumer confidence remains solid and is supported by healthy underlying demand, low interest rates and high levels of employment. We therefore consider that the UK near term market risk is low.

The beginning of the spring selling season has seen both demand and trading at the better end of our expectations. Net private sales rates for the year to date (w/e 1 March 2015) of 0.70 are at healthy levels (2014 equivalent period: 0.72) and within the range we see as sustainable. With slower market growth, we anticipate reducing build cost pressure in 2015.

As at 1 March 2015, we are 51% forward sold for private completions for 2015 with a strong total order book of £1,657 million (2014 equivalent period: £1,529 million). This together with our strong landbank, with over 50% of plots sourced from the strategic pipeline, positions us well for 2015 and beyond. We remain confident that our long term strategy, enhanced by the stretching medium term targets we announced in May 2014, will enable us to maximise the best quality returns from our investments on a sustainable basis across the housing cycle.

For more information

2014 Market Conditions pages 14-15
An overview of the industry and market in 2014

Our Strategy pages 16-17
A more detailed look at how our medium term targets fit in with our long term strategy through the cycle and our investment proposition

Group Financial Review pages 40-43
Our 2014 financial performance

2014 Market Conditions

Industry and market overview

We are currently operating in a housing market underpinned by a significant structural demand and supply imbalance. Housing remains high on the political agenda with recognition of the importance of housebuilding to the economy and the need for more quality homes in the UK by all of the main political parties. Whilst there remains uncertainty around the outcome of the General Election in May, consumer confidence remains solid and is supported by healthy underlying demand, low interest rates and high levels of employment. We therefore consider that the UK near term market risk is low.

Completions

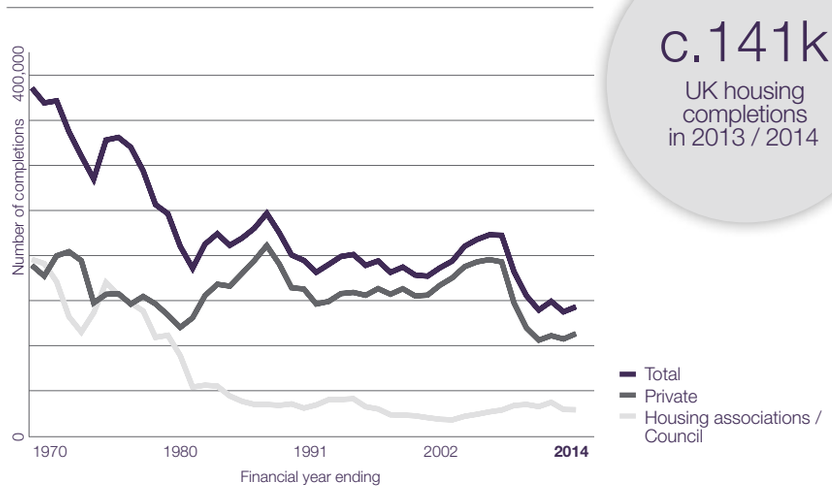
The new build market in the UK accounts for c.10% of all transactions. Taylor Wimpey is one of the largest homebuilders in the UK, building 12,454 homes in 2014. In addition, we build affordable housing across the UK, representing 17.5% of our 2014 completions.

Housing completions

In 2014 we completed 12,454 homes, up 6.5% (2013: 11,696) at an average selling price of £213k, 11.5% higher than in 2013.

According to the Department for Communities and Local Government (DCLG) during the financial year ended 2013 / 2014 total completions in the UK increased 4% to c.141k, with private developers accounting for c.79% of the total completions. This is still well below the recent peak of 2006 / 2007 of 219k and significantly below the current estimate of new homes needed in the UK per annum of 250k.

UK Housing completions by sector



c.141k
UK housing completions in 2013 / 2014

Source: DCLG

Planning

The changes to the planning system in the last few years including the Localism Act and National Planning Policy Framework are having a positive impact on the planning system. We continue to monitor this, along with the recently introduced Community Infrastructure Levy (CIL) and the time taken to achieve implementable planning permission to start on site.

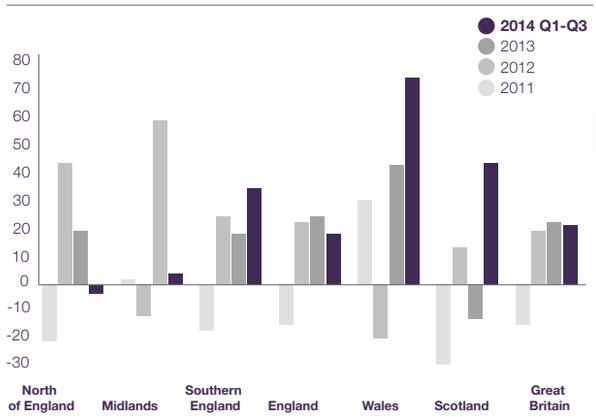
Planning policy and regulation

Planning remains the fundamental constraint in the UK. In recent years there have been a number of changes to the planning system, with the implementation of the National Planning Policy Framework, Localism Act, the Community Infrastructure Levy (CIL) and the National Planning Policy Guidance.

Planning approvals

According to the Home Builders Federation (HBF), planning approvals increased by 21% year on year to 161,283 in the year to September 2014.

Residential units approved – % change year on year



Increase in planning approvals
+21%
year on year Q1-Q3 2014

Source: HBF

Strategic Report p2-43
Directors' Report: Governance p44-91
Financial Statements p92-143
Shareholder Information p144-153

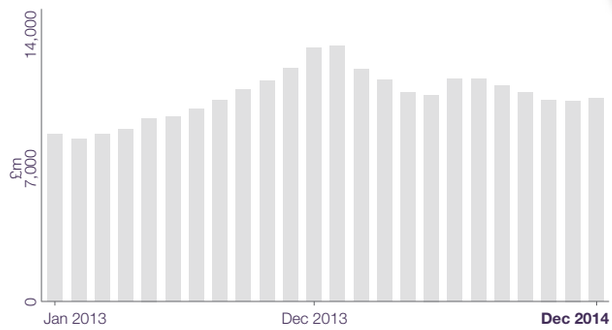
Mortgage availability and affordability

We build a wide range of homes, from one-bedroom apartments to five-bedroom houses, with prices ranging from below £100,000 to over £3 million. The majority of the homes that we build are sold to individual purchasers who take on significant mortgages to finance their purchases. Mortgage availability and affordability therefore are key factors.

During 2014, we have continued to see an improvement in customer sentiment and an increase in sales rates as customers, already feeling more confident, were able to gain access to a healthier mortgage market, helped through Help to Buy and a more willing and competitive banking system.

In 2014, mortgage availability, including for higher loan to value mortgages, continued to improve with the total value of mortgage approvals for home purchases up 10.5% at £124,894 million (2013: £112,985 million) according to the Bank of England data, with property transactions 13.6% higher at 1,219,710 (2013: 1,073,560).

Value of approvals for mortgages



Source: Bank of England

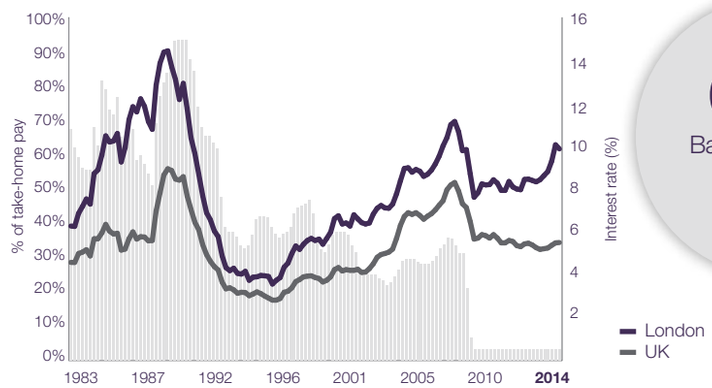
Value of mortgage approvals
+10.5%
in 2014

Affordability in 2014

With the Bank of England base rate remaining low at 0.5% throughout 2014 mortgage affordability has improved with interest rates for new build properties approximately 0.65% lower than in 2013.

Average mortgage payments as a % of take-home pay also rose slightly to 34.0% for the first three quarters of 2014 from 32.6% in 2013 according to Nationwide. This remains below the recent peak in 2007.

Mortage payments as % of take-home pay / interest rates



Source: Nationwide / Bank of England

0.5%
Bank of England base rate in 2014

Our Strategy

To become the UK's leading residential developer for **creating value and delivering quality** for all our stakeholders

Our long term strategy through the cycle

We remain disciplined and focused on the long term, continuing to target improvement across all measures to deliver the best quality and sustainable returns for our shareholders. Our strategy has not changed since we articulated it in 2011 and neither have our key strategic financial objectives which were purposefully set as through the cycle measures:

Our strategy
Our long term strategic objectives are:

- Earn top quartile operating profit* margin
- Deliver at least a 15% return on net operating assets** through the cycle
- Grow net assets by 10% per annum on average through the cycle (including returns to shareholders)

Our strategy is underpinned by our strategic principles set out on page 18.

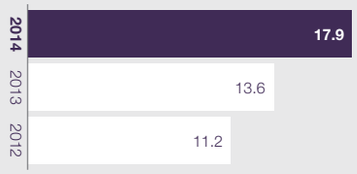
Our cultural principles
We want to earn returns, but how we do this is equally important to us. Our cultural principles underpin everything we do. These are set out on page 19.

Our business model
Our business model is based on a value cycle and each component of the value cycle is important in order to achieve our strategic objectives. Each element of our business model and how this impacts our strategy is detailed in full on pages 18 to 25.

See pages 18-25 for Our Business Model

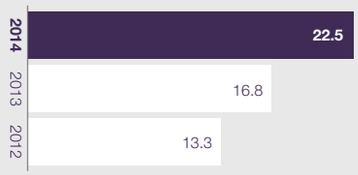
Operating profit* margin %

17.9%



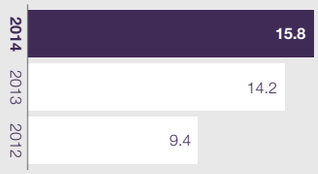
Return on net operating assets %**

22.5%



Net assets growth (including returns to shareholders) %

15.8%



Note: Definitions can be found on page 5.

Our medium term targets 2015-2017

In May 2014 we announced a set of stretching financial targets for the period from 2015 to 2017, to challenge the business to deliver more over the medium term.

These targets, each of which is applicable for the period from 2015 to 2017, are to achieve:

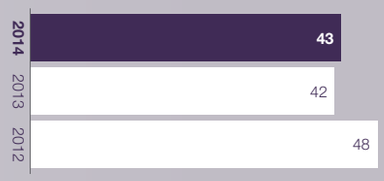
- An average operating profit* margin of 20% over the three year period
- A return on net operating assets** of at least 20% per annum
- An average increase in net assets (including returns to shareholders) of 15% per annum over the three year period

We also added a further financial target which we believe is an important measure of delivery for this phase of the cycle. This is focused on converting a high proportion of our profitability into cash, reflecting the move from the strong investment phase of the last four years to a new phase focused on delivery. This new target, again applying for the period from 2015 to 2017, is to achieve:

- An average conversion of at least 65% of operating profit* into operating cash flow ††† over the three year period

Average cash conversion of at least 65% of operating profit* into operating cash flow††† over 2015-2017 %

43%



Note: Definitions can be found on page 5.

Taylor Wimpey investment proposition

We are confident that we can achieve our objectives and ultimately our vision as a result of three key differentiating factors:

1. We have invested in new land in a disciplined way, at the right time and in the right locations. This has been supported by record conversions in the last few years from our strategic pipeline, adding to the scale, quality and future profitability of the landbank.
2. We have a clear view on the right size of our business and our focus is on delivering sustainable growth and value generation in a balanced, consistent way through the housing cycle.
3. We believe that the underlying quality of the business is very important and is worth investing in. This includes our non-negotiable approach to health and safety and our focus on people and customer service.

Dividend and cash return policy
In 2014 we set out the principles and policy of returning surplus cash to shareholders at the appropriate times in the cycle. This is in addition to our regular maintenance dividend which is set at 2% of net assets.

Going forward, surplus cash returns will continue to form a significant proportion of our annual total return to shareholders.

A key part of the rationale of our approach to running the business in a sustainable way is to give investors a significant, consistent and reliable dividend stream.

More information on 2014 and 2015 dividend can be found on page 12.

Our Business Model

Delivering value across the cycle

Our vision is to become the UK's leading residential developer for creating value and delivering quality across the housing cycle. Since we set out the strategy in 2011, we have seen the transformation of Taylor Wimpey to a value driven business, with a long term focus firmly on generating the best quality sustainable returns.

Land is the critical 'raw material' for our business and the ability to purchase the right sites in the right locations at the right price and at the right point in the cycle is a key driver of shareholder value.

See pages 20, 24, 32 and 35 for more information

Designing a sustainable community that meets the needs of local residents, is attractive to potential customers, and provides attractive returns for shareholders, requires a consultative and iterative process of community engagement.

See pages 20-21, 24, 32 and 35-36 for more information

We work with selected subcontractors and build using carefully sourced materials to ensure that the homes that we sell are of a high quality and are built safely, efficiently, cost-effectively and with minimal impact on the environment.

See pages 21, 24, 32 and 36-38 for more information

Sustainability

See pages 30-33 for more information

Our aim is to build homes and communities that our customers will aspire to and that enhance the local area.

We are working towards being a more socially, environmentally and economically sustainable company.

Our Strategy

See pages 16-17 for more information

Strategic principles

- Absolute commitment that a strong margin performance is the way to drive the best sustainable returns.
- Margin underpinned by timing and quality of short term acquisitions and enhanced by extensive strategic land pipeline.
- Continual improvement philosophy with a relentless focus on adding value to every existing and new site.
- Significant ongoing investment in great quality people and processes.
- Increasing focus on asset efficiency and maximising the returns on our land investments.
- Active management of investments and structure over the housing cycle, to reduce risk and maximise returns over the long term.

Buying a home is a significant financial and emotional investment. We aim to make buying, moving into and living in a Taylor Wimpey home as easy as possible for our customers.

See pages 22, 25, 33 and 38 for more information

This value cycle requires significant input from skilled and committed people to deliver aspirational, high-quality homes and communities for our customers.

See pages 22-23, 25, 33 and 38-39 for more information

Developing sustainable homes and communities is a time-consuming process, but this provides us with the opportunity to undertake regular reviews over the life of each development to identify potential improvements.

See pages 23, 25, 33 and 39 for more information

We aim to balance the long term economic stability and growth of our Company with our responsibilities to the environment, society and the economies in which we operate.

We believe that sustainability is fundamental to each aspect of our value cycle and, therefore, to the long term success of our Company.

Operating sustainably is both the right thing to do and brings significant business benefits.

Cultural principles

- If something is worth doing, it's worth doing properly.
- If we make a mistake, we put it right.
- We are competitive and don't accept second best.
- We will not compromise in ensuring that everyone leaves our sites safe and well.
- We behave with integrity, are honest and forthright and support each other.
- We strive to enhance the environment and local community and to run our business in a way that is sustainable.
- Knowledge and information are key, we take our decisions on fact not emotion.
- We value individuals from diverse backgrounds and aim to develop potential to the mutual benefit of the individual and the business.

See an example of our business model in action on our Chobham Manor development on pages 24-25

Our Business Model continued

Selecting land

Our strategy to deliver enhanced value

We are highly selective with regard to the types of sites that we buy, focusing on the quality of the land rather than the number of plots acquired. We employ dedicated land teams in each of our 24 regional businesses, who use their expertise and local knowledge to identify potential high-quality, sustainable sites.

Progress in 2014

Added 17,371 plots (net) to the short term landbank, of which over 50% were converted from the strategic pipeline, to maintain our optimum scale of c.75k plots. Average selling prices increased in 2014 to £213k (2013: £191k) primarily as the result of enhanced locations and market sales price increases, which contributed to the rise in contribution per legal completion to £49.6k from £38.8k in 2013. Also added c.18k new potential plots to the strategic pipeline, which stood at c.110k potential plots as at 31 December 2014. 39% of 2014 completions were sourced from the strategic land pipeline (2013: 29%).

Priorities for 2015

Continue to manage our investments and landbank in line with the cycle. We aim to source more than 40% of completions from the strategic pipeline per annum in the medium term.

Managing the planning and community engagement process

Our strategy to deliver enhanced value

We believe that a positive and structured approach to working with others is at the heart of a successful scheme. Residential development is a local business and we work in partnership with the communities in which we build to deliver homes that meet their requirements and aspirations.

Progress in 2014

Contributed £300 million to our local communities via Section 106 and Section 75 planning obligations (2013: £227 million).

Continued to work to bring forward development with a record of 10,779 plots converted from the strategic pipeline.

Our Key Performance Indicators (KPIs)

Strategically sourced completions

KPI

Objective

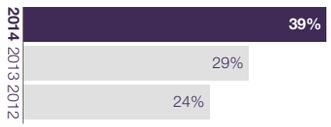
We are targeting more than 40% of our completions from the strategic pipeline per annum in the medium term.

Definition

Number of completions which originally did not have planning permission when we acquired a commercial interest in them, expressed as a percentage of total completions.

Why is it key to our strategy?

The strategic pipeline enhances our ability to increase the contribution per legal completion because of the inherent margin uplift from strategic plots. It also allows us to take a long term view of sites.



Owned and controlled plots with planning

KPI

Objective

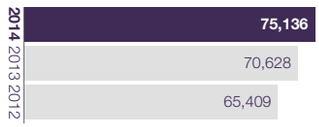
We aim to maintain sufficient land in our portfolio to enable us to remain selective in future purchases.

Definition

The total number of plots that we either own or control, with some form of planning consent.

Why is it key to our strategy?

We operate in a planning constrained environment. Having a portfolio of land in place is key to planning the required scale of our building operations for future home completions. It enables us to be selective in land purchases.



Conversion of strategic pipeline

KPI

Objective

We aim to convert on average c.6k plots per annum in the medium term.

Definition

Number of plots, which originally did not have planning permission when we took a commercial interest in the land, which we have promoted through the planning process and achieved some form of planning on. In this way we convert potential plots from the strategic pipeline to plots in the short term landbank.

Why is it key to our strategy?

The strength of our strategic pipeline (plots on which we are trying to achieve a planning consent) is a key differentiator and enables us to be extremely selective in the short term land market and also reduces the pressure on the teams. We work with landowners, local authorities and communities to promote the strategic pipeline through the planning process and achieve planning permission.

See our Sustainability Report 2014 for more information

Updated our community engagement toolkit following internal engagement and launched our new economic benefits toolkit.

Priorities for 2015

Continue to investigate digital aspects of community engagement.

Continue to work to bring forward developments by securing planning on our strategic pipeline and continuing to progress planning on our short term landbank.

Our strategy to deliver enhanced value

We are committed to providing a safe place in which our employees and subcontractors can work. We are also committed to high standards of environmental management. The building process is carefully managed by our site-based and regional production teams to ensure quality, minimise disruption to residents in the surrounding areas, and to protect and enhance the value of each site.

Progress in 2014

Continued to keep our Annual Injury Incidence Rate (AIIR) low at 209 (2013: 207) per 100,000 employees and contractors. We reduced our AIIR for major injuries from 60 in 2013 to 26 in 2014.

Provided an average of 5.3 days HSE training per person for our site management and operational staff (2013: 4.3)[b]. Continued our site safety supervisor training for groundworkers' supervisors.

Priorities for 2015

Improve or, as a minimum, maintain the same AIIR as in 2014. Introduce the next stages of our HSE Theme initiative.

Health and safety[a]

KPI

Objective

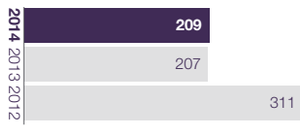
We are committed to ensuring that our employees and subcontractors and everyone who visits our sites goes home safe and uninjured.

Definition

Reportable (all reportable and major) injury frequency rate per 100,000 employees and contractors (Annual Injury Incidence Rate).

Why is it key to our strategy?

Health and safety is our non-negotiable top priority. As well as having a moral duty to maintain safety on site, accidents and injuries can have a detrimental impact on the business through additional costs, delays and/or reputational damage.



(a) As of April 2012 the UK Health & Safety Executive (HSE) changed the definition of reportable injuries from those where the injured person was off work for over three days to being off work for more than seven days.

(b) We changed our methodology for calculating H&S training days for site management and operational staff in 2014. Data for 2013 and 2012 has been amended accordingly.

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Our Business Model continued

Our strategy to deliver enhanced value

No matter what the size or price of a property, for each customer the home that they are buying is aspirational to them. We will maintain our focus on delivering high-quality homes and a consistently excellent 'Customer Journey' to all of our customers. We continue to make improvements to our online capabilities, including our website and use of social media such as Facebook and Twitter.

Progress in 2014

We are very disappointed that the customer satisfaction rate decreased from 90% to 87%. During 2014 we began an in-depth review of every aspect and stage of our customer journey, to identify areas of improvement and to deliver a better homebuying experience for our customers.

Taylor Wimpey Sales Academy was Highly Commended in the Best Customer Satisfaction Initiative category at the Housebuilder Awards 2014.

Priorities for 2015

Customer service will remain a key area of focus. We will draw up a comprehensive Customer Service Strategy and action plans.

Our strategy to deliver enhanced value

We want to be the residential developer of choice for employees. We want to attract and retain the best people by having a culture that people identify with, where they can realise their full potential and achieve success and satisfaction. We will continue to seek a balance of internal and external appointments, in order to combine career development with the introduction of new perspectives and innovative approaches.

Our Key Performance Indicators (KPIs) continued

Customer satisfaction

KPI

Objective

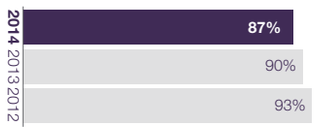
We strive to maintain and improve our customer satisfaction scores at 90% or above.

Definition

Percentage of customers satisfied or very satisfied with their new home as measured by the National New Homes survey undertaken by the NHBC on behalf of the HBF eight weeks after legal completions.

Why is it key to our strategy?

Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor-quality work.



See our Sustainability Report 2014 for more information

Employee turnover

KPI

Objective

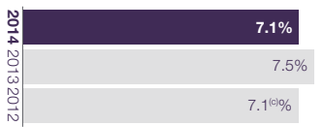
We aim to attract and retain the best people in the industry and give them opportunities to develop to their full potential.

Definition

Voluntary resignations divided by number of total employees.

Why is it key to our strategy?

Our employees are one of our greatest competitive advantages and they are crucial to executing the strategy. We aim to keep this within a range of 5-15%.



(c) UK employee turnover has been calculated using a different methodology since 2013. Data for 2012 has been amended accordingly. This data is for voluntary turnover only.

Progress in 2014
During 2014 we significantly increased recruitment for our apprenticeship, graduate and trainee schemes, taking on 99 apprentices (including 29 site management apprentices), 50 management trainees and 19 graduates (2013 total: 89).

Priorities for 2015
Continue with learning and development programmes and expand development opportunities across our senior teams. Continue with our trainee, graduate and apprenticeship schemes.

Our strategy to deliver enhanced value
We look to optimise the value of each site not only during the initial acquisition process, but throughout the planning and development stages so that the original value is not only protected but enhanced. We achieve this by undertaking a series of thorough reviews of each site at all stages of its life cycle, using our value improvement and tracking processes to ensure that we are continually optimising and delivering the value within our land portfolio.

Progress in 2014
Continued to review every site through our value improvement meetings. Delivered an additional 2.7% (2013: 1.7%) of contribution margin on completions on land acquired post-2009.

Priorities for 2015
Continue to actively review every site and optimise new sales outlets prior to opening. Implement new sustainability strategy and make progress towards our intensity reduction target of 25% of direct emissions by 2018.

Contribution per legal completion

KPI

Objective

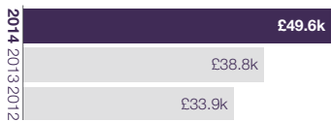
We strive to maximise the level of contribution per home sold.

Definition

Revenue, net of incentives, less build costs, land costs and direct selling costs, divided by the number of homes completed (excluding joint ventures).

Why is it key to our strategy?

Our strategy is focused on value and we continue to prioritise both short and long term margin performance. Increasing the contribution per plot is a key driver to achieving this.



Forward order book as a percentage of completions

KPI

Objective

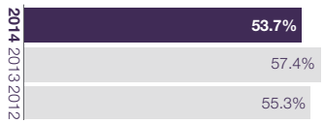
We look to maximise and maintain a strong order book.

Definition

The number of homes in our year end order book, expressed as a percentage of the number of homes completed during the year (excluding joint venture completions).

Why is it key to our strategy?

A strong order book provides our customers with good visibility and provides greater stability for business planning and enhances our ability to deliver the best experience for customers whilst driving the most value for shareholders.



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Proactively managing everything we do

Managing the planning and community engagement process

Chobham Manor is being designed to fully capture the family-friendly nature of the neighbourhood while embracing the heritage of east London life, with its famous community spirit and vibrant cultural diversity. We are undertaking considerable consultation with a diverse range of local communities and other stakeholders. In addition, we have committed to long term community development plans including a range of innovative projects involving local people.

Selecting land

The home of Chobham Manor – Queen Elizabeth Olympic Park – is the UK's biggest ever remediation project delivered as part of the London 2012 Olympic and Paralympic Games legacy. The land now occupied by Chobham Manor used to house the Olympic and Paralympic Basketball Arena and is currently being redeveloped with 850 quality new homes. Once completed, Chobham Manor will be one of the largest developments of family housing in London.

Getting the homebuilding basics right

At Chobham Manor, our focus is on creating high-quality sustainable homes and communities and we are delivering this through creating London's traditional family neighbourhood of terraced and mews houses. A number of homes will be multi-generational properties designed specifically for Chobham Manor to appeal to multiple generations of the same family. In addition to quality new homes, we will also deliver significant supporting infrastructure, such as commercial and retail space, play areas, communal gardens and public open spaces.

Delivering customer service

Chobham Manor's state-of-the-art show complex is one of the largest in the London residential property sector. It is constructed over three levels with an impressive reception, office space and an interactive area which features a 100-inch interactive touch table, smaller touch screens and iPads allowing visitors to take a virtual tour of Chobham Manor and the surrounding area, and browse the homes for sale. Visitors can also save and compare floorplans of the new homes, email screenshots to themselves and even see the view from the property.

Optimising value

Our joint proposals with London & Quadrant for Chobham Manor were selected as part of a highly competitive bid process on the basis of offering the most attractive financial proposal alongside the best design and delivery credentials for this landmark scheme. A percentage of private revenue received will be paid to the LLDC with land payment made on a per plot basis when each home is completed, thus providing extremely efficient cash flow and a shared risk approach. Chobham Manor is one of the most high-profile developments in London and will set the standard for future housing development on the Olympic site.

Our people

As part of this regeneration scheme, we have committed to increasing the employment and employability of local residents. We have specific targets in place for employing construction workers and apprentices from under-represented groups such as those from black and minority ethnic backgrounds, women and disabled people. We will also provide a range of work experience, voluntary work and training courses for local people / college students and have targets for supporting local suppliers and subcontractors including small and medium enterprises.

For more information about Chobham Manor visit www.chobhammanor.co.uk

Our Approach to Risk Management

Identifying and managing our risks

Our risk assessment and management process

As with any business, Taylor Wimpey faces a number of risks and uncertainties in the course of the day to day operations. It is only by effectively identifying and managing these risks that we are able to deliver on our strategic objectives of improving operating margin, return on net operating assets, cash conversion and net asset value across the cycle.

The successful management of risk is essential to enable the Group to deliver its strategic objectives. Our risk management and internal control framework defines the procedures that manage and mitigate risks facing the business, rather than eliminate risk altogether and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our risk management framework consists of risk registers that are maintained at all organisational levels, which detail the risks faced by the Group, its operating companies and the central teams that support the business and a wider stakeholder group. The registers identify key operational, financial and strategic risks to the business, with strategic risks being identified as part of the business planning process. Our risk registers take into account the significance of health, safety and environmental issues, together with social and governance matters of the Group and use a standardised methodology for the assessment of risk.

The standard methodology used in risk management requires each risk identified to be assessed and measured according to a risk matrix. This matrix accounts for the likelihood and impact of each risk, mitigating actions and hence the remaining or residual risk.

The risks identified are assessed for the potential effect on the Group's short and long term value. Our risk registers are refreshed on an ongoing basis as part of our financial planning cycle. The registers feed into a formal half-yearly risk assessment that identifies the Principal Risks (see pages 28 and 29) and allows the Board to re-evaluate the identified strategic risks facing the Group.

See pages 28-29 for more information

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Risk materiality process

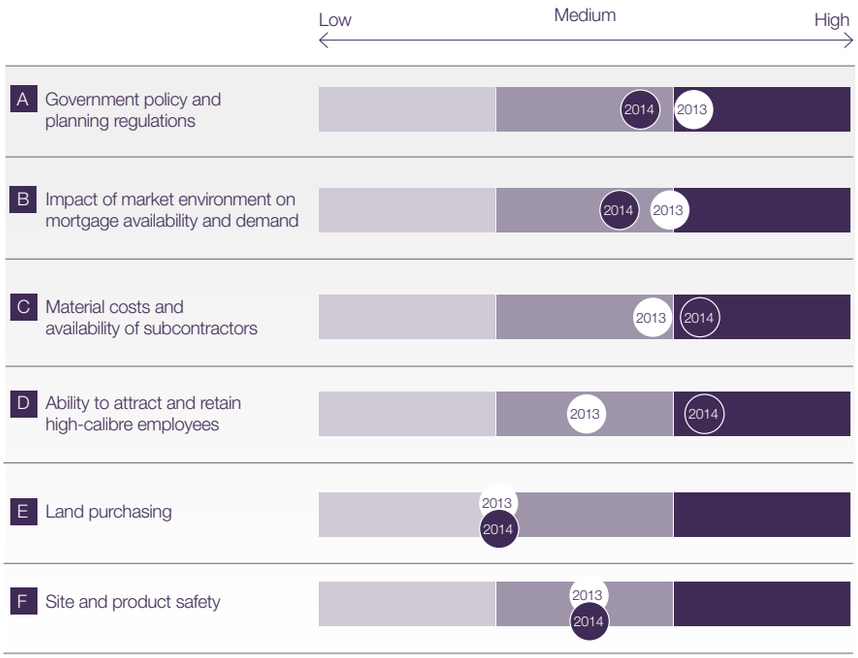
The Board determines the nature and extent of the Principal Risks it is willing to take in achieving its strategic objectives, whilst maintaining sound risk management and internal control systems.

The Board oversees the risk and control framework of the Group and the Chief Executive is responsible for implementing any necessary improvements with the support of the GMT. In line with the UK Corporate Governance Code, the Board holds formal risk reviews half-yearly. The Board reviews the risk profile of the Group and the significant risks with the mitigating factors.

At the meeting in February 2015, the Board completed its annual assessment of risks. This followed the Audit Committee's formal assessment of risk, which was supported by the detailed risk assessment by the GMT, and their review of the effectiveness of internal controls. The key risks affecting the Group were identified and agreed with the Board, together with the actions and processes required to reduce their likelihood of occurrence and to mitigate their impact.

Principal Risks probability

Whilst the Principal Risks to the Group being able to execute its business strategy have not fundamentally changed since 2013, the likelihood of the risk factors occurring may have changed. The table below shows the residual likelihood of each risk following our risk mitigation strategies in both 2013 and 2014. The table does not consider the relative size of the associated financial or reputational impacts for each Principal Risk item.



Principal Risks and Uncertainties

The table below summarises the Group's principal risks and uncertainties. These are not listed by order of importance. We also maintain a Sustainability and Climate Change Risk and Opportunity Register to monitor other sustainability issues that could affect the Group. More information is available in our Sustainability Report at www.taylorwimpey.co.uk/corporate/sustainability

	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2014
A **Government policy and planning regulations** The implementation of the National Planning Policy Framework, the Localism Act and the Community Infrastructure Levy (CIL) has had a significant impact on the planning system. A further change in Government Policy, although unlikely, following an election could have a disrupting or destabilising effect on the planning system. Responsibility – Chief Executive – Director of Land and Planning – Other members of our Senior Management team – Regional Managing Directors	Our ability to build our homes and communities is dependent on obtaining planning permissions and other regulatory requirements and permits. Although the new planning system is having a positive effect, it is still a relatively new system with the powers within the processes still being tested. The risk of extended timeframes for gaining consent or legal challenge continues. Any further structural change to the process following an election, although unlikely, could have a slowing effect on planning consent. CIL is currently being taken up slowly by local authorities. There is a risk of planning applications being delayed, refused or challenged post April 2015.	– Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we build. We may be required to fund higher levels of planning obligations or additional costs to meet increased regulatory requirements. – The locally produced CIL charge schedules may increase costs and so impact the viability of current developments. In addition, where local CIL charges are not in place there could be an impact on gaining planning consent or Judicial Review challenge. – This could have a detrimental impact on the contribution per plot.	We have responded to the changes in planning policy by introducing a comprehensive community-led planning strategy which improves communications with all parties but especially local communities, thereby enhancing our ability to deliver developments that meet local requirements. We consult with Government agencies and opposition parties on housing policy, both directly and indirectly as a member of industry groups, to highlight potential issues and to understand any proposed changes to regulations.	Our customer and community engagement strategy is becoming embedded and having a positive effect. We have been successful in gaining planning consents through the year with particular emphasis on the conversion of the strategic land pipeline. We continued our participation in the local Plans Management Group (PMG), via the HBF, to ensure local plans are robust and CIL charge schedules are appropriate.
B **Impact of market environment on mortgage availability and demand** Mortgage availability is a key constraint on the demand for housing. Following the Mortgage Market Review in April 2014, stricter guidelines were introduced for lenders to assess mortgage affordability. In 2015, the Bank of England's Financial Policy Committee (FPC) gained new powers, including setting loan-to-value and debt-to-income limits for residential mortgages. Also, whilst the Government has extended Phase 1 of the Help to Buy scheme to 2020, there is uncertainty over the impact when the scheme is removed. Responsibility – Group Management Team – UK Sales and Marketing Director – Regional Sales and Marketing Directors	The majority of the homes that we build are sold to individual purchasers who take on significant mortgages to finance their purchases. A change in business confidence or employment opportunities can impact on the demand for housing. In particular the ability for first time buyers and investors to purchase homes is impacted by changes in mortgage availability at the higher loan-to-value levels, as it would impact on the level of deposits required. The new FPC policies may lead to a delay in mortgage approvals and restrict the volume of approvals.	– A reduction in effective demand for new homes below normal levels could negatively impact on both profitability and cash generation. This would have an adverse effect on return on net operating assets and net debt.	Our local teams select the locations and home designs that best meet the needs of the local community and customer demand in the present and future. We evaluate new outlet openings on the basis of local market conditions and regularly review the pricing and incentives that we offer. We work closely with the financial services industry to ensure customers receive good advice on the procurement of mortgage products.	We offer the Government-backed Help to Buy scheme and have seen strong interest in the scheme amongst our customers. We launched a new Taylor Wimpey website in 2013 to provide best in industry customer experience and better insight into the Taylor Wimpey products. Throughout 2014 we have continued to develop good working relationships with established mainstream lenders and those wishing to increase volume within the new build market.
C **Material costs and availability of subcontractors** An increase in production following the recovery of the housing market may reduce the availability of materials and subcontractors, resulting in an unexpected increase in costs. It has also put pressure on utility firms to keep up with the pace of installation, leading to build programme and completion delays. Responsibility – Head of Procurement – Regional Commercial Directors	In order to optimise our build cost efficiency, whilst retaining the flexibility to commence work on new sites as planning consents allow, the vast majority of work carried out on site is performed by subcontractors. Without the introduction of new resources into the housing market, labour and material prices could increase.	– If the availability of subcontractors or materials is insufficient to meet demand this could lead to increased build times, increased costs and, thereby reducing profitability. – Lack of skilled subcontractors could also result in higher levels of waste being produced from our sites and lower build quality.	We maintain regular contact with suppliers and negotiate contract volume, pricing and duration as appropriate. In addition, we provide both high-level and site specific programme information to aid with demand planning. Competencies are considered as part of our subcontractor selection process, particularly in relation to health and safety, quality, previous performance and financial stability. We work to address the skills shortage through apprenticeship schemes and the Construction Industry Training Board.	During 2014 industry volumes continued to increase the demand for building materials. The Group has agreed product allocations and volumes with key suppliers to mitigate against extended lead times and potential shortages. We have made progress in delivering increased build efficiency by the ongoing review of our standard house types and selective regional cost benchmarking.

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	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2014
D **Ability to attract and retain high-calibre employees** Recruiting employees with inadequate skills or in insufficient numbers, or not being able to retain key staff with the right skills for the future, could have a detrimental impact on our business. Responsibility – Chief Executive – Group HR Director – Every employee managing people	Our value cycle requires significant input from skilled people to deliver quality homes and communities for our customers. With the recovery in the housing market, there is a greater incidence of 'poaching' in the housebuilding market. This, together with the recent changes in the planning system, has meant that the demand for high-quality trained employees has increased and is key to achieving our strategic goals.	– Not having the right teams in place could lead to delays in build, quality issues, reduced sales levels, poor customer service and reduced profitability.	We closely monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration to ensure we are competitive within the industry and have succession plans in place for key roles within the Group. We hold regular development reviews to identify training requirements.	During 2014, we increased our intake of apprentice and trainee schemes. A programme for all senior managers was introduced, to support open dialogue and constructive conversation with employees. The graduate and apprenticeship programmes continued, developing skills at entry level positions. An Assessment and Development Centre was run for employees with potential for Director level roles, to support robust development plans.
E **Land purchasing** The purchase of land of poor quality, at too high a price, or incorrect timing of land purchases in relation to the economic cycle could impact future profitability. Responsibility – Group Management Team – Divisional Managing Directors – Regional Managing Directors – Regional Land and Planning Directors – Strategic Land Managing Directors	Land is the major 'raw material' for the Group and the limited availability of good-quality land at an attractive price throughout the housing cycle leads to significant competition. Purchasing land of the appropriate quality, on attractive terms at the right time and scale in the economic cycle, will enhance the Group's ability to deliver future profit growth as the housing market recovers.	– Purchasing poor-quality or mispriced land, or incorrectly timing land purchases would have a detrimental impact on our profitability and returns. – The purchasing of insufficient land would reduce the Group's ability to actively manage its land portfolio, and create value for shareholders.	Our land teams select and appraise each site. Our appraisal process ensures each project is financially viable, consistent with our strategy and appropriately authorised, dependent on the proposed scale of expenditure. We strive to be the developer of choice by adopting a comprehensive approach encompassing land vendors, land agents, local councils and local communities. Our strategic land teams work alongside regional businesses to identify and secure land with the potential for future development and promote it through the planning system.	The short term land market remained balanced and disciplined throughout 2014 enabling us to continue to source and invest in short term value-creating land opportunities at investment margins of around 20% operating margin. Following a period of strong investment, we are now at our optimum size of landbank. In combination with the strong conversion of the strategic pipeline, our reliance on purchasing short term land has diminished, providing some insulation from an increase in land price.
F **Site and product safety** Building sites are inherently dangerous places. Unsafe practices by our employees or subcontractors have the potential to cause death or serious injury. Responsibility – Chief Executive – Director of Health, Safety and Environment – Every employee and subcontractor	Our operations involve, and interface with, a large number of people. People range from employees and subcontractors, to customers and their families, who live on or visit our sites each day. We want all of these people to go home at the end of the day, safe and uninjured.	– In addition to the potentially tragic personal impact of an accident on site or after customer completion, there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.	We have a comprehensive health, safety and environmental (HSE) management system in place, which is integral to our business. This is supported by our policies and procedures to ensure that we live up to our intention of providing a safe and healthy working environment and build homes that comply with the required regulations. We provide extensive HSE training for our employees. We run HSE induction training, poster campaigns as well as providing regular site toolbox talks for our contractors and operatives. All HSE issues are reviewed by the GMT and, where appropriate, actions put in place to rectify issues or prevent a recurrence.	We continue to compare favourably with the UK housebuilding and construction industry in terms of site safety. We have continued to keep our Annual Injury Incidence Rate (AIIR) low at 209 per 100,000 employees and contractors in 2014 (2013: 207). We reduced our AIIR for major injuries from 60 in 2013 to 26 in 2014. During 2014, we continued our site safety training, extending training to over 2,750 groundworkers' supervisors, each receiving a site safety supervisory qualification. We introduced additional working platform lifts on all our scaffolds, resulting in a significant reduction in the risk of injury from falls or slips, particularly from operatives working at mid-floor or roof level. We introduced specialist equipment on all sites to make ladders safer to use.

Sustainability

Creating sustainable communities

Our sustainability recognition

- Our Cambourne development in Cambridgeshire was named Best Low or Zero Carbon Initiative at the Housebuilder Awards 2014
- Our City Mills development in London won Best Regeneration Project at the National Housing Awards 2014
- 96% of our employees believe that Taylor Wimpey takes its social and community responsibilities seriously

Our approach to sustainability

Our aim is to balance the long term economic stability and growth of our Company with our responsibilities to the environment, society and the economies in which we operate.

Ultimate executive accountability for sustainability and climate issues continues to rest with our Chief Executive Pete Redfern. Our Sustainability Steering Group (SSG) co-ordinates our sustainability activities at the operational level.

Taylor Wimpey continues to be a constituent of the Dow Jones Sustainability Europe Index and the FTSE4Good Index Series. We participate annually in CDP (the Carbon Disclosure Project) and received a score of 88% for disclosure and performance band C in 2014 (2013: 75% / D). We are delighted that Taylor Wimpey was Highly Commended in the FTSE 250 Sustainability Reporting category of the PwC Building Public Trust Awards 2014, which aim to recognise trust and transparency in corporate reporting.

Global GHG emissions for period 1 January to 31 December

Category	2014	2013
	Total emissions (tonnes CO_2e)	
Emissions from combustion of fuel (scope 1)	**16,436**	16,177
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	**11,885**	10,526
Total scope 1 and 2 emissions	**28,322**	26,703
Emissions Intensity: Emissions per 100 sqm of completed homes	**2.45**	2.48
Percentage reduction in direct carbon emissions intensity (scope 1 and 2)	**1.2%**	*

* Not available due to using a new emissions measurement methodology in 2013 due to the introduction of Mandatory Carbon Reporting. This means that 2013 data is not entirely comparable to previous years.

Methodology

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme and Mandatory Carbon Reporting requirements, and emission factors from the Government's GHG Conversion Factors for our corporate reporting.

We have reported on the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 apart from the exclusions noted. The reported sources fall within our consolidated financial statement and are for emissions over which we have financial control. We do not have responsibility for any emissions sources that are not included in our consolidated statement.

The following sources of emissions were excluded or part-excluded from this report:

– Fugitive emissions (refrigerant gases): excluded on the basis of difficulty in acquiring disparate data;
– Gas and electricity of part-exchange properties: excluded on the basis of immateriality due to very few completions of this type;
– Certain joint venture properties: where Taylor Wimpey was not part of the handover process. In these cases other housebuilders have captured MCR-related data;
– Combined heat and power (CHP) plants: excluded on the basis of difficulty in acquiring data.

Please see our Sustainability Report 2014 for further information on our emissions data and methodology at www.taylorwimpey.co.uk/corporate/sustainability

Integrating sustainability

In 2013 we launched our Sustainability Strategy, committing Taylor Wimpey to working towards being a more socially, environmentally and economically sustainable company; and in 2014 we continued our work towards this.

Our Sustainability Strategy sets out a range of strategic commitments that relate to key social, environmental and economic issues. The strategy works alongside our Energy and Carbon Strategy. Our six sustainability principles apply to all of our business activities, from identifying land through to completing and handing over our developments. These can be found within our Sustainability Report 2014.

Key initiatives in 2014 included reviewing our internal processes with regard to flood risk; undertaking a water audit and a biodiversity review; investigating climate change adaptation and continuing with our energy reduction programme on sites, in sales areas and in offices.

We continue to maintain best practice community engagement and health and safety remains a non-negotiable top priority.

We do much more than build homes

Our operations add significant additional value to communities in which we build; for example, job creation, improvements to local environments and infrastructure, as well as contributions to education and community facilities, creating sustainable and vibrant communities.

During 2014, we contributed £300 million to local communities via Section 106 and Section 75 planning obligations (2013: £227 million). Since 2010 we have invested over £930 million.

We also support charities at both a national and regional level. Housing and homelessness continued to be key areas of focus for us in 2014, underpinned by our long-standing partnership with Centrepoint and our network of six regional homelessness charities across the UK, as well as CRASH and Crisis. In addition, during the year we also supported a range of other charitable causes, including Macmillan Cancer Support, Youth Adventure Trust and Mayor's Fund for London.

In total during 2014 we raised over £539k (2013: £415k) for registered charities through donations and fundraising.

Our aim is to balance the long term economic stability and growth of our Company with our responsibilities to the environment, society and the economies in which we operate.

Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our cultural values which encompass areas such as equal opportunities, anti-corruption and whistleblowing. We do not consider this a material issue in our business.

Greenhouse Gas emissions (GHG)

We continue to take steps to improve our approach to climate change mitigation, adaptation and transparency. Data is provided as tonnes of carbon dioxide equivalent (CO_2e) and covers 100% of our housing operations including our sites, offices, business travel, as a result of waste disposal and throughout our supply chains. Our 2014 scope 1 and 2 data has been externally verified by the Carbon Trust.

Outlook

Being a sustainable business is fundamental to each component of our business model and the long term success of our Company. We will continue to measure, monitor and report annually on our sustainability performance and will strive to further integrate sustainability into every aspect of our business in 2015.

Donated or fundraised over

£539k

for registered charities in 2014

Invested

£300m

via Section 106 and Section 75 planning obligations

More information about our sustainability activities

Further information about our sustainability activities and policies can be found within our dedicated Sustainability Report and on our website.

www.taylorwimpey.co.uk/corporate/sustainability

Visit our website for more information about our approach to land and planning, sustainability, design and developing communities, as well as case studies of developments we have built in your area.

www.taylorwimpey.co.uk/about-us

Evaluating our progress

We continue to set and benchmark ourselves against annual sustainability targets and a series of Key Performance Indicators. Please see our Sustainability Report 2014 for further information on progress in 2014 and targets for 2015.

Progress
- Continued to focus on selecting the right land and developing it in a sustainable manner.
- Launched new guidance for employees on Our Approach to Sustainable Development.
- Reached our optimal short term landbank size and strengthened our strategic land pipeline with a record performance where we converted over 10k plots from the strategic pipeline into the short term landbank.

Targets for 2015
- Continue to focus on selecting the right land and developing it in a sustainable manner.
- Average of 40% of strategically sourced completions per annum in the medium term.
- Strategic pipeline conversion target of c.6k plots per annum in the medium term.

Our sustainability reporting was Highly Commended in the PwC Building Public Trust Awards 2014

Progress
- Continued to undertake tailored, development specific engagement with local communities on each and every one of our UK sites.
- Updated and re-issued our Community Engagement Toolkit.
- Further developed the website pages for our proposed developments and promoted our website as a community engagement tool.
- Undertook pilots of social media use in community engagement to understand how social media could contribute to our community engagement process.
- Continued to provide employees with training on our integrated approach to sustainable development, community engagement and design.
- Launched an economic benefits toolkit for use during consultation.
- Launched a new curriculum pack to help our regional business units to engage with local school pupils and their parents.

Targets for 2015
- Continue to investigate digital aspects of community engagement, including analysing the outcomes of our social media engagement pilots.
- Continue to maintain best practice community engagement.

Progress
- Produced new guidance on design in Our Approach to Placemaking.
- Reviewed internal processes with regard to flood risk, undertook a water audit and biodiversity review and investigated climate change adaptation.
- Continued with our energy reduction programme on sites, in sales areas and in offices.
- Our scope 1 and 2 carbon emissions intensity reduced by 1.2% in 2014. We expect a greater reduction in 2015 as our energy reduction programme progresses.
- Our construction waste increased in comparison to 2013 levels, however, we continue to compare favourably with our peers.
- Introduced a major new HSE Theme Initiative and new procedures on safe working at height.

Targets for 2015
- Reduce our mains water consumption from our metered UK offices by 3% per full time employee and develop a business-wide water reduction strategy.
- Use the findings of our biodiversity review to develop a biodiversity strategy.
- Continue to progress towards our carbon intensity reduction target of 25% by 2018.
- Develop and implement action plans for reducing construction waste by 15%.
- Continue with our energy reduction programme on sites, in sales areas and in offices.
- Improve or, as a minimum, maintain the same Annual Injury Incidence Rate (AIIR) achieved in 2014.

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Delivering customer service

Progress
- Undertook more detailed research and continued with our in-depth customer service review, with a view to developing a Customer Service Strategy and action plans in 2015.
- Increasing customer satisfaction has been a clear priority for us and we have created a new role of Customer Director.
- We are disappointed that our customer survey results in 2014 mean that we will achieve a four-star rating for customer satisfaction in 2015. We aim to achieve a five-star rating again as soon as possible.
- Reviewed and updated the 40 existing modules of our Sales Academy and introduced community engagement and sustainability modules.

Targets for 2015
- Customer service will remain a key area of focus for us in 2015.
- Draw up a comprehensive Customer Service Strategy and action plans.
- Continue to develop our Marketing Academy.

Our people

Progress
- Recruited a new Group Human Resources Director as well as creating new roles of Head of Talent and Senior Resourcing Manager.
- Continued to work on diversity and established a Diversity and Inclusivity Committee.
- Recruited 99 apprentices (including 29 site management apprentices), 50 management trainees and 19 graduates.
- Undertook our employee engagement survey.
- Continued to develop our approach to learning and development for our production and technical employees.

Targets for 2015
- Update the human resources strategy for Taylor Wimpey.
- Continue our current graduate, management trainee and trade apprenticeship schemes and attract at least 20 new graduates, 20 management trainees and 100 new apprentices.
- Undertake an annual employee survey.
- Expand the development opportunities across our senior teams.

Optimising value

Progress
- Continued to do much more than build homes, using our approach to design and our planning agreement contributions to add social, environmental and economic value to the wider communities in which we operate.
- Ran initiatives with schools, colleges and higher education providers to provide educational projects, work experience, jobs and help with employability.
- Became involved in a wide range of charitable and community activities throughout the UK.
- Continued to support homelessness charities.

Targets for 2015
- Continue to add social, economic and environmental value to the wider communities in which we operate and continue to report on progress.
- Expand the membership of our Charity Committee and review our charity focus.

Our East London regional business was named Private Developer of the Year at the First Time Buyer magazine Readers' Awards

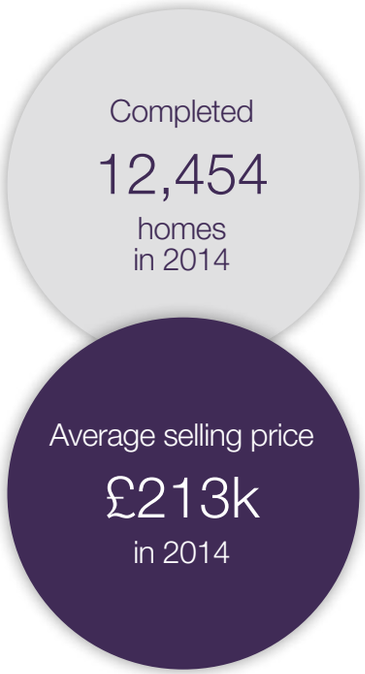
Achieved
70
Pride in the Job Quality Awards in 2014

Operating Review

A strong underlying business with **a focus on quality**

Highlights

- Completed 12,454 homes across the UK, up 6.5%, with an 11.5% increase in total average selling price to £213k (2013: 11,696 homes at £191k)
- Acquired 8,315 high-quality plots in the UK short term land market
- Worked with communities, planners and landowners to convert a record 10,779 plots from the strategic pipeline
- Excellent year end order book representing 6,601 homes (31 December 2013: 6,627) and a total value of £1,397 million (31 December 2013: £1,246 million)
- Continued to keep our Annual Injury Incidence Rate low at 209 per 100,000 employees and contractors in 2014 (2013: 207)
- Increased recruitment of 99 apprentices (including 29 site management apprentices), 50 management trainees and 19 graduates (2013 total: 89)



Taylor Wimpey plc is a UK-focused residential developer, with a small operation in Spain. Our Operating Review is UK only as the majority of metrics do not apply to the Spanish business. A short summary of the Spanish business follows.

Sales, completions and pricing

In 2014 we saw the benefit of the improved environment in all of our regional markets. We were pleased to see greater balance across the regional markets coming into effect in the second half of 2014 with slower and more sustainable price growth, after a very strong first half.

Customer demand remained high across all regions and was helped by a more affordable and accessible mortgage market, due to both Help to Buy and a more competitive lending environment.

We have maintained steady and sustainable volume growth. Total home completions increased by 6.5% to 12,454 (including our share of joint venture completions) up from 11,696 in 2013, of which 17.5% were affordable housing completions (2013: 18.2%). Our net private reservation rate for the full year was 0.64 homes per outlet per week (2013: 0.62) with cancellation rates still at low levels, at 14% (2013: 13%).

Average selling prices on private completions increased by 11.4% to £234k (2013: £210k). This increase is both a result of our underlying shift to better quality locations and capturing market sales price increases, which came through largely in the first half of the year. Our total average selling price increased by 11.5% to £213k (2013: £191k).

Contribution per completion increased by 27.8% to a record £49.6k per home (2013: £38.8k).

As at 31 December 2014 our order book represented 6,601 homes (31 December 2013: 6,627 homes), which we believe is the optimal size for the business at this point of the cycle. This order book increased in value by 12.1% to £1,397 million (31 December 2013: £1,246 million), driven largely by the strength of private reservations. As at 31 December 2014, the average price in the private order book increased by 16.5% to £283k (31 December 2013: £243k).

We ended the year with 305 outlets (31 December 2013: 314), with the decrease due to faster outlet closings in a healthier market and the time required to meet additional

planning permission requirements to start working on site. We expect the total number of outlets to increase in 2015, reflecting our success in the land market and our continued focus to get newly acquired sites and phases opened properly and efficiently.

We continue to grow our London presence across all the boroughs in a selective and managed way, focusing on achieving the best returns. During 2014 we operated on an average of 18 outlets in London.

Selecting land

The value we create for our shareholders, communities and for customers all starts with land and it is the area we add most value, through planning, allowing us to generate the best quality returns.

Taylor Wimpey is differentiated by the strength and quality of its landbank. This is as a result of our disciplined approach to land investment and our long term view of value and is ultimately the source of our future profitability and cash generation. As at the end of December 2014, our total land portfolio, including the strategic pipeline, stood at a potential c.£39 billion in revenue at current prices. Our land portfolio continues to generate excellent returns for shareholders in excess of our investment targets. Our landbank is broadly spread across the country in targeted quality locations, supported by strong demographics and economics, in the villages, towns and cities where people want to live.

The short term land market remained balanced and disciplined throughout 2014 enabling us to continue to source and invest in short term value-creating land opportunities at investment margins of around 20% operating margin. In 2014 we acquired 8,315 plots in the short term land market (2013: 9,560 plots). As previously announced, we have now reached our optimal short term landbank size, and so we are currently maintaining, rather than growing, the short term proportion of our landbank. As at the end of December 2014 our short term landbank stood at c.75k plots equivalent to c.six years of supply at current completion levels. The average selling price in the UK short term owned landbank in 2014 has increased by 13.3% to £222k (2013: £196k), driven by the quality of additions and the improvement in the housing market.

Our success and expertise in sourcing and converting land which does not have residential planning consent at the time we take a commercial interest (our strategic pipeline) is a key part of our strategy and underpins our confidence in delivering sustainable margins through the cycle. We have one of the largest strategic pipelines in the sector which stands at c.110k potential plots (31 December 2013: c.110k potential plots). A large strategic pipeline enables us to manage our cash flows and underpins our profitability, by providing a source of land supply at enhanced margins. This also protects the quality of the short term landbank, decreasing the pressure on the teams across the business to compete in the short term land market. We worked with local authorities and communities to convert a further 10,779 plots from the strategic pipeline to the short term landbank in 2014, a record for Taylor Wimpey (2013: 9,210 plots). This is well in excess of our medium term conversion target of c.6,000 plots per annum. This provides us with increased choices and opportunities and we will pursue land disposals on larger sites where we can achieve the best value. We continue to invest in new opportunities and in 2014 we added c.18k new potential plots to the strategic pipeline. In 2014 a record 39% of our completions were sourced from the strategic pipeline (2013: 29%). Our aim is to increase completions from the strategic pipeline to over 40% per annum in the medium term. With over 50% of our landbank now comprising strategically sourced land (2013: 50%), we are well placed to deliver strong strategic pipeline performance and generate value from this part of our landbank.

Managing the planning and community engagement process

We do much more than build homes. We are first and foremost a local business and an important contributor to the local communities in which we build and to the sustainability of those communities and areas.

We operate as a very local business and firmly believe we have an implicit commitment to serve the local communities in which we work with this responsibility growing with our success. In 2014, we contributed £300 million to local communities in which we build across the UK via planning obligations, providing local infrastructure, affordable homes, public transport and education (2013: £227 million). In addition, we continued to sponsor numerous local teams and events, from football teams through to gardening clubs.

We know that local communities do not always welcome housing developments in their area, so it is essential that we seek to engage, consult and work in partnership with communities and all interested stakeholders both before we submit a planning application and during the life cycle of the site. In this way we can listen to their concerns and incorporate these within our plans, where possible.

During 2014, we organised 158 days of community events and exhibitions and 266 community meetings. We were delighted that 96% of our employees believe that Taylor Wimpey takes its social and community responsibilities seriously.

We aim to be the residential developer that everyone wants to deal with and through our creative approach to the planning system, focus on localism, and efforts to become the preferred partner, we believe we are becoming the landbuyer of choice.

Planning is fundamental to the success of our business and we aim to progress sites through planning as efficiently as possible. We support the Government's Localism Act and work closely with local authorities and communities throughout the planning process and beyond. We aim to create development proposals that are financially viable, benefit the local community and provide the housing that is needed.

Our Taylor Wimpey website includes pages for all of our proposed developments throughout the UK and we have continued to develop and improve the functionality and content of these pages in 2014. By the end of 2014 we had trained relevant employees in all of our regional business units on how to design, fill and update the content of these pages.

We are committed to publishing information on proposed developments online so that members of local communities and other interested parties can easily find out what we are planning and where. We would like people to register their interest so we can update them on progress. Above all, we want wider and more diverse groups and individuals to get involved and tell us their views, whether positive or negative.

Health and safety continues to be our non-negotiable top priority.

Getting the homebuilding basics right

Getting the basics right means effective processes, consistently applied.

Health and safety

The health and safety of individuals on our sites is our non-negotiable top priority. We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live. This was reflected in our 2014 employee survey which found that 99% of staff believe that Taylor Wimpey is committed to health and safety and keeping people safe.

We have a comprehensive HSE (Health, Safety and Environmental) Strategy in place with accompanying action site operational plans. We have continued to keep our Annual Injury Incidence Rate (AIIR) for reportable injuries low at 209 per 100,000 employees and contractors in 2014 (2013: 207). We reduced our AIIR for major injuries from 60 in 2013 to 26 in 2014.

In 2014 we provided an average of 5.3 days per person of formal HSE training to our site operational staff (2013: 4.3)[a] and 0.2 days to other support staff (2013: 0.2). We continue to provide a range of training for our operatives from induction training and HSE training poster campaigns to regular on-site HSE training briefing sessions known as toolbox talks.

We continue to engage extensively with contractors and operatives on health and safety, working in partnership with them to continually find safer ways of carrying out their tasks on site. During 2014, we launched our HSE Theme Initiative, which provides a new approach to HSE communication and supervision on site.

We continued our groundworker training and engagement and supervision initiative in 2014 and have now trained a total of 2,753 groundworkers' supervisors since the initiative began in 2012. In 2014 we introduced additional working platform lifts on all our scaffolds, significantly reducing the risk of injury from falls or slips,

(a) We changed our methodology for calculating H&S training days for site management and operational staff in 2014. Data for 2013 and 2012 has been amended accordingly.

Safety training
5.3
days for site operational staff

Achieved
70
Pride in the Job Quality Awards in 2014

particularly when operatives are working at mid-floor or roof level. We introduced specialist equipment on all sites to make ladders safer to use.

Quality product range

We build homes that people want to live in. We are proud of the homes we build and the communities we create. Our focus is on providing high-quality, well-designed, sustainable homes and communities that meet the needs and aspirations of local residents. Our mix of homes is informed by the local area.

We continue to offer a wide range of homes from apartments to five bedroom houses, with prices ranging from under £100k to over £3 million.

In 2014, the proportion of apartments in our private completions was 18% (2013: 20%). Strategically we look to maintain this level at between 20% and 25% of our business. The average square footage of our private completions also increased slightly to 1,042 square feet (2013: 1,038 square feet).

We are pleased to report that Taylor Wimpey achieved its strongest performance yet in the National House-Building Council (NHBC) Pride in the Job Awards 2014, with our site managers winning a total of 70 Quality Awards (2013: 68), 23 seals of excellence (2013: 17) and five regional awards (2013: five). Regional Winner Andy Shaw, from our Midlands regional business, was also named Runner-Up in the Multi-Storey Builder category at the Supreme Awards for his work at our Diglis Water development in Worcester.

During 2014 our house type range was fully utilised on all appropriate sites. As at the end of January 2015 this range was plotted on c.70% of active sites. These homes are designed to be high-quality and extremely energy efficient, alongside being cost-effective and safe to build. They are also extremely flexible with different internal layouts and exteriors that can be varied to complement local landscapes and streetscapes. This, in combination with our national deals and our scale, will help to mitigate expected build cost inflation.

Build costs and efficiency

Our scale affords us the benefit of strong purchasing power and we achieve significant cost savings across our regional businesses with national agreements with a number of suppliers.

During 2014 the improved market resulted in underlying build cost increases (excluding house type mix impact) of c.5%. This was broadly spread between labour and materials. During the year, manufacturing of key components of housebuilding such as bricks increased to keep pace with the growth of the industry and, as a result, we are now seeing reduced pricing pressure on materials. We anticipate that build cost inflation should somewhat reduce as the industry adjusts to the increased labour and material demand. It is pleasing to note that capacity for key supplies is increasing following greater certainty on the rate of housebuilding.

National deals account for 90% of key materials we purchase and are supplied through our central procurement division which focuses on achieving best supplier value, assessing sustainability credentials and helping to achieve a more secure supply source. Our internal supply chain logistics business, Taylor Wimpey Logistics, is also an important part of our supply chain management in the current environment. Taylor Wimpey Logistics sources bulk materials directly from manufacturers, generally using national contracts, providing us with an alternative route to delivery and aiding efficiency with the preparation of 'just in time' build packs for each stage of the building process.

We rely upon our suppliers and subcontractors and strive to work in partnership with them to ensure their safety on our sites, to treat them fairly and with respect, and to make sure that they are paid promptly.

Environment

We remain committed to high standards of environmental management on all of our developments and sites. We strive to keep any adverse effects that our activities may have on local environments and communities such as pollution and ecological damage to a minimum and to make a positive contribution to the environment of the areas we build in.

We acknowledge the global threat of climate change and are committed to reducing our emissions, energy use, waste and water use. In 2014 we continued with our energy reduction programme on sites, in sales areas and in offices. We also conducted a review of climate change adaptation. Our scope 1 and 2 carbon emissions intensity reduced by 1.2% in 2014. We expect a greater reduction in 2015 as our energy reduction programme progresses.

We have a comprehensive Waste and Resource Strategy and Action Plan for our housing operations and our supply chain. We see materials as resources, using them more efficiently through design and on site recovery, and keeping waste generated to a minimum. In 2014 we saw our construction waste increase to 4.58 tonnes per 100 square metres of completed floor area (2013: 3.59). Our research indicates that nationally there has been upward pressure on waste generation figures in 2014.

During 2014 our house type range was fully utilised on all appropriate sites.

We have identified numerous potential contributory factors, the principal one being skills shortages associated with the upswing in homebuilding activity. In 2015 we will develop and implement action plans for reducing our construction waste by 15%. Even at our 2014 level of waste generation, our construction waste figures compare very favourably with our peers.

New homes are considerably more energy-efficient than older housing stock and we are committed to building increasingly energy-efficient homes in line with Government policy and Build Regulations. Our 'fabric first' approach to energy efficiency, which concentrates on highly insulated walls and windows, helps owners to save energy and money.

Housebuilding can impact on biodiversity so we need to ensure that we build sensitively with regard to the ecology of the land being developed. During 2014, we undertook an in-depth review of biodiversity with a view to developing a biodiversity strategy for Taylor Wimpey.

We undertook a water audit in 2014 and have reported on water use for the first time in our Sustainability Report 2014.

We carry out flood risk assessments on all sites in consultation with water authorities and the Environment Agency, as required, to ensure appropriate design for each site. Flooding is an issue in the UK and we take flood risk extremely seriously. In 2014 we reviewed our internal processes to ensure that we effectively assess and manage flood risk now and in the future.

Delivering customer service

We have a strong and sustainable customer base, with over 90% owner occupiers. First time buyers accounted for 35% of our sales (2013: 38%).

We continue to offer a wide range of products to assist first time buyers. Our prices are set locally and we use targeted customer incentives, on a site by site basis, knowing that our customers' circumstances vary.

We know each home we build is aspirational to the customer who purchases it, regardless of price, and we want our processes and quality to reflect this. It is critical, that as our business grows, we continue to concentrate on maintaining a high level of customer service.

In 2014 we achieved a customer satisfaction rate of 87% (2013: 90%), with the decrease reflecting the challenge to deliver our homes on time as the labour market adapted to the better sales market. Whilst this remains high in comparison to historic trends, we are very disappointed that this has decreased. During 2014 we began an in-depth review of every aspect and stage of our customer experience, to identify areas of improvement and to deliver a better homebuying experience for our customers. This is a very important area for us and will continue to be a key focus in 2015 and on an ongoing basis, as we work to realise improvements to our service and to our customers' experience.

Sales and marketing

Over the years our customers' communication preferences have changed, with visits to our website from mobile devices increasing by 42%. As well as increased visits, during 2014 our award-winning website has proven very successful in generating 13% more telephone calls than 2013.

The Government's Help to Buy equity loan remains very popular with our customers. During 2014 approximately 35% of total sales used the scheme and we worked with c.4,400 households to take the first step to home ownership or to move up the housing ladder. Approximately 73% of sales through Help to Buy in 2014 were to first time buyers.

Our people

Our people are one of our greatest competitive advantages.

We believe that having the right people with the right skills at all levels in our organisation is critical to building a quality business and delivering our strategy.

We are an important local employer. During 2014 we directly employed, on average c.3,900 people across the UK. During 2014 we also indirectly employed an average of 11,450 operatives to work on our sites. In an increasingly competitive market, we are pleased that our voluntary employee turnover rate remained low during 2014 at 7.1% (2013: 7.5%).

We have consistently invested in our future success through employee learning and development whilst increasing our apprenticeship and trainee schemes across a number of areas. During 2014 we significantly increased our recruitment for these schemes, taking on 99 apprentices, (including 29 site management apprentices) 50 management trainees and 19 graduates (2013 total: 89).

We have also been assessing how to attract the best people and how we retain and reward them. During 2014 we introduced a number of initiatives including an enhanced employee discount scheme of up to 20% subject to certain criteria when buying a Taylor Wimpey home to reward and encourage long term loyalty of our employees. We believe that employee share ownership is important and so we were also particularly pleased that over 50% of all eligible employees participated in the Company's all-employee share schemes or held shares of the Company during 2014.

Optimising value

Our ability to constantly increase efficiency and tightly control costs is part of the Taylor Wimpey culture and remains central to delivering enhanced returns.

This extends to and encompasses all aspects of our business as we strive to optimise and capture value at every level from procurement through to delivery.

We actively review every site, both new and old, through our value improvement meetings which are held quarterly and are tracked centrally. This allows us to benchmark our success and identify opportunities for further improvement, ranging from replanning of sites to redesign and selective enhancements to our specification. We are committed to not only delivering what we set out to do but by delivering more, instilling a discipline of capturing inflation. During 2014, we achieved a 2.7% (2013: 1.7%) increase in achieved contribution margin on completions on land we had acquired post-2009.

We have improved our UK net operating asset turn to 1.29 times (2013: 1.25 times) and routinely consider opportunities on sites which we already own, to assess possible ways of bringing forward the delivery of much needed new homes. We balance our culture of driving continuous quality improvement with a desire and focus on continuing to improve our asset efficiency. Over the next year we will be working to ensure a smoother profile of completions through the year, which will have a significant impact on our internal business efficiency, delivery of good customer service and management of costs.

Spain Housing

The Spanish market remained stable during 2014. Our newly acquired sites performed well due to their better quality locations, driving a significant improvement in performance. During 2014, we completed 164 homes (2013: 118) at an average selling price of €250k (2013: €229k). The total order book as at 31 December 2014 stood at 233 homes (31 December 2013: 195 homes). The Spanish business delivered an improved operating profit* for 2014 of £4.2 million (2013: £0.1 million). Looking ahead, we remain cautiously optimistic whilst conscious of the macro European economic environment where the majority of customers are based.

Our newly acquired sites in Spain performed well due to their better quality locations, driving a significant improvement in performance.

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Group Financial Review

Focused on **delivering sustainable returns** through the cycle

"In 2014 we have made strong progress towards our medium term targets."

Ryan Mangold
Group Finance Director

2014 highlights:

- Operating profit* margin up 430 basis points to 17.9% (2013: 13.6%)
- Return on net operating assets** up 570 basis points to 22.5% (2013: 16.8%)
- Tangible net asset value per share† increased by 11.9% to 77.9 pence (2013: 69.6 pence), 15.8% growth in net assets before cash distributions
- £49.7 million cash returned to shareholders in 2014 (1.54 pence per share), with a further c.£250 million (7.68 pence per share) to be returned in July 2015 as previously announced, subject to shareholder approval
- Maintenance dividend pay-out doubled to 2% of net assets subject to shareholder approval

Group financial review of continuing operations

The financial review is presented at Group level, which includes Spain.

Income statement

Group revenue from continuing operations increased by 17.0% to £2,686.1 million in 2014 (2013: £2,295.5 million) from completions of 12,618, including joint ventures (2013: 11,814). The increase was driven by much improved selling prices in the UK, up 11.5% to £213k (2013: £191k), and UK volume growth of 6.5% to 12,294 completions (2013: 11,547) excluding joint ventures. Average selling prices on private completions increased by 11.4% to £234k (2013: £210k) in the UK, with this increase both a result of our underlying shift to better quality locations and capturing market sales price increases.

The UK land cost per unit sold at £45.1k is higher than £41.2k in the prior year particularly reflecting the better quality locations traded from in 2014. This contributes positively to the sales price growth and overall profitability of the Group. Total UK land cost per completion as a percentage of selling prices was 21.2% (2013: 21.5%) reflecting the benefits of conversions from the strategic land pipeline, partially offset by product mix and an increase in volumes from the London market.

Build cost per unit in the UK increased to £113k (2013: £105k) reflecting higher quality mix driven product specification and the impact of build cost inflation. Other direct costs and selling expenses per unit decreased to £5.3k (2013: £5.9k).

We are focused on maximising the contribution per completion as we seek to drive the quality of returns. Contribution per completion increased by 27.8% to £49.6k for 2014, (2013: £38.8k), as a result of better quality locations and improving market conditions, offsetting land and build cost increases.

Gross profit before exceptional items, of £620.9 million (2013: £449.3 million), increased by 38.2% and included a positive contribution of £15.9 million (2013: £45.4 million). Positive contribution represents the amount of previously written down inventory allocated to a plot which has resulted in a gross profit on completion. This can be due to revenue outperformance, cost efficiencies or product mix improvements. These amounts are stated before the allocation of overheads which are excluded from the Group's net realisable value exercise.

In 2014, 14% (2013: 32%) of the Group's UK completions were from sites that had been previously impaired. In Spain, 50 plots (2013: 95) were completed that had previously been impaired. The Group anticipates

Financial highlights

2014 Group results	UK	Spain Housing	Consolidated
Completions including JVs	12,454	164	12,618
Revenue (£m)	2,652.4	33.7	2,686.1
Operating profit* (£m)	476.5	4.2	480.7
Operating profit* margin (%)	18.0	12.4	17.9
Profit before tax and before exceptional items (£m)			450.1
Profit before exceptional items (£m)			359.7
Basic earnings per share (p)			11.6
Adjusted earnings per share†† (p)			11.2
Maintenance dividends per share – total (p)			1.56

that c.7% of short term owned and controlled impaired plots will complete in 2015.

Operating profit* increased to £480.7 million (2013: £312.9 million), delivering an operating profit* margin of 17.9% (2013: 13.6%), an increase of 430 bps. The UK operating profit* margin in the second half of the year was 19.3% (H2 2013: 14.0%). These improvements have been driven by the ongoing benefits of the quality of our short term land acquisitions and by our conversion of the strategic pipeline.

Pre-exceptional net finance costs for the period were £30.6 million (2013: £44.5 million), reflecting the buyback of the outstanding 10.375% Senior Notes at the end of 2013 improving net debt efficiency, as well as lower average net borrowings of £148.7 million during the year (2013: £169.3 million).

Pre-exceptional profit before tax for the year from continuing operations increased by 67.7% to £450.1 million (2013: £268.4 million). The pre-exceptional tax charge was £90.4 million (2013: £53.7 million) with an underlying tax rate of 20.1% (2013: 20.0%).

This resulted in a profit, before exceptional items, for 2014 of £359.7 million (2013: £214.7 million), 67.5% up on the prior year.

Basic earnings per share were 11.6 pence (2013: 7.5 pence). The adjusted basic earnings per share from continuing operations†† were 11.2 pence (2013: 6.7 pence), up 67.2%, reflecting the strong improvement in trading and more efficient debt structure following the Senior Note repurchase in December 2013.

During 2014, in line with improved market conditions, the Group recorded a net reversal of £18.7 million of inventory write-downs (2013: £45.6 million). The net reversal in the year consisted of a release of previous impairments (£27.0 million) and additional write-downs to the lower of cost and net realisable value (£8.3 million).

Balance sheet

Net operating assets were £2,265.0 million (31 December 2013: £1,999.6 million), reflecting a net investment of £409.1 million (2013: £92.8 million) year on year in land and work in progress, funded mostly by increased profitability. Return on net operating assets** increased by 570 basis points to 22.5% (2013: 16.8%), ahead of our medium term target of 20.0%, reflecting improved profitability and balance sheet discipline.

Group net operating asset turn increased to 1.26 times (2013: 1.23 times), as a result of trading from better quality locations and focused land and work in progress investment.

Relative to our medium term targets of adding 15% to net assets before any cash distributions to shareholders, net assets at 31 December 2014 increased by 15.8% before cash distributions and 12.6% overall year on year to £2,535.3 million (31 December 2013: £2,251.8 million). The net asset increase was driven by profitability in the period offset by the £23.0 million maintenance dividend and the £49.7 million cash return.

As at 31 December 2014, the Group held inventory that had been written down to net realisable value of £296.6 million (31 December 2013: £490.1 million) of which the balance in the UK was £269.6 million (31 December 2013: £459.9 million). As at 31 December 2014, the associated

Group Financial Review continued

write-downs were £206.2 million (31 December 2013: £265.1 million) of which the balance in the UK was £158.1 million and principally related to 15 locations.

As at 31 December 2014, 7% of our short term owned and controlled land was impaired (31 December 2013: 12%), with 71% of the short term owned and controlled landbank purchased after 2009, over half of which was sourced through our strategic pipeline, resulting in a land cost to average selling price in the owned landbank of 17.3% (31 December 2013: 18.4%).

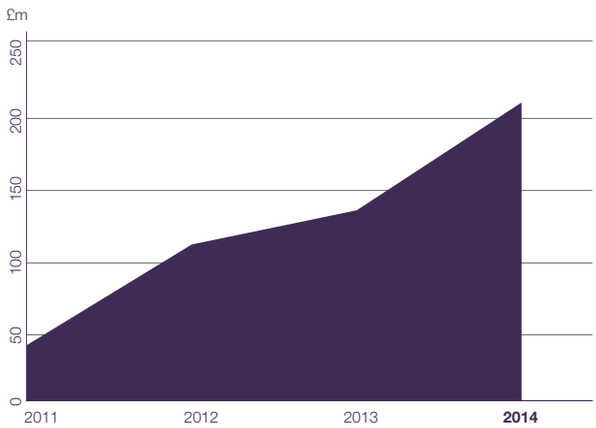
We continue to use land creditors as a way of funding land acquisitions where this makes the most commercial sense and is value-enhancing for the business. Land creditors increased to £487.7 million (2013: £349.0 million) and, combined with net cash, resulted in adjusted gearing of 14.8% (31 December 2013: 15.3%).

The mortgage debtor balance was £104.8 million at 31 December 2014 (31 December 2013: £107.5 million), with the decrease due to £16.8 million of loan redemptions in the period being partially offset by a further fair value gain of £3.9 million (31 December 2013: £5.5 million gain).

Our deferred tax asset declined to £157.5 million (31 December 2013: £246.6 million), due to utilisation against profits in the period. There are no further unrecognised UK trading tax losses and based on forecast profitability we expect the Group to have fully utilised its deferred tax asset arising from UK trading losses by the end of 2015.

Cash generation

At this stage in the cycle and given our strong land position, the focus on converting a high proportion of our profitability into cash is an important measure. The chart below shows cash generated by operations on an annual basis.



Retirement benefit obligations of £183.8 million at 31 December 2014 (31 December 2013: £183.8 million) comprise a defined benefit pension liability of £182.4 million (2013: £182.2 million) and a post-retirement healthcare liability of £1.4 million (2013: £1.6 million). The deficit in the pension scheme has increased by £0.2 million due to changes in actuarial assumptions, most notably the discount rate applied to the scheme. However, this has been offset by strong asset growth and cash contributions in the period. In 2014 we contributed £36.3 million in pension contributions (2013: £48.1 million).

Cash flow

Net cash increased substantially to £112.8 million at 31 December 2014 from £5.4 million at 31 December 2013. Total land spend, including land creditors, was £795.7 million (2013: £574.7 million). During the year we increased our investment in work in progress, including increasing our presence in the central London market year on year, with work in progress in central London of £67.0 million as at 31 December 2014 (31 December 2013: £39.0 million). In 2014, we paid £14.6 million in interest costs (2013: £35.2 million), £72.7 million in dividends and purchased £10.0 million of own shares for settlement of future vesting of share schemes. This improvement in net cash is largely as a result of outperformance in underlying trading, whilst at the same time continuing to invest in our landbank as we approached our optimal scale. Average net debt for the year was £148.7 million (2013: £169.3 million).

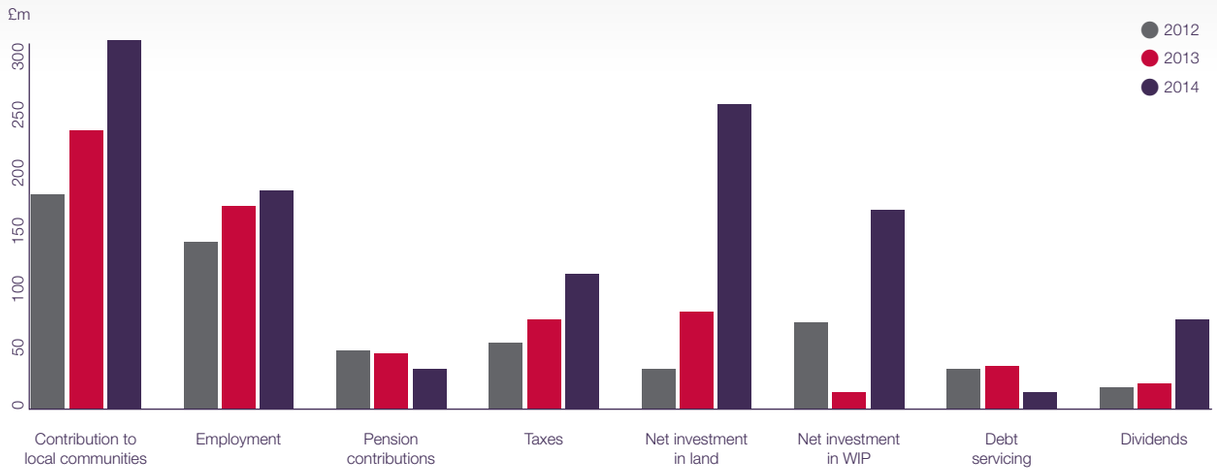
Pensions

Following the completion of the initial valuation for the merged pension scheme as at 31 December 2013, we reached agreement with the pension Trustees on the future deficit repair contributions. Total contributions have been reduced to £23 million per annum from 2015 onwards, versus the £53 million previously committed. This reduction in the funding requirement reflects the decrease in the pension deficit since the last triennial Trustee valuation, due mainly to asset performance and the various liability management initiatives we have undertaken in conjunction with the Trustees, as well as the improvement in the strength of the business.

In conjunction with the Trustees, the scheme has completed a £206.2 million medically underwritten buy-in with Partnership Life Assurance Company Ltd of the top pension liabilities removing a significant level of mortality risk and hence liability volatility. The price paid for the insurance policy was £9.4 million below the technical provisions for those members insured. Furthermore, as part of greater flexibility for the scheme membership, we have completed a flexible retirement offer, where approximately £25 million of the liability has been transferred from the scheme.

These initiatives, coupled with the active liability hedging framework we have in place, continue to reduce the risk and volatility of the pension obligations.

Value distributed during 2012 - 2014



The chart shows how value is distributed amongst stakeholders and invested in the business.

Financing structure

As at 31 December 2014, the Group had total committed debt facilities of £650 million providing significant financial capacity. During February 2015 agreement was reached to extend the existing revolving credit facility to mature in 2020 and at reduced margins and fees. This will result in an annual interest saving of £2.5 million. The average maturity of our committed facilities is now extended to five years.

The strength of the Group's balance sheet and continued strong operational and financial performance has been reflected in the continued improvement of Taylor Wimpey's corporate credit ratings, the most recent being the investment grade rating by Fitch.

Going concern

The Directors remain of the view that the Group's financing arrangements and balance sheet strength provides both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Accounting standards

The consolidated financial statements have been produced in accordance with International Financial Reporting Standards (IFRS) as endorsed and adopted for use in the EU. There have been no changes to International Accounting Standards during 2014 that have a material impact on the Group results.

Approval of the Strategic Report

This Strategic Report was approved by the Board of Directors and signed on its behalf by

Pete Redfern
Chief Executive

* Operating profit is defined as profit on ordinary activities from continuing operations before net finance costs and exceptional items and tax, after share of results of joint ventures.

** Return on net operating assets is defined as 12 month rolling operating profit divided by the average of the opening and closing net operating assets, which is defined as net assets less net cash less deferred tax balances.

† Tangible net assets per share is defined as net assets before any accrued dividends, excluding goodwill and intangible assets, divided by the number of shares in issue at the period end.

†† Adjusted basic earnings per share represents earnings from continuing operations, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares in issue during the period.

††† Operating cash flow is defined as cash generated by operations before taxation and interest paid.

Board of Directors

Kevin Beeston
Chairman

Appointed as a Director and to the post of Chairman in July 2010, Kevin chairs the Nomination Committee and is a member of the Remuneration Committee. He is Chairman of Equiniti Group Limited and Domestic & General Limited. He was formerly Chairman of Serco Group plc and a non executive director of IMI plc.

Pete Redfern
Chief Executive

Appointed as a Director and to the post of Chief Executive in July 2007. He was previously Group Chief Executive of George Wimpey Plc and before that, successively held the posts of Finance Director and Chief Executive of George Wimpey's UK Housing business. He is a non executive director and member of the Audit and Remuneration Committees of Travis Perkins plc and a Trustee of the homelessness charity Crisis.

Ryan Mangold
Group Finance Director

Appointed as a Director and to the post of Group Finance Director in November 2010, Ryan previously held the post of Group Financial Controller. Before joining Taylor Wimpey, Ryan was Group Financial Controller of Mondi Group for five years, prior to which he held a number of senior finance roles with the Anglo American plc group of companies.

James Jordan
Group Legal Director and Company Secretary

Appointed Group Legal Director and Company Secretary in July 2011, James, a solicitor, was previously Group Company Secretary and General Counsel of George Wimpey Plc from February 2002 until July 2007, when he was appointed to the same position with Taylor Wimpey plc. Before joining the Group, James held senior legal and company secretary roles in industry which included positions with The Rugby Group Plc and English China Clays Plc.

Kate Barker DBE
Independent Non Executive Director

Appointed as a Non Executive Director in April 2011, Kate is a member of the Audit; Nomination and Remuneration Committees. She is a business economist and is presently a Trustee Director and Chairman of the British Coal Superannuation Scheme; a Senior Adviser to Credit Suisse; and a non executive director of Electra Private Equity plc and the Yorkshire Building Society. Previously, Kate was a member of the Bank of England's Monetary Policy Committee (MPC) from 2001 until May 2010. During this period, Kate also led two major policy reviews for Government, on housing supply and on land use planning. Before joining the MPC, she was Chief Economic Adviser at the CBI. Kate was awarded a CBE in 2005 for services to social housing and a DBE in 2014 for services to the economy.

Baroness Ford of Cunninghame
Independent Non Executive Director

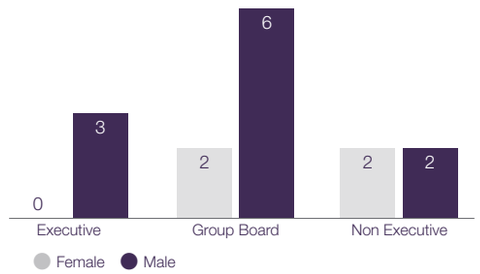
Appointed as a Non Executive Director on 25 April 2013, Margaret is a member of the Nomination Committee and also is Chairman of the Remuneration Committee. She is Chairman of STV Group plc and Grainger Group plc and a non executive director of SEGRO plc. She is an Honorary Professor of Real Estate at Glasgow University and an Honorary Member of the Royal Institute of Chartered Surveyors. Margaret formerly chaired the Olympic Park Legacy Company; English Partnerships; Barchester Healthcare Limited; and May Gurney Integrated Services Plc. Prior to these appointments, Margaret had a long career in management consulting with Price Waterhouse and then Eglinton Management Centre, which she founded.

Mike Hussey
Independent Non Executive Director

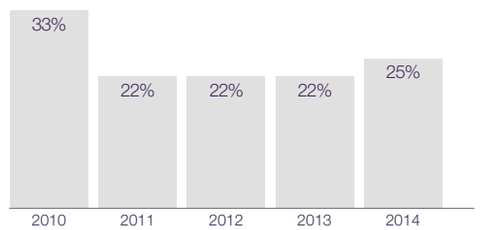
Appointed as a Non Executive Director in July 2011, Mike is a member of the Audit and Nomination Committees. He is Chief Executive of Almacantar, a private property investment and development company which he founded in February 2010. He has held a number of senior roles in the property sector, most recently as an executive board director of Land Securities plc. Prior to that position, Mike was Head of Leasing and Marketing for Canary Wharf Group plc, and held a number of senior posts in the property industry with the British Council for Offices, the City Property Association, and as Chairman of the Regeneration and Development Committee of the British Property Federation. He is a Trustee of the Royal College of Surgeons of England.

Board diversity

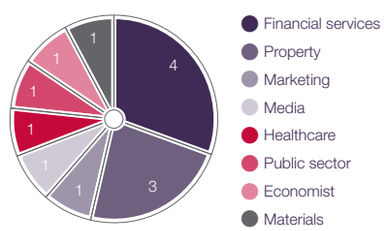
See pages 58-59 for more information



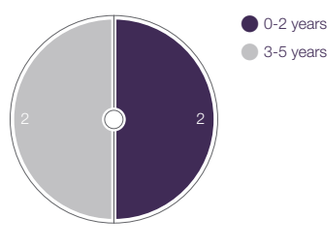
Board gender diversity



Our broad Independent Non Executive Director experience



Non Executive Board tenure



Rob Rowley
Independent Non Executive Director and Senior Independent Director

Appointed as a Non Executive Director in January 2010 and as Senior Independent Director in April 2010, Rob is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. He is a non executive director and Chairman of the Audit Committee of moneysupermarket.com Group PLC and is a non executive director of Morgan Advanced Materials plc and Greene King plc. He was previously Deputy Chairman of Cable and Wireless plc, a director of Reuters Plc, and a non executive director of Prudential plc; Taylor Nelson Sofres plc; and Intu Properties plc where he was Chairman of the Audit Committee.

Nomination Committee Current members: Kevin Beeston (Committee Chairman), Kate Barker, Margaret Ford, Mike Hussey and Rob Rowley.

For more information see page 56

Audit Committee Current members: Rob Rowley (Committee Chairman), Kate Barker and Mike Hussey.

For more information see page 60

Remuneration Committee Current members: Margaret Ford (Committee Chairman), Kevin Beeston, Kate Barker and Rob Rowley.

For more information see page 66

Standing from left to right: Rob Rowley, Margaret Ford, Kate Barker DBE and James Jordan.

Seated from left to right: Ryan Mangold, Pete Redfern, Kevin Beeston and Mike Hussey.

Corporate Governance

"The Board takes corporate governance very seriously and this has been demonstrated over many years with full compliance with the UK Corporate Governance Code. Good governance should be focused on how the Board itself operates effectively and also the culture within which our businesses operate and conduct themselves."

Achievements for 2014

- Continuing full compliance with the 2012 edition of the UK Corporate Governance Code and embracing the key elements of the latest (September 2014) edition of the Code which will apply to the 2015 financial year.
- Full compliance with the requirements of the BIS Regulations and related legislation on the reporting of remuneration.
- Establishing a Diversity and Inclusivity Committee designed to drive forward our agenda in these areas.
- The independent externally-facilitated Board evaluation concluded that the Company has a well-functioning and effective Board which takes its duties and responsibilities very seriously.
- Further embedding of good governance and improvement of controls at all levels of the business through completing the successful roll-out of enhanced business systems and progressing the updating of key process manuals.

2015 Targets

- To further embed improved Diversity and Inclusivity processes across the Group and to better monitor and report on progress using an improved HR data capture system.
- To address the recommendations arising out of the Board evaluation including:
  - formalising and refining the comprehensive induction processes for new Directors;
  - a continuing focus on succession planning for all key roles across the Group;
  - to continue ongoing improvement of the overall quality of Board reports and presentations;
- To ensure full compliance with the 2014 UK Corporate Governance Code which will apply to the 2015 financial year.

Dear Shareholder

In my capacity as Chairman of the Board, I am very pleased to again have this opportunity to make a personal statement on the Company's approach to corporate governance.

As I have said before, the Board takes corporate governance very seriously and this has been demonstrated over many years, with full compliance with the UK Corporate Governance Code ('the Code') and also with its predecessor versions. To demonstrate the Board's proactive approach to corporate governance, the Company has consistently sought to comply with planned improvements to the Code, and with wider governance initiatives often in advance of their formal application to our reporting years. The Board receives regular briefings and updates on corporate governance, both at Board and Committee meetings and, where necessary in between such meetings, which all Directors find very helpful.

This report on Corporate Governance sets out and explains in clear terms the processes in place which are essential for delivery of the long term success of the Company, whilst ensuring that we comply with all applicable laws and regulations as well as, of course, meeting the requirements of our shareholders and their representative bodies, with whom we are always very pleased to engage and have once again proactively done so during 2014 and into 2015. The Board believes that good governance should be focused not only on how the Board itself operates effectively but also on the culture within which all of our businesses operate and conduct themselves.

The Board welcomed the implementation of the Government's new regulations on the reporting of remuneration which required additional disclosure to our shareholders in last year's Annual Report. More generally, 2014 was a year of consolidation in the area of good governance, as the improvements set out in the 2012 version of the Code bedded in, and the changes proposed in the latest edition of the Code, published in September 2014, were considered by the Board.

These changes, which apply to reporting for 2015 cover a number of areas including in the areas of: going concern; risk management and internal control; requiring remuneration to be designed to promote the long-term success of companies; encouraging greater shareholder dialogue and, further ways to improve the functioning of a Board through wider areas of diversity. The Board supports each of these changes and these areas are discussed in greater detail in this Report and also in the separate Reports of the Audit, Nomination and Remuneration Committees, which appear later.

Pursuant to best practice, the Board conducts its annual evaluation exercise via an independent external facilitator once in every three years and it was carried out in this way during 2014 The exercise was very comprehensive and involved all Directors, both collectively and individually, plus feedback and insight from external advisers and senior employees who work closely with the Board. Consistent with previous exercises, the evaluation proved to be very useful and whilst it was pleasing to note that the report concluded that the Board is well-functioning and effective and is one which takes its responsibilities and duties very seriously, it also found that there are certain areas for improvement. I can confirm that the Board will be focusing on these areas during 2015 and more detail is set out on page 50.

This Report also seeks to explain what your Board of Directors does and describes how it is responsible for setting the culture and values of the Company, ensuring that the Company is run in the best interests of its shareholders as well as other stakeholders, and how it interacts with its shareholders in explaining the Company's strategic goals and performance against them. From a governance perspective, it is not just a case of what is done but also, and just as importantly, how it is done – therefore, we try and avoid a simple box ticking type approach, preferring our governance to be something that is properly embedded in our people, processes and decision making.

A key part of my role as Chairman of the Board is to ensure that the Board retains an appropriate level of independence in order to allow the Independent Non Executive Directors to challenge the Executive Directors constructively whilst, at the same time, also supporting them to implement the strategy and run the business effectively. Another key part of my role is to ensure that the Board has the right blend of skill, independence and knowledge and this is something that is kept under regular review in conjunction with the Nomination Committee.

As a Board we regularly review health, safety and environmental performance, our business strategy, key risks, the market, operational matters, customer services, human resources, diversity, corporate responsibility, community engagement, our financial position and performance, governance and legal matters and, shareholder-related matters including the make up of our share register. This is done through the consideration and discussion of regular reports submitted by the Executive Directors and through other reports and presentations from our senior management and external advisers. The Board and individual Directors also undertake regular visits to our regional businesses and also to their development sites. In 2014, the Board visited the West Scotland business unit where it held a Board Meeting and also met with the local management team and staff whilst taking the opportunity to visit a number of developments where it received a series of presentations.

Appointments and succession

As reported last year, Tony Reading stepped down from the Board on 17 April 2014 as an Independent Non Executive Director, broadly coinciding with the conclusion of his third three-year term of office. Margaret Ford succeeded him as Chairman of the Remuneration Committee from that time and in order to comply with the Code and the requirement for there to be three Independent Non Executive Directors on the Committee, Kate Barker was also appointed to the Committee.

More details on appointments and succession planning, which are led by the Nomination Committee, which makes recommendations in these areas to the Board, are set out in the Nomination Committee Report on pages 56 to 59.

At the Annual General Meeting of the Company to be held on 23 April 2015 (AGM), all Directors will again be subject to re-election by shareholders in accordance with the Code. Biographical details of each Director can be found on pages 44 to 45.

I believe that the balance of the Board, with myself as Chairman, three Executive Directors and four Independent Non Executive Directors, will continue to provide the right blend of experience, expertise and challenge to ensure good governance so as to enable the Company to successfully implement its strategy.

Strategic Report p2-43
Directors' Report: Governance p44-91
Financial Statements p92-143
Shareholder Information p144-153

Board activities and priorities

Board meetings consist of a mix of regular and standard items considered at each meeting and also special items which arise from time to time either annually or as part of key project related work. The latter are set out below. Regular items include: receiving and reviewing the business of Board Committee meetings and the minutes of such meetings held since the last Board meeting; a health, safety and environmental report; reports from the Chief Executive on trading and investment, people, the political environment and on customer services.

February 2014
- Reviewing the draft 2013 Annual Report and Accounts and the Corporate Responsibility report;
- Conducting the annual risk review;
- Determining the final maintenance dividend for 2013 and any special dividend for 2014 to be proposed to shareholders;
- Approving the draft Preliminary Announcement of the Company's full year results;
- Determining actions arising from the 2013 Board appraisal.

April 2014
- Reviewing the draft Interim Management Statement to update shareholders on progress for the year to date;
- Reviewing arrangements for the 2014 Annual General Meeting;
- Receiving a performance and strategic update from the West London regional business.

May 2014
- Receiving a performance and strategic update from the South West Divisional businesses.

June 2014
- Reviewing the first projection of the Company's full year results;
- Reviewing the Company's current strategy in the light of the first year end projection;
- Receiving a performance and strategic update from the South East Divisional businesses.

Board Committees

The Board has three Committees: Audit, Nomination and Remuneration.

During 2014 the Audit Committee completed its schedule of work designed to ensure full compliance with the provisions of Section C of the Code, in relation to financial reporting and risk assessment. Full details are set out in the Audit Committee Report on pages 60 to 65. In brief, the Committee:

- established processes to enable it to satisfy itself and recommend to the Board that the information presented to shareholders in this Report and Accounts is, as a whole, a fair, balanced and understandable assessment of our position and prospects (see page 64);
- reviewed the performance of the external auditor, Deloitte LLP, before recommending to the Board that a resolution be proposed for their re-appointment at the AGM (see page 62);
- undertook its very important role with regard to risk management and internal controls so that the Company can closely monitor its exposure to risks which could impact upon the future prospects of the Company and achievement of its strategic objectives (see page 63).

The Committee has, during the year, continued to focus closely on these key areas, and will continue to do so throughout 2015.

The Committee also welcomes the new Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council (FRC) in September 2014, which it believes will enhance governance in these areas. More details are set out in the Audit Committee Report on pages 60 to 65.

The Nomination Committee has been closely involved during 2014 in reviewing:

- the balance, diversity, independence and effectiveness of the Board;
- a detailed review of succession and contingency planning across the Group in order to achieve the Company's strategic aim of attracting, developing and retaining the best quality people at all levels of the Company, and to improve our talent management;
- reviewing strategy; establishing targets; and driving and monitoring progress in improving diversity generally throughout the Group.

These remain key priorities for further development during 2015.

Additional reporting on its activities, including more details of progress and plans in each of these areas, in line with the Code, is set out in the Nomination Committee Report on pages 56 to 59.

Our Board and Committee structure

There are also reports from the Finance Director on the latest management accounts and financing position; forward performance forecasts; City expectations; competitor data; risk; IT and pensions; reports from the Group Legal Director on claims and litigation by and against the Company; developments in corporate governance; and other compliance and shareholder matters; and a general update from the Company's stockbroker.

July 2014
- Reviewing the half year results for 2014;
- Reviewing the draft interim statement for 2014;
- Determining and approving the interim maintenance dividend for 2014;
- Considering the outcome of the half year risk review and the report of the Audit Committee on the detailed work thereof;
- Considering feedback from meetings with shareholders and analysts.

September 2014
Meeting held in the West Scotland business unit, including meetings with the local team, and site visits.

October 2014
- Reviewing the draft budgets for 2015 performance and apportioning performance targets and resources around the businesses;
- Detailed update on Health and Safety.

December 2014
- Determining and approving the budget for 2015, apportioning performance targets and resources around the businesses;
- Consideration of the externally-facilitated annual Board evaluation;
- Consideration of the 2015 insurance programme;
- Detailed update on litigation;
- Consideration of Special Dividend mechanism for 2015 to be proposed at the 2015 AGM.

During 2014, the Remuneration Committee has continued its primary responsibility of ensuring that executive remuneration is geared to the enhancement of shareholder value and the delivery of the Company's strategy; and that the rewards for achieving or exceeding those targets are not excessive. Full details are set out in the Remuneration Committee Report on pages 66 to 85. Key areas the Committee focused on or considered are set out below:

- the engagement with major shareholders and their representative bodies on key remuneration matters in respect of which, the Committee very much values and welcomes their input;
- the further developments in remuneration planning, set out in the September 2014 revision to the Code, which were welcomed by the Committee and details of the Committee's plans for their implementation are set out in the Remuneration Committee Report on pages 66 to 85;
- the Remuneration Policy approved by shareholders at last year's AGM (in respect of which no changes are proposed or required), details of which are set out in the Remuneration Committee Report on pages 66 to 85, and which incorporates some minor updating so as to reflect the actual operation of the Policy since its adoption and approval by shareholders at the 2014 AGM.

As noted above, due to the fact that there has been no change to the Remuneration Policy, the business of the 2015 AGM includes only one resolution on remuneration – namely, the advisory vote on the way in which the Policy has been applied during 2014, as set out in the Remuneration Report on pages 66 to 85. For 2015, the Committee has reviewed the performance targets set for the Company's discretionary reward schemes, and has taken into account the likely impact of Government support schemes.

The terms of reference of each of the Board Committees, including an explanation of their role and the authority delegated to each by the Board, appear on the Company's website www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance

See pages 66-85 for more information

Diversity

Diversity and inclusivity has continued to be a key item on the overall UK governance agenda during 2014 and the Company has attended and supported a number of Government initiatives and events. Within Taylor Wimpey, diversity and inclusivity has remained a key priority for the Board's agenda and this will continue to be the case during 2015. Our ambitions and views are set out in our Diversity Policy which can be found on pages 57 to 59 and on the Company's website: www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance

Full details of our strategy and progress made to date towards the policy objectives, are set out in the Nomination Committee Report on pages 56 to 59.

See pages 57-59 for more information

Board evaluation

Pursuant to the Code, the Board carries out a formal and rigorous annual evaluation which is externally facilitated at least once every three years. In accordance with this requirement, the 2014 Board evaluation was externally facilitated through Independent Board Evaluation, a firm which specialises in and which has considerable experience in this field, having carried out evaluations on several FTSE 100 Boards. The evaluation is an important part of the Board's corporate governance framework and both the process and outcome are always taken very seriously by the Board, each Committee and by each individual Director.

Performance evaluation of the Board, its Committees and other functions

The outcome of the 2013 Board evaluation was reported on in detail in last year's Corporate Governance Report. The main action points arising from that exercise, and action taken in respect of each, are set out below:

– a more definitive split between the Chief Executive's strategic reporting on progress and prospects, and more detailed operational reviews from senior executives below Board level;

This was addressed during 2014 by appending to the CEO's report to each Board meeting, the operational reports of the Divisional Chairmen of our UK operating business and by their attendance at certain Board meetings, so as to provide the Board with greater insight and granularity into the progress in achieving the Company's strategic goals at a more operational level set out on pages 16 to 17.

– further work to ensure the progress made in the area of diversity is embedded into the Company's day to day operations and forward planning;

This was addressed during 2014 by establishing a Diversity and Inclusivity Committee, comprising representatives of the Board and representatives of the businesses and HR, to drive the diversity improvement strategy forward and help to embed suitable processes throughout the business; and by undertaking a number of initiatives designed to improve awareness in recruiting, training and promotion processes.

– further work to refine succession planning and related development programmes for executives;

This remains an ongoing priority and was addressed in part during 2014 by the making of four senior appointments: the Group HR Director, the Customer Director, the Planning Director and the Group Financial Controller, each having diverse backgrounds that provide both an appropriate balance of skills, experience and knowledge to enable their duties to be discharged effectively and enhance and strengthen the overall depth of the management team.

– additional reporting in three key areas: land investment analysis; people development; and operations and prospects in the London area.

These were addressed during 2014 by introducing separate reporting in each area to each Board meeting, which are considered both in their own right and also in relation to the Company's overall strategic direction and operational progress.

As previously mentioned, the 2014 Board evaluation was externally facilitated, in compliance with the Code requirement that this exercise be undertaken in this way at least once every three years. The Board considered a number of external facilitators before appointing Independent Board Evaluation (IBE), which has no other connection with the Company and which specialises purely in this line of work.

The evaluation process consisted of the following:

– a comprehensive preliminary briefing of IBE by the Chairman and the Group Legal Director and Company Secretary;
– attendance of a Board and Board Committee meeting by IBE as observers, prior to the commencement of interviews;
– detailed and confidential interviews conducted with each Director on an individual basis based on a previously circulated list of topics prepared by IBE and also covering other topics raised by IBE and by individual Directors;
– interviews with senior executives who interact with the Board and also with key external advisers, namely the Company's auditor; broker; and remuneration advisers;
– a report was compiled by IBE including recommendations based on best practice for boards as described in the Code and other appropriate corporate governance guidelines. A report was also prepared by IBE on each individual Director covering as appropriate, the Chairmanship of the Board and each Board Committee (Audit, Nomination and Remuneration);

Board and committee evaluation process

2014 Evaluation

This year's evaluation, details of which are set out on page 50, was facilitated externally via an extremely comprehensive process. It confirmed that the Board is well-functioning and effective with a good balance of skills and a positive but not unchallenging atmosphere around the board table.

Inevitably a number of recommendations arose from the evaluation and the Board will work on these during the course of 2015.

See page 50 for more information

Actions taken during the year

The main action items coming out of the 2013 evaluation related to maintaining an ongoing focus on succession planning throughout Taylor Wimpey, improved reporting to the Board on certain key matters, to continue to drive the diversity agenda forward and giving the Board more exposure to senior and upcoming management.

These action items have each been addressed during 2014 and details of the action taken appear on page 50.

See page 50 for more information

Recommendations for the future

The recommendations from the 2014 Board evaluation included: the need for a continued emphasis on succession planning; showcasing talent for succession planning purposes; additional formality around the induction process for new Directors; and to continue the ongoing improvement of the overall quality of board reports and presentations. These are more fully set out on this page.

Each of these key areas will remain firmly on the Board's agenda during 2015 and will be reported on in the 2015 Annual Report and Accounts.

See page 51 for more information

– IBE met with the Chairman to feedback its main findings arising out of the overall evaluation, following which the report on the Board was discussed by the Board at its December 2014 meeting (which was attended by IBE) and progress on the action points at its meeting in February 2015.

Following the December Board meeting, and as part of the process, IBE also provided independent feedback to each Committee Chairman on the performance of the relevant Board Committee; to the Senior Independent Director (SID) on the performance of the Chairman; and the Chairman on the performance of each individual Director.

Feedback was then provided on an individual basis, by the SID to the Chairman (and vice versa); and through the Chairman discussing each individual Director's own performance assessment with the relevant Director on a one-to-one basis.

As mentioned earlier, it was pleasing to note that IBE concluded that the Board is well-functioning and effective and is one which takes its responsibilities and duties very seriously. Nevertheless, there is always scope for improvement and the Board has already started focusing on the action points identified which include:

– that there should be a continuing emphasis on succession planning across the Group and that this should include Board level appointments including the Committee Chairmen;
– the holding of an additional Nomination Committee meeting each year (in addition to any ad hoc meetings), to further consider succession planning and related matters;
– that there should be additional formality around the induction process for new Directors as whilst the process is comprehensive, it could be more carefully documented;
– that there should be further additional opportunities for showcasing talent with the Board; and
– to continue the ongoing improvement of the quality of Board reports and presentations.

These, and other more administrative action points will be kept under regular review by the Board and progress against them will be reported on in the 2015 Annual Report and Accounts.

Conclusion

I believe that your Board remains effective and continues to work well. I am confident that the Board has the right balance of skills, expertise and professionalism to continue to deliver strong governance whilst allowing the Executive Directors to implement and deliver the strategy set out on pages 16 to 17. I am pleased with the Board's activity with regard to corporate governance, but we continually look for ways to learn and improve. As ever, I very much look forward to meeting with shareholders at the AGM on 23 April 2015 and, as always, along with all of your Directors (who will all be present at the AGM), remain available to answer or respond to your questions, concerns and suggestions at any time.

Statement of compliance

For the year ended 31 December 2014, the Company complied with all the provisions of the Code; the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules sub-chapters 7.1 and 7.2 which set out certain mandatory disclosure requirements; the FCA's Listing Rules 9.8.6R, 9.8.7R and 9.8.7AR which include the 'comply or explain' requirement; and the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations. These regulations are publicly available at:

– the Code can be found at www.FRC.org.uk
– the FCA's Disclosure and Transparency Rules can be found at www.fshandbook/info/FS/html/FCA/DTR
– the FCA's Listing Rules can be found at www.fshandbook/info/FS/html/FCA/LR
– the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations can be found at www.gov.uk

Yours sincerely

Kevin Beeston
Chairman

General Board Governance

Taylor Wimpey plc Board

Kevin Beeston
Chairman

Number of meetings in 2014	8
Directors	Attendance
Kevin Beeston Chairman	8
Pete Redfern Chief Executive	8
Ryan Mangold Group Finance Director	8
James Jordan Group Legal Director and Company Secretary	8
Rob Rowley Senior Independent Director	7
Kate Barker Independent Non Executive Director	8
Margaret Ford Independent Non Executive Director	8
Mike Hussey Independent Non Executive Director	8
Tony Reading[(a)] Former Director	2

(a) Resigned 17 April 2014.

The Board and its Committees

As at the date of this Report, the Board consists of eight Directors, namely: the Chairman, three Executive Directors and four Independent Non Executive Directors. Their names, responsibilities and other details appear on pages 44 to 45. On 17 April 2014, in line with the Code, Tony Reading retired from the Board, having served nine years, including previously on the Board of George Wimpey prior to its merger with Taylor Woodrow to create Taylor Wimpey plc in 2007. Upon his retirement, Margaret Ford succeeded him as Chairman of the Remuneration Committee having been appointed to the Board in April 2013. Other changes to Committee membership saw Kate Barker join the Remuneration Committee on 17 April 2014 (so as to ensure that the Committee had at all times three Independent Non Executive Directors in line with the Code) and Pete Redfern ceased to be a member of the Nomination Committee with effect from 1 January 2015.

The role of the Independent Non Executive Directors is to offer advice and guidance to the Executive Directors, using their wide experience in business and from their diverse backgrounds, details of which are set out in their biographies on pages 44 to 45 and in the Board diversity analysis on page 45. They also provide a constructive challenge, scrutinising the performance of the Executive Directors and satisfying themselves as to the integrity of the financial information made available both to the Board and to the Company's shareholders. The Non Executive Directors also play an important part in the appointment or removal of Executive Directors and in general succession planning for the Board and other executive positions below Board level.

The Board met on eight occasions during 2014 and there was full attendance at all meetings save for one, as noted opposite. The Board has considered the number of Board Meetings that take place each year and has concluded that eight meetings remain appropriate but will keep the number under review.

Directors make every effort to attend all Board and applicable Committee meetings, as strongly evidenced by the attendance records over several years. Where, exceptionally, a Director is unable to attend a meeting, it is Board policy that the Chairman and/or the Group Legal Director and Company Secretary (the Secretary) will, as soon as possible, brief the Director fully on the business transacted at the meeting and on any decisions that have been taken. In addition, the views of the Director are sought ahead of the meeting and conveyed to those attending the meeting by the Chairman and/or the Secretary as appropriate. This process was followed in respect of the one meeting which Rob Rowley could not attend during the year due to illness for that particular meeting. Details of the attendance of each Director at Board and Committee meetings are set out in the tables on pages 52, 56, 60 and 66.

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of strong governance, effective controls and a culture of openness and transparency, which enables opportunities and risks to be assessed and managed. It sets the Company's strategic aims; ensures that the necessary financial and human resources are in place for the Company to meet its objectives; and reviews management performance.

The Board is responsible for the Company's culture and for defining and setting the Company's values and standards, which it does, amongst other things, through a number of policies and codes of conduct, and ensures that its obligations to its shareholders and other stakeholders are clearly understood and met. The Board is led in these respects by the Chairman, who ensures the Board operates correctly, setting its culture and, by extension, that of the Company in its operations and its dealings with all stakeholders.

As also set out in our 2014 Sustainability Report (formerly called the Corporate Responsibility Report), the Board is fully committed to providing a safe place in which our employees and subcontractors can work, and that our customers can visit, and to high standards of environmental management. The Board receives detailed reports on health, safety and environmental matters at each Board meeting in respect of the Company's operations in the UK and Spain. The Company's detailed carbon reporting, as required by BIS, is set out on page 30.

Operational management of the Company's business is undertaken by the Chief Executive who receives advice from the Group Management Team (GMT). The GMT is the most senior executive committee and, in addition to the Chief Executive, consists of the Group Finance Director, the Group Legal Director and Company Secretary, the two Divisional Chairmen, the Group HR Director, the Land and Planning Director, and the Managing Director of each of the Central London Region and Major Developments Division. The GMT meets fortnightly, including once each month with the six Divisional Managing Directors as a wider Group Operational Team.

The Board also receives regular reports and minutes from the Treasury Committee, which meets under the chairmanship of the Group Finance Director, and also comprises the Secretary, one of the two Divisional Chairmen (who rotate periodically) and the Group Treasurer. The key activities of the Treasury Committee are, broadly, to monitor and keep under review the Group's financial risks, financial policies, financial facilities, covenant compliance and insurance programme, and, assisted in this respect by the membership of a Divisional Chairman, to review these areas in the light of current and proposed strategic and operational requirements.

The following documents are available for review on the Company's website at www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance:

- schedule of matters specifically reserved for the decision of the Board;
- terms of reference of the Board Committees: Audit, Nomination and Remuneration, which outline their objectives and responsibilities and which define a programme of activities to support the discharge of those responsibilities; and
- policies covering operational, compliance, corporate responsibility and stakeholder matters, which are reviewed whenever necessary to take account of developments in corporate governance, changes in legislation and revised processes.

All Directors have access to the advice and services of the Secretary. The Board has an established procedure whereby Directors may take independent professional advice at the Company's expense where they judge it necessary to do so in order to discharge their responsibilities as Directors.

The Board took advice during the year from Slaughter and May, on the preparation of documentation relating to the proposed Special Dividend for 2015.

Advice was also received from Deloitte during the year via the Audit Committee on the significant governance developments during the year.

The Board receives at each meeting a report from JPMorgan Cazenove (Cazenove) on the sector and the relative performance of the Company's share price.

All businesses and employees are expected to operate at all times to the highest standards of integrity and conduct in all matters concerning the Group. Accordingly, there is a Code of Business Conduct, which sets out the standard for individual dealings both internally and externally. Formal policies have been adopted, which set out the ethical framework within which all Taylor Wimpey companies are required to undertake their business – this includes, in line with the Bribery Act 2010, an Anti-Corruption Policy which requires an annual sign-off by designated senior management. These policies are available for review on the Company's website www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance and relevant reporting against these is provided to the Audit Committee by the Head of Internal Audit.

Board and Committee balance, diversity, independence and effectiveness

It is the Company's policy, in line with the Code, that proposed appointments to the Board, and succession planning, are based on merit, and judged against objective criteria, whilst also having due regard to the benefits of diversity and inclusiveness, including gender, age, disability, ethnicity, experience and thinking. The Board also continues to recognise its responsibility to comply with the recommendations of the Davies Report and has stated that it will aspire at least to maintain the current level of representation of women on the Board (two out of eight, representing 25% of Directors).

Board and Committee roles and responsibilities

The work of each of the Board Committees (Audit, Nomination and Remuneration) is described later in this Report.

Relevant skills and expertise

It is a requirement of the Code that the Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company, to enable duties and responsibilities to be discharged effectively. The Board considers that each Director brings relevant and complementary skills, experience and background to the Board, details of which are set out below, and additional information is also set out in the biographies on pages 44 and 45, and also on page 149.

Kevin Beeston, Chairman, has a wealth of commercial, financial and high level management experience including being a former CEO of a FTSE 100 company. Kevin also has significant experience of chairing Boards of both public and private companies and of being a non executive director and sitting on audit, nomination and remuneration committees.

Pete Redfern, CEO, has operational responsibility for delivering the Company's strategy in a profitable, safe and environmentally responsible manner. Pete has significant financial, operational and management experience, gained from his various roles in industry and from his time at KPMG. In 2014 he joined the Board of Travis Perkins plc as an independent non executive director and serves on that company's audit and remuneration Committees, which will only add to his breadth of experience at plc Board level;

Ryan Mangold, Group Finance Director, has operational responsibility for managing the Company's finances. Ryan has financial, treasury, risk and financial control expertise including that gained from his time with Mondi Group and Anglo American plc;

James Jordan, Group Legal Director and Company Secretary, is a solicitor and oversees compliance with legal and regulatory obligations and manages the Secretariat and Legal Departments. James has significant legal, commercial, transactional and regulatory/governance related experience;

Kate Barker, Independent Non Executive Director, is an industry-recognised economist and has led policy reviews for the Government in the areas of land use, planning and housing supply. Kate also brings a wider economic insight gained through her various roles, including as a Member of the Oversight Board of the Office for Budget Responsibility;

General Board Governance continued

Margaret Ford, Independent Non Executive Director, has wide-ranging experience in a number of sectors and also has extensive knowledge of the property sector, gained through various roles. Margaret has significant plc experience including the chairmanship of both boards and board committees. She also sits in the House of Lords;

Mike Hussey, Independent Non Executive Director, has in-depth expertise in land development and marketing, particularly in London, gained from his previous roles as a director of Land Securities plc and as head of leasing and marketing of the Canary Wharf Group plc. Mike is currently CEO of Almacantar, a property development fund he founded in 2010;

Rob Rowley, Independent Non Executive Director and Senior Independent Director, has a wealth of financial, commercial and management expertise, principally from his time as Finance Director of Reuters plc and Deputy Chairman of Cable & Wireless plc. Rob has substantial experience as a non executive director including the chairing of audit committees and has recent and relevant financial experience as required by the Code.

Division of responsibilities

The Board has an established framework of delegated financial, commercial and operational authorities, which define the scope and powers of the Chief Executive and of operational management.

In line with the Code, the roles and responsibilities of the Chairman and the Chief Executive have been clearly defined, set out in writing and signed by Kevin Beeston and Pete Redfern in their respective capacities.

Ensuring there is no conflict of interest

In order to assist Directors in complying with their duty to avoid conflicts (or possible conflicts) of interest, it is standard procedure that the Board must first give its clearance to such potential conflicts of interest (which would include directorships or other interests in outside companies and organisations) following which, an entry is then made in the statutory register which the Company maintains for this purpose.

Whenever any Director considers that he or she is, or may be, interested in any contract or arrangement to which the Company is or may be a party, the Director gives due notice to the Board in accordance with the Companies Act 2006 and the Company's Articles of Association. In such cases, unless allowed by the Articles, any Director with such an interest is not permitted to participate in any discussions or decisions relating to the contract or arrangement. During 2014 no such matters arose.

The Board undertakes a regular review of each Director's interests, if any, outside of the Company and is satisfied that, in line with the Code, all Directors are able to allocate sufficient time to the Company to enable them to discharge their responsibilities as Directors effectively. Where there have been any outside commitments, the Board is satisfied that they do not detract from the extent or quality of time which the Director is able to devote to the Company.

Annual re-election to the Board

The Code now requires every Director to seek election or re-election, as appropriate, at each year's Annual General Meeting (AGM). Accordingly, at the 2015 AGM, every Director, irrespective of the date of his or her appointment and the length of his or her service on the Board, will be submitted for re-election.

Details of the resolutions to be proposed in this respect and supporting biographical details of the Directors appear in the Notice of Meeting on pages 144 to 151.

As part of the 2014 Board Evaluation process, the Board reviewed and re-affirmed that it considers each of the Non Executive Directors to be independent in character and judgement and that there are no relationships which could affect the Director's judgement.

The Chairman, at the time of his appointment on 1 July 2010, met the independence criteria as set out in the Code.

Information and professional development

The Company has procedures whereby newly appointed Directors (including Non Executive Directors) receive a formal induction. This includes training and continuing familiarisation with the Company's business, strategy, operations (including health and safety) and systems, the principles underlying the discharge of their duties as Directors and wider issues relating to the housing sector. The induction also includes meetings with key executives and function heads, advisers and site visits. As part of the 2014 Board Evaluation the comprehensive induction process will be further formalised whilst also being subject to specific tailoring for individual Directors as appropriate.

All Directors visit Group operations on a regular basis, engaging with employees at all levels in order to foster and maintain an understanding of the business. Board visits are arranged each year to operations and at least one Board meeting per annum takes place in a regional business over three days. An important outcome of the 2014 Board evaluation was formally noting the scale of the beneficial impact that such visits can have on Group businesses.

The Group Legal Director and Company Secretary acts as Secretary to the Board and its Committees and he attends all meetings. It is Board policy that wherever possible a formal agenda and reports are issued electronically to Directors in respect of all Board and Committee meetings at least one week prior to the meeting, in order to allow sufficient time for detailed review and consideration beforehand. Formal minutes are prepared in respect of all Board and Committee meetings and are then circulated and submitted for approval at the next meeting. All Board papers are circulated electronically and Board meetings have been effectively 'paperless' for several years which has worked well and aided the overall efficiency of the overall Board process.

The Secretary provides regular briefings to the Board on regulatory and governance matters which are included as part of his formal regular reporting to the Board, and are supplemented, as appropriate, by briefings from independent advisors. The Board also receives regular briefings and updates on environmental, social and governance (ESG) matters.

The ESG briefing allows the Board to assess the significant ESG risks to the Company's short and long-term value and to identify any opportunities that may arise to enhance value. Details of ESG risks and value-enhancement pursuits appear in the Sustainability Report which is available on our website www.taylorwimpey.co.uk/corporate/sustainability

The Chairman, Chief Executive and Secretary meet sufficiently in advance of each Board meeting in order to ensure action points from previous meetings have been implemented and to prepare the agenda and matters to be covered at the next and at future Board and Committee meetings as appropriate. The agenda and minutes for the Audit and Remuneration Committee meetings are agreed by the Secretary with the relevant Committee Chairman.

Management

Progress in achieving the Group Strategy is reviewed at each Board meeting and is reported on pages 16 to 17. The Chief Executive has responsibility for preparing and reviewing strategic plans for the Group and the annual budgetary process. These are subject to formal approval by the Board.

Budgets are re-examined in comparison with business forecasts throughout the year to ensure they are sufficiently robust to reflect the possible impact of changing economic conditions and circumstances. The Chief Executive and the Board conduct regular reviews of actual results and future projections with comparison against budget and prior year, together with various treasury reports. Disputes that may give rise to significant litigation or contractual claims are monitored at each meeting of the Board, with specific updates on any material developments or new matters.

The Group has clearly defined policies, processes and procedures governing all areas of the business, which will continue to be reviewed and refined in order to meet the requirements of the business and changing market circumstances. Defined authority limits continue to be closely monitored in response to prevailing market conditions. Any investment, acquisition or significant purchase or disposal of land requires detailed appraisal and is subject to approval by the Board or the Chief Executive, depending on the value and nature of the investment or contract.

There is a clearly identifiable organisational structure and a framework of delegated authority approved by the Board within which individual responsibilities of senior executives of Group companies are identified and can be monitored. The Operating Framework, within which delegated authorities, responsibilities and related processes are explained in detail, is available for review and guidance online by any employee through the Company's intranet. These activities are reinforced through process compliance and other audits conducted by Internal Audit.

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

During 2014 a number of enhancements were made to internal controls, designed to reduce or better manage risk across the business. These included the embedding of the COINS and 1B1S ERP business systems, which have improved the accuracy, timeliness and uniformity of data used to manage, and report on, the Group's businesses, and further work towards updating the Operating Framework and Commercial and Finance Manuals, which guide the businesses in ensuring compliance with Group standards.

Relations with shareholders

The Board actively seeks and encourages engagement with major institutional shareholders and other stakeholders and supports the initiatives set out in both the Code and the Stewardship Code, which aim to foster a more pro-active governance role by major shareholders. The Board has put in place arrangements designed to facilitate contact about business, governance, remuneration and other issues. This provides the opportunity for meetings with the Chairman, the Senior Independent Director as well as the Chief Executive, Group Finance Director, Group Legal Director and Company Secretary and other executives, in order to establish a mutual understanding of objectives. The Company also operates a structured programme of investor relations, based on formal announcements and publications covering the full-year and half-year results. In addition, the Chairman meets with the Company's institutional shareholders from time to time, both proactively and upon request in order to discuss the Company and its performance, governance and remuneration policies. As set out in the Remuneration Report, the Remuneration Committee undertakes a consultation exercise each year and as part of this exercise, the Committee Chairman also engages directly with shareholders.

All Directors receive formal reports and briefings during the year about the Company's investor relations programme and receive detailed feedback through surveys, direct contact and other means, through which they are able to develop an understanding of the views of major shareholders about the Company.

The Board encourages all shareholders to participate in the Annual General Meeting, which is attended by all Directors. Shareholders' attention is drawn to the Notice of Meeting on pages 144 to 151 which sets out details of the rights of shareholders in connection with the notice of, and participation in, general meetings of the Company. This year, there are 20 resolutions being submitted for shareholder consideration, including, Resolution 19 which is a request for approval of a substantial property transaction as defined in the Companies Act 2006, between the Company and Pete Redfern.

At the 2014 AGM, shareholders representing 57% of the Company's issued share capital voted in the poll. There was a vote in favour of 12 of the 19 resolutions of in excess of 99% and an average vote in favour across all 19 resolutions of over 98%.

Information about the Company, including full-year and half-year results and other major announcements, and additional information about shareholder facilities, is published on the Company's website www.taylorwimpey.co.uk

This 2014 Annual Report and Accounts

Your Directors have responsibility for preparing this 2014 Annual Report and Accounts and for making certain confirmations concerning it. In accordance with the Code provision C.1.1 the Board considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board reached this conclusion after receiving advice from the Audit Committee. The processes of review and assessment followed by that Committee in that respect, are set out on page 64.

Nomination Committee Report

"The importance of succession planning cannot be overstated."

Committee members

Number of meetings in 2014: 1

Directors	Attendance
Kevin Beeston	1
Kate Barker	1
Margaret Ford	1
Mike Hussey	1
Pete Redfern[(a)]	1
Rob Rowley	1
Tony Reading[(b)]	1

(a) Stood down from the Committee on 1 January 2015.
(b) Resigned from the Board 17 April 2014.

Main objective

- To ensure there shall be a formal, rigorous and transparent process for the appointment of new Directors to the Board, its Committees and to other senior roles and to ensure effective diversity improvements and succession planning processes across the Group.

Achievements for 2014

- Four senior appointments made during the year that provide both an appropriate balance of skills, experience and knowledge to enable their duties to be discharged effectively and enhance and strengthen the management team.
- A Diversity and Inclusivity Committee was established, to help drive the Diversity improvement strategy forward operationally; embed suitable processes throughout the business; and identify and undertake a number of initiatives designed to improve awareness in recruiting, training and promotion processes.
- Succession planning remains a key area of focus across all levels of the organisation and the Company's succession plans and talent pipelines were regularly reviewed at Board level, with further action to support these areas continuing.
- Conducted a review of the optimum size of the Board which resulted in a structure of the Chairman, three Executive Directors and four Independent Non Executive Directors in line with the UK Corporate Governance Code, representing a reduction of one.

2015 Targets

- To further progress the diversity and inclusivity agenda, including partnering initiatives with independent organisations; improved data capture and interpretation processes and reviewing our workplace arrangements.
- Further action to continue to support succession plans and talent pipelines.
- To formalise in greater detail the already comprehensive and tailored induction process in place for newly appointed Directors.

Dear Shareholder

I am pleased to be able to take this opportunity as Chairman of the Nomination Committee to summarise the important ongoing objectives and responsibilities of the Committee; the work that has been carried out during 2014; and its plans for the coming year.

The Committee's key objective is to support the Board in fulfilling its responsibilities to ensure that there is a formal, rigorous and transparent process for the appointment of new Directors both to the Board and to senior management positions, and to ensure that effective succession planning processes are in place across the Group.

In meeting its objectives, both the Committee and the Board take into account diversity including gender and fully support the various Government initiatives in this key area. For example, I and three women colleagues from the business, were very pleased to attend and participate in the Women on Boards Conference held by the Department for Business Innovation and Skills in February 2015, as this was aimed at increasing the number of women considered for appointment to FTSE 350 boards in 2015.

Each objective; the strategy for delivering them; progress made towards them during 2014 and targets and plans for 2015; is described in more detail in this report.

The Committee's achievements during 2014 and its plans for 2015, are set out opposite. Key priorities are to:

- drive our diversity and inclusivity agenda at all levels of the Group; and
- to further progress our succession planning, across the Group, linking it to career development and professional development.

The Committee will continue to focus on ensuring that the present and future composition of the Board and the Group's executive management is appropriate for the delivery of the Group's strategy and that all relevant UK Corporate Governance Code (Code) requirements continue to be met.

Kevin Beeston
Chairman of the Nomination Committee

Strategic Report p2-43
Directors' Report: Governance p44-91
Financial Statements p92-143
Shareholder Information p144-153

Nomination Committee

The Committee is chaired by the Chairman of the Board and is composed of a majority of Independent Non Executive Directors as required by the Code. Its members are set out in the table opposite. Pete Redfern (Chief Executive) stood down from the Committee with effect from 1 January 2015, such that the Committee is now comprised of the Chairman and four Independent Non Executive Directors.

The Committee has procedures in place with regard to maintaining a formal, rigorous and transparent process for Board appointments, ensuring that appointments to the Board are made on merit and assessed against objective criteria. The Committee guides the Board in regularly assessing whether there is a correct balance of expertise, having regard to the 2011 report from Lord Davies of Abersoch on Women on Boards (the Davies Report) and wider diversity considerations, and in arranging the orderly succession for appointments to the Board and in respect of senior management across the Group. A description of how appointments are typically made to the Board is set out below.

The Committee oversees on behalf of the Board and advises the Board on, the identification, assessment and selection of candidates for appointment to the Board. The Committee has a formal, rigorous and transparent process against objective criteria. Typically, the process of appointment, prior to the decision of the Board, will include the engagement of recruitment consultants, interviews by the candidate with all members of the Board and the taking up of detailed references.

The Nomination Committee also guides the Board in assessing from time to time whether the Board has the correct balance of expertise and in arranging orderly succession planning for appointments to the Board and in respect of senior management across the Group.

As part of this process, management below Board level is regularly provided with access to the Board, including the opportunity to attend Board Meetings and further Board functions in order to give presentations on specialist topics, project work and the performance of specific Business Units and Divisions.

As the only change to the Board in 2014 was Tony Reading's planned retirement after nine years' service, the Committee only formally met on one occasion with the principal agenda items consisting of: longer term succession planning, approving the key persons contingency plan and considering progress on diversity across the business. In addition wider succession planning and diversity remained on the Board agenda regularly throughout the year. Going forward, and with effect from 2015, the Committee will formally meet at least twice a year.

In addition, and in line with the Code, the Chairman and the Senior Independent Director, independent of each other, hold meetings at least annually with the Non Executive Directors without the Executive Directors present. The Chairman also liaised closely with each Director as part of the 2014 Board evaluation process.

Appointments and succession planning

It is the Company's policy, in line with the Code, that proposed appointments to the Board, and succession planning, are based on merit, and judged against objective criteria, whilst also having due regard to the benefits of diversity and inclusiveness, including gender, age, ethnicity, experience and thinking. The Board continues to both recognise and support the target set by the Davies Report which originally set an overall target of 25% for FTSE 100 boards in 2015. Currently, two out of the eight Directors are women, representing 25% of the Board. Going forward, the Board will aspire to at least maintain this level of representation whilst also having due regard to other aspects of diversity as outlined above.

During the year, we have increased our emphasis on succession planning and people at all levels of the organisation. As part of this, both the Board and the Nomination Committee has visibility of a wide range of employees with leadership potential together with their development plan. A Talent Management Group comprising the Chief Executive, the Group HR Director and the two Divisional Chairmen of our UK operating business has been established to regularly review succession planning and development and training requirements. Further actions to support succession planning have been introduced, including the development of career paths linked to experience, exposure and education; an assessment and development centre; and the promotion of the Company's mentoring scheme. We are also focusing upon recruiting individuals from a wider range of backgrounds, experience and industries at all levels. Four senior appointments made during the year: the Group HR Director; Customer Director; Group Financial Controller; and Head of Planning, each have diverse backgrounds that provide both an appropriate balance of skills, experience and knowledge to enable their duties to be discharged effectively which has enhanced and strengthened the strength in depth of the overall management team.

Succession planning remains a key area of focus across all levels of the organisation. The Group Management Team (GMT) regularly reviews the Company's succession plans and talent pipelines, with further action to support these areas continuing.

The Committee considered in detail short and long term succession planning for Directors and key executives, together with appropriate development plans. There was one change in the composition of the Board during 2014 – namely, the retirement of Tony Reading on 17 April 2014 after nine years of dedicated service. In addition, the planned appointment of Margaret Ford as Chairman of the Remuneration Committee, in succession to Tony Reading took place and also the appointment of Kate Barker as a member of that Committee so as to ensure that the Committee had, at all times, three Independent Non Executive Directors.

The composition and performance of the Board was considered during the year following these changes and it was concluded that no further change was necessary at this stage as it continued to function effectively with four Independent Non Executive Directors, following Tony Reading's departure.

The Committee believes that the balance of the Board, consisting of a Chairman, three Executive Directors and four Independent Non Executive Directors, will continue to provide the right blend of experience, expertise and challenge in order to take the Company forward in line with its strategy whilst ensuring and maintaining good governance and best practice. This will however be kept under regular review in line with the requirements of the Code.

Diversity policy

The Board remains committed to the belief that embracing diversity and inclusion will enable it to succeed through a workforce that is creative and innovative. The Board has adopted a policy on diversity which is set out on page 59 and is also available on the Company's website at www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance

The Company continues to actively embrace the business and local communities in which it operates and will strive to reflect their richness and character so as to include such aspects as gender, race and religion – and also diversity of thought, background and experience.

Nomination Committee Report continued

The Company is also committed to ensuring that our people are free from any direct or indirect discrimination, harassment or bullying. Our grievance and harassment policies ensure that any reported incidents are investigated. In addition, our whistleblowing policy encourages employees to speak up against any inappropriate practices or behaviour.

Diversity and inclusion remained a clear focus throughout 2014 which will continue into 2015 and future years. A working party which includes senior management has been established to create a diversity and inclusion strategy. The strategy will focus on the challenges faced in developing an inclusive and diverse workforce. This includes working with specialist external bodies to maximise all opportunities, including:

- developing our policy and raising the expectations from our employees;
- enhancing our awareness training programme; and
- improving how we attract and recruit candidates to enable us to succeed through a workforce that is inclusive, creative and innovative.

During 2014 a number of key activities have taken place:

- all members of the GMT have participated in an interactive awareness workshop, designed to give them an insight into the impact that disabilities have on the ability to undertake normal day to day activities;
- diversity discussion group meetings have taken place with the Chief Executive, Group HR Director and different sections of the workforce;
- the new careers website has been completed, including new video testimonials promoting our approach to diversity;
- articles have been placed in The Diversity Group Directory and Living with Disability publications, raising awareness of opportunities within the Company;
- we continue to work with our recruitment partners to ensure they understand and embrace our diversity and inclusion agenda;
- we recruited 99 (2013: 43) apprentices, including 29 site management apprentices; 50 management trainees (2013: 23) and 19 graduates (2013: 11). We remain on target with the recruitment of our site management apprentices;
- an increase in the number of employees with disabilities recruited. Working with key partners we hope to increase more permanent and secondment opportunities for people with disabilities;
- undertaken reward roadshows across the business to ensure that all employees are aware and understand all of the Company's remuneration benefits including holiday purchase and childcare vouchers;
- the Company hosted a "Skills Summit" attended by two Government ministers, where a commitment to increasing the apprentice and other career opportunities for young people within the industry was established;
- the strategy for further developing diversity and inclusion includes plans to:
  - partner with a number of specific diversity partners in 2015 with an objective to drive the attraction and development of a more diverse and representative workforce;
  - continue the diversity discussion group meetings with the Chief Executive, Group HR Director and different sections of the workforce; to further embed diversity and inclusiveness at all levels of the Company; and
  - introduce a new HR Information System in Q4 of 2015, which we believe will better capture data relating to all aspects of diversity and inclusion.

The Board believes that by embracing diversity and inclusiveness, the Company will better understand how people's differences and similarities can be utilised for the benefit of not only the Company but most importantly also for individuals and society as a whole. It is the Board's view that having a diverse workforce will improve the Company's ability to deliver its strategy; the homes that it builds; and its services.

Diversity has continued to be a key item on the overall UK governance agenda during 2014. Within Taylor Wimpey, diversity has remained a key priority for the Board's agenda and this will continue to be the case during 2015. Although the Board will continue to appoint on merit, we recognise that boards will generally perform better when they include top quality people from a range of backgrounds and perspectives. Diversity will continue to be a key consideration when contemplating the composition and refreshing of the Board and indeed our senior and wider management.

The Company has put in place systems to measure and monitor diversity around the Group more effectively. With regard to gender, as at 31 December 2014:

- the Board consisted of eight Directors, two of whom are women (25%);
- the GMT, which is effectively the executive Board of Taylor Wimpey UK Limited, our main operating company, consisted of eight executives, two of whom are women (25%);
- there is one woman out of 24 Regional Managing Directors (4%);
- women across the Group account for 32% (2013: 31%) of the workforce;
- 29% (2013: 27%) of new starters with the Company during 2014 were women.

While we are making progress, we of course recognise that we still have more work to do in order to fulfil our overall diversity ambitions and as stated on page 56, it is a priority for 2015 to achieve further progress in this area.

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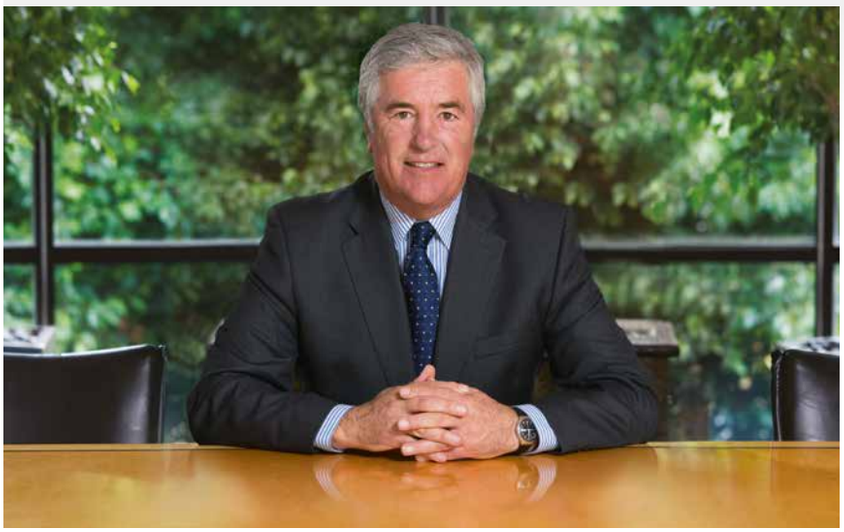
Diversity policy

The Company's plans and progress in implementing its diversity policy, benchmarked against appropriate targets, are set out below. Progress is measured and monitored by the Nomination Committee and the Board.

Diversity policy	Strategy	Progress
Taylor Wimpey operates in diverse communities. We believe that embracing this diversity will enable us to succeed through a workforce that is inclusive, creative and innovative. Diversity covers many aspects. We have defined diversity to mean that we actively embrace the business and local communities in which we operate and will strive to reflect their richness and character to include such aspects as gender, race, disability and religion but also diversity of thought, background and experience.	We will examine our culture and practices to determine what further actions can be taken to improve diversity and inclusion within Taylor Wimpey.	In 2014 a working party has been established of senior executives to drive further improvement in our diversity and inclusion strategy. The working party will embed suitable processes throughout the business; assess a number of initiatives designed to improve awareness in recruiting, training and promotion processes; oversee the implementation of improvements; and monitor the results and feedback from participants. In 2014, all members of the GMT participated in an interactive awareness workshop, to gain insight into the impact of disabilities on the ability to undertake day to day activities. This will be reflected in appropriate business processes and arrangements designed to facilitate the employment of disabled people. Diversity discussions have continued with different sections of the workforce, with the active participation of the CEO and the Group HR Director. These discussions help us to frame policies and wider diversity strategy in the light of employees' own experience and practical conditions at all levels of the business. The new careers website went live during 2014 and includes video testimonials promoting the diverse nature of our workforce.
Managing diversity is about valuing everyone as an individual – valuing people as our employees, customers and clients. People have different needs, values and beliefs. Our people management practice demands that employment propositions are both consistently fair but also flexible and inclusive in ways that assist our people while supporting our business needs and objectives.	We will identify people management practices that assist a diverse workforce to achieve their full potential. We will use our Community Engagement Programme to heighten awareness of personal interaction and valuing individuals. We will increase the opportunities for young people to join the Company and will promote continuous personal development.	Articles to raise awareness of opportunities within the Company are now being placed in appropriate publications, such as The Diversity Group Directory and the Living With Disability publication. We plan to partner with a number of specific diversity partners during 2015 with the intention of driving the attraction and development of a more diverse workforce. Our flexible holiday purchase scheme was subscribed to by 691 employees (2013: 525) and the majority of these were female. The number of employees with disabilities who were recruited during 2014 increased compared to the previous year. Our intention is to further increase the number of suitable opportunities for both permanent and secondment employment during 2015 for people with disabilities. In 2014 we recruited 99 apprentices (2013: 43), 50 management trainees (2013: 23) and 19 graduates (2013: 11). We remain on target with the recruitment program for site management apprentices.
We believe that everyone should have the right to equal access to employment and, when in our employ, to equal pay and access to training and career development.	We will ensure that all managers involved in recruitment and selection receive training that incorporates the areas of diversity and promoting equality. We will extend our recruitment sources in order to attract a more diverse range of applicants.	During 2014, the Company hosted a 'skills summit' attended by two Government ministers, where a commitment to increasing apprentice and other career opportunities for young people within the industry was established. We continue to work with our recruitment partners to ensure they embrace our Diversity and Inclusion agenda. The planned introduction during 2015 of an improved HR information system should enable improved data capture to more closely monitor the effects of the improvement strategy on all aspects of diversity and inclusion and allow our future plans to be amended accordingly.
We are committed to ensuring that our people are free from any direct or indirect discrimination, harassment or bullying. We will not tolerate any behaviour that detracts from this.	We will encourage our people to speak out and report any direct or indirect discrimination, harassment or bullying. We will act promptly in addressing any inappropriate behaviour or practice.	The Company's whistleblowing campaign specifically focused on diversity, encouraging employees to speak up against any inappropriate practices or behaviour, remains in place. Our grievance policy ensures that any reports of harassment or bullying are investigated and acted upon.
We acknowledge that we must continue to promote diversity in order to create an organisation that attracts, supports and promotes the broadest range of talent. Establishing an organisational culture with diversity as a core value will enable individuals to reach their full potential and to provide the best service to our customers.	Diversity will be promoted from the highest level and we will ensure that our people understand the benefits of having a diverse and inclusive workforce.	Diversity is a core message within our strategy; a main item at our Executive and Regional Management meetings; and is a standing agenda item at GMT meetings. Our employee survey in 2014 sought further feedback on Diversity and Inclusiveness and the outcome demonstrated that there is an extremely high level of recognition of this issue amongst employees.

Audit Committee Report



"The highest standards of governance and risk management are our top overall priorities."

Committee members

Number of meetings in 2014: 3

Directors	Attendance
Rob Rowley	3
Kate Barker	3
Mike Hussey	3
Tony Reading[a]	1

(a) Resigned from the Board 17 April 2014.

Dear Shareholder

I am pleased to be able to take this opportunity as Chairman of the Audit Committee to summarise the ongoing objectives and responsibilities of the Committee; the work that has been carried out during 2014; and the priorities established for 2015.

The Committee supports the Board in fulfilling its corporate governance responsibilities relating to the Group's external audit process; internal audit process; risk management and internal control framework; whistleblowing procedures; financial reporting practices; and the preparation and compliance of the Company's Annual Report and Accounts.

The terms of reference of the Audit Committee, which are summarised on page 61, reflect its responsibilities under the UK Corporate Governance Code (Code), and related regulations.

A key requirement of the Audit Committee is that it should evaluate its performance against its key objectives on an annual basis. The 2014 performance against objectives was formally assessed by the Committee at its February 2015 meeting.

During 2014 the Audit Committee:

- reviewed processes designed to meet new governance requirements, namely:
  - defined and implemented processes to enable the Committee to advise the Board that the Annual Report and Accounts meets the requirements of Code provision C.1 to provide a fair, balanced and understandable assessment of the Company's position and prospects;
  - reviewed significant issues to be considered in preparing the Annual Report and Accounts; and
  - undertook an assessment of the effectiveness of the external audit process.
- ensured that the One Business, One Solution, Enterprise Resource Planning (1B1S ERP) system is delivering maximum benefit together with a process of continuous improvement supported by a targeted Internal Audit approach to auditing in the new environment;
- oversaw the embedding of the new 1B1S ERP processes across the UK business;
- reviewed the new governance structures over all key business systems including the new 1B1S ERP system;
- ensured those systems and processes that impact the data to facilitate timely decision making were effective;
- reviewed the alternative bases of accounting open to the Company upon the announcement by the Financial Reporting Council (FRC) of the ending of United Kingdom Generally Accepted Accounting Practice (UKGAAP);
- reviewed the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014.

Key priorities for 2015 are:

- to fully implement, and ultimately ensure compliance with, the additional requirements introduced in the September 2014 update of the Code and to continue to support the Board in ensuring that the requirements of the Code, especially provision C.1, (relating to ensuring that the Company's Annual Report and Accounts present a fair, balanced and reasonable assessment of the Group's position and prospects) are met;
- to oversee the periodic external evaluation of the Internal Audit function to ensure effectiveness and ability to support strong controls and governance across the Group;
- to consider the process and controls within our key corporate functions;
- to consider the Group Fraud Risk Assessment and ensure appropriate measures are in place;
- to maintain focus on the processes that support the Group's execution of strategy;
- to ensure the risk management framework remains robust to any changes to the operating environment.

The Committee will continue to focus on ensuring that all the relevant codes and regulations are complied with to ensure that the business is operating in a controlled and managed environment.

Yours sincerely

Rob Rowley
Chairman of the Audit Committee

Audit Committee

The members of the Audit Committee during 2014 and their attendance at meetings of the Committee during that year, are as set out on page 60.

Details of the Committee's activities during 2014 and priorities for 2015 are contained in the Letter from the Chairman of the Audit Committee on the preceding page.

The Audit Committee is chaired by Rob Rowley. All members of the Committee are Independent Non Executive Directors as required by the Code. During the year, Tony Reading stood down from the Board leaving three Independent Non Executive Directors on the Committee which is in line with the requirements of the Code. The Board has determined that Rob Rowley, who currently chairs the Audit Committee at moneysupermarket.com Group PLC, has recent and relevant financial experience as required by the Code. The Chairman of the Company and other Non Executive Directors, the Executive Directors, Head of Internal Audit and other senior executives attend Committee meetings by invitation. Deloitte LLP (Deloitte), the external auditor, is also invited to attend Committee meetings. The Committee also regularly meets privately with representatives from Deloitte during at least two Committee meetings per annum, which normally take place around the time of the full and half-year financial statements, in order to discuss any matters which the auditors may wish to raise in confidence, without any Executive Directors (other than the Secretary) being present.

The Audit Committee met on three occasions during the year. The meetings around the full and half-year results are typically also attended by the Non Executive Directors who are not members of the Committee.

At these meetings, the Committee carried out its remit which primarily includes:

- at its February 2014 meeting, reviewing the final draft 2013 Annual Report and Accounts together with details of risk management process and any significant accounting and audit issues thereon; considering issues of materiality and the external auditor's report on the progress of the audit; conducting a formal compliance check; and reviewing the draft Preliminary Announcement of the Group's 2013 results;
- at its July 2014 meeting, reviewing the final draft half-year statement for 2014 together with details of the risk management process and any significant accounting issues thereon; considering issues of materiality and the external auditor's report on its review of that statement; and
- at its December 2014 meeting, a review of its performance against its objectives during 2014; consideration of the Committee's priorities for 2015; approval of updates to the Audit Committee framework; Deloitte's audit plan, and report on the progress of the audit to date; monitoring the processes whereby the Committee ensures that the 2014 Annual Report and Accounts meets the requirements of Code provision C.1, and the performance of Deloitte including their recommendation for re-appointment at the 2015 AGM. The Committee was also briefed on key accounting judgements with regard to the Company's 2014 accounts.

In addition, at each meeting, the Committee also reviewed its other areas of responsibility, including:

- the internal audit process;
- the risk management and internal control framework;
- the Company's whistleblowing procedures and the adequacy of any investigations;

Main objective

- To assist the Board in fulfilling its corporate governance responsibilities relating to the Group's internal control framework, internal audit process, risk management, financial reporting practices and external audit process.

Achievements for 2014

- reviewed processes designed to meet new governance requirements namely:
  - defined and implemented processes to enable the Committee to advise the Board that the Annual Report and Accounts meets the requirements of Code provision C.1 to provide a fair, balanced and understandable assessment of the Company's position and prospects;
  - reviewed significant issues to be considered in preparing the Annual Report and Accounts; and
  - undertook an assessment of the effectiveness of the external audit process.
- ensured that the One Business, One Solution, Enterprise Resource Planning (1B1S ERP) system is delivering maximum benefit together with a process of continuous improvement supported by a targeted Internal Audit approach to auditing in the new environment;
- oversaw the embedding of the new 1B1S ERP processes across the UK business;
- reviewed the new governance structures over all key business systems including the new 1B1S ERP system;
- ensured those systems and processes that impact the data to facilitate timely decision making were effective;
- reviewed the alternative bases of accounting open to the Company upon the announcement by the Financial Reporting Council of the ending of UKGAAP;
- reviewed the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council (FRC) in September 2014.

2015 Targets

- to fully implement, and ultimately ensure compliance with, the additional requirements introduced in the September 2014 update of the Code and to continue to support the Board in ensuring that the requirements of the Code, especially provision C.1, are met;
- to oversee the periodic external evaluation of the Internal Audit function to ensure effectiveness and ability to support strong controls and governance across the Group;
- to consider the process and controls within our key corporate functions;
- to consider the Group Fraud Risk Assessment and ensure appropriate measures are in place;
- to maintain focus on the processes that support the Group's execution of strategy; and
- to ensure the risk management framework remains robust to any changes to the operating environment.

– progress on embedding systems and processes necessary to maximise the benefits of the new 1B1S ERP system;
– checking for any incidences of fraud, actual, alleged or precautionary, and ensuring proper controls and a response plan are in place; and
– financial reporting practices.

In carrying out these activities, the Committee places reliance on regular reports from executive management, Internal Audit and from the Company's external auditors. In monitoring the financial reporting practices, the Audit Committee reviewed accounting policies, areas of judgement, the going concern assumptions and compliance with accounting standards and the requirements of the Code. During the year, the Committee reviewed, prior to publication, other statements affecting the Group concerning price sensitive information as necessary.

As reported last year, the Audit Committee concluded, in early 2014, its constructive dialogue with the Financial Reporting Council (FRC) following its review of the Company's 2011 Annual Report and Accounts. The outcome was enhanced reporting in certain areas which were addressed in the Company's previous years' Annual Reports and Accounts. Consequently, the FRC has concluded its review.

External auditor

Re-appointment

As noted earlier, Deloitte LLP is the Company's external auditor. Their performance is kept under regular review by the Board and the Audit Committee and the Committee undertook a formal assessment of the external audit process during the external audit of the Company's 2014 results and Deloitte's suitability going forward.

This review took the form of a checklist and questionnaire issued to Directors; executives involved in the detailed stages of the audit process; and a representative sample of employees in regional business units which were subject to audit. The responses were augmented by external feedback on the relative performance of auditors generally, and from regulatory sources. A summary of the findings was prepared by Internal Audit and considered by the Audit Committee at its February 2015 meeting.

The outcome of the review was that the Committee recommended to the Board, which in turn is recommending to shareholders in Resolution 12 on page 144, that Deloitte be re-appointed as the Company's auditors at the 2015 AGM.

Tender

A formal competitive audit tender process was carried out by the Company with regard to the 2008 audit, following which Deloitte was selected to continue as external auditor to the Company. The current lead engagement partner is Edward Hanson, who assumed responsibility for the 2014 audit under Deloitte's partner rotation scheme, having been involved in the 2013 external audit, in order to familiarise himself with its scope and detail as part of the handover process. The Code requires FTSE 350 companies to put the external audit contract out to tender at least once in every ten years. The Company also notes the guidance issued by the FRC by way of transitional arrangements. Therefore, and having due regard to the foregoing, having conducted a tender process in 2007/2008, the Company presently intends to defer tendering again,until completion of Edward Hanson's rotation in 2019, but will of course keep the matter under regular review, taking into account the annual performance review to be conducted by the Committee as well as other relevant factors. There are no contractual restrictions on the Company's selection of its external auditor.

Appointment of the auditor for non-audit services

The Audit Committee has a formal policy on whether the Company's external auditor should be employed to provide services other than audit services. In line with the Code, the Committee has regard to the relevant ethical guidance regarding the provision of non-audit services by Deloitte. This policy requires that there should be a competitive tender process – except in narrowly defined circumstances where it is considered that, based on confidentiality, past knowledge and other commercial reasons, there is an advantage in using a single tender procurement procedure.

The Committee has determined that the following assignments should not be undertaken by the auditors:

– bookkeeping or other services related to the accounting records or financial statements;
– internal audit outsourcing services;
– the provision of advice on large Information Technology systems; and
– services connected with valuation, litigation support, legal, recruitment or remuneration.

The Board is satisfied that this policy is conducive to the maintenance of good governance, best practice and auditor independence and objectivity.

Non-audit services in 2014 predominantly related to work undertaken as a result of Deloitte's role as auditors, in particular tax work which included some advisory services to the Company and its subsidiaries. Deloitte also performed certain real estate advisory work, for which they were selected as they were considered to be the best supplier for that service. All independence considerations were fully satisfied by both the Company and Deloitte for this work.

The Audit Committee fully recognises and supports the importance of the independence of auditors. Its review of the auditor's performance during 2014 included non-audit services. The Committee is satisfied that the carrying out of the above work did not, and will not going forward, impair the independence of the external auditor. It also recognises that, from time to time, there is a clear commercial advantage based on cost and timetable requirements in using the Company's auditors. As a result, the value of non-audit services work was £0.2m in 2014 (2013: £0.2m) as set out in Note 6 to the Accounts on page 110.

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Internal Audit

The Internal Audit function reviews the effectiveness and efficiency of the systems of internal control in place to safeguard the assets, to quantify, price, transfer, avoid or mitigate risks and to monitor the activities of the Group in accomplishing established objectives. Following each review an Internal Audit report is provided to both the management responsible for the area reviewed and the Group Management Team (GMT). These reports outline Internal Audit's opinion of the management control framework in place together with actions indicating improvements proposed or made as appropriate. The Chief Executive, the GMT and senior management consider the reports on a regular basis and are responsible for ensuring that improvements are made as agreed. A database of audit recommendations and improvement initiatives is maintained. Follow-up and escalation processes ensure that such improvements are implemented and fully embedded in a timely manner.

We belong to and participate in industry-wide forums and other initiatives aimed at combating fraud within the construction industry.

Summaries of all key Internal Audit reviews and activity and resulting reports are provided to the Audit Committee for review and discussion.

The Internal Audit function also formally reviews proposed related party transactions, such as purchases by employees from Group companies, to ensure proper procedures are followed and that such procedures are undertaken strictly in accordance with the formal policy in place and, where applicable, company law.

The most recent independent formal evaluation of the Internal Audit function was carried out on behalf of the Audit Committee during 2011 by PwC and its finding was that Internal Audit is operating effectively. The next independent formal evaluation is planned to take place during 2015.

A number of initiatives were progressed during 2014 to ensure the Internal Audit function continues to meet both current best practice and the evolving needs of the Group. The Internal Audit Charter, which codifies the aims, modus operandi and outputs of Internal Audit, was reviewed by the Committee for ongoing appropriateness. During 2014, Internal Audit completed the series of controls reviews at each of the 24 UK Regional businesses. That review focused on assessing the post-implementation success of the Group-wide 1B1S ERP system. In 2015, Internal Audit will focus on following up the recommendations arising from those reviews, as well as considering corporate level activities.

The Head of Internal Audit has direct access at all times, to the Chairman of the Audit Committee, the Chairman of the Board and also to the Chief Executive and the other Executive Directors.

Risk management and internal control

The Group has established an ongoing process of risk management and internal control, applying principle C.2 of the Code. The Board is responsible for the effectiveness of the system of internal control, which has been designed to meet the requirements of the Group and the risks it encounters, including taking account of environmental, social and governance considerations. The systems cannot eliminate the risk of failure but rather seek to manage both the likelihood of their occurrence and the extent of their impact, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The principal risks facing the Company, as assessed by the Board, are set out on pages 28 to 29, together with information on action taken and/or planned to mitigate each one.

The Board makes its assessment of risk half-yearly, after overseeing a bottom-up and top-down review of risk in all areas of the business. Action to mitigate the effect of each one is led by the Chief Executive either directly or indirectly.

The Board's assessments use a standard methodology which takes into account environmental, social and governance considerations.

In compliance with the Code, the Board also regularly reviews the effectiveness of the Group's system of internal control in providing a responsible assessment and mitigation of risks. The Board's monitoring covers all controls, including financial, operational, compliance and assurance controls which include risk management.

The Group's system of internal control is primarily exercised through an established Operating Framework supported by function manuals covering the main disciplines. Adherence to these is required and monitored by management and checked independently by Internal Audit.

At its half-year and year-end meetings, the Board reviews risk in relation to the Company's strategic objectives and its current plans to deliver them. It also reviews progress and performance in action taken to mitigate the impact of those risks.

The Board is supported in this by more regular and detailed reviews, by the Audit Committee, including the review of progress reports from Internal Audit, and by operational reviews led by the GMT.

These reviews during 2014 resulted in a number of enhancements to internal controls, designed to reduce or better manage risk across the business. These included the embedding of the COINS and 1B1S ERP business systems, which have improved the accuracy, timeliness and uniformity of data used to manage, and report on, the Group's businesses, and further work towards updating the Operating Framework and Commercial and Finance Manuals, which guide the businesses in ensuring compliance with Group standards.

The Committee reviewed the new Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014. This aims to bring together elements of best practice for risk management; to prompt Boards to consider how to discharge their responsibilities in relation to principal risks faced by the Company; embed risk management and internal control in the Company's business processes; and highlights related reporting responsibilities.

The Committee welcomes the new regulations, which it believes will enhance sound stewardship by the Board in these areas. The guidance applies for the Company's reporting period commencing on 1 January 2015.

At its meeting in February 2015, the Board, after conducting its own review and after reviewing more detailed assessments from the Audit Committee, remained satisfied that the system of internal control continued to be effective in identifying; assessing; and ranking the various risks facing the Company; and in monitoring and reporting progress in mitigating their potential impact on the Company. The Board also approved the statement of the principal risks set out on pages 28 to 29 of this Annual Report.

Audit Committee Report continued

Whistleblowing

The Group's whistleblowing policy is supported by a clear process that includes an externally facilitated hotline through which any person, including employees of the Company, may, in confidence, raise concerns about possible improprieties in financial reporting, other operational matters or inappropriate personal behaviours in the work place. All whistleblowing cases are formally investigated by the Head of Internal Audit, Group Health and Safety Director (where appropriate), Group Human Resources Director and/or the Group Legal Director and Company Secretary depending on the nature and/or seriousness of the issue. The Chief Executive is apprised of all allegations and conclusions of the review.

Whistleblowing incidents and their outcome are reported to the Audit Committee. Whistleblowing is a standing item on each Audit Committee agenda, which allows the Committee to regularly review the adequacy of the policy in line with its requirement to do so under the Code. The process is regularly reviewed and the Committee is satisfied that it remains effective.

Change of Basis of Accounting

A technical matter to be brought to shareholders' attention is a proposed change in the Company's basis of accounting. The Company's current basis of accounting is UKGAAP which the FRC has announced is to change for reporting periods commencing on or after 1 January 2015. There were three alternatives open to the Company, and after a detailed review of those alternatives, which included consultation with external parties, including the Company's external auditor, it is proposed to use FRS 101 as the Company's basis of accounting for reporting for financial year commencing 1 January 2015 and thereafter. The reason for choosing FRS 101 is that it is based on International Financial Reporting Standards (IFRS), as used generally throughout the European Union, and currently used for the Group financial statements. It is therefore proposed that the Company's basis of accounting be changed from UKGAAP to FRS 101 with effect from 1 January 2015.

The Audit Committee supports this change, which is largely a technical matter designed to ensure that the Company's accounts continue to be prepared in an appropriate way, which meets the standards generally applied by the accounting and auditing bodies of the UK, and remains in line with current law, regulation and guidance.

The Group Accounts are not impacted by this change. The Group Statutory Accounts are, and will continue to be prepared in accordance with IFRS as adopted by the European Union.

Formal notice of this change, and details of how shareholders may, if they wish, register their views on it, are set out in Statutory, Regulatory and Other Information on page 87.

Annual Report and Accounts 2014

Code provision C.1

The Board has responsibility under Code provision C.1 for preparing the Company's Annual Report and Accounts; for ensuring that it presents a fair, balanced and understandable assessment of the Company's position and prospects; and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Process

The review of the Company's Annual Report and Accounts took the form of a detailed assessment of the collaborative process of drafting them, which involves the Company's Investor Relations; Finance; Company Secretariat; and Internal Audit Departments, with guidance and input from external advisers. It ensured that there is a clear and unified link between this Annual Report and Accounts and the Company's other external reporting, and between the three main sections of the Annual Report and Accounts – the Strategic Report; the Governance Reports; and the Accounts.

In particular, the Committee:

- reviewed all material matters, as reported elsewhere in this Annual Report;
- ensured that it correctly reflected the Company's performance in the reporting year, as described on pages 10 to 39;
- ensured that it correctly reflected the Company's business model, as described on pages 18 to 23 ensured that it correctly described the Company's strategy, as described on pages 16 to 17;
- ensured that it presented a consistent message throughout; and
- considered whether it presented the information in a clear and concise manner, illustrated by appropriate KPIs, to facilitate shareholders' access to relevant information.

Significant items

As part of the above process, the Committee considered the following significant items in connection with the preparation of the 2014 Annual Report and Accounts:

- that the carrying value of inventory is reflective of the lower of cost and net realisable value and all relevant disclosures are included in the accounts. The Company carries out a net realisable value assessment for inventory every six months, the process and results of which are discussed by the Audit Committee.
- that the assumptions used in calculating the net pension liabilities are reasonable and supported by appropriate data and external advice. The Company takes external advice, including market-wide comparisons, in valuing pension assets and liabilities. These are discussed and agreed by the Committee.
- the Committee also satisfied itself that the underlying business processes that dictate the points of recognition for revenue, and the way in which inventory is costed and allocated, remain appropriate.

As part of the year-end process the Audit Committee received updates on other judgemental areas including provisions and taxation. The presentation of exceptional items, as well as changes to IFRS, were also considered when reviewing the 2014 Annual Report and Accounts.

Conclusion

A summary of the process and of the Committee's findings, was considered by the Board at its meeting on 25 February 2015.

The outcome of that review was that the Committee confirmed to the Board that the 2014 Annual Report and Accounts met the requirements of Code provision C.1, and the Board's formal statement to that effect, to meet the requirements of the Code, is set out on page 55.

Going concern

The Group has prepared forecasts, including certain sensitivities, taking into account the principal risks identified on pages 28 to 29. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provides both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Remuneration Report

"Remuneration policies and practices must drive behaviour that is in the long term interests of the Company and its shareholders."

Committee members

Number of meetings in 2014: 4

Directors	Attendance
Baroness Ford of Cunninghame	4
Kate Barker[(a)]	2
Kevin Beeston	4
Rob Rowley	3
Tony Reading[(b)]	2

(a) appointed to the Committee on 17 April 2014.
(b) resigned from the Board on 17 April 2014.

Dear Shareholder

I am delighted to take this opportunity, as the first year of my Chairmanship of the Remuneration Committee comes to an end, to summarise the Company's remuneration strategy and the way it has been implemented during 2014.

As always, the Committee remains very mindful of the interest in executive remuneration and has sought to ensure that the remuneration policies and practices at Taylor Wimpey drive behaviour that is in the long term interests of the Company and its shareholders.

Shareholders approved the Remuneration Policy (the Policy), as set out in the 2013 Directors' Remuneration Report at the 2014 AGM, and this Policy will apply until replaced by a new or amended policy. As confirmed last year, it is the Committee's intention that it will submit its policy to shareholders for approval once every three years unless circumstances dictate otherwise. The Remuneration Committee is of the view that the Policy continues to remain appropriate and should therefore continue to operate for 2015. There are no changes proposed to the Policy other than minor differences in the way in which the Policy will be implemented in 2015 compared with 2014. Where additional information has been included this has been clearly indicated for ease of reference for shareholders, namely, the pay scenario chart on page 72 and the additional information for 2015 set out on pages 72 and 73 in italicised text.

Although no changes are proposed, the Policy has, nevertheless, been included in this Report in full, for ease of reference, so as to assist shareholders in reviewing the Company's implementation of the Policy during 2014. The Annual Report on Remuneration which describes the implementation of the Policy during the year will again be subject to an advisory vote, and this will take place at the forthcoming AGM in 2015.

The Committee has continued its much valued practice of engaging with key institutional investors and shareholder representative bodies with regard to Director remuneration. As in previous years, the Committee has taken into account the feedback which it has received and is, as ever, very grateful for the constructive engagement and feedback.

With regard to salaries, the general increase throughout the Company to take effect from 1 April 2015 will be 3%. This will also apply to Pete Redfern (Chief Executive) and James Jordan (Group Legal Director and Company Secretary). As disclosed to shareholders in previous years and in line with our policy of, where appropriate, setting the starting salaries of new promotions to the Board at a below market level and increasing them to a mid-market level as they prove themselves in the role, the Committee intends to carry out a one-off realignment of Ryan Mangold's salary to reflect his performance and development. Accordingly, an increase of 12.4% will be awarded taking his salary from £355,744 to £400,000 with effect from 1 April 2015.

With regard to the 2014 short term incentive (cash bonus) in place for Executive Directors, the Company performed strongly against certain of the Group KPIs during the year, particularly in respect of the Earnings Before Interest and Tax, ROCE and Operating Margin targets. Accordingly, the actual bonus outturn was towards the upper end of the performance range and as a result, bonuses of 90% of the maximum bonus potential have been awarded in respect of 2014. One-third of this incentive will be deferred into shares to be held on trust for three years with no matching element.

With regard to the Performance Share Plan, the ROCE and Margin performance conditions of the 2011 and 2012 awards are measured at different times to the relative TSR performance conditions for these awards with the consequence that the ROCE and Margin elements and relative TSR elements of each award are included in the single figures of different financial years. We reported last year that the ROCE and Margin elements of the 2011 award would vest at levels of 74.4% and 100% respectively and I can now report that 100% of the relative TSR vs FTSE 250 element vested and that 93.85% of the relative TSR vs Sector Peers element vested. As a result 91.09% of the 2011 PSP award vested in April 2014.

The level of vesting under these plans reflects the continuing improvement in the Group's performance including Return on Capital Employed and Operating Margin from 14.6% to 20.6% and 13.6% to 17.9%, respectively, between 2011 and 2014 achieved as a result of management's focus on these key measures. This improvement in financial performance has contributed to a c.267% increase in Taylor Wimpey's share price over the same period (from 37.5p on 31 December 2011 to 137.8p on 31 December 2014) and total

shareholder return of c.282% over the same period, resulting in a significant increase in value for our shareholders and this is reflected in the value of the awards that vest.

For the 2012 PSP award which vested in 2015, 100% of the ROCE and Margin performance measures have been achieved. The outcome of the other two measures, namely TSR relative to the FTSE 250 and TSR relative to the Sector Peer Group are dependent on the Company's TSR to 5 March 2015 and the level of vesting will be reported next year. These are currently forecast to be 100% and 68.9% respectively.

Vested shares are subject to the enhanced shareholding guidelines which we put in place for our Executive Directors in 2013 and details of each Director's shareholding are set out on page 84. The Committee strongly believes in ensuring strong alignment between Executive Directors and senior management with shareholders.

The Committee has reviewed both the setting and the achievement of targets for both short-term and long-term incentive plans in respect of 2014, taking into account the impact of Government support schemes such as Help to Buy upon volumes, selling prices, cost of sales, cash flow and carrying value of inventory, and is satisfied that there has been no significant distortion of incentive target performance based on these factors in 2014.

The levels of achievement under both plans therefore reflect the Company's excellent underlying performance described elsewhere in this Annual Report, including the Chairman's Statement on page 8 and the Chief Executive's Review on page 10. In setting incentive targets for 2015, the Committee has also factored in the potential impact of such support schemes, and the Committee will keep this under review in 2015 and beyond. Further details on the vesting of the April 2011 PSP together with an update on the 2012 PSP award are set out on page 81.

The operation of the incentive arrangements for 2015 will be largely unchanged, save for some changes to the weighting of metrics used in the short-term incentive where there will be a greater weighting on a challenging customer service measure, and changes to the metrics and their weightings used for the PSP awards granted in April 2015. The Margin metric used in the PSP in recent years will be replaced by a Cash Conversion metric which will apply to 25% of the 2015 awards. A greater focus on cash conversion is a key element of the strategy that has been previously outlined to shareholders. Margin remains an important KPI for the Company and Margin performance will be taken into consideration as part of the Committee's assessment of the financial underpin that applies to awards under the PSP. In addition, in light of the growth in the Group's market capitalisation, the FTSE 250 peer group used for one of the TSR components of the PSP awards will be replaced by a peer group comprised of the 50 companies ranked above and 50 ranked below Taylor Wimpey by market capitalisation.

Executive Directors' interests continue to be sufficiently aligned with those of the Company's shareholders through the shareholding requirements described on page 83, and also via the bonus deferral into shares requirement described in more detail on page 70. This is being further enhanced for PSP awards made in 2015 by the introduction of a requirement to not sell shares within two years of their vesting other than to pay tax on exercise.

The Committee continues to believe that the remuneration policy set out in the Remuneration Policy Report will both support and motivate the senior team whilst aligning them both to the Company's strategic objectives and to achieving long term growth for our shareholders. We also believe that the remuneration of executives and the whole team during 2014 and the incentives for further improving performance that have been awarded during the year, support the Company's strategy to deliver enhanced returns to shareholders, and that the short term incentive payments and the proportionate vesting of awards under the Company's Performance Share Plan reflect our success to date in the delivery of that strategy.

I do hope that you will feel able to support the level of remuneration paid with respect to 2014 at this year's Annual General Meeting.

Baroness Ford of Cunninghame
Chairman of the Remuneration Committee

See pages 68-85 for more information

Main objective

- To establish and maintain formal and transparent procedures for developing policy on executive remuneration and for agreeing the remuneration packages of individual Directors and senior executives and to monitor and report on them.

In 2014 the Committee has

- Supported delivery of the Company's strategy through a remuneration policy which links a significant proportion of executive reward to the achievement of defined and stretching strategic goals;
- Obtained shareholder approval for the Company's first binding vote on its Remuneration Policy at the 2014 AGM;
- Engaged with major shareholders and shareholder bodies and took into account their views in assessing the continued appropriateness of the current Remuneration Policy;
- Reviewed the 2014 edition of The UK Corporate Governance Code (Code) including the requirement for remuneration to be designed to promote the long-term success of companies;
- Reviewed and updated the malus and clawback provisions to comply with the 2014 edition of the Code and, following the consultation with shareholders (referred to above) taken steps to apply those provisions to the Company's long term Performance Share Plan (PSP);
- Continued to support employee participation, as either shareholders or participants in all-employee share plans, in excess of 50%, with a small increase during the year.

Priorities and actions for 2015

- To carefully monitor Company performance in relation to the achievement of its strategic goals, and to ensure executive reward is closely linked to those achievements;
- To further align employees' and shareholders' interests through:
  - extending participation in the PSP to members of the Company's Regional Boards, who are a key determinant of the Group's success through performance at business unit level; and
  - further increasing participation in all-employee share plans and the percentage of employee shareholders.

Remuneration Report continued

Introduction

This Report has been prepared to comply with the provisions of the Companies Act 2006 and other applicable legislation, including the regulations covering remuneration reporting (the BIS Regulations), and has also been prepared in line with the recommendations of the UK Corporate Governance Code (the Code) and the UKLA Listing Rules.

This Report has been prepared by the Remuneration Committee on behalf of the Board.

The 2014 Remuneration Report includes again disclosures which reflect in full the BIS regulations on remuneration reporting, divided into two sections:

- Remuneration Policy Report, setting out the framework within which the Company remunerates its Executive Directors and other senior executives. This was approved by shareholders at the 2014 AGM and is binding on the Company from the 2014 AGM;
- Annual Report on Remuneration, setting out how the Company's present remuneration policy was applied during 2014 and how the policy will be implemented in 2015. The Annual Report on Remuneration will be subject to an advisory resolution at the AGM on 23 April 2015. Details of the resolution and its status as an advisory vote are set out in the Notes to the Notice of Meeting on page 150.

The BIS Regulations require that the Company's auditors report to shareholders on certain parts of this Report and state whether in their opinion those parts of it have been properly prepared in accordance with the BIS Regulations. The Remuneration Policy Report, which describes the Committee's remuneration policy for Executive Directors for the year commencing 1 January 2014 and future years, contains unaudited information. Elements of the Annual Report on Remuneration, which describes how the Committee has implemented its existing policy in 2014, contains audited information.

Remuneration Policy Report
Unaudited information

This part of the Report has been prepared in accordance with Part 4 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Company's Remuneration Policy was put to a shareholder vote at the 2014 Annual General Meeting of the Company (AGM) and was approved by 98% of shareholders who voted. There is no requirement to vote on the Policy in 2015 unless any changes to the policy are proposed, and the Committee does not intend to make any changes to the Policy at this time. The Policy is set out below for information only; the chart, showing remuneration scenarios on page 72 has been updated to reflect proposed 2015 remuneration levels and minor changes to the text of the policy have been made to reflect the fact that the policy was approved by shareholders. In order to assist shareholders, we have also added additional explanations where there are any differences in the way in which the policy will be implemented in 2015 compared with 2014. Where additional information has been included this has been clearly indicated in italicised text.

Policy Overview

A key part of the Committee's role is to ensure that the remuneration of Executive Directors and senior management is aligned to the Company's strategic objectives. It is, of course, key that the Company is able to attract and retain leaders who are focused and also appropriately incentivised to deliver the Company's strategic objectives within a framework which is aligned with the interests of the Company's shareholders. This alignment is achieved through a combination of deferral into shares of a percentage of the short term incentive arrangements and also via share ownership guidelines which require executives to build up holdings of Taylor Wimpey shares by retaining vested share awards. These guidelines were increased in 2012 so as to require Executive Directors to put in place a plan to accumulate a holding in the Company of twice their basic salary within a specified period.

The Committee's remuneration policy ensures that a significant percentage of the overall package of Executive Directors and senior management remains at risk. With all packages substantially geared towards share incentive schemes and performance, the Committee believes that the pay and benefits of its Executive Directors and senior management adequately takes account of reward versus risk. In line with The Investment Association's (formerly the ABI) Guidelines on Responsible Investment Disclosure, the Remuneration Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour.
More generally, the Committee under its terms of reference may, where it considers appropriate, take ESG matters into account when considering the overall remuneration structure. The Committee considers that no element of the remuneration arrangements, which are all very carefully considered, will encourage inappropriate risk taking or behaviour by any executive. The table below summarises the Committee's Policy for the Remuneration of Executive Directors which, since being approved by shareholders at the 2014 AGM, became effective from the conclusion of the 2014 AGM and will be binding until the AGM in 2017. It also summarises the remuneration position of the Chairman and Non Executive Directors and the Company's all-employee share schemes.

Element	Purpose and Link to strategy	Operation	Maximum	Performance targets
Salary	To recruit and reward executives of a suitable calibre for the role and duties required.	Salaries are normally reviewed annually to ensure that salaries remain competitive with external market practices and are competitive when measured against FTSE peers (other non-financial companies of a similar size in terms of market capitalisation and other large UK housebuilders).There is no automatic entitlement to an increase each year. Takes into account the following: – the performance, role and responsibility of each individual Director; – the economic climate, general market conditions and the performance of the Company; – the level of pay awards across the rest of the business; and – salary levels in comparably-sized companies and other major housebuilders.	The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce. However, larger increases may be awarded in certain circumstances including but not limited to: – increase in scope or responsibilities of the role; – to apply salary progression for a newly appointed Director; and – where the Director's salary has fallen significantly below the market positioning.	Company and individual performance are factors considered when reviewing salaries
Chairman and Non Executive Director fees	The Chairman's and Non Executive Director fees should be in line with recognised best practice and be sufficient to attract and retain high calibre non executives.	Fees consists of a single consolidated fee for the Chairman plus the payment of a cash amount to cover his office expenses[1], an annual fee for the other Non-Executives and additional fees for the Chairman of the Audit Committee and the Remuneration Committee. An additional fee is also paid to the Senior Independent Director in recognition of the responsibilities of that role. Set by reference to the responsibilities undertaken by the non-executive, taking into account that each Non Executive Director is expected to be a member of the Nomination Committee and/or the Audit Committee and/or Remuneration Committee. Reviewed periodically but generally annually and at least every other year. Takes into account levels in comparably-sized companies and other major housebuilders. Fees are paid monthly in cash. Non Executive Directors do not participate in any incentive, share scheme, benefits-in-kind or pension arrangements. The Chairman is entitled to participate in the Company's private medical insurance scheme.	Aggregate annual limit of £1 million imposed by the Articles of Association.	N/A
Other benefits, including benefits-in-kind	Provides a competitive package of benefits to assist with recruitment and retention of staff.	The main benefits offered include: – company-provided car or a cash allowance in lieu; – provision of a fuel card; – life assurance; – private medical insurance; and – a 5% discount on the price of a new or part exchange home acquired from the Group in the UK or Spain. Benefits-in-kind are not pensionable.	Life assurance of up to four times basic salary and a pension of up to two-thirds of the member's entitlement for a spouse on death in service, or in retirement, are provided, together with a children's allowance of up to 100% of the dependant's pension for three or more eligible children. The cost of these benefits is not predetermined. The value of a company-provided car or a cash allowance in lieu is of a level appropriate to the individual's role and is subject to review from time to time. The fuel card covers the cost of all fuel, for both business and personal use. For home purchases, the price discount is calculated at the plot release price less the average discount to third party buyers for that house type, less a further 5%.	N/A

Remuneration Report continued

Element	Purpose and Link to strategy	Operation	Maximum	Performance targets
Short term incentive arrangement (STIA)	Rewards the achievement of stretching objectives that support the Company's annual and strategic goals. Compulsory deferral in shares (with no matching) is designed to further align the interests of Directors with shareholders.	Bonus awards are determined by the Committee after the year end, based on annual performance against targets set at the beginning of each year. One-third of any bonus payable is deferred into shares for three years. No further performance conditions apply. Dividends or other distributions will accrue in favour of participants during the three year deferral period and will be received with any shares that vest after the applicable deferral period. A clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts and also for other defined reasons. The period of the clawback is three years from the date of payment. No element of any STIA is pensionable.	The maximum STIA opportunity for Executive Directors is set at 150% of base salary. Target is set at 75% of salary and threshold at 0%.	The STIA measures are based on a scorecard of key annual financial, operational and environmental measures and the measures for 2015 are described in the Annual Report on Remuneration. The Committee may vary the metrics and weightings from year to year according to strategy and the market, however financial measures will normally have the most significant weighting.
Long term incentive plan (LTIP)	Annual grants of share-based long term incentives assist with retention and help to incentivise senior executives to achieve returns for shareholders through the inclusion of relative Total Shareholder Return (TSR) as a measure, driving further UK operating margin progression and improving return on net operating assets through the cycle. The use of shares and the introduction in 2014 of a post-vesting share holding period, helps align the interests of senior executives with those of the Company's shareholders.	Executive Directors and other designated senior executives can receive annual awards of performance shares or share options[2], although it is the Company's normal policy to grant performance shares only. Awards of performance shares provide alignment with shareholders as they deliver (subject to meeting performance conditions) the full value of the shares, which can increase and decrease over the three year performance period. Dividends or other distributions will accrue for Directors during the performance period and will be received with any shares that vest in favour of participants after the applicable performance period. For awards made in 2014 there was a requirement to hold net after tax shares resulting from any vesting for at least one year post-vesting, rising to two years for awards made in 2015 and beyond. Performance measures are currently measured over three financial years.	The maximum award (currently in performance shares) is normally over shares with a face value of 200% of base salary. In exceptional circumstances this can be increased up to 300%. If share options were to be granted in addition to or instead of performance shares then the limits would be doubled to reflect the relative fair value of options to performance shares.	Measures for 2014 are based on: ROCE (RONA); Relative TSR measured against the FTSE 250; TSR measured against an unweighted industry peer group; and Margin. Vesting of awards is also subject to the achievement of a financial underpin. The Committee may vary the measures that are included in the plan and the weightings between the measures from year to year. Any changes to the metrics would be subject to prior consultation with the Company's major shareholders. The targets and weightings for 2015 are described in the Annual Report on Remuneration.

Element	Purpose and Link to strategy	Operation	Maximum	Performance targets
Pension	The Company aims to provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders[3].	Pension benefits for Executive Directors are provided through one or more of the following arrangements: Personal Choice Plan[4]; Taylor Wimpey Pension Scheme[5]; or as cash allowances.	Pete Redfern: cash allowances of 20% of salary up to a scheme specific cap and 25% of salary above the cap. James Jordan: cash allowances of 20% of salary up to a scheme specific cap and 28% of salary above the cap. Ryan Mangold: cash allowance of 15.6% of salary. Company contributions to any pension scheme in respect of the recruitment of a new Executive Director will not exceed 30% of base salary per annum. A Flexible Pension Arrangement is available, allowing the sacrifice of a portion of salary, to be paid into a pension scheme as a Company contribution.	N/A
All-employee share schemes	All employees including Executive Directors are encouraged to become shareholders through the operation of all-employee share plans such as the HMRC approved Sharesave plan and a Share Incentive Plan (SIP).	The Sharesave plan and SIP have standard terms under which all UK employees with at least three months' service can participate.	Sharesave: Employees can elect for a savings contract of either three or five years, with a maximum monthly saving set by legislation or by HMRC. Options can be exercised during the six months following the end of the contract. SIP: Employees can elect to contribute an amount per month or per tax year by one or more lump sums. The maximum saving or contribution level is set by legislation or Government from time to time and the Committee reserves the right to increase contribution levels to reflect any approved Government legislative changes.	N/A
Shareholding guidelines	Encourages greater levels of shareholding and aligns employees' interests with those of shareholders.	Executive Directors and senior executives are expected to achieve and maintain a holding of the Company's shares at least equal to a significant proportion of their respective salary.	Executive Directors 200% of salary (100% within five years of appointment and balance by agreement with the Chairman)[6].	N/A

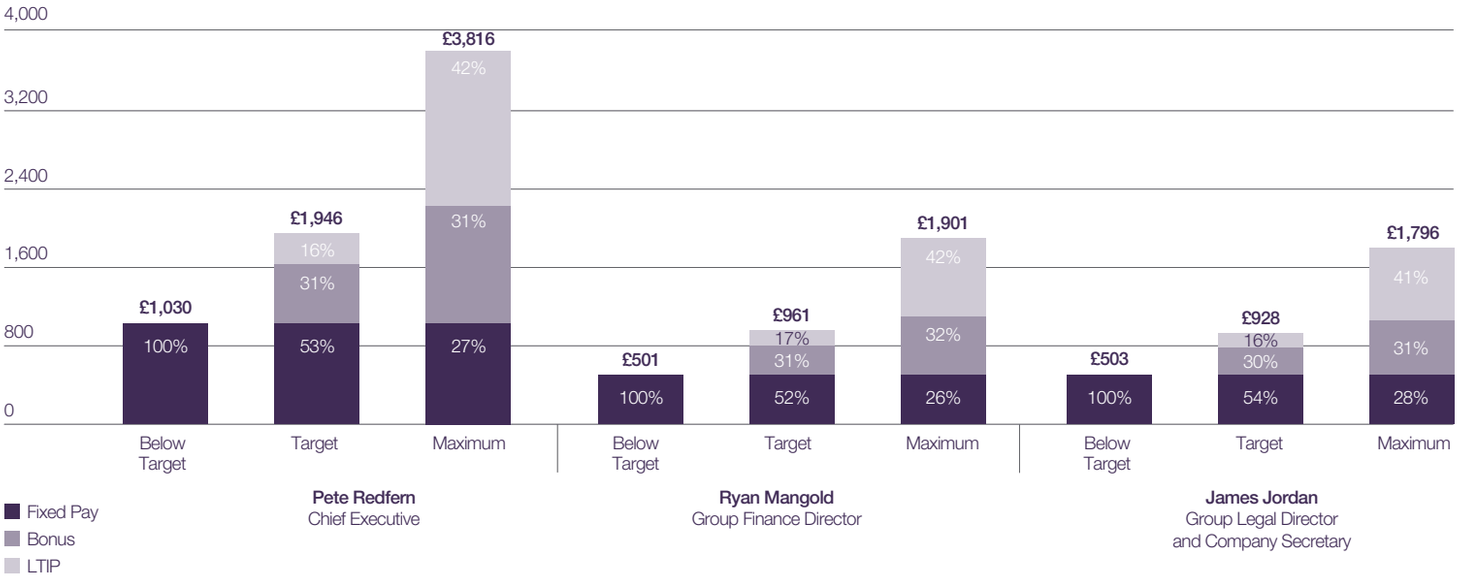
1. The Company makes a contribution to the Chairman's office-related and other expenses, as reported on page 78.
2. Taylor Wimpey Share Option Plan – Awards made under this plan may include Income Tax-approved awards made up to HMRC's aggregate limit of £30,000. Awards normally vest after three years from the start of the performance measurement period (four years for awards made during 2009) provided that the performance condition has then been achieved. No awards have been made under this plan since 2009 and no further awards are intended.
3. Taylor Wimpey Pension Schemes – The Group has two principal UK pension schemes: Taylor Wimpey Personal Choice Plan; Taylor Wimpey Pension Scheme (TWPS); The latter was created on 7 March 2013 and all members of the George Wimpey Staff Pension Scheme and the Taylor Woodrow Group Pension & Life Assurance Fund, the two legacy defined benefit schemes, were transferred into the TWPS on 1 October 2013. Two Directors are members of the TWPS, which is closed to future accrual.
4. Taylor Wimpey Personal Choice Plan (PCP) – The PCP was introduced on 1 April 2002. It is a defined contribution stakeholder pension scheme, which all new eligible UK employees are invited to join. All active members of the two legacy defined benefit arrangements were invited to join the PCP when those arrangements closed to future accrual.
5. TWPS – Pete Redfern and James Jordan are members of the Executive section of the TWPS. They have a Normal Retirement Age under the TWPS of 62.
6. Until the 200% target is achieved, an Executive Director will be required to retain in shares at least 50% of the net of taxes gain arising from any shares vesting or acquired pursuant to the LTIP.

Remuneration Report continued

The chart below illustrates the level and mix of remuneration based on the current policy depending on the achievement of threshold, target and maximum for the Executive Directors. It has been updated to reflect 2015 salary levels but the assumptions used are the same as in the Policy Report that was approved by shareholders at the 2014 AGM.

Performance criteria pay chart – 2015

(£000's)



1. Salary is £795,849, £400,000 and £369,501 for Pete Redfern, Ryan Mangold and James Jordan, respectively with effect from 1 April 2015.
2. Benefits are £43,000, £21,000 and £42,000 for Pete Redfern, Ryan Mangold and James Jordan, respectively.
3. Pension is £191,492, £80,000 and £91,508 for Pete Redfern, Ryan Mangold and James Jordan, respectively.
4. For the Short Term Incentive Arrangement the target and maximum award is 75% and 150% of salary, respectively.
5. For performance share awards under the long-term incentive plan (PSP) the target (assumed for these purposes to be at threshold performance) and maximum is 40% and 200% of salary, respectively.

Additional information for 2015: Malus and clawback

As disclosed in the summary of the Committee's activities in 2014 on pages 66 and 67, the Committee has reviewed and updated the malus and clawback provisions to ensure compliance with the 2014 Code and has taken the opportunity to extend these provisions so that they apply, in addition to future STIA awards, to all Long Term Incentive Plan (PSP) awards made in 2015 and future years. Where there has been a misstatement of results; error in calculating the incentive payment; or misconduct on the part of the individual, the Committee will have the ability to seek to recover any overpaid bonus or PSP award. This will apply for a period of up to three years following the determination of the performance conditions applying to the award and can be effected by reducing (if necessary to zero) the payment or vesting of any future STIA or PSP award or by requiring the individual to repay the overpaid amount.

Committee discretion

The Committee fully recognises that the exercise of discretion must be undertaken in a very careful and considered way and that it is an area that will quite rightly come under scrutiny from shareholders and other stakeholders. It is however important for the Committee to retain some discretion to make payments outside of its Remuneration Policy in exceptional circumstances. The Committee confirms that any exercise of discretion in such circumstances would be within the available discretions set out in this Report and the maximum levels available set out in any plans would not be exceeded.

With regard to the STIA and LTIP, the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans but in all cases within the rules. These include (but are not limited to) the following (albeit with the level of award restricted as set out in the policy table on pages 69 to 71):

- who participates in the plans;
- the timing of grant of award and/or payment;
- the size of an award and/or a payment, subject to the limits of the rules;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- discretion to dis-apply time pro-rating in the event of a change of control or good leaver circumstances;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, acquisition, divestment, change of control, special dividend or a change in prevailing market conditions); and
- the ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

How shareholder views are taken into account

The Remuneration Committee considers very seriously all shareholder feedback received in relation to remuneration each year and guidance from shareholder representative bodies more generally. Shareholder views are key inputs when shaping the remuneration policy and the Committee welcomes any comment or feedback on any aspects of remuneration and will always consider and respond.

The Committee regularly engages with its largest shareholders regarding the ongoing remuneration policy and implementation and will take into account any feedback when determining any changes that might apply. *The last such consultation took place in early 2015 and included the performance targets and weightings of the PSP and STIA and salary proposals for 2015.*

The Committee follows the principles of good governance relating to Directors' remuneration as set out in the Main Principles, Supporting Principles and Code Provisions of the Code. The Committee reviews and takes into account any governance related developments and guidance that arise, on an ongoing basis.

How performance measures were chosen

The performance metrics that are used for each of the short and long-term incentive plans have been selected to reflect the Group's key strategic goals and are designed to align the Directors' interests with those of the Company's shareholders.

The STIA performance metrics include a mix of financial and personal metrics reflecting the key annual priorities of the Group. The financial metrics will generally determine at least 50% of the bonus and include profit before interest and tax as this reflects the Company's strategic objective to increase profit. The other metrics, selected on an annual basis, will be measurable and will ensure that executives are motivated to deliver across a scorecard of key objectives.

The performance conditions applicable to the LTIPs were selected by the Remuneration Committee as they are consistent with the overall longer term success of the Company. TSR provides an external assessment of the Company's performance against its competitors via an unweighted industry peer group and relative TSR measured against the FTSE 250. It also aligns the rewards received by executives with the returns received by shareholders. The Margin and ROCE targets ensure that returns to shareholders are the result of long-term sustainable financial performance.

The Committee will review the choice of performance measures and the appropriateness of the performance targets each year. Targets are set based on a sliding scale that takes account of internal planning and external market expectations for the Company. Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of our challenging plans approved at the start of each year.

Additional information for 2015

As referred to in the letter from the Chairman of the Remuneration Committee on page 67, the Margin metric used in the PSP in recent years, has been replaced by a Cash Conversion metric which will apply to 25% of the 2015 awards. A greater focus on Cash Conversion is a key element of the strategy that has been outlined to shareholders during 2014. However, Margin remains an important KPI for the Company and Margin performance will be taken into consideration as part of the Committee's assessment of the financial underpin that applies to awards under the PSP and remains a key performance target under the 2015 STIA. In addition, in light of the growth in the Group's market capitalisation, the FTSE 250 peer group used for one of the TSR components of the PSP awards will be replaced by a peer group comprised of the 50 companies ranked above and 50 ranked below Taylor Wimpey by market capitalisation. This comparator group is felt to be more appropriate given the Company's current size than the FTSE 250.

External non executive director positions

Subject to Board approval and provided that such appointments fall within the general requirements of the Code (and do not give rise to any conflict issues which cannot be managed by the Board and the Executive Director), Executive Directors are permitted to take on non executive positions with other companies. Executive Directors are permitted to retain their fees in respect of such positions. In early 2014, none of the Executive Directors held an external directorship of a disclosable nature. Any such appointments would be the subject of a public announcement to the London Stock Exchange.

Additional information for 2015

On 11 November 2014 Pete Redfern was appointed as an independent non executive director of Travis Perkins plc where he also serves on its Audit and Remuneration Committees. He will receive fees totalling £55,000 per annum for this position.

Remuneration policy for the wider workforce

When setting the policy for Executive Directors, the Committee is made fully aware of pay structures across the workforce. In addition, the Committee will conduct a formal review of remuneration across the Group and for all levels of employee every three years.

Virtually all of the Company's employees participate in incentive arrangements and many employees can elect to take their performance related payment in shares rather than cash (further enhancing the link and alignment between shareholder value and employee reward throughout the Company, which both the Company and the Committee remain keen to promote. In addition, the Company has operated a long-term incentive arrangement – the Land Value Plan (LVP) for senior divisional and functional roles with payouts in shares. The LVP is open to designated senior executives below Executive Director level and is designed to reward participants for managing the landbank in a way which adds value, through a combination of managing and adding value to the existing land portfolio and buying land and adding value over and above the base case for each acquisition. Performance is measured over a three year period and awards to senior participants are in shares which are required to then be retained for 12 months. At the time this policy was approved, the Committee retained discretion to consider linking part of the long-term incentive awards to the Executive Directors to similar measures, subject to a prior and comprehensive shareholder consultation. The Company also offers both Sharesave and SIP schemes to all eligible UK employees with more than three months' service.

Additional information for 2015

The Committee reviewed the operation of the LVP at the end of 2014. The LVP was introduced in 2012 and has operated for three years with the last awards made in 2014. During the period of its operation the land bank has improved significantly. It is not intended to make any further awards under the LVP and participants will instead participate in the PSP. Executive Directors have not participated in the LVP.

Remuneration policy on recruitment or promotion

Base salary levels will be set in accordance with the current remuneration policy, taking into account the experience and calibre of the individual. Where appropriate, the Company may offer a below market salary initially with a view to making above market and workforce increases over a number of years to reach the desired salary positioning, subject to individual and Company performance. Benefits and pension will be provided in line with those offered to other Executive Directors, with relocation expenses/arrangements provided for if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. Legal fees and other costs incurred by the individual may also be paid by the Company, if considered appropriate and reasonable to do so.

The variable pay elements that may be offered will be subject to the maximum levels described in the policy table above. The Company may also apply different performance measures if it feels these appropriately meet the strategic objectives and aims of the Company whilst incentivising the new appointment.

The above policy applies to both an internal promotion to the Taylor Wimpey plc Board or an external hire.

In the case of an external hire, the Company may choose to buy-out any incentive pay or benefit arrangements which would be forfeited on leaving the previous employer. This will only occur where the Company feels that it is a necessary requirement to aid the recruitment. The replacement value would be provided for, taking into account the form (cash or shares) and timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using Taylor Wimpey's existing share plans wherever and to the extent possible, although in exceptional circumstances awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

In the case of an internal hire including a promotion, as previously reported, the Company will honour any commitments entered into prior to their appointment to the Board even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts of employment providing for a maximum of one year's notice either way. Service contracts for all Executive Directors and letters of appointment for all Non Executive Directors are available for inspection as described in the Notice of Annual General Meeting.

Each of the Executive Directors' service contracts provides for:

- the payment of a base salary (details of which are set out on page 76);
- an expensed Company-provided car or a cash allowance in lieu; a fuel allowance; life assurance; and private medical insurance (details of which are set out on page 78);
- employer's contribution to a pension scheme (details of which are set out on page 78);
- a notice period by either side of 12 months; and
- a provision requiring a Director to mitigate losses on termination.

The service contract for each of Pete Redfern and James Jordan additionally provides for a pension allowance.

Each service contract contains the following performance-related provisions:

- participation in the STIA; and
- participation in one or more LTIP.

In respect of pay in lieu of notice (PILON), it is the Company's policy that liquidated damages should not automatically apply on the termination of an Executive Director's contract. Such contracts do provide for PILON to be paid, with the amount determined having regard to normal legal practices. In accordance with this approach, payment for early termination of contract (without cause) by the Company is to be determined, in the case of each Executive Director, having regard to normal legal principles which require mitigation of liability on a case-by-case basis. Any such payment would typically be determined by reference to the main elements of a Director's remuneration, namely: salary, STIA entitlement (subject to Committee discretion as appropriate), benefits-in-kind and pension entitlements. Phased payments will be considered by the Company where appropriate. There are no change of control provisions that apply in relation to the service contract of any Executive Director.

Other than in certain 'good leaver' circumstances (including, but not limited to, redundancy, ill-health or retirement), no STIA would usually be payable unless the individual remains employed and is not under notice at the payment date. Any STIA paid to a 'good leaver' would be based on an assessment of their and the Company's performance over the applicable period and pro-rated for the proportion of the STIA year worked.

Where an Executive Director is considered by the Remuneration Committee to be a good leaver, deferred bonus awards (shares) would vest. In other circumstances, awards would lapse.

With regard to long term incentive awards, the LTIP rules provide that other than in certain 'good leaver' circumstances, awards lapse on cessation of employment. Where an individual is a 'good leaver', the Committee's normal policy is for the award to vest on cessation of employment following the application of performance targets no later than the normal vesting date of the award and a pro-rata reduction to take account of the proportion of the applicable performance period outstanding post the cessation. The Committee has discretion to deem an individual to be a 'good leaver'. In doing so, it will take account of the reason for the departure and the performance of the individual through to the time of departure.

In situations where an Executive Director is dismissed, the Committee reserves the right to make additional exit payments where such payments are made in good faith:

- in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or
- by way of settlement or compromise of any claim arising in connection with the termination of Director's office or employment.

The terms of engagement of the Chairman and the Non Executive Directors are regulated by letters of appointment over a term of three years, which are reviewed annually. Both the Company and the aforementioned Directors have a notice period of six months and the Directors are not entitled to compensation on termination other than for the normal notice period if not worked out.

Service contracts and letters of appointment may be inspected at the Company's Registered Office during normal business hours.

Legacy arrangements
Any commitment made which is consistent with the approved remuneration policy in force at the time that commitment was made will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Annual Report on Remuneration
Unaudited information
This part of the Report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R/9.8.8 of the Listing Rules. This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2015 AGM. The information in the Implementation of the Remuneration Policy During 2014 section on pages 77 to 85 has been audited.

Remuneration Committee
The role of the Remuneration Committee (the 'Committee') is to recommend to the Board a strategy and framework for remuneration for Executive Directors and senior management in order to attract and retain leaders who are focused and incentivised to deliver the Company's strategic business priorities within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long-term success of the Company.

The Remuneration Committee has clearly defined terms of reference which are available on the Company's website www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance. The Committee's main responsibilities are to:

- establish and maintain formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, and to monitor and report on them;
- determine the remuneration, including pension arrangements, of the Executive Directors;
- monitor and make recommendations in respect of remuneration for the tier of senior management one level below that of the Board;
- approve annual and long term incentive arrangements together with their targets and levels of awards;
- determine the level of fees for the Chairman of the Board; and
- select and appoint the external advisers to the Committee.

The Committee currently comprises three Independent Non Executive Directors and the Chairman of the Board. Margaret Ford is the Committee Chairman, having been appointed after Tony Reading stood down from the Board in April 2014 after nine years' service. The other members of the Committee are Kevin Beeston, Rob Rowley and Kate Barker, who became a member with effect from 17 April 2014. Membership of the Committee is, and was throughout 2014, in line with the Code.

Details of attendance at Remuneration Committee meetings held during 2014 are set out below.

Number of meetings in 2014	4
Directors	Attendance
Baroness Ford of Cunninghame	4
Kate Barker^	2
Kevin Beeston	4
Rob Rowley	3
Tony Reading*	2

^ Appointed to the Committee 17 April 2014.

* Resigned from the Board 17 April 2014.

No Director or other executive is involved in any decisions about his/her own specific remuneration.

Advice to the Committee
The Committee keeps itself fully informed on developments and best practice in the field of remuneration and it seeks advice from external advisers when appropriate.

The Committee appoints its own independent remuneration advisers and during the year it continued to retain the services of New Bridge Street (an Aon Hewitt company which is not connected to Taylor Wimpey). New Bridge Street's ultimate parent company is Aon PLC.

New Bridge Street is a signatory to the Remuneration Consultants' Group Code of Conduct. It provides no other services to the Company. Although the wider Aon PLC group of companies provide insurance broking and pension administration support services to the Company, the Committee is entirely satisfied that the provision of such services does not create any conflicts of interest. New Bridge Street was appointed in February 2009 following a comprehensive tendering process. The Committee reviews the performance and independence of its advisers on an annual basis.

The Committee also receives legal advice from Slaughter and May as and when necessary. This generally relates to technical advice on share schemes and also with regard to any senior appointments and termination arrangements.

The fees paid to the Committee's advisers in 2014 were: New Bridge Street £80,000 (2013: £96,000) representing a full year's appointment. No significant amount of advice was sought from Slaughter and May during the year.

Pete Redfern, the Chief Executive; James Jordan, the Group Legal Director and Company Secretary; and the Group Human Resources Director each attend Committee meetings by invitation only but are not present for any discussions that relate directly to their own remuneration.

Chairman and Non Executive Directors

The terms of engagement of the Chairman and the Non Executive Directors are regulated by letters of appointment as follows:

Name	Date of appointment as a Director	Date of initial letter of appointment	Term of appointment	Notice period by Company (months)	Notice period by Director (months)
Kevin Beeston	1 July 2010	13 May 2010	3 years, reviewed annually	6	6
Kate Barker	21 April 2011	7 February 2011	3 years, reviewed annually	6	6
Margaret Ford	25 April 2013	19 March 2013	3 years, reviewed annually	6	6
Mike Hussey	1 July 2011	30 June 2011	3 years, reviewed annually	6	6
Rob Rowley	1 January 2010	1 December 2009	3 years, reviewed annually	6	6

How the Remuneration Policy will be applied in 2015

Base Salary

The Committee reviewed the Executive Directors' salaries in February 2015 and has decided to award increases of 3% for Pete Redfern and James Jordan, with effect from 1 April 2015, in line with the equivalent general increase made to all employees (subject to a very small number of exceptions). As indicated to shareholders previously, Ryan Mangold's salary was set at a below market level on his appointment to the Board in 2010 with a view to increasing it to a market level over time as he developed in the role. Ryan Mangold's salary will be increased by 12.4% to reflect his strong performance and development. This will bring his salary to a broadly mid-market level. Following this realignment of his salary it is anticipated that his future increases will be in-line with increases awarded to the general workforce.

The salaries of the Executive Directors effective from 1 April 2015 will be as follows:

Name	Salary at 1 April 2014	Salary at 1 April 2015	Increase
Pete Redfern	£772,669	£795,849	3%
Ryan Mangold	£355,744	£400,000	12.4%
James Jordan	£358,739	£369,501	3%

Short term incentive arrangements (STIA)

The STIA performance metrics and their weightings for 2015 are shown in the table below. The targets themselves, as they relate to the current financial year, are deemed to be commercially sensitive. However, detailed, retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report.

Measure	Strategic objective	Weighting
Group EBIT	To increase profit	35%
Cash generated	Delivering sustainable growth	20%
Margin	Driving further UK operating margin progression	25%
Customer Service	Caring about our customers	20%

The above metrics and weightings have been reviewed from previous years to reflect the Company's move to a new phase of its strategy, with the removal of the previous ROCE and energy reduction metrics, on the basis that the key strategic imperatives lie elsewhere, although each will of course remain a key priority for the Company. Customer Service is an area of particular focus by the Company and challenging targets have been put in place, in order to reflect this and the additional weighting attached to this measure.

Long Term Incentive Plans

Taylor Wimpey Performance Share Plan (TWPSP)

The annual awards granted to Executive Directors in 2015 will be subject to the following performance conditions:

	Weighting (% of total award)	Below Threshold (0% vesting)	Threshold (20% vesting)	Maximum (100% vesting)
TSR v Direct Peer Group Index	30%	Below Index	Equal to Index	Index + 8% p.a.
TSR v 50 FTSE companies ranked above Taylor Wimpey and 50 ranked below by market capitalisation	20%	Less than median	Median	Upper Quartile
Absolute ROCE in 2017	25%	Less than 16%	16%	24%
Conversion of operating profit into operating cash flow averaged over a three year performance period (2015-2017)	25%	Less than 65%	65%	70%

Awards vest on a straight line basis between these points. The ROCE targets are based on the absolute ROCE in 2017, defined as operating profit, divided by the average of the opening and closing net operating assets, which is in turn, defined as capital employed plus intangibles less tax balances. The Housebuilders index is an unweighted index comprised of Barratt Developments, Bellway, Berkeley Homes, Bovis Homes Group, Crest Nicholson, Galliford Try, Persimmon and Redrow.

An underlying requirement for any vesting under the current share-based incentive plans is that at the time of approving the vesting, the Committee must be satisfied with the overall financial performance of the Group. This will include inter alia the Company's ROCE and Margin performance.

The Committee also retains the right (as part of its overall discretion) to reduce the vesting of the award if it considers that volumes (i.e. the number of homes sold) have not been satisfactory during the relevant performance period.

Dividends and other distributions will accrue on all awards during the performance period and be released in cash when, and to the extent that, the relevant awards vest.

Non Executive Directors' and Chairman's fees

Fees of Non Executive Directors are determined by the Board in their absence taking into account the research carried out by independent remuneration consultants of fees paid to Non Executive Directors. The fees of the Chairman are determined by the Remuneration Committee in his absence. A summary of the current fees are set out below. The fees of the Chairman and the Non Executive Directors are reviewed every other year with any increases taking place with effect from 1 July. Fees were last reviewed in 2013 and are unchanged since then but will be reviewed during 2015:

	Fees at 1 April 2015
Chairman	£256,250
Basic Non Executive Director fee	£55,000
Senior Independent Director fee	£10,000
Audit Committee Chairman	£15,000
Remuneration Committee Chairman	£15,000

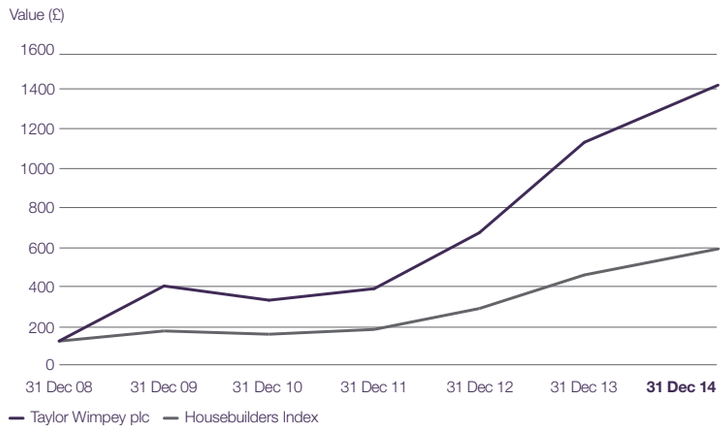
All Directors will submit themselves for re-election at the AGM in accordance with the Code.

Implementation of the Remuneration Policy During 2014
Audited information

Performance graph

This graph shows the value, by 31 December 2014, of £100 invested in Taylor Wimpey plc on 31 December 2008 compared with the value of £100 invested in the average of the housebuilder index introduced for the 2012 TWPSP awards onwards. The other points plotted are the values at intervening financial year-ends.

Total shareholder return



Source: Thomson Reuters

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Remuneration Report continued

The table below shows the total remuneration figure for the Chief Executive over the same six year period. The total remuneration figure includes the STIA and LTIP awards which vested based on performance in those years. The STIA and LTIP percentages show the payout for each year as a percentage of the maximum.

	Year ending 31 December					
	2009	2010	2011	2012	2013	**2014**
Total Remuneration (£'000)	£1,657	£1,542	£1,674	£3,009	£6,724[a]	**5,809[b]**
STIA (%)	100%	85%	82%	95%	90%	**90%**
LTIP vesting (%)	0%	0%	0%	40%	85%	**99%**

(a) The 2013 single figure includes the value of the August 2010 PSP awards and the ROCE and Margin elements of the 2011 PSP awards. Due to the timing of the grant of the 2009 and 2010 awards the performance periods for the August 2010 and elements of the 2011 PSP awards both ended during 2013 and they are therefore included in the 2013 single figure. As the 2011 PSP awards did not vest until April 2014, the final value of these awards at vesting was not known at the time the 2013 report was prepared and therefore an estimated value was used. The 2013 single figure in this report has been restated to show the actual value of the shares at the vesting date. Details of the percentage of each award vesting are summarised in the table on page 79.

(b) The 2014 single figure includes the ROCE and Margin elements of the 2012 PSP awards. Due to the timing of the grant of those awards, the performance periods for the two TSR elements will not conclude until later in March 2015 and will be included in a revised 2014 single figure in next year's Report.

Director Emoluments

£'000	Year	Fees & Salary	Benefits[a]	STIA	LTIP[d][e]	Pension[f]	**Total**
Executive							
Pete Redfern	2014	768	43	1,043	3,770	185	**5,809**
	2013	749	30	1,018	4,747	180	**6,724**
Ryan Mangold[c]	2014	354	21	480	1,535	71	**2,461**
	2013	340	13	469	1,166	88	**2,076**
James Jordan	2014	357	42	484	1,751	88	**2,722**
	2013	348	29	472	1,906	86	**2,841**
Non Executive							
Kevin Beeston[b]	2014	256	–	–	–	–	**256**
	2013	253	–	–	–	–	**253**
Kate Barker	2014	55	–	–	–	–	**55**
	2013	53	–	–	–	–	**53**
Margaret Ford	2014	66	–	–	–	–	**66**
	2013	37	–	–	–	–	**37**
Mike Hussey	2014	55	–	–	–	–	**55**
	2013	53	–	–	–	–	**53**
Rob Rowley	2014	80	–	–	–	–	**80**
	2013	75	–	–	–	–	**75**
Tony Reading (resigned 17 April 2014)	2014	21	–	–	–	–	**21**
	2013	65	–	–	–	–	**65**
Brenda Dean (resigned 25 April 2013)	2014	–	–	–	–	–	**–**
	2013	17	–	–	–	–	**17**
	2014	2,012	106	2,007	7,056	344	**11,525**
	2013	1,990	72	1,959	7,819	354	**12,194**

(a) Benefits include non-cash payments such as private medical insurance, life insurance, company car provision, fuel allowances, and cash payments such as car allowance taken in lieu of a car.

(b) The Company also paid £10,000 (2013: £25,000) as a contribution towards the Chairman's annual office and related administration costs incurred in carrying out his role.

(c) Ryan Mangold is a member of the salary exchange scheme operated by the Company and the amount exchanged during the year was £9,000 (2013: £34,000). The Flexible Pension Arrangement is a voluntary arrangement, the effect of which is to allow members and the Company to benefit from savings in National Insurance contributions through the sacrifice of a portion of salary, which would then be paid into a pension scheme as a Company contribution, prior to NIC being calculated. The Scheme therefore reduces the effective salary of the individual.

(d) This column shows the vesting during 2014 and 2013 of LTIPs as set out in the table at the top of page 79. Note that the 2013 figures reported last year were based on estimates of the value of the shares at vesting. These have been restated to reflect the actual value of the shares at the point of vesting.

(e) The 2013 LTIP figure includes the value of the August 2010 PSP awards and the ROCE and Margin elements of the 2011 PSP awards. Due to the timing of the grant of the 2009 and 2010 awards the performance periods for the August 2010 and 2011 PSP awards both ended during 2013 and they are therefore included in the 2013 single figure. Details of the percentage of each award vesting are summarised in the table at the top of page 79.

(f) These figures represent the cash allowances payable as described in the Remuneration Policy 'Pension' section. For Pete Redfern this is 20% of salary up to a scheme specific cap and 25% of salary above the cap; for Ryan Mangold this is 15.6% of salary as reported in Non-Group Pension Arrangements on page 85; and for James Jordan this is 20% of salary up to a scheme specific cap and 28% of salary above the cap.

LTIP awards included in 2013 single figure

LTIP Award	Performance Target	Weighting	% Vesting (max 100%)	Date of End of Performance Period	Date of Vesting	Share Price at Vesting
2010 PSP tranche 1	TSR FTSE	30%	100%	22/03/2013	22/03/2013	89.25
	TSR Peer Group	30%	69.23%	22/03/2013	22/03/2013	89.25
2010 PSP tranche 2	TSR FTSE	30%	100%	06/08/2013	06/08/2013	112.8
	TSR Peer Group	30%	100%	06/08/2013	06/08/2013	112.8
	ROCE	40%	54.40%	30/06/2013	06/08/2013	112.8
2011 PSP	ROCE	30%	74.40%	31/12/2013	01/04/2014	119.4[a]
	Margin	30%	100%	31/12/2013	01/04/2014	119.4[a]

(a) The share price shown is as at 1 April 2014; in the 2013 Remuneration Report these awards had not yet vested, therefore the share price at vesting was calculated as the average of the share prices for the dealing days in the last three months (October to December 2013).

LTIP awards included in 2014 single figure

LTIP Award	Performance Target	Weighting	% Vesting (max 100%)	Date of End of Performance Period	Date of Vesting	Share Price at Vesting
2011 PSP	TSR FTSE	20%	100%	01/04/2014	01/04/2014	119.4
	TSR Peer Group	20%	93.85%	01/04/2014	01/04/2014	119.4
2012 PSP[a]	ROCE	30%	100%	31/12/2014	05/03/2015	123.7[b]
	Margin	30%	100%	31/12/2014	05/03/2015	123.7[b]

(a) The remaining performance test for this award, relating to TSR, will be calculated at the end of the TSR performance period in March 2015 and reported in next year's Remuneration Report.

(b) The share price shown is the average of the share prices for the dealing days in the last three months (October to December 2014).

Remuneration Report continued

Short term incentive arrangements (STIA) in respect of 2014

For 2014, the Committee measured performance against each individual performance target, which is directly linked to the achievement of the Company's strategy, as follows:

Measure	Strategic Objective	Weighting	Summary of targets	Result	% of maximum	% of salary paid in cash	% of salary deferred in shares
PBIT	To increase profit	40%	Entry £380m Target £400m Stretch £420m	**481m**	40	**26.67**	**13.33**
ROCE (RONA)	Delivering an average 15% on net operating assets through the cycle	10%	Entry 14% Target 15% Stretch 17%	**19.8%**	10	**6.67**	**3.33**
Operating Margin	Driving further UK operating margin progression	10%	Entry 15% Target 16% Stretch 17.5%	**17.9%**	10	**6.67**	**3.33**
Net Cash/(Debt)	Cash generated	25%	Entry £(50)m Target £0m Stretch £100m	**£162.5m**	25	**16.66**	**8.34**
Customer Service	Delivering customer service	10%	Entry 89% Target 90% Stretch 91%	**83%**	0	**0**	**0**
Energy Reduction	Seeking to reduce the use of energy in building our homes	5%	Entry 80% Target 85% Stretch 90%	**95.4%**	5	**3.33**	**1.67**
Total		**100%**			**90**	**60**	**30**

The amounts paid to Pete Redfern, Ryan Mangold and James Jordan in respect of 2014 are set out in the remuneration table on page 78.

Vesting of long-term incentive awards in 2014

The BIS regulations require the value of long-term incentives vesting, by reference to performance period ending in the financial year being reported on, to be included in the single figure. This applies to the TSR elements of the April 2011 TWPSP awards and the ROCE and Margin elements of the March 2012 TWPSP award.

The performance period for the TSR elements of the 2011 award ended on 31 March 2014, which was after publication of the 2013 Annual Report and Accounts, and was independently calculated by New Bridge Street.

The performance period for the ROCE element of the 2012 award ended on 31 December 2014 and the final measurement was undertaken at this date. The TSR elements will be tested at the conclusion of their three year performance period on 5 March 2015 and the final measurement will be undertaken at this date.

For 2013 LTIP awards and onwards, testing of all performance targets (including TSR) will be based on the position as at 31 December of the final performance year.

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The outcomes were as follows:

Award	Measure	Weighting	Vesting Scale	Performance achieved	% of this award vesting
1 April 2011	TSR FTSE	20%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	7th out of 203	100%
	TSR Peer Group	20%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	4th out of 13	93.85%
5 March 2012	ROCE[a]	30%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	22.5%	100%[b]
	Margin[a]	30%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	17.9%	100%[c]

(a) As at 31 December 2014.

(b) Median target is 10% and upper quartile target is 20% ROCE for year ended 31 December 2014.

(c) Median target is 10% and upper quartile target is 13% Margin for year ended 31 December 2014.

In deciding whether, and to what extent, any vesting of awards should take place under any LTIP, the Committee also considers the overall financial performance of the Company during the period. The Committee has determined that the overall financial performance of the Company has been very strong in respect of the performance periods of the above LTIPs.

Change in Company performance relative to change in remuneration

	2014	2013	Change (%)
Profit before tax, interest and exceptional items	**£480.7m**	£312.9m	53.6
Dividends paid per ordinary share	**3.10p**	0.69p	349.3
– interim 2014/interim 2013 (0.24p/0.22p) – final 2014/final 2013 (1.32p/0.47p) – special 2014/special 2013 (1.54p/0p)			
Employee pay in aggregate (see Note 7 to the financial statements)	**£173.6m**	£168.6m	3.0
Employee pay average per employee (see Note 7 to the financial statements)	**£45,009**	£45,568	(1.2)

Change in Chief Executive pay compared to that for Taylor Wimpey employees

The table below shows the percentage year-on-year change in salary, benefits and annual bonus earned between 2013 and 2014 for the Chief Executive compared to the average Taylor Wimpey employee during the year.

	Salary	Benefits	STIA
Pete Redfern	2.5%	43.3%	2.5%
Typical Taylor Wimpey employee	2.5%	2.5%	2.5%

Directors' share-based rewards and options

Performance awards were made in the year under the TWPSP scheme as summarised below:

	Award	Type	Number of shares	Face value (% of salary)	Performance conditions	Performance period	% vesting at threshold performance
Pete Redfern	TWPSP	Nil cost options	1,222,746	£1,507,646 (200%)	25% on ROCE; 25% on Group operating margin; 20% on TSR v FTSE 250; 30% on TSR v Peer Group index	(01/01/2014 – 31/12/2016) (or later Preliminary Announcement of results for 2016)	20%
Ryan Mangold	TWPSP	Nil cost options	562,963	£694,133 (200%)	As above	As above	As above
James Jordan	TWPSP	Nil cost options	567,703	£699,978 (200%)	As above	As above	As above

Remuneration Report continued

Details of options and conditional awards over shares held by Directors who served during the year are as follows:

Pete Redfern

Plan	Outstanding shares at 1 January 2014	Granted/ Awarded in 2014 (number)	Dividend re-investment shares added during 2014 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2014	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Deferred Shares (STIA)[g]	417,884	–	1,795	419,679	–	–	–	111.73	04.04.11	05.04.14	04.10.14
Deferred Shares (STIA)[g]	385,102	–	2,439	–	–	387,541	–	–	23.03.12	24.03.15	23.09.15
Deferred Shares (STIA)[g]	255,079	–	1,617	–	–	256,696	–	–	25.03.13	26.03.16	25.09.16
Deferred Shares (STIA)[g]	–	298,346[a]	1,891	–	–	300,237	–	–	25.03.14	26.03.17	25.09.17
Performance Share Plan[h]	3,484,701	–	–	3,174,213	310,488	–	–	111.73	01.04.11	01.04.14[d]	30.09.14
Performance Share Plan[h]	2,906,623	–	–	–	–	2,906,623	–	–	05.03.12	05.03.15[d]	04.09.15
Performance Share Plan[h]	1,784,608	–	–	–	–	1,784,608	–	–	06.03.13	31.12.15[e]	05.09.16
Performance Share Plan[h]	–	1,222,746[b]	–	–	–	1,222,746	–	–	04.03.14[f]	31.12.16[e]	03.09.17
Sharesave Plan[g]	63,331	–	–	–	–	63,331	24.04	–	11.10.11	01.12.16	31.05.17
Sharesave Plan[g]	–	10,000[c]	–	–	–	10,000	90.00	–	07.10.14	01.12.17	31.05.18
Total	**9,297,328**	**1,531,092**	**7,742**	**3,593,892**	**310,488**	**6,931,782**					

Ryan Mangold

Plan	Outstanding shares at 1 January 2014	Granted/ Awarded in 2014 (number)	Dividend re-investment shares added during 2014 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2014	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Deferred Shares (STIA)[g]	21,266	–	91	21,357	–	–	–	111.73	04.04.11	05.04.14	04.10.14
Deferred Shares (STIA)[g]	156,790	–	994	–	–	157,784	–	–	23.03.12	24.03.15	23.09.15
Deferred Shares (STIA)[g]	109,933	–	696	–	–	110,629	–	–	25.03.13	26.03.16	25.09.16
Deferred Shares (STIA)[g]	–	137,361[a]	870	–	–	138,231	–	–	25.03.14	26.03.17	25.09.17
Performance Share Plan[h]	1,418,771	–	–	1,292,357	126,414	–	–	111.73	01.04.11	01.04.14[d]	30.09.14
Performance Share Plan[h]	1,183,410	–	–	–	–	1,183,410	–	–	05.03.12	05.03.15[d]	04.09.15
Performance Share Plan[h]	769,123	–	–	–	–	769,123	–	–	06.03.13	31.12.15[e]	05.09.16
Performance Share Plan[h]	–	562,963[b]	–	–	–	562,963	–	–	04.03.14[f]	31.12.16[e]	03.09.17
Sharesave Plan[g]	10,623	–	–	–	–	10,623	84.72	–	08.10.13	01.12.16	31.05.17
Sharesave Plan[g]	–	10,000[c]	–	–	–	10,000	90.00	–	07.10.14	01.12.17	31.05.18
Total	**3,669,916**	**710,324**	**2,651**	**1,313,714**	**126,414**	**2,942,763**					

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James Jordan

Plan	Outstanding shares at 1 January 2014	Granted/ Awarded in 2014 (number)	Dividend re-investment shares added during 2014 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2014	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Deferred Shares (STIA)[g]	194,016	–	833	194,849	–	–	–	111.73	04.04.11	05.04.14	04.10.14
Deferred Shares (STIA)[g]	178,797	–	1,133	–	–	179,930	–	–	23.03.12	24.03.15	23.09.15
Deferred Shares (STIA)[g]	118,430	–	751	–	–	119,181	–	–	25.03.13	26.03.16	25.09.16
Deferred Shares (STIA)[g]	–	138,518[a]	878	–	–	139,396	–	–	25.03.14	26.03.17	25.09.17
Performance Share Plan[h]	1,617,897	–	–	1,473,741	144,156	–	–	111.73	01.04.11	01.04.14[d]	30.09.14
Performance Share Plan[h]	1,349,503	–	–	–	–	1,349,503	–	–	05.03.12	05.03.15[d]	04.09.15
Performance Share Plan[h]	828,568	–	–	–	–	828,568	–	–	06.03.13	31.12.15[e]	05.09.16
Performance Share Plan[h]	–	567,703[b]	–	–	–	567,703	–	–	04.03.14[f]	31.12.16[e]	03.09.17
Sharesave Plan[g]	63,331	–	–	–	–	63,331	24.04	–	11.10.11	01.12.16	31.05.17
Sharesave Plan[g]	–	10,000[c]	–	–	–	10,000	90.00	–	07.10.14	01.12.17	31.05.18
Total	**4,350,542**	**716,221**	**3,595**	**1,668,590**	**144,156**	**3,257,612**					

Details of options over shares held by Directors who served during the year:

(a) Market value per share on date of grant 25 March 2014 was 114.9 pence.

(b) Market value per share on date of grant 4 March 2014 was 124.50 pence.

(c) Market value per share on date of grant 7 October 2014 was 114.3 pence.

(d) Or later publication of the preliminary full-year or half-year results announcement on which the associated performance condition will be calculated.

(e) At later publication of the preliminary full-year or half-year results announcement on which the associated performance condition will be calculated.

(f) Vesting will be 20% for the 2014 award (2013 award: 20%) for threshold performance (50th percentile for TSR; 10% ROCE; 14% margin) and 100% (2013 award: 100%) for upper quartile performance (75th percentile for TSR; 20% ROCE; 19% margin) with straight line vesting between these two thresholds.

(g) Vesting is not dependent on any performance conditions.

(h) Vesting is subject to the achievement of performance conditions.

There have been no variations to the terms and conditions or performance criteria for outstanding share awards during the financial year. The market price of the ordinary shares on 31 December 2014 was 137.8 pence and the range during the year was 101.3 pence to 137.8 pence. Details of any share awards made to Executive Directors during 2015 will be included in the 2015 Remuneration Report.

Directors' interests in shares of the Company

Share ownership guidelines

These guidelines are designed to encourage greater levels of shareholding by executives at various levels within the Company for the purpose of alignment with the Company's shareholders which the Committee strongly believes is very important. The guidelines cover the Board and a number of executives who participate in long term incentive plans, namely the TWPSP, TWSOP and the LVP, with all participating executives required to build up shareholdings through the retention of shares vesting under the Company's share plans.

The level of shareholding for Executive Directors to attain under the current guidelines is two times base salary. Executive Directors are expected to achieve a holding equivalent to one times base salary within five years of their appointment and although there will be no set time limit for achieving a two times salary holding, each Executive Director is required to agree a personal plan with the Chairman on the target to be achieved within an agreed time frame. Executive Directors are also required to retain at least 50% of their net of taxes gain arising from any shares vesting or acquired pursuant to the Company's long term incentive share plans, until such time as the guidelines have been met. Only beneficially owned shares count toward the guidelines. Members of the Group Management Team and other designated executives are currently expected to maintain a shareholding of generally equivalent to 50% and 20% of their base salaries respectively, and will accordingly also be required to retain at least 50% of shares vesting or acquired net of taxes pursuant to the Company's long term incentive plans until such guidelines are met.

Remuneration Report continued

The Committee will keep the guidelines under regular review. As mentioned earlier in this Report, any shares that vest under the 2014 award must, as a standard requirement, be retained by executives for at least 12 months and for at least 24 months under later awards. The Chairman and the Non Executive Directors are also encouraged to hold shares in the Company in order to align their interests with those of shareholders. Directors' interests in 1p ordinary shares held (fully paid) (ordinary shares) are as set out in the table below:

	Beneficially owned		Outstanding interests in share plans				Share interests expressed as a percentage of salary			
Director	at 1/1/14 (ordinary shares)[a][e]	at 31/12/14 (ordinary shares)[e]	STIA[b]	TWPSP	TWSOP	Sharesave	Value of shares (including any SIP shares) as at 31/12/14; salary as at 31/12/14[c]		Value of shares (including any SIP shares) as at 26/2/15; salary as at 1/4/15[d]	
							Excluding STIA shares v the shareholding guidelines	Including STIA shares (for information only)[e]	Excluding STIA shares v the shareholding guidelines	Including STIA shares (for information only)[e]
Kevin Beeston	1,155,562	1,155,562	–	–	–	–				
Pete Redfern	2,014,404	2,688,789	944,474	5,913,977	–	73,331	480%	568%	**488%**	**578%**
Ryan Mangold	433,770	636,792	406,644	2,515,496	–	20,623	247%	330%	**230%**	**307%**
James Jordan	945,032	1,309,330	438,507	2,745,774	–	73,331	503%	592%	**512%**	**603%**
Kate Barker	40,000	40,000	–	–	–	–				
Margaret Ford	84,940	84,940	–	–	–	–				
Mike Hussey	125,000	150,000	–	–	–	–				
Rob Rowley	200,000	200,000	–	–	–	–				

(a) Or date of appointment.

(b) Only the net amount of shares has been included in this column.

(c) This is the percentage of shareholding achieved at 31 December 2014 towards the targets described on page 83 calculated on 2014 salary and at 31 December 2014 share price. Salaries as at 31 December 2014 for Pete Redfern, Ryan Mangold and James Jordan were £772,669, £355,744 and £358,739 respectively.

(d) This is the percentage of shareholding achieved at 31 December 2014 towards the targets described on page 83 calculated on 1 April 2015 salary and at 26 February 2015 share price. Salaries as at 1 April 2015 for Pete Redfern, Ryan Mangold and James Jordan will be £795,849, £400,000 and £369,501 respectively.

(e) Including partnership and matching shares held under the Share Purchase Plan (SIP) described on page 71.

Note: The share price on 31 December 2014 and used in the above calculation was 137.8 pence per share and on 26 February 2015 was 144.4 pence per share. Note: The above table does not include the deferral into shares of 33% of the 2014 STIA for any Executive Director.

The only changes to the Directors' interests as set out above during the period between 31 December 2014 and 2 March 2015 were the regular monthly purchases of shares and 1:1 matching by the Company under the Share Incentive Plan by Pete Redfern (446 shares) and James Jordan (444 shares).

Directors' pension entitlements

Defined benefit schemes

The Taylor Wimpey Pension Scheme

Pete Redfern and James Jordan are members of the Taylor Wimpey Pension Scheme (TWPS). The following table sets out the transfer value of their accrued benefits under the TWPS calculated in a manner consistent with 'The Occupational Pension Schemes (Transfer Values) Regulations 2008'.

Director	Normal retirement Age	Accrued pension as at 31/12/13	Increase in accrued pension from 31/12/13 to 31/12/14	Accrued pension as at 31/12/14[a]	Transfer value gross of Director's contributions at 31/12/14[b]	Transfer value gross of Director's contributions at 31/12/13[b]	Increase in transfer value from 31/12/13 to 31/12/14 less Director's contributions[c]	Increase in transfer value from 31/12/13 to 31/12/14 less inflation	Transfer value of accrued pension increase less Director's contributions
Pete Redfern	62	14,020[d]	420	14,440	241,877	178,055	63,822	–	–
James Jordan	62	25,922	775	26,697	559,151	437,490	121,661	–	–

(a) The George Wimpey Staff Pension Scheme (GWSPS) closed to future accrual on 31 August 2010 so pension accrual ceased on that date. Members of the GWSPS were transferred into the TWPS on 1 October 2013 and there was no change to members' benefit entitlement. Pension accrual shown above is the amount which would be paid annually on retirement based on service to 31 August 2010. Pension benefits include a two thirds spouse's pension. Pensions accrued up to 5 April 2006 are guaranteed to increase in payment in line with inflation limited each year to 5%. Pensions accrued after 5 April 2006 are guaranteed to increase in payment in line with inflation limited each year to 2.5%. Pensions accrued up to 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 5% per annum. Pensions accrued after 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 2.5% per annum. We have only taken into account defined benefits accrued over the period to 31 August 2010 and have not included any Defined Contribution pension benefits accrued after this date.

(b) Transfer values have been calculated in accordance with the Occupational Pension Schemes (Transfer Value) Regulations 2008.

(c) The increase in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as financial market movements.

(d) The 31/12/13 figure has been adjusted due to a change in the Director's entitlement at the end of 2013.

Note: The GWSPS closed to future accrual on 31 August 2010 and so no contributions were made after 31 August 2010.

There was no change to benefits during the year and consequently no difference between the changes to any Director's pension benefits in comparison with those of other employees.

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Non-Group pension arrangements

Ryan Mangold has non-Group pension arrangements, to which contributions were paid by the Company as set out below:

	2014 (£)	2013 (£)
Ryan Mangold	**34,000**	36,000

(a) Ryan Mangold also received a pension allowance of £37,000 in 2014 (2013: £52,000) in lieu of Company pension contributions over the Annual Allowance limit introduced in April 2011 of £40,000 (previously £50,000).

(b) Ryan Mangold elected to have £nil (2013: £20,000) of the non-deferred portion of his STIA cash bonus, earned for 2013 performance and paid in 2014, paid as additional pension contribution.

Statement of shareholder voting

At the 2014 Annual General Meeting, the result of shareholders' vote on the Company's Remuneration Policy Report was: For: 1.8 billion votes (98%); Against: 32.7 million votes (2%); Withheld: 43.8 million votes. The result of the shareholders' vote on the Company's Remuneration Report for 2013 was: For: 1.9 billion votes (99%) (2013: 1.7 billion (84%)); Against: 10.8 million votes (1%) (2013: 331 million (16%); Withheld: 8.6 million votes (2013: 102 million). As stated earlier, the Remuneration Committee has consulted further with our shareholders on remuneration matters during the year. We hope that shareholders will, again, support the Remuneration Report at the AGM on 23 April 2015.

Approval

This Remuneration Report was approved by the Board of Directors on 2 March 2015 and signed on its behalf by the Remuneration Committee Chairman:

Baroness Ford of Cunninghame
2 March 2015

Statutory, Regulatory and Other Information

Introduction

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors' Report. Certain other matters required to be reported on appear elsewhere in the Annual Report and Accounts as detailed below:

- an indication of likely future developments in the business of the Company and its subsidiaries appear in the Strategic Report on pages 2 to 43;
- the Remuneration Report appears on pages 66 to 85;
- the reporting on the Company's carbon footprint appears on page 30;
- a list of the subsidiary and associated undertakings, including branches outside the UK, principally affecting the profits or net assets of the Group in the year appears on page 142;
- changes in asset values are set out in the consolidated balance sheet on page 99 and in the Notes to the accounts on pages 102 to 135;
- the Group's profit before taxation and the profit after taxation and minority interests appear in the consolidated income statement on page 97 and in the Notes to the accounts on pages 102 to 135;
- a detailed statement of the Group's treasury management and funding is set out in Note 20 on pages 121 to 123;
- a statement that this Annual Report and Accounts meets the requirements of Provision C.1.1 of the UK Corporate Governance Code (the Code), is set out in the Corporate Governance Report on page 55;
- details of the Company's long-term incentive schemes as required by LR 9.4.3 R are set out in the Remuneration Report on pages 66 to 85;
- details of a contract of significance subsisting during the period under review to which a subsidiary undertaking of the Company is a party and in which a Director of the Company is materially interested appears in the Notice of Meeting on pages 144 to 151; and
- details of an arrangement under which a shareholder has waived or agreed to waive any dividends, and where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review, appear later in this Report on page 88.

Directors

The following Directors held office throughout the year:

Kevin Beeston, Chairman;

Pete Redfern, Chief Executive;

Ryan Mangold, Group Finance Director;

James Jordan, Group Legal Director and Company Secretary;

Kate Barker, Independent Non Executive Director;

Margaret Ford, Independent Non Executive Director;

Mike Hussey, Independent Non Executive Director; and

Rob Rowley, Independent Non Executive Director and Senior Independent Director.

Tony Reading, Independent Non Executive Director, retired on 17 April 2014.

The Directors together with their biographical information are shown on pages 44 and 45.

Retirement and re-election

The Company has determined that in accordance with the Code, all Directors should seek re-election at this year's AGM as explained in the Notes to the Notice of Meeting and on page 54 of the Corporate Governance Report.

Each of the Directors proposed for re-election at the AGM is being unanimously recommended by all of the other members of the Board. This recommendation follows the completion of the annual performance evaluation process, which included a detailed appraisal of the Board, its Committees and in respect of each Director. Further information relating to the evaluation is set out below and in the Corporate Governance Report on page 50.

The Articles of Association of the Company further regulate the appointment and removal of Directors, as does the Companies Act 2006 and related legislation. The Company's Articles of Association may be amended by special resolution of the shareholders. The powers of the Directors are described in the Corporate Governance Report.

Qualifying third party indemnity

The Company has granted an indemnity in favour of its Directors and officers and those of its Group companies against the financial exposure that they may incur in the course of their professional duties as Directors and officers of the Company and/or its subsidiaries/affiliates. The indemnity has been put in place in accordance with section 234 of the Companies Act 2006 in respect of which the Company took advice from Slaughter and May.

Audit and auditor

Each Director has, at the date of approval of this Report, formally confirmed that:

- to the best of his/her knowledge there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP (Deloitte) have confirmed their willingness to continue in office as auditor of the Company. Following a review by the Audit Committee of their effectiveness, details of which are set out on page 62, a resolution to re-appoint Deloitte will be proposed at the AGM.

It is the Company's general policy that its auditors will not carry out non-audit services except where it is appropriate to do so and in accordance with the Company's formal policy for the carrying out of such work. In addition, and in line with the Code, the Committee takes into account the relevant ethical guidance regarding the provision of non-audit services by the external auditor. The Company notes the consultation currently under way to consider designating further areas for which the auditor should not be allowed to provide non-audit services. Any revision to current regulations or guidelines which result, will be taken into account in framing the Company's policy going forward and reported on in future Annual Reports. Deloitte provided non-audit services to the Group during the year within the policy framework as described in the Audit Committee Report, details of which are set out in Note 6 on page 110.

Basis of Accounting

The Company's current basis of accounting is UKGAAP, which the Financial Reporting Council has announced is to change for reporting periods commencing on or after 1 January 2015. The Company has chosen FRS 101 as its basis of accounting going forward, and that will be adopted for reporting from 2015. Further details may be found in the Audit Committee Report on page 64.

FRS 101 paragraph 5(a) requires the Company to give its shareholders notice of the adoption of the new standard, and to proceed with the proposal provided that a shareholder or shareholders holding in aggregate 5% or more of the Company's issued shares do not object to the proposal, which they may do in writing to the Company at its Registered Office by no later than 21 April 2015.

Annual General Meeting

The AGM will be held at 11:00 am on 23 April 2015 at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Formal notice of the AGM including details of special business is set out in the Notice of Meeting on pages 144 to 151 and on the Company's website www.taylorwimpey.co.uk. In line with recent practice, voting on all resolutions at this year's AGM will again be conducted by way of a poll as the Board believes this gives as many shareholders as possible the opportunity to have their votes counted, whether their votes are tendered by proxy in advance of, or in person at the AGM.

Web communication

With shareholders' consent, the Company has adopted Web communication. The benefits of Web communication are that it:

- enables the Company to significantly reduce its printing and postage costs;
- enables shareholders to access information faster, on the day documents are published on the Company's website; and
- reduces the amount of resources consumed, such as paper, and lessens the impact of printing and mailing activities on the environment.

Shareholder communications (including the 2014 Annual Report and Accounts) are available electronically through the Company's website.

The Company provides hard copy documentation to those shareholders who have requested this and is, of course, happy to meet any such requests.

Registrar

The Company's registrar is Capita Asset Services. Their details, together with information on facilities available to shareholders, are set out in the Shareholder Facilities section on page 153.

Capital structure

Details of the Company's issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 23 on page 129.

The Company has two classes of shares: Ordinary Shares of 1p, each of which carries the right to one vote at general meetings of the Company and such other rights and obligations as are set out in the Company's Articles of Association, and Deferred Shares which carry no voting rights.

As part of the debt restructuring announced on 21 April 2009 the Company issued Warrants to certain of its lenders giving the holders the right, up to 15 May 2014, to subscribe for up to an aggregate of approximately 58 million Ordinary Shares (representing approximately 5% of the Company's issued share capital at the time the Warrants were issued). The conversion entitlement ceased in full on 15 May 2014, by which time approximately 57 million ordinary shares of 1p each had been issued on aggregate conversions since issue, at the conversion price of 17.4473 pence per Ordinary Share.

The authority given by shareholders at the AGM held on 17 April 2014 for the Company to purchase a maximum of 325 million of its own shares remained valid at 31 December 2014. The authority was not exercised during 2014 or prior to the date of this Report. The Company has no current intention of exercising the authority but will nevertheless be seeking the usual renewal of this authority at the AGM and the Board will keep the position under regular review. The Company currently holds no shares in treasury.

There are no specific restrictions on the size of a holding, the exercise of voting rights, nor on the transfer of shares, which are governed by the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in the Remuneration Report on page 71. The Employee Share Ownership Trusts generally abstain from voting in respect of shares held by them.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Substantial interests

The persons set out in the table below have notified the Company pursuant to Rule 5.1 of the Disclosure and Transparency Rules of their interests in the ordinary share capital of the Company.

At 2 March 2015, no change in these holdings had been notified nor, according to the Register of Members, did any other shareholder at that date have a disclosable holding of the Company's issued share capital.

Directors' interests, including interests in the Company's shares, are shown in the Remuneration Report.

Substantial interests in the Company's shares as at 2 March 2015

Name	Number of shares held (millions)	Percentage of issued voting share capital
JP Morgan Asset Management Holdings Inc	159.6	4.99
FMR LLC	156.9	4.84
Schroder plc & Schroder Investment Management Limited	153.1	4.71
Legal & General Group Plc	103.4	3.20
Standard Life Investments Limited	96.4	3.02

Dividend

Information relating to the recommended 2014 final dividend is set out in the Chairman's Statement on page 8 and in the notes to resolution 2 on page 148 in the Notes to the Notice of Annual General Meeting.

Information relating to the recommended 2015 Special Dividend is set out in the Chairman's Statement on page 8 and in the notes to resolution 3 on page 148 in the Notes to the Notice of Annual General Meeting.

The Company will be operating a Dividend Re-Investment Plan (DRIP), further details of which are set out on page 152 of this Annual Report. The DRIP will operate automatically in respect of the 2014 final dividend for those shareholders who have registered a DRIP mandate (unless varied by shareholders beforehand) and all future dividends, including Special Dividends, until such time as you withdraw from the DRIP or the DRIP is suspended or terminated in accordance with the Terms and Conditions. The Board will keep the availability of the DRIP under regular review.

Your attention is drawn to important information which may require your action and which is included with regard to the operation of the DRIP on the 2014 Final Dividend and the 2015 Special Dividend. Please refer to pages 148 to 149.

The right to receive any dividend has been waived in part by the Trustee of the Company's Employee Share Ownership Trusts (ESOTs) over those Trusts' combined holding of 13,056,005 shares. More details of these ESOTs are contained in Note 12 on pages 140 and 141.

Research and development

During 2014 the Company continued to build its new standard house type range in significant numbers. This enabled us to validate the work that been undertaken in developing them. This is delivering the customer offering, urban design, cost and process benefits that had been targeted. Feedback from customers and our regional business units will be supported by new projects planned on Post-Occupancy Evaluation. During 2015 we will be looking at how our homes may change in response to the Housing Standards review, particularly in respect of space and accessibility.

We continue to work with our supply chain to identify new products and techniques available to us and appraise them before they will be needed. We are beginning more focused research over the coming year into how we will meet the anticipated changes to Part L of the Building Regulations in 2016. As an adjunct to our research and development we continue to contribute to several industry working groups looking at energy efficiency, changes to building regulations and standards and how to close the gap between design and performance.

Taylor Wimpey sat on the Advisory Board of HOMBRE (Holistic Management of Brownfield Regeneration), a four year Seventh Framework EU funded research project looking at sustainable brownfield re-use. The project was completed in 2014.

The Company commissioned research work on 'Carbon Futures', looking into development scale whole life carbon assessment.

Taylor Wimpey also supported Newcastle University on their SUCCESS (Sustainable Urban Carbon Capture; Engineering Soils for Climate Change) proposal, which has now received funding. The Company will participate in this project to determine how carbon capture in engineered soils (e.g. land restoration) can be adopted from an operational perspective.

Employee involvement and communication

We are proud of how committed our employees are to Taylor Wimpey and the long term success of our business. We strive to listen to and engage with staff. During 2014, we undertook an employee engagement survey and the feedback from our employees is shaping our plans and priorities for the future. We believe that inviting and listening to employee feedback is essential and we will conduct employee surveys on an annual basis going forward.

We have active employee consultation committees in our regional business units and communicate with employees via our half-yearly Teamtalk employee magazine and regular Teamtalk Express email newsletter. Our intranet includes a wide range of employee information from human resources policies to advice for employees on sustainable living. It also includes an 'Open Door' forum that puts employees directly in touch with our Chief Executive. During 2015 we introduced a new customer services forum on our intranet and invited employees to voice their thoughts on key customer questions. Employees could post comments within the forum or send an email our Chief Executive or Customer Director.

The Company is committed to ensuring open and regular communication throughout the Group on both business-related issues and issues of general interest. There is a formal Employee Consultative Committee structure in place in all operations and elected representatives meet with management to consult on appropriate issues. Intranet systems are continually updated which provide a valuable communication tool across the Group and an important facility for providing employees with access to a wide range of information. Information is regularly cascaded throughout the Group via e-mail – including regular communications from the Chief Executive – and via verbal briefings and by management presentations. The Company's internal magazine provides further communication.

The Company promotes share ownership as widely as possible. In addition to the various share-related reward plans described in the Remuneration Report on pages 66 to 85, the Company also offers a scheme whereby employees (i.e. generally those who do not participate in the Executive Incentive Scheme (cash bonus scheme)) are offered the opportunity each year to exchange part of any cash bonus for exceptional performance, into shares of the Company, offering a 20% enhancement to the value if taken entirely in shares with a holding period of 12 months. The scheme has operated since 2012 and in 2014 resulted in 724,297 shares (2013: 697,185) being acquired by 326 employees (2013: 294).

In addition, the Company maintains all-employee share plans, including the Save As You Earn share option plan and the Share Incentive Plan (SIP), which are offered as widely as possible across the Group. Over half of our eligible employees participate in one or both plans or are otherwise already shareholders of the Company.

Equal opportunities

We strive to treat our employees fairly and with respect at all times. We have policies and processes in place to ensure that we act in accordance with our cultural values which encompass equal opportunities, anti-corruption and whistleblowing. We encourage our employees and subcontractors to speak up about concerns over any wrongdoing at work and provide access to an independent reporting hotline service.

We remain committed to the belief that embracing diversity and inclusion will enable Taylor Wimpey to succeed through a workforce that is creative and innovative. We continue to actively embrace the business and local communities in which we operate and will strive to reflect their richness and character to include such aspects as gender, race and religion but also diversity of thought, background and experience.

As set out in our Diversity Policy, we remain committed to equality of opportunity in all of our employment practices, policies and procedures across the Group. To this end, within the framework of applicable law, we are committed, wherever practicable, to achieving and maintaining a workforce which broadly reflects that of the local catchment area within which we operate.

No employee or potential employee will receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, religion, political or other opinion, affiliation, gender, sexual orientation, marital status, family connections, age, membership or non-membership of a trade union, or disability, unless justifiable in exceptional circumstances, for example due to health and safety considerations particularly on construction sites. Instruction on equal opportunities is part of the induction programme and diversity is also promoted through awareness training locally and by its inclusion as a business priority at strategy presentations around the business.

Our Diversity Policy which can be found on the Company's website: www.taylorwimpey.co.uk/corporate/sustainability/our-policies

Employment of people with disabilities

It is our policy that people with disabilities should have fair consideration for all vacancies within the Group.

The Company is therefore committed, where possible, to ensuring that people with disabilities are supported and encouraged to apply for employment and to achieve progress once employed. They will be treated so as to ensure that they have an equal opportunity to be selected, trained and promoted. In addition, every reasonable effort is made for disabled persons to be retained in the employment of the Group by investigating the possibility of making reasonable adjustments to the job, workplace or equipment.

Charitable donations

The Company has a Charity Committee, which operates within written terms of reference and charitable guidelines approved by the Board. The Committee's aims are to monitor and review charitable donations made by regional businesses as against the guidelines and to assess and administer larger donations centrally. The members of the Committee are the Chief Executive (Chairman), Group HR Director, Group Legal Director and Company Secretary, UK Land and Planning Director, Group Financial Controller, Head of Marketing, and Head of Investor Relations. The Company and the Committee encourage non-financial contributions also and for employees to participate in charitable causes.

During the year, Group companies donated £272,790 (2013: £255,000) to various charities in the UK. In addition, many employees at all levels around the country gave up their work and free time to participate in overnight sleep-outs and weekend trekking to generate additional sponsorship and fundraising for charitable causes including Centrepoint; Motor Neurone Research; and The Youth Adventure Trust.

Further information on the Group's donations, activities and initiatives can be found in the Sustainability Report 2014 which is available on the Company's website: www.taylorwimpey.co.uk/corporate/sustainability

Political donations

The Company has a policy of not making donations to political parties,and has not made any this year and neither does it intend to make any going forward. The Company does support certain industry-wide organisations which directly assist the housebuilding industry such as the Home Builders Federation and the Confederation of British Industry (CBI). Whilst we do not regard this support as political in nature in any way, the Companies Act 2006 definition of 'political organisations' and related terms is very wide and in certain circumstances a donation or a subscription to such organisations or to charities could retrospectively be categorised as a political donation in the eyes of the law. Accordingly, as a matter of prudency, the Company will be seeking the usual annual dispensation from its shareholders at the 2015 AGM so as to be able to continue with the above memberships and make charitable donations without inadvertently breaching legislation.

Agreements

Apart from a small number of borrowing agreements, pursuant to which the Company borrows or is able to borrow money, which could potentially be terminated by the other party upon a change of control of the Company, there are no significant contracts or agreements which take effect, alter or terminate upon a change of control of the Company.

Important events since the year end

There have been no important events affecting the Company or any of its subsidiary undertakings since 31 December 2014.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Provision C.1 of the Code, the Directors are required, inter alia, to ensure that the Annual Report and Accounts provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Details of how this was addressed are set out in the Audit Committee Report on page 64.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This Report of the Directors was approved by the Board of Directors on 2 March 2015.

James Jordan
Group Legal Director and Company Secretary
Taylor Wimpey plc
2 March 2015

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Opinion on financial statements of Taylor Wimpey plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related Notes 1 to 33 and 1 to 16. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs, as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement on page 65 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

As part of our audit of the Group, in addition to substantive tests, we also test the design and implementation of internal controls over financial reporting in each of the risk areas. In addition we also tested the operating effectiveness of these controls in relation to the first risk presented in the table below: inventory costing.

Risk	How the scope of our audit responded to the risk
Inventory costing We consider the appropriate recognition of costs into inventory and the allocation of these between different sites, phases and plots, including shared costs such as land and infrastructure to be a significant risk. These affect the appropriateness of the margin recognised on each legal completion which directly impacts the level of profit that is recorded on each plot. The accounting policy that relates to this risk is on page 103.	We tested a sample of sites as part of our visit to business units. This included testing the allocation of costs across sites with multiple phases to determine that the transfer of these costs was appropriate. We also tested that shared costs were allocated across phases and plots appropriately by assessing the reasonableness of the methodology used and we independently recalculated this. We tested the operating effectiveness of controls over this area in relation to the movement of costs across different phases and sites. For a sample of individual plots, we tested additions to the inventory balance to determine whether the costs have been appropriately capitalised, by tracing these additions to supporting supplier invoices. We also tested a sample of journals adding to the inventory balance to highlight any costs that should have been expensed.

Our assessment of risks of material misstatement continued

Risk	How the scope of our audit responded to the risk
Carrying value of inventory The value for inventory as at 31 December 2014 is £3,490.1 million (2013: £2,928.8 million) and as such is the most significant value on the Balance Sheet (page 99). The carrying value of inventory at the lower of cost and net realisable value is dependent on key judgements and estimates that are made by management. During the year the Group recorded net exceptional income of £18.7 million (2013: £45.6m) in relation to the write-back of inventory which was written down in value in previous years due to the deterioration of wider market conditions and other site specific factors. The judgements relating to inventory include an estimation of future expected average sales prices and costs. These judgements also include consideration of site specific factors and the developments that individual locations have seen throughout the year. The accounting policy in relation to inventory is on page 105 and this is highlighted as a critical accounting judgement by management and the Audit Committee on page 106 and 64 respectively.	Management conduct a detailed exercise in the assessment of the carrying value of sites. We performed testing on the model completed as part of this and critically assessed the judgements and estimates that had been made within this. This work included: – Reviewing the accuracy of the calculations within the model and identification of any anomalies in inputs; – Performing a sensitivity analysis on the key judgements relating to the future expected sales price and costs; – Assessing the estimated future sales prices used by management by testing the historical sales prices that have been achieved and independent forecasts of anticipated future movements; – Testing a sample of inputs into the management prepared model by reference to internal site specific information such as the costs incurred to date and the estimation of costs required to complete the sites; – As part of the audit we visit units throughout the business and we tested the specific movements and accounting entries made in relation to these sites; – Obtaining evidence to support the current status of a sample of sites and that the site specific developments at each site are reflected in the valuation; and – For sites where the value has been written back we have obtained the specific calculation prepared by management, corroborated the inputs that have led to the write-back and recalculated the value that should have been recorded as income.
Defined benefit pension scheme accounting The total value of the defined benefit pension scheme at the balance sheet date is a liability of £182.4 million (2013: £182.2 million) (page 127) and the liabilities specifically are valued at £2,186.2 million (2013: £2,035.2 million) (page 127). Accounting for a defined benefit pension scheme and the value of liabilities is dependent on significant assumptions, including an assessment of the discount rate, price inflation and key demographic figures including life expectancy and mortality rates. These accounting judgements are inherently complex and require a high level of management judgement and specialist input by an actuary in the calculation of the value of the liabilities. The accounting policy in relation to the accounting for employee benefits is on page 106. Both management and the Audit Committee assess this to be a critical accounting judgement as detailed on page 106 and 64 respectively.	We assessed the competence, capabilities and objectivity of the qualified independent actuary engaged by the Group and the use of this expert by management to perform the valuation of the scheme's liabilities. We engaged our internal actuarial specialists to assess the appropriateness of the methodology and assumptions used to account for the defined benefit scheme. This included comparison of key data with market benchmarks and to challenge the methodology used by the scheme actuary. We considered whether each of the key assumptions was reasonable in isolation and collectively in determining the pension liability at the balance sheet date.
Revenue recognition We consider there to be a risk in the revenue recognised in relation to social housing. Different sources of revenue have different accounting policies (see page 102) and management have highlighted the revenue recognised in relation to social housing as an area of increased judgement on page 106. The assessment of this risk by the Audit Committee is on page 64.This is because elements of the social housing revenue is accounted for on the basis of long term contract accounting. This accounting requires management judgement to determine the appropriateness of calculating the revenue and profit to be recognised. This includes estimating the total expected costs to complete each site, the future profitability of the site and also the percentage of completion at the balance sheet date. These judgements directly influence revenue that can be recognised in relation to social housing.	We conducted testing in relation to the revenue recognised for social housing revenue. This testing involved both test of details and analytical procedures. For a sample of contracts the following procedures were performed: – We tested the level of costs that have been recognised in relation to the site and obtained the certification for the works that have been completed; – Assessed the judgements in relation to the future profitability of the site with reference to the site budget; and – Recalculated the value that should be recognised at the balance sheet date based on the percentage completion. In addition we developed an expectation of the income that should be recognised in the year from this revenue stream with reference to the completion of plots across sites.

Our assessment of risks of material misstatement continued

These risks remain consistent with the prior period with the exception of the implementation of the new business system. We no longer consider this to have a significant impact on the financial statements as the system has been fully implemented across all business units.

The description of the risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 64. The accounting policies and critical judgements that form part of these risks can be found in Note 1 and 2 respectively.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £22.5 million (2013: £20.0 million), which is calculated based on 5% (2013: 7.5%) of pre-tax profit for the year excluding exceptional items of £450.1 million on page 97. The exceptional income is excluded as this directly relates to the write-back of the value of inventory rather than the core business of the sale of properties. This basis has been chosen as this is the measure by which stakeholders and the market assess the wider performance of the entity.

We have reduced the percentage basis for the calculation of materiality from 7.5% to 5%. The continued improvement in the wider economic environment and the impact on the profitability of the Group means that, in our judgement, a level of 5%, is more appropriate.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.45 million (2013: £0.4 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatements at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at the UK Housing division (excluding joint ventures) which represents the principal segment within the Group and accounts for 98% (2013: 98%) of the Group's net operating assets, 99% (2013: 99%) of the Group's revenue and 99% (2013: 99%) of the Group's profit on ordinary activities before exceptional income.

We audit all of the Group's UK subsidiaries, which are subject to audit at statutory materiality level, which in most cases is substantially lower than Group materiality. This is performed subsequent to the audit of the Group accounts.

For the Spanish operations, component auditors report to us on the risk in relation to the carrying value of the inventory located in Spain. This was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations within Spain.

For joint ventures specified audit procedures are conducted by the UK team. This is based on our assessment of risk within these entities.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The audit is performed centrally and includes all of the regional business units within the Group's UK Housing division. We choose to visit a sample of regional business units selected on a rotational basis and with reference to size and complexity among other factors. In addition we also visit other business units throughout the entity which are chosen on a random basis.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent Auditor's Report continued

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Edward Hanson, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
2 March 2015

Consolidated Income Statement

for the year to 31 December 2014

£ million	Note	Before exceptional items 2014	Exceptional items 2014 (Note 6 and 15)	Total 2014	Before exceptional items 2013	Exceptional items 2013 (Note 6,8 and 15)	Total 2013
Continuing operations							
Revenue	4	**2,686.1**	**–**	**2,686.1**	2,295.5	–	2,295.5
Cost of sales		**(2,065.2)**	**18.7**	**(2,046.5)**	(1,846.2)	45.6	(1,800.6)
Gross profit before positive contribution		**605.0**	**18.7**	**623.7**	403.9	45.6	449.5
Positive contribution from written down inventory		**15.9**	**–**	**15.9**	45.4	–	45.4
Gross profit		**620.9**	**18.7**	**639.6**	449.3	45.6	494.9
Net operating expenses	6	**(142.8)**	**–**	**(142.8)**	(139.6)	–	(139.6)
Profit on ordinary activities before finance costs		**478.1**	**18.7**	**496.8**	309.7	45.6	355.3
Interest receivable	8	**0.6**	**–**	**0.6**	0.9	–	0.9
Finance costs	8	**(31.2)**	**–**	**(31.2)**	(45.4)	(7.8)	(53.2)
Share of results of joint ventures	13	**2.6**	**–**	**2.6**	3.2	–	3.2
Profit on ordinary activities before taxation		**450.1**	**18.7**	**468.8**	268.4	37.8	306.2
Taxation charge	9	**(90.4)**	**(4.0)**	**(94.4)**	(53.7)	(12.7)	(66.4)
Profit for the year from continuing operations		**359.7**	**14.7**	**374.4**	214.7	25.1	239.8
Discontinued operations							
Result for the year	27			**–**			31.3
Profit for the year				**374.4**			271.1
Attributable to:							
Equity holders of the parent				**374.4**			271.4
Non-controlling interests				**–**			(0.3)
				374.4			271.1

	Note	2014	2013
Basic earnings per share – total Group	10	**11.6p**	8.5p
Diluted earnings per share – total Group	10	**11.5p**	8.3p
Basic earnings per share – continuing operations	10	**11.6p**	7.5p
Diluted earnings per share – continuing operations	10	**11.5p**	7.3p
Adjusted basic earnings per share – continuing operations	10	**11.2p**	6.7p
Adjusted diluted earnings per share – continuing operations	10	**11.1p**	6.5p
Basic earnings per share – discontinued operations	10	**–**	1.0p
Diluted earnings per share – discontinued operations	10	**–**	1.0p

Consolidated Statement of Comprehensive Income

for the year to 31 December 2014

£ million	Note	2014	2013
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	25	**(1.8)**	1.2
Movement in fair value of hedging derivatives and loans	25	**1.8**	(1.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	21	**(25.9)**	21.0
Tax credit/(charge) on items taken directly to other comprehensive income	14	**5.2**	(6.6)
Other comprehensive (expense)/income for the year net of tax		**(20.7)**	14.4
Profit for the year		**374.4**	271.1
Total comprehensive income for the year		**353.7**	285.5
Attributable to:			
Equity holders of the parent		**353.7**	285.8
Non-controlling interests		**–**	(0.3)
		353.7	285.5

Consolidated Balance Sheet
at 31 December 2014

£ million	Note	2014	2013
Non-current assets			
Intangible assets	11	**2.5**	4.2
Property, plant and equipment	12	**16.8**	8.3
Interests in joint ventures	13	**38.6**	34.7
Trade and other receivables	16	**111.1**	110.8
Deferred tax assets	14	**157.5**	246.6
		326.5	404.6
Current assets			
Inventories	15	**3,490.1**	2,928.8
Trade and other receivables	16	**102.6**	118.5
Tax receivables		**7.8**	7.8
Cash and cash equivalents	16	**212.8**	105.4
		3,813.3	3,160.5
Total assets		**4,139.8**	3,565.1
Current liabilities			
Trade and other payables	19	**(910.0)**	(793.9)
Tax payables		**(7.8)**	(7.6)
Provisions	22	**(40.4)**	(28.3)
		(958.2)	(829.8)
Net current assets		**2,855.1**	2,330.7
Non-current liabilities			
Trade and other payables	19	**(361.5)**	(193.7)
Bank and other loans	17	**(100.0)**	(100.0)
Retirement benefit obligations	21	**(183.8)**	(183.8)
Provisions	22	**(1.0)**	(6.0)
		(646.3)	(483.5)
Total liabilities		**(1,604.5)**	(1,313.3)
Net assets		**2,535.3**	2,251.8
Equity			
Share capital	23	**288.3**	288.1
Share premium account	24	**762.9**	760.2
Own shares	26	**(10.8)**	(18.9)
Other reserves	25	**41.9**	43.8
Retained earnings	25	**1,451.9**	1,177.5
Equity attributable to parent		**2,534.2**	2,250.7
Non-controlling interests		**1.1**	1.1
Total equity		**2,535.3**	2,251.8

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 2 March 2015. They were signed on its behalf by:

P Redfern
Director

R Mangold
Director

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Consolidated Statement of Changes in Equity

for the year to 31 December 2014

For the year to 31 December 2014 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2014	288.1	760.2	(18.9)	43.8	1,177.5	2,250.7
Exchange differences on translation of foreign operations	–	–	–	(1.8)	–	(1.8)
Movement in fair value of hedging derivatives and loans	–	–	–	1.8	–	1.8
Actuarial loss on defined benefit pension schemes	–	–	–	–	(25.9)	(25.9)
Deferred tax credit	–	–	–	–	5.2	5.2
Other comprehensive expense for the year net of tax	–	–	–	–	(20.7)	(20.7)
Profit for the year	–	–	–	–	374.4	374.4
Total comprehensive income for the year	–	–	–	–	353.7	353.7
New share capital subscribed	0.2	2.7	–	–	–	2.9
Own shares acquired	–	–	(10.0)	–	–	(10.0)
Utilisation of own shares	–	–	18.1	–	–	18.1
Cash cost of satisfying share options	–	–	–	–	(14.7)	(14.7)
Share-based payment credit	–	–	–	–	6.2	6.2
Transfer to retained earnings	–	–	–	(1.9)	1.9	–
Dividends approved and paid	–	–	–	–	(72.7)	(72.7)
Equity attributable to parent	288.3	762.9	(10.8)	41.9	1,451.9	2,534.2
Non-controlling interests						1.1
Total equity						2,535.3

For the year to 31 December 2013 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2013	288.0	758.8	(15.9)	44.6	912.6	1,988.1
Exchange differences on translation of foreign operations	–	–	–	1.2	–	1.2
Movement in fair value of hedging derivatives and loans	–	–	–	(1.2)	–	(1.2)
Actuarial gain on defined benefit pension schemes	–	–	–	–	21.0	21.0
Deferred tax charge	–	–	–	–	(6.6)	(6.6)
Other comprehensive income for the year net of tax	–	–	–	–	14.4	14.4
Profit for the year	–	–	–	–	271.4	271.4
Total comprehensive income for the year	–	–	–	–	285.8	285.8
New share capital subscribed	0.1	1.4	–	–	–	1.5
Own shares acquired	–	–	(15.1)	–	–	(15.1)
Utilisation of own shares	–	–	12.1	–	–	12.1
Cash cost of satisfying share options	–	–	–	–	(7.3)	(7.3)
Share-based payment credit	–	–	–	–	6.4	6.4
Transfer to retained earnings	–	–	–	(0.8)	0.8	–
Dividends approved and paid	–	–	–	–	(20.8)	(20.8)
Equity attributable to parent	288.1	760.2	(18.9)	43.8	1,177.5	2,250.7
Non-controlling interests						1.1
Total equity						2,251.8

Consolidated Cash Flow Statement

for the year to 31 December 2014

£ million	Note	2014	2013
Net cash from operating activities	28	**192.7**	98.1
Investing activities			
Interest received		**0.4**	0.6
Dividends received from joint ventures		**2.5**	1.5
Proceeds on disposal of property, plant and equipment		**0.4**	0.1
Purchases of property, plant and equipment	12	**(9.7)**	(2.5)
Purchases of software	11	**–**	(0.6)
Amounts invested in joint ventures		**(3.8)**	(1.5)
Net cash used in investing activities		**(10.2)**	(2.4)
Financing activities			
Proceeds from sale of own shares		**2.9**	1.5
Cash received on exercise of share options		**3.4**	4.8
Purchase of own shares		**(10.0)**	(15.1)
Repayment of debenture loans		**–**	(149.4)
Dividends paid		**(72.7)**	(20.8)
Net cash used in financing activities		**(76.4)**	(179.0)
Net increase/(decrease) in cash and cash equivalents		**106.1**	(83.3)
Cash and cash equivalents at beginning of year		**105.4**	190.4
Effect of foreign exchange rate changes		**1.3**	(1.7)
Cash and cash equivalents at end of year	28	**212.8**	105.4

Notes to the Consolidated Financial Statements

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention except as otherwise stated below.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Going concern

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified on pages 28 to 29. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to direct the relevant activities of an investee entity and obtain variable returns from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequently, all comprehensive income is attributed to the owners and the non-controlling interests, which may result in the non-controlling interest having a debit balance.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control of the rights and assets of the undertaking via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses.

Joint operations arise where the Group has joint control of an operation, but has rights to only its own assets and obligations related to the operation. These assets and obligations, and the Group's share of revenues and costs, are included in the Group's results.

Segmental reporting

The Group is divided into two operating divisions for management reporting and control:

– Housing United Kingdom

– Housing Spain

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Part exchange

In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value is established by independent surveyors, reduced for cost to sell. Net proceeds generated from the subsequent sale of part exchange properties are recorded as a reduction to cost of sales.

The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts.

(c) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

(d) Contracting work and social housing contracts

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

1. Significant accounting policies continued

Where the outcome of a long term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Cost of sales

The Group determines the value of inventory charged to cost of sales based on the total budgeted cost of developing a site. Once the total expected costs of development are established they are allocated to individual plots to achieve a standard build cost per plot.

To the extent that additional costs or savings are identified as the site progresses, these are recognised over the remaining plots unless they are specific to a particular plot, in which case they are recognised in the income statement at the point of sale.

Positive contribution

The positive contribution presented on the face of the Income Statement represents the amount of previous write-down allocated to inventory on a plot that has resulted in the gross profit achieved on completion. This is due to the combination of selling prices and costs, or product mix improvements exceeding our market assumptions in the previous net realisable value (NRV) exercise. These amounts are stated before the allocation of overheads excluded from the Group's net realisable value exercise.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 'Presentation of Financial Statements'.

Interest receivable

Interest income on bank deposits is recognised on an accruals basis. Also included in interest receivable are interest and interest-related payments the Group receives on other receivables.

Borrowing costs

Borrowing costs are recognised on an accruals basis and are payable on the Group's borrowings. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Capitalised finance costs are held in other debtors and amortised over the period of the facility.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing on the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operation are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are recognised within other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group enters into forward contracts in order to hedge its exposure to certain foreign exchange transaction risks relating to the functional currency in accordance with Group policy. It also uses foreign currency borrowings and derivatives to hedge its net investment exposure to certain overseas subsidiaries (see page 105 for details of the Group's accounting policies in respect of such derivative financial instruments).

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. Their values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses.

Software development costs

Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight-line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

1. Significant accounting policies continued

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

Plant and equipment is stated at cost less depreciation.

Depreciation is charged so as to expense the cost or valuation of assets over their estimated useful lives. Other assets are depreciated using the straight-line method, on the following bases:

– Plant and equipment 20-25% per annum;
– Computer equipment 33% per annum; and
– Leasehold improvements over the term of the lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the income statement.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, impairment losses are allocated first to the intangible assets in the cash-generating unit.

If the full impairment of intangible assets is not sufficient to reduce the carrying value of the cash-generating unit to its recoverable amount, tangible fixed assets must then be impaired. If the recoverable amount of tangible fixed assets exceeds their carrying value, no further impairment is required. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that previous revaluations have increased the value of the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. Trade receivables on extended terms, particularly in respect of land, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Derivative financial instruments are measured at fair value.

Mortgage receivables

Mortgage receivables relate to sales incentives including shared equity loans. The receivable is recorded at amortised cost.

Shared equity loans are separated into a loan receivable and a non-closely related embedded derivative asset for accounting purposes as allowed under IAS 39 'Financial instruments'. The loan is measured at amortised cost and the embedded derivative is measured at fair value through profit or loss with any subsequent impairment charged through profit and loss. The fair value of the derivative is based on a national house price index.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds are received, net of direct issue costs.

Borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs.

Trade payables

Trade payables on normal terms are not interest-bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs.

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1. Significant accounting policies continued

Derivative financial instruments and hedge accounting

The Group uses forward exchange contracts to hedge transactions denominated in foreign currencies. The Group also uses foreign currency borrowings and derivatives to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the Parent Company.

Interest rate derivatives are used to manage interest rate risk in respect of borrowings. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are measured at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in other comprehensive income and the ineffective portion, if any, is recognised immediately in the Consolidated Income Statement.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement. Gains or losses from remeasuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in accumulated other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in accumulated other comprehensive income is transferred to the income statement for the period. If a derivative financial instrument does not meet the specific criteria of IAS 39 'Financial instruments' for hedge accounting it is presented as a held for trading asset or liability.

Customer deposits

Customer deposits are recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is probable that they will not be exercised.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

1. Significant accounting policies continued

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based payments'. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 'Employee benefits' (amended 2011). In respect of defined benefit plans, a finance charge is determined on the net defined benefit pension liability. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and certain liability management costs and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

Payments to defined contribution schemes are charged as an expense as they fall due.

2. Key sources of estimation uncertainty and critical accounting judgements

Estimation of revenue recognised

In order to determine the profit that the Group is able to recognise on the proportion of completions in respect of social housing contracts for the period, internal site valuations are carried out for each development at regular intervals throughout the year. This is to ensure any funding advances are only recognised as revenue when the work has been completed including the appropriate allocation of infrastructure.

The valuations include an estimation of the costs to complete and remaining revenues which may differ from the actual costs incurred and revenues received on completion.

Carrying value of inventory

In order to assess the appropriateness of the carrying value of inventory, the Group is required to make estimations of sales prices, costs and margins expected on sites in order to determine whether any write-downs or reversals are required to ensure inventory is stated at the lower of cost and net realisable value.

Following previous significant impairments of inventories, the Group has again undertaken a detailed review on a site-by-site basis of the net realisable value of its land and work in progress. The net realisable value exercise is highly sensitive to the assumptions used and we therefore also consider when the inventory is likely to be realised, whether or not there has been a sustained change in market conditions that previously caused the inventory to be written down and the wider economic environment existing at the balance sheet date.

The Group has reversed a net £18.7 million of inventory write-downs in the year. This consists of a UK reversal of £27.0 million and further write-downs of £8.3 million. See Note 15.

Employee benefits

The value of plan assets and liabilities is determined on various long term actuarial assumptions, including future rates of inflation, growth, yields, returns on investments and mortality rates. Changes in these assumptions over time and differences to the actual outcome will be reflected in the Statement of Comprehensive Income. Note 21 details the main assumptions in accounting for the Group's defined benefit pension schemes.

Tax and deferred tax

Aspects of tax accounting require management judgement and interpretation of tax legislation across many jurisdictions, in some cases relating to items which may not be resolved with the relevant tax authority for many years.

In determining the carrying amounts of deferred tax assets, management is required to assess the timing of the utilisation of provisions for tax purposes and whether it is probable that sufficient taxable profits will be available to enable the asset to be recovered.

Adoption of new and revised standards and interpretations

The following new standards, amendments to standards or interpretations have been adopted by the European Union and are mandatory for the first time for the year ending on or after 1 January 2014.

IFRS 10 'Consolidated financial statements' – this standard establishes a single, control-based model for assessing control and determining the scope of consolidated entities. It replaced the corresponding requirements of both IAS 27 'Consolidation and Separate Financial Statements' and SIC – 12 'Consolidation – Special Purpose Entities'. IFRS 10 does not alter the basic principles of consolidation; however, it does introduce a new concept of how control should be assessed, focusing on the ability to direct the activities that most affect returns. IFRS 10 also provides clarity on areas which were previously unclear under IAS 27 and SIC-12.

IFRS 11 'Joint Arrangements' – this standard has replaced IAS 31 'Interests in Joint Ventures'. The most significant change to accounting for joint arrangements will be as a result of the change to the definition of control required by IFRS 10 meaning entities may require accounting for in line with IFRS 11 which were previously outside the scope.

IFRS 12 'Disclosure of Interests in Other Entities' – the objective of this standard is to enable users of the financial statements to evaluate an entity's interest in other entities through requiring the disclosure of the nature and risks associated with the interests in other entities and how those interests affect the entity's financial position, financial performance and cash flows.

The Group has reviewed all significant joint venture arrangements to establish whether the change of the definition of control under IFRS 10 has affected how the entity should be accounted for in the consolidated financial statements or if the arrangement now falls within the scope of IFRS 11. There are no material adjustments required to the consolidated financial statements as a result of these new standards.

2. Key sources of estimation uncertainty and critical accounting judgements continued

The following new and revised standards and interpretations have also been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions and arrangements:

- Amendment to IAS 32 'Financial instruments: presentation', on offsetting financial assets and financial liabilities;
- Amendments to IAS 36 'Impairment of assets';
- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting; and
- IFRIC 21 'Levies'.

Standards and interpretations in issue but not yet effective or requiring mandatory adoption

At the date of publishing these financial statements the following new and revised standards and interpretations were in issue but were not yet effective or requiring mandatory adoption (and in some cases had not yet been adopted by the EU).

None of these new and revised standards and interpretations have been adopted early by the Group:

- Amendment to IAS 19 'Employee benefits' regarding defined benefit plans;
- Annual improvements to IFRS 2010-2012 cycle;
- Annual improvements to IFRS 2011-2013 cycle;
- Annual improvements to IFRS 2012-2014 cycle;
- Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation;
- Amendment to IAS 16 'Property, plant and equipment' and IAS 38, 'Intangible assets' on depreciation and amortisation;
- IFRS 14 'Regulatory deferral accounts';
- Amendments to IAS 27 'Separate financial statements' on the equity method; and
- Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures'.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 15 'Revenue from contracts with customers' is effective for annual periods beginning on or after 1 January 2017 (subject to EU endorsement). IFRS 9 'Financial instruments', with associated amendments, is effective for annual periods beginning on or after 1 January 2018 (subject to EU endorsement). The Group has begun, but not yet completed, its assessment of the potential impacts of these two standards. This assessment will be completed well ahead of the EU endorsed implementation dates so any impacts can be understood prior to adoption.

3. General information

Taylor Wimpey plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 153. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 43.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on page 103.

4. Revenue

An analysis of the Group's continuing revenue is as follows:

£ million	2014	2013
Housing	2,667.5	2,267.0
Land sales	18.6	28.5
Revenue for the year	2,686.1	2,295.5

Housing revenue includes £96.1 million (2013: £150.0 million) in respect of the value of properties accepted in part exchange by the Group.

5. Operating segments

IFRS 8 'Operating segments' requires information to be presented on the same basis as it is reviewed internally. The Group's Board of Directors views the businesses on a geographic basis when making strategic decisions for the Group and as such the Group is organised into two operating divisions – Housing United Kingdom and Housing Spain.

Segment information about these businesses is presented below:

For the year to 31 December 2014 £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue			
External sales	2,652.4	33.7	2,686.1
Result			
Profit on ordinary activities before joint ventures, finance costs and exceptional items	473.9	4.2	478.1
Share of results of joint ventures	2.6	–	2.6
Profit on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	476.5	4.2	480.7
Exceptional items (Note 6)	18.7	–	18.7
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	495.2	4.2	499.4
Net finance costs			(30.6)
Profit on ordinary activities before taxation			468.8
Taxation (including exceptional tax)			(94.4)
Profit from continuing operations			374.4
Discontinued operations			
Result from discontinued operations			–
Profit for the year – total Group			374.4
Assets and liabilities			
At 31 December 2014			
Segment operating assets	3,637.1	86.0	3,723.1
Joint ventures	38.4	0.2	38.6
Segment operating liabilities	(1,460.2)	(36.5)	(1,496.7)
Group net operating assets	2,215.3	49.7	2,265.0
Net current taxation			–
Net deferred taxation			157.5
Net cash			112.8
Net assets			2,535.3

5. Operating segments continued

For the year to 31 December 2014 £ million	Housing United Kingdom	Housing Spain	Consolidated
Other information – continuing operations			
Property, plant and equipment additions	**9.6**	**0.1**	**9.7**
Software development costs	**–**	**–**	**–**
Depreciation – property, plant and equipment	**1.1**	**0.1**	**1.2**
Software amortisation	**1.7**	**–**	**1.7**

For the year to 31 December 2013 £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue			
External sales	2,271.4	24.1	2,295.5
Result			
Profit on ordinary activities before joint ventures, finance costs and exceptional items	309.6	0.1	309.7
Share of results of joint ventures	3.2	–	3.2
Profit on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	312.8	0.1	312.9
Exceptional items	62.3	(16.7)	45.6
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	375.1	(16.6)	358.5
Finance costs, net (including exceptional finance costs and credits)			(52.3)
Profit on ordinary activities before taxation			306.2
Taxation (including tax on exceptional items)			(66.4)
Profit from continuing operations			239.8
Discontinued operations			
Result from discontinued operations			31.3
Profit for the year – total Group			271.1

Assets and liabilities At 31 December 2013			
Segment operating assets	3,101.1	69.5	3,170.6
Joint ventures	34.5	0.2	34.7
Segment operating liabilities	(1,181.0)	(24.7)	(1,205.7)
Group net operating assets	1,954.6	45.0	1,999.6
Net current taxation			0.2
Net deferred taxation			246.6
Net cash			5.4
Net assets			2,251.8

For the year to 31 December 2013			
Other information – continuing operations			
Property, plant and equipment additions	2.5	–	2.5
Software development costs	0.6	–	0.6
Depreciation – property, plant and equipment	1.2	0.1	1.3
Software amortisation	1.6	–	1.6

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6. Net operating expenses and profit on ordinary activities before finance costs

Profit on ordinary activities before financing costs for continuing operations has been arrived at after charging/(crediting):

£ million	2014	2013
Administration expenses	**158.6**	151.7
Net other income	**(15.8)**	(12.1)
Exceptional items	**(18.7)**	(45.6)

Net other income includes profits on the sale of property, plant and equipment, revaluation of certain shared equity mortgage receivables, and ground rents receivable.

Exceptional items:

£ million	2014	2013
Net reversal of inventory write-downs (Note 15)	**(18.7)**	(45.6)
Exceptional items credited to cost of sales	**(18.7)**	(45.6)

The Group has seen a sustained improvement in the UK housing market and improvement in confidence in the wider economy, driven by continued low interest rates, improved mortgage availability and Government incentives, including the 'Help to Buy' scheme.

Following the completion of the June and December net realisable value (NRV) exercises the Group has released a net £18.7 million of previous write-downs in the year (2013: £45.6 million). This consisted of £27.0 million of releases and £8.3 million of additional NRV requirements in the UK. No further write-downs have been booked in Spain (2013: £16.7 million of additional NRV). The NRV balance remaining relates to specific legacy sites.

Profit on ordinary activities before financing costs for continuing operations has been arrived at after charging/(crediting):

£ million	2014	2013
Cost of inventories recognised as expense in cost of sales, before write-downs of inventories	**1,985.0**	1,765.8
Write-down of inventories	**8.3**	61.5
Reversal of write-downs of inventories	**(27.0)**	(107.1)
Depreciation – property, plant and equipment	**1.2**	1.3
Payments under operating leases	**3.8**	5.7

The remuneration paid to Deloitte LLP, the Group's external auditor, is as follows:

£ million	2014	2013
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditor and its associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
Total audit fees	**0.4**	0.4
Other services pursuant to legislation	**0.1**	0.1
Tax services	**0.1**	–
Other assurance services	**–**	–
Other services	**–**	0.1
Total non-audit fees	**0.2**	0.2
Total fees	**0.6**	0.6

Non-audit services in 2014 and 2013 predominantly relate to work undertaken as a result of Deloitte LLP's role as auditor, or work resulting from knowledge and experience gained as part of the role. Other services relate to advisory services relating to pension liability management consultation and real estate advisory work. The work was either the subject of a competitive tender or was best performed by the Group's auditor because of its knowledge of the Group.

Tax services include advisory services for Taylor Wimpey plc and subsidiaries. See page 62 for details of the Group's policies in respect of non-audit services and approval by the Audit Committee.

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7. Staff costs

	2014 Number	2013 Number
Average number employed		
Housing United Kingdom	**3,784**	3,629
Housing Spain	**73**	71
	3,857	3,700
United Kingdom	**3,784**	3,629
Overseas	**73**	71
	3,857	3,700

£ million	2014	2013
Remuneration		
Wages and salaries	**164.6**	160.9
Redundancy costs	**2.1**	0.9
Social security costs	**22.1**	19.7
Other pension costs	**9.0**	7.7
	197.8	189.2

The information required by the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority is contained in Note 32 and pages 66 to 85 in the Directors' Remuneration Report.

8. Finance costs and interest receivable

£ million	2014	2013
External interest receivable	**0.6**	0.9
	0.6	0.9

Finance costs are analysed as follows:

£ million	2014	2013
Interest on overdrafts, bank and other loans	**14.4**	12.4
Interest on debenture loans	**–**	15.5
Movement on interest rate derivatives and foreign exchange movements	**0.2**	(0.2)
	14.6	27.7
Unwinding of discount on land creditors and other items	**9.1**	8.0
Notional net interest on pension liability (Note 21)	**7.5**	9.7
	31.2	45.4
Exceptional finance items:		
Senior Note 10.375% due 2015 prepayment penalty (Note 18)	**–**	7.8
	31.2	53.2

The exceptional finance cost in 2013 relates to the prepayment penalty on the early redemption of the total outstanding (£149.4 million) Senior Notes 10.375% due 2015.

9. Taxation

Tax (charged)/credited in the income statement for continuing operations is analysed as follows:

£ million		2014	2013
Current tax:			
UK corporation tax:	Current year	**(1.0)**	–
	Prior years	**0.1**	–
Foreign tax:	Current year	**(0.2)**	–
	Prior years	**–**	–
		(1.1)	–
Deferred tax:			
UK:	Current year	**(91.4)**	(69.8)
	Prior year	**(1.9)**	3.4
		(93.3)	(66.4)
		(94.4)	(66.4)

Corporation tax is calculated at 21.5% (2013: 23.3%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year includes a charge in respect of exceptional items of £4.0 million in respect of UK tax which is associated with the net realisable value of inventory.

The charge for 2013 includes a charge of £21.8 million relating to the impact on the deferred tax asset of the 3% reduction in UK corporation tax from 23% to 20%.

The charge for the year can be reconciled to the profit per the income statement as follows:

£ million	2014	2013
Profit before tax	**468.8**	306.2
Tax at the UK corporation tax rate of 21.5% (2013: 23.3%)	**(100.8)**	(71.2)
Net (under)/over provision in respect of prior years	**(1.8)**	3.4
Tax effect of expenses that are not deductible in determining taxable profit	**4.0**	0.8
Unrecognised temporary differences utilised	**1.0**	6.6
Losses not recognised	**–**	(5.0)
Recognition of deferred tax asset relating to non-trading losses	**3.3**	18.8
Impact of 3% rate reduction on deferred tax	**–**	(21.8)
Other rate impacting adjustments	**(0.1)**	2.0
Tax charge for the year	**(94.4)**	(66.4)

10. Earnings per share

	2014	2013
Basic earnings per share	**11.6p**	8.5p
Diluted earnings per share	**11.5p**	8.3p
Basic earnings per share – continuing operations	**11.6p**	7.5p
Diluted earnings per share – continuing operations	**11.5p**	7.3p
Adjusted basic earnings per share – continuing operations	**11.2p**	6.7p
Adjusted diluted earnings per share – continuing operations	**11.1p**	6.5p
Basic earnings per share – discontinued operations	**–**	1.0p
Diluted earnings per share – discontinued operations	**–**	1.0p
Weighted average number of shares for basic/adjusted earnings per share – million	**3,224.4**	3,201.4
Weighted average number of shares for diluted basic/adjusted earnings per share – million	**3,253.1**	3,280.4

Adjusted basic and adjusted diluted earnings per share, which exclude the impact of exceptional items and any associated net tax charges, are presented to provide a better measure of the underlying performance of the Group. A reconciliation of earnings attributable to equity shareholders used for basic and diluted earnings per share to that used for adjusted earnings per share is shown below.

£ million	2014	2013
Earnings from continuing operations for basic and diluted earnings per share	**374.4**	239.8
Adjust for exceptional net reversal of inventory write-downs (Note 15)	**(18.7)**	(45.6)
Adjust for exceptional interest items (Note 8)	**–**	7.8
Adjust for tax on exceptional items (Note 9)	**4.0**	12.7
Earnings from continuing operations for adjusted basic and adjusted diluted earnings per share	**359.7**	214.7

11. Intangible assets

£ million	Brands	Software development costs	Total
Cost			
At 1 January 2013	140.2	5.9	146.1
Additions	–	0.6	0.6
At 31 December 2013	140.2	6.5	146.7
Additions	**–**	**–**	**–**
At 31 December 2014	**140.2**	**6.5**	**146.7**
Amortisation/impairment			
At 1 January 2013	(140.2)	(0.7)	(140.9)
Charge for the year	–	(1.6)	(1.6)
At 31 December 2013	(140.2)	(2.3)	(142.5)
Charge for the year	**–**	**(1.7)**	**(1.7)**
At 31 December 2014	**(140.2)**	**(4.0)**	**(144.2)**
Carrying amount			
31 December 2014	**–**	**2.5**	**2.5**
31 December 2013	–	4.2	4.2

The Group has assessed its brands and their associated values and has concluded that given the majority of the legacy brands are currently not used, it would not be appropriate to reverse any of the previously recognised impairment charges.

The amortisation of software development costs is recognised within administrative expenses in the income statement.

12. Property, plant and equipment

£ million	Freehold land and buildings	Plant, equipment and leasehold improvements	Total
Cost			
At 1 January 2013	1.9	17.5	19.4
Additions	1.5	1.0	2.5
Disposals	–	(4.4)	(4.4)
Foreign exchange	–	–	–
At 31 December 2013	3.4	14.1	17.5
Additions	**7.6**	**2.1**	**9.7**
Disposals	**–**	**(1.7)**	**(1.7)**
Foreign exchange	**–**	**–**	**–**
At 31 December 2014	**11.0**	**14.5**	**25.5**
Accumulated depreciation			
At 1 January 2013	(0.1)	(12.2)	(12.3)
Disposals	–	4.4	4.4
Charge for the year	–	(1.3)	(1.3)
At 31 December 2013	(0.1)	(9.1)	(9.2)
Disposals	**–**	**1.7**	**1.7**
Charge for the year	**(0.1)**	**(1.1)**	**(1.2)**
At 31 December 2014	**(0.2)**	**(8.5)**	**(8.7)**
Carrying amount			
At 31 December 2014	**10.8**	**6.0**	**16.8**
At 31 December 2013	3.3	5.0	8.3

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13. Interests in joint ventures

£ million	2014	2013
Aggregated amounts relating to share of joint ventures		
Current assets	**68.1**	42.2
Total assets	**68.1**	42.2
Current liabilities	**(29.6)**	(4.7)
Non-current liabilities	**(28.6)**	(27.7)
Total liabilities	**(58.2)**	(32.4)
Carrying amount	**9.9**	9.8
Loans to joint ventures	**28.7**	24.9
Total interests in joint ventures	**38.6**	34.7

£ million	2014	2013
Share of post-tax profits from joint ventures		
Revenue	**23.4**	24.5
Cost of sales	**(19.5)**	(19.6)
Gross profit	**3.9**	4.9
Net operating expenses	**(0.7)**	(1.4)
Profit on ordinary activities before finance costs	**3.2**	3.5
Finance costs	**(0.1)**	(0.1)
Profit on ordinary activities before tax	**3.1**	3.4
Taxation	**(0.5)**	(0.2)
Share of joint ventures' post-tax results for the year	**2.6**	3.2

The Group has four material (2013: four) joint ventures.

Each of the Group's material joint ventures' principal activity is residential house building.

The Group considers a joint venture to be material when it is either financially or strategically important to the Group.

The particulars of the material joint ventures are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts	Taylor Wimpey plc interest in the issued ordinary share capital
United Kingdom	Strada Developments Limited[(a)]	50%
United Kingdom	Greenwich Millennium Village Limited[(a)]	50%
United Kingdom	Chobham Manor Limited Liability Partnership[(a)]	50%
United Kingdom	Academy Central Limited Liability Partnership[(a)]	62%

(a) Interest held by subsidiary undertakings.

The following two tables show summary financial information for these four material joint ventures. Unless specifically indicated, this information represents 100% of the joint venture.

13. Interests in joint ventures continued

£ million	Strada 2014	Greenwich Millennium Village 2014	Chobham Manor 2014	Academy Central 2014	Total 2014
Percentage ownership interest	**50%**	**50%**	**50%**	**62%**	
Current assets (including cash and cash equivalents)	**6.7**	**76.4**	**15.9**	**23.9**	**122.9**
Current financial liabilities	**–**	**(47.5)**	**(2.3)**	**(2.2)**	**(52.0)**
Current other liabilities	**(1.7)**	**(3.6)**	**(0.6)**	**–**	**(5.9)**
Non-current financial liabilities	**–**	**(20.8)**	**(17.6)**	**(12.6)**	**(51.0)**
Net assets (100%)	**5.0**	**4.5**	**(4.6)**	**9.1**	**14.0**
Group share of net assets/(liabilities)	**2.5**	**2.2**	**(2.3)**	**5.6**	**8.0**
Revenue	**8.5**	**7.5**	**1.2**	**23.7**	**40.9**
Interest income	**0.1**	**–**	**–**	**–**	**0.1**
Income tax expense	**(0.5)**	**(0.4)**	**–**	**–**	**(0.9)**
Profit/(loss) for the year	**1.6**	**1.2**	**(2.5)**	**3.4**	**3.7**
Group share of profit/(loss) for the year	**0.8**	**0.6**	**(1.2)**	**2.1**	**2.3**
Dividends received from the joint venture during the year	**2.5**	**–**	**–**	**–**	**2.5**

During the year, no entity charged depreciation, amortisation or interest expense. No entity had discontinued operations or items of other comprehensive income.

£ million	Strada 2013	Greenwich Millennium Village 2013	Chobham Manor 2013	Academy Central 2013	Total 2013
Percentage ownership interest	50%	50%	50%	62%	
Current assets (including cash and cash equivalents)	9.4	10.4	5.8	37.0	62.6
Current financial liabilities	(1.0)	(0.5)	(1.0)	(3.5)	(6.0)
Current other liabilities	–	(1.4)	–	–	(1.4)
Non-current financial liabilities	–	(5.3)	(6.9)	(27.8)	(40.0)
Net assets (100%)	8.4	3.2	(2.1)	5.7	15.2
Group share of net assets/(liabilities)	4.2	1.6	(1.0)	3.5	8.3
Revenue	5.8	4.9	–	30.2	40.9
Interest income	0.1	–	–	–	0.1
Income tax expense	(0.2)	(0.2)	–	–	(0.4)
Profit/(loss) for the year	0.7	0.6	(2.1)	5.7	4.9
Group share of profit/(loss) for the year	0.4	0.3	(1.0)	3.5	3.2
Dividends received from the joint venture during the year	1.5	–	–	–	1.5

During the year, no entity charged depreciation, amortisation or interest expense. No entity had discontinued operations or items of other comprehensive income.

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13. Interests in joint ventures continued

£ million	2014	2013
Aggregated amounts relating to share of individually immaterial joint ventures		
Current assets	**3.8**	6.3
Total assets	**3.8**	6.3
Current liabilities	**(0.3)**	(0.6)
Non-current liabilities	**(1.6)**	(4.3)
Total liabilities	**(1.9)**	(4.9)
Carrying amount	**1.9**	1.4
Loans to individually immaterial joint ventures	**1.7**	1.6
Total interests in individually immaterial joint ventures	**3.6**	3.0

£ million	2014	2013
Share of post-tax profits from individually immaterial joint ventures		
Revenue	**0.7**	0.4
Cost of sales	**(0.1)**	(0.2)
Gross profit	**0.6**	0.2
Net operating expenses	**(0.1)**	–
Profit on ordinary activities before finance costs	**0.5**	0.2
Finance costs	**(0.1)**	(0.2)
Profit on ordinary activities before tax	**0.4**	–
Taxation	**(0.1)**	–
Share of individually immaterial joint ventures post-tax results for the year	**0.3**	–

14. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2013	4.9	8.1	248.0	56.2	2.4	319.6
Credit/(charge) to income	0.3	(2.3)	(52.3)	(9.5)	(2.6)	(66.4)
Credit/(charge) to equity	3.7	–	–	(10.3)	–	(6.6)
At 31 December 2013	8.9	5.8	195.7	36.4	(0.2)	246.6
Charge to income	**(0.3)**	**(1.3)**	**(85.5)**	**(6.1)**	**(0.1)**	**(93.3)**
(Charge)/credit to equity	**(1.0)**	**–**	**–**	**5.2**	**–**	**4.2**
At 31 December 2014	**7.6**	**4.5**	**110.2**	**35.5**	**(0.3)**	**157.5**

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the majority of the temporary differences have been calculated at the rate of 20% (2013: 20%), the rate effective from 1 April 2015 and substantively enacted by the end of the reporting period. The effect of the reduction in the UK corporation tax rate from 23% to 20% is nil (2013: £28.3 million reduction in deferred tax asset).

14. Deferred tax continued

The net deferred tax balance is analysed into assets and liabilities as follows:

£ million	2014	2013
Deferred tax assets	**159.4**	247.6
Deferred tax liabilities	**(1.9)**	(1.0)
	157.5	246.6

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £1.0 million (2013: £17.4 million) in the UK and £104.2 million (2013: £103.9 million) in Spain. The UK losses have not been recognised as they are predominantly non-trading in nature and sufficient uncertainty exists as to their future utilisation. The losses in Spain have not been recognised due to uncertainty of sufficient taxable profits in the future against which to utilise the losses.

At the balance sheet date, the Group has unused UK capital losses of £255.4 million (2013: £255.3 million), all of which are agreed as available for offset against future capital profits. No deferred tax asset has been recognised in respect of the capital losses at 31 December 2014 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

15. Inventories

£ million	2014	2013
Raw materials and consumables	**–**	1.3
Finished goods and goods for resale	**22.1**	21.3
Residential developments:		
Land[(a)]	**2,582.4**	2,180.1
Development and construction costs	**882.7**	724.7
Commercial, industrial and mixed development properties	**2.9**	1.4
	3,490.1	2,928.8

(a) Details of land creditors are in Note 19.

In 2014 we saw the continued positive benefit of the improved environment in all of our regional markets. This is underpinned by solid consumer confidence and good mortgage availability.

During 2014 we saw a continued trend to a healthier and more balanced market. This has meant that, whilst we have seen profitability increase on previously impaired sites, this has not been as significant as in the prior year. The stabilising of house prices along with a reduction in the number of actively trading sites which are impaired has resulted in a net reversal of impairment write-downs in the year of £18.7 million (2013: £62.3 million) in the UK.

The net reversal in the UK consists of a reversal of previous write-downs of £27.0 million (2013: £107.1 million) and additional write-downs to the lower of cost and net realisable value of £8.3 million (2013: £44.8 million) on previously impaired sites.

In the year 14% (2013: 32%) of the Group's UK completions were from sites that had been previously impaired.

At the balance sheet date the Group held inventory in the UK that had been written down to net realisable value of £269.6 million (2013: £459.9 million) with associated impairments of £158.1 million (2013: £206.8 million).

The UK net realisable value assessment of inventory is highly sensitive to small changes in judgements and the table below provides an indication of the impact to the inventory held on the balance sheet of 1% movements in selling prices and build costs.

£ million	+1% selling price	-1% selling price	+1% build cost	-1% build cost
31 December 2014	**12.4**	**(14.2)**	**(12.9)**	**10.9**
31 December 2013	18.3	(6.9)	(6.6)	11.7

There has been some improvement in the Spanish housing market during the year. However, this improvement has been on newer sites which have been acquired in better locations. Sales rates and prices on sites which have been previously impaired remain low. In the year, 50 plots (2013: 95) were completed in Spain that had previously been impaired. In Spain, there was inventory written down to net realisable value of £27.0 million as at 31 December 2014 (2013: £30.2 million).

15. Inventories continued

The table below details the movements recorded on the write-downs on impaired inventory recorded through the income statement in the year.

Inventory write-downs £ million	2014	2013
1 January	**265.1**	396.1
Utilised	**(36.0)**	(86.4)
Net reversal	**(18.7)**	(45.6)
Foreign exchange	**(4.2)**	1.0
31 December	**206.2**	265.1

16. Other financial assets

Trade and other receivables

	Current		Non-current	
£ million	2014	2013	2014	2013
Trade receivables	**45.1**	79.9	**109.9**	109.5
Other receivables	**57.5**	38.6	**1.2**	1.3
	102.6	118.5	**111.1**	110.8

The average credit period taken on sales is eight days (2013: 14 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £2.5 million (2013: £3.2 million). This allowance has been determined by reference to past default experience.

Included within trade receivables are mortgage receivables of £104.8 million (2013: £107.5 million) including shared equity loans. Shared equity loans are provided to certain customers to facilitate their house purchase. They are accounted for as a host contract representing a loan receivable and a non-closely related embedded derivative asset, as allowed under IAS 39 'Financial instruments'. The loan is measured at amortised cost and the embedded derivative is measured at fair value through profit or loss.

The embedded derivative fair value movement is established by reference to a published national house price index. The fair value of the derivative is £9.4 million (2013: £5.5 million) and is included in the amount above.

Cash and cash equivalents

£ million	2014	2013
Cash and cash equivalents (see Note 20)	**212.8**	105.4

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value in both years.

17. Bank and other loans

£ million	2014	2013
Bank overdrafts repayable on demand	**–**	–
Bank loans	**–**	–
Other loans	**100.0**	100.0
	100.0	100.0

Other loans were borrowed at variable rates of interest, from 2.8% to 5.8% (2013: 2.8% to 5.8%) during the year, and comprise a £100.0 million (2013: £100.0 million) variable rate term loan with an investment fund.

£ million	2014	2013
Amount due for settlement after one year	**100.0**	100.0
Total borrowings	**100.0**	100.0

£ million	Bank overdraft	Bank and other loans
Analysis of borrowings by currency:		
31 December 2014 and 31 December 2013		
Sterling	**–**	**100.0**
	–	**100.0**

18. Debenture loans

The £250 million Senior Notes 10.375% due 2015 were redeemed in full on 31 December 2013, with a prepayment penalty of £7.8 million being recorded as an exceptional item (Note 8).

19. Trade and other payables

	Current		Non-current	
£ million	2014	2013	2014	2013
Trade payables	**505.7**	412.6	**261.0**	140.6
Other payables	**404.3**	381.3	**100.5**	53.1
	910.0	793.9	**361.5**	193.7

Other payables include customer deposits for reserving plots of £65.8 million (2013: £49.4 million), £147.8 million (2013: £141.2 million) relating to certain accruals associated with completed sites, and £86.7 million (2013: £5.6 million) repayable grant creditors.

Land creditors (included within trade payables) are due as follows: £ million	2014	2013
Due within one year	**228.4**	209.3
Due in more than one year	**259.3**	139.7
	487.7	349.0

Land creditors are denominated as follows: £ million	2014	2013
Sterling	**480.8**	347.4
Euros	**6.9**	1.6
	487.7	349.0

Land creditors of £304.0 million (2013: £264.8 million) are secured against land acquired for development, or supported by bond or guarantee.

20. Financial instruments and fair value disclosures

Capital management

The Group's objective is to obtain a strong credit rating for the business and to have an appropriate funding structure. Shareholders' equity and long term debt are used to finance fixed assets and the medium to long term land bank. Revolving credit facilities are used to fund net current assets including development and construction costs. The Group has externally imposed interest cover and gearing ratios related to its financing facilities. The Group met these requirements throughout the year.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

		Carrying value		Fair value	
Financial assets £ million	Fair value hierarchy	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Cash and cash equivalents	b	**212.8**	105.4	**212.8**	105.4
Land receivables	b	**13.3**	29.3	**13.3**	29.3
Trade and other receivables	b	**44.9**	48.6	**44.9**	48.6
Mortgage receivables	a	**104.8**	107.5	**104.8**	107.5
		375.8	290.8	**375.8**	290.8

(a) Mortgage receivables relate to sales incentives including shared equity loans which are separated into a loan receivable and a non-closely related embedded derivative asset. The embedded derivative is measured at fair value through profit and loss. The fair value of the derivative is established based on a publicly available national house price index, being significant other observable inputs (level 2).

(b) The Directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts.

Current and non-current trade and other receivables, as disclosed in Note 16, include £50.7 million (2013: £43.9 million) of non-financial assets.

20. Financial instruments and fair value disclosures continued

Financial liabilities £ million	Fair value hierarchy	Carrying value 31 December 2014	Carrying value 31 December 2013	Fair value 31 December 2014	Fair value 31 December 2013
Overdrafts, bank and other loans	b	**100.0**	100.0	**100.0**	100.0
Land creditors	b	**487.7**	349.0	**487.7**	349.0
Trade and other payables	b	**670.9**	553.5	**670.9**	553.5
		1,258.6	1,002.5	**1,258.6**	1,002.5

Land creditors are included in the balance sheet as trade and other payables for current and non-current amounts. Current and non-current trade and other payables, as disclosed in Note 19, include £112.9 million (2013: £85.1 million) of non-financial liabilities.

The Group has designated the carrying value of €34.0 million (2013: €34.0 million) foreign currency forward contracts as a net investment hedge. The fair value of the forward contract is based on observable forward exchange rates at the end of the period taking into account any adjustment required for credit risk (level 2). At the year end the carrying value is considered to approximate its fair value as the value of the derivative is neglible.

The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs (level 3), nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

The Group has the following types of derivatives:

	2014 Notional amount	2014 Weighted average fixed	2013 Notional amount	2013 Weighted average fixed
Designated as hedging instruments:				
Currency forward contract to sell € against £	**€34.0m**	**n/a**	€34.0m	n/a

In addition, forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy/(sell) against Sterling: €26.0 million and C$(0.6) million (2013: €22.0 million and C$(0.7) million). The fair values of the forward contracts are not materially different to their book values as they were entered into on or near 31 December in each year and mature not more than one month later, hence the value of the derivative is neglible.

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks by the use of fixed or variable rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at variable interest rates. The exposure to variable rate borrowings fluctuates during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. Group policy is to manage the volatility risk by a combination of fixed rate borrowings and interest rate swaps such that the sensitivity to potential changes in variable rates is within acceptable levels. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility. This policy has not changed during the year.

In order to measure the risk, variable rate borrowings and the expected interest cost for the year are forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year. The Group does not currently have any outstanding fixed rate borrowings or interest rate swaps.

20. Financial instruments and fair value disclosures continued

Interest rate sensitivity

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at the balance sheet date, is shown in the table below. The Group does not have any outstanding interest rate derivatives.

The table assumes all other variables remain constant in accordance with IFRS 7.

1% increase in interest rates £ million	Sensitivity income 2014	Sensitivity equity 2014	Sensitivity income 2013	Sensitivity equity 2013
Derivatives	–	–	–	–
Non-derivatives	1.1	1.1	–	–
	1.1	1.1	–	–

1% decrease in interest rates £ million	Sensitivity income 2014	Sensitivity equity 2014	Sensitivity income 2013	Sensitivity equity 2013
Derivatives	–	–	–	–
Non-derivatives	(1.1)	(1.1)	–	–
	(1.1)	(1.1)	–	–

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates. Spain is the only foreign operation of the Group.

The Group is not materially exposed to transaction risks as all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is also exposed to the translation risk of accounting for both the income and the net investment held in a functional currency other than Sterling. The net investment risk is hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates. Income is also measured monthly using the latest exchange rates and compared to a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings the translation risk of income is not hedged using derivatives. The policy is kept under periodic review.

The Group's exposure to, and the way in which it manages, exchange rate risk has not changed from the previous year.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with Group policy. Forward contracts are currently being used to hedge the net investment risk in the Spanish operations.

The Group has designated the carrying value of €34.0 million (2013: €34.0 million) foreign currency forward contracts held at the balance sheet date as a net investment hedge of part of the Group's investment in Euro denominated assets.

The change in the carrying amount of the derivatives which were effective hedging instruments and the change in the carrying value of the borrowings offset the exchange movement on the foreign currency net investments and are presented in the translation reserve.

Foreign currency sensitivity

The Group is only exposed to the Euro due to its Spanish operations. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis to a 5% change in the currency's value against Sterling, and in accordance with IFRS 7, all other variables remaining constant.

The 5% change represents a reasonably possible change in the specified Euro exchange rates in relation to Sterling.

£ million	Income sensitivity 2014	Equity sensitivity 2014	Income sensitivity 2013	Equity sensitivity 2013
Euro weakens against Sterling	0.3	(1.1)	0.3	(1.1)
Euro strengthens against Sterling	(0.3)	1.1	(0.3)	1.1

20. Financial instruments and fair value disclosures continued

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Group policy is that surplus cash, when not used to repay borrowings, is placed on deposit with the Group's main relationship banks and with other banks or money market funds based on a minimum credit rating and maximum exposure.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that, if the credit risk is not acceptable, then the deferred payment must have adequate security, either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management considers that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk.

Mortgage receivables, including shared equity loans, are in connection with the various promotion schemes to support sales on a selective basis. The mortgages are mostly secured by a second charge over the property and are held at amortised cost. The embedded derivative related to shared equity is held at fair value.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value. Details of guarantees and bonds are given in Note 29.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a minimum of 12 months to maturity. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. The Group has a range of maturities with an average life of 3.7 years (2013: 4.7 years). On 12 February 2015, the term of the revolving credit facility was extended to February 2020 and as such the average life of maturity extended to 5.0 years from 31 December 2014.

In addition to fixed term borrowings, the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £550.0 million (2013: £550.0 million) and cash and cash equivalents were £212.8 million (2013: £105.4 million).

The £100.0 million term loan matures in November 2020, with repayments commencing in November 2017.

The maturity profile of the anticipated future cash flows, including interest using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

Financial liabilities £ million	**Overdrafts, bank and other loans**	**Land creditors**	**Trade and other payables***	**Currency forward contracts**	**Total**
On demand	**–**	**–**	**–**	**–**	**–**
Within one year	**4.9**	**237.5**	**600.3**	**46.5**	**889.2**
More than one year and less than two years	**4.9**	**162.9**	**37.7**	**–**	**205.5**
More than two years and less than five years	**85.7**	**90.0**	**30.3**	**–**	**206.0**
In more than five years	**26.1**	**23.7**	**2.6**	**–**	**52.4**
31 December 2014	**121.6**	**514.1**	**670.9**	**46.5**	**1,353.1**

* Excludes land creditors.

Financial liabilities £ million	Overdrafts, bank and other loans	Land creditors	Trade and other payables*	Currency forward contracts	Total
On demand	–	–	–	–	–
Within one year	5.1	214.7	512.0	46.4	778.2
More than one year and less than two years	5.1	78.3	30.8	–	114.2
More than two years and less than five years	63.7	59.5	9.6	–	132.8
In more than five years	53.5	14.8	1.1	–	69.4
31 December 2013	127.4	367.3	553.5	46.4	1,094.6

* Excludes land creditors.

Lease commitments are disclosed in Note 30.

21. Retirement benefit obligations

Retirement benefit obligations comprise a defined benefit pension liability of £182.4 million (2013: £182.2 million) and a post-retirement healthcare liability of £1.4 million (2013: £1.6 million).

The Group operates the Taylor Wimpey Pension Scheme (TWPS), a defined benefit pension scheme, which is closed to new members and future accrual. The Group also operates defined contribution pension arrangements in the UK, which are available to new and existing UK employees.

Defined contribution pension plan

A defined contribution plan is a pension plan under which the Group pays contributions to an independently administered fund – such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's defined contribution plan, the Taylor Wimpey Personal Choice Plan (TWPCP), is offered to all new and existing monthly paid employees. The People's Pension is used for auto enrolment purposes for weekly and monthly employees not participating in the TWPCP. The People's Pension is provided by B&CE, one of the UK's largest providers of financial benefits to construction industry employers and individuals.

The Group made contributions to its defined contribution arrangements of £9.0 million in 2014 (2013: £7.7 million), which is included in the income statement charge. The Group expects to make contributions of around £9.3 million in 2015.

Defined benefit pension schemes

The Group's defined benefit pension scheme in the UK is the TWPS which replaced the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) in 2013. The TWPS is a funded defined benefit pension scheme which provides benefits to beneficiaries in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. Pensions payments are generally increased in line with inflation.

The Group operates the TWPS under the UK regulatory framework. Benefits are paid to members from a Trustee-administered fund and the Trustees are responsible for ensuring that the scheme is sufficiently funded to meet current and future benefit payments. Scheme assets are held in trust.

The TWPS Trustees' other duties include managing the investment of scheme assets, administration of scheme benefits and exercising of discretionary powers. The Group works closely with the Trustees to manage the TWPS. The Trustees of the TWPS are required to act in the best interests of the TWPS' beneficiaries. The appointment of the Trustees is determined by the TWPS trust documentation.

The Trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out using prudent assumptions. The first funding valuation of the TWPS was performed during 2014, with a reference date of 31 December 2013. Subsequently, the Group agreed to make contributions of £18.0 million in 2015. This includes £2.0 million in respect of administrative costs of the scheme.

In 2013, the Group introduced a £100.0 million Pension Funding Partnership utilising show homes, as well as four offices which are owned, in a sale and leaseback structure. This will provide an additional £5.1 million of annual funding for the TWPS. The assets held within this scheme do not affect the IAS 19 figures as they remain assets of the Group, and are not assets of the TWPS. As at 31 December 2014, there was £93.8 million of property and £17.2 million of cash held within the structure (2013: £92.9 million of property and £18.1 million of cash).

On 8 December 2014, the Trustee completed a medically underwritten buy-in covering around 10% of the liability exposure for £206.2 million. This medically underwritten buy-in significantly derisks the pension scheme and hence further volatility.

Furthermore, in conjunction with the Trustee, the Group completed a flexible retirement offer for deferred members. Approximately £25.0 million of future liability has been transferred from the scheme.

The Group continues to work closely with the Trustee in managing the pension exposure.

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21. Retirement benefit obligations continued

The table below sets out the details of the funding valuations for the TWPS, carried out in September 2014, with reference to the position at 31 December 2013.

Assumptions	TWPS
RPI inflation	3.40%
Discount rate – pre/post-retirement	6.05%/4.05%
General pay inflation	n/a
Real pension increases	0.00%

Valuation results	TWPS
Market value of assets	£1,921m
Past service liabilities	£2,112m
Scheme funding levels	91%
Deficit repair contributions (per annum)	£16.0m
Period of payment	Until November 2018

The defined benefit obligation is measured using the projected unit actuarial cost method.

The duration, or average term to payment for the benefits due, weighted by liability, is approximately 15 years for the TWPS.

Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the TWPS, as detailed below, are set by the Directors after consultation with independent, professionally qualified actuaries. The basis for these assumptions is prescribed by IAS 19 and they do not reflect the assumptions that may be used in future funding valuations of the TWPS.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds with regard for the duration of the TWPS. The assumption for RPI inflation is set by reference to the Bank of England's implied inflation spot curve with regard for the duration of the TWPS, with appropriate adjustments to reflect distortions due to supply and demand for inflation-linked securities. CPI inflation is set by reference to RPI inflation as no CPI-linked bonds exist to render implied CPI inflation directly observable.

The life expectancies have been derived using mortality assumptions that were based on the results of a recent investigation into the mortality experience of the scheme. The base tables used are the S2NXA tables with CMI_2013 improvements and 1.25% trend rate.

	TWPS	
Accounting valuation assumptions	**2014**	2013
As at 31 December		
Discount rate for scheme liabilities	**3.50%**	4.60%
General pay inflation	**n/a**	n/a
Deferred pension increases	**1.70%**	2.30%
Pension increases	**2.05%-3.55%**	2.15%-3.70%

21. Retirement benefit obligations continued

The current life expectancies (in years) underlying the value of the accrued liabilities for the TWPS are:

	2014		2013	
Life expectancy	Male	Female	Male	Female
Member currently aged 65	88	90	87	90
Member currently aged 45	89	92	89	92

The pension liability is the difference between the scheme assets and liabilities. The liability is sensitive to the assumptions used. The table below shows the impact to the liability of movement in key assumptions, measured using the same method as the defined benefit scheme.

Assumption	Change in assumption	Impact on defined benefit obligation	Impact on defined benefit obligation (%)
Discount rate	Decrease by 0.1% p.a.	Increase by £35m	1.6
Rate of inflation*	Increase by 0.1% p.a.	Increase by £22m	1.0
Life expectancy	Members live 1 year longer	Increase by £66m	3.0

* Assumed to affect deferred revaluation and pensioner increases in payment.

The sensitivity of increasing life expectancy has been reduced by the medically underwritten buy-in. See the section on additional areas of risk management at the end of this note.

The fair value of the assets of the TWPS is set out below:

	£ million	Percentage of total scheme assets held
At 31 December 2014		
Assets:		
Equities	793.6	39.6%
Corporate bonds	484.6	24.1%
Fixed-index Government bonds	261.9	13.1%
Index-linked Government bonds	547.1	27.3%
Hedge funds	107.4	5.4%
Property	23.2	1.2%
Other assets[(a)]	(544.4)	(27.2%)
Cash	88.0	4.4%
Insurance policies in respect of certain members	242.4	12.1%
	2,003.8	100.0%
At 31 December 2013		
Assets:		
Equities	844.7	45.6%
Corporate bonds	584.6	31.5%
Fixed-index Government bonds	242.4	13.1%
Index-linked Government bonds	512.9	27.7%
Property	14.5	0.8%
Other assets[(a)]	(533.7)	(28.8%)
Cash	110.1	5.9%
Insurance policies in respect of certain members	77.5	4.2%
	1,853.0	100.0%

(a) Consists of repurchase agreements and other financial derivatives (swaps, futures and forwards on equities and bonds).

There are no investments in respect of the Group's own securities.

21. Retirement benefit obligations continued

The table below details the movements in the pension liability and assets recorded through the income statement and other comprehensive income.

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2014	**(2,035.2)**	**1,853.0**	**(182.2)**
Current service cost	**–**	**–**	**–**
Administration expenses	**–**	**(3.1)**	**(3.1)**
Past service cost/settlements	**–**	**–**	**–**
Interest (expense)/income	**(91.1)**	**83.6**	**(7.5)**
Total amount recognised in income statement	**(91.1)**	**80.5**	**(10.6)**
Return on scheme assets not included in income statement	**–**	**144.4**	**144.4**
Change in demographic assumptions	**75.7**	**–**	**75.7**
Change in financial assumptions	**(251.2)**	**–**	**(251.2)**
Experience gains	**5.2**	**–**	**5.2**
Total remeasurements in other comprehensive income	**(170.3)**	**144.4**	**(25.9)**
Employer contributions	**–**	**36.3**	**36.3**
Employee contributions	**–**	**–**	**–**
Benefit payments	**110.4**	**(110.4)**	**–**
At 31 December 2014	**(2,186.2)**	**2,003.8**	**(182.4)**

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2013	(2,013.0)	1,770.5	(242.5)
Current service cost	–	–	–
Administration expenses	–	(3.2)	(3.2)
Past service cost/settlements	21.6	(17.5)	4.1
Interest (expense)/income	(84.6)	74.9	(9.7)
Total amount recognised in income statement	(63.0)	54.2	(8.8)
Return on scheme assets not included in income statement	–	70.9	70.9
Change in demographic assumptions	–	–	–
Change in financial assumptions	(49.9)	–	(49.9)
Experience (gains)/losses	–	–	–
Total remeasurements in other comprehensive income	(49.9)	70.9	21.0
Employer contributions	–	48.1	48.1
Employee contributions	–	–	–
Benefit payments	90.7	(90.7)	–
At 31 December 2013	(2,035.2)	1,853.0	(182.2)

Risks and risk management

The TWPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the Group has sought to manage them, are set out in the table on page 128.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Although investment decisions in the UK are the responsibility of the Trustees, the Group takes an active interest to ensure that pension scheme risks are managed efficiently. The Group has regular meetings with the Trustees to discuss investment performance, regulatory changes and proposals to manage the deficit actively.

21. Retirement benefit obligations continued

The key risks of the defined benefit pension scheme are detailed below along with the Group's approach to them.

Risk	Description
Asset volatility	The funding liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. The defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. The TWPS holds a large proportion of its assets in equities and other return-seeking assets. The returns on such assets tend to be volatile and are not correlated to government bonds or corporate bonds. This means that the funding level is likely to be volatile in the short-term, potentially resulting in short-term cash requirements and an increase in the net defined benefit liability recorded on the balance sheet. However, the Group believes that equities offer the best returns over the long term with an acceptable level of risk. The TWPS' assets are well-diversified by investing in a range of asset classes, including property, government bonds and corporate bonds. There are a number of hedging strategies in place (these are mentioned below). A summary of the target asset allocations of the TWPS, excluding hedging and insurance policies, is shown below: TWPS Liability matching assets 37.0% Equity 28.4% Alternative return-seeking assets 34.6% These target allocations were revised in December 2014.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.
Investing in foreign currency	In order to maintain appropriate diversification of investments within the TWPS' assets and to take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies while having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.
Asset/liability mismatch	In order to maintain (and increase) the TWPS' economic exposure to interest rates and inflation rates, a liability hedging programme has been put in place. Repurchase agreements are being used to achieve the TWPS' agreed target level of liability hedging in an unfunded way and hence to reduce the investment risk of the TWPS' assets relative to the liabilities.
Illiquidity	Insurance policies and real estate make up £265.6 million (13%) of the asset portfolio of TWPS. Excluding these amounts approximately 73% of assets are managed either in segregated accounts or daily/weekly dealt pooled funds and can therefore be realised within a few business days under normal market conditions. Of the remaining investments a further 20% are in pooled funds with monthly redemption dates. The remainder could be redeemed within approximately three months of notification in normal market conditions.
Life expectancy	The majority of the TWPS' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the TWPS' liabilities. The inflation-linked nature of the benefit payments from the TWPS result increases the sensitivity of the liabilities to changes in life expectancy.

Additional areas of risk management

In general, the creation of the TWPS from the two legacy schemes will simplify scheme management, reduce administration costs by approximately £0.8 million per annum and improve the management of future deficit repair contributions.

During the last quarter of 2014, the Group reached agreement with Partnership Life Assurance Company Limited to insure the benefits of certain members through a medically underwritten buy-in. These members represent the 10% of members with the greatest anticipated liability of the scheme. By insuring these members, the Group has removed more than 10% of risk from the scheme by significantly reducing the longevity of a large proportion of the liabilities. The Group remains ultimately liable for the payments, and as such the obligation is unchanged; however the medically underwritten insurance policy has been recognised as a scheme insured asset. The price paid for the policy was £9.4 million below the technical provision which it covers.

During 2014, scheme deferred members were offered flexible retirement options under the scheme rules, which allowed participants to realise part of their pension at an earlier date than previously anticipated. By discharging some liabilities at an earlier date, the actuarial risks attached to the scheme reduce.

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21. Retirement benefit obligations continued

During the last quarter of 2013, in conjunction with the transfer of assets and obligations into the newly formed TWPS, the Group conducted a trivial-commutation exercise, offering lump sums to deferred and pensioner members with total benefits small enough for this to be permitted by pensions legislation. This resulted in an income statement settlement gain in 2013 of £4.1 million.

22. Provisions

£ million	Housing maintenance	Restructuring	North America disposal	Other	Total
At 1 January 2013	0.5	0.9	58.4	35.3	95.1
Additional provision in the year	0.2	3.0	–	0.1	3.3
Utilisation of provision	(0.1)	(0.2)	(15.3)	(10.4)	(26.0)
Released	–	(0.2)	(31.3)	(6.6)	(38.1)
At 31 December 2013	0.6	3.5	11.8	18.4	34.3
Additional provision in the year	**0.3**	**0.1**	**–**	**12.4**	**12.8**
Utilisation of provision	**(0.1)**	**(2.5)**	**–**	**(2.8)**	**(5.4)**
Released	**–**	**(0.1)**	**–**	**(0.2)**	**(0.3)**
At 31 December 2014	**0.8**	**1.0**	**11.8**	**27.8**	**41.4**

£ million	2014	2013
Current	**40.4**	28.3
Non-current	**1.0**	6.0
31 December	**41.4**	34.3

Other provisions consist of a remedial work provision, provisions for legal claims, onerous leases and other contract-related costs. The remedial work provision covers various obligations, including aftercare at Springfield Environmental Limited and our Oxley Woods development. Also included in other provisions are amounts for legal claims and contract-related costs associated with various matters arising across the Group, the majority of which are anticipated to be settled within a three year period. Onerous leases and empty property costs included in this provision are expected to be utilised within approximately five years.

23. Share capital

£ million	2014	2013
Authorised:		
22,200,819,176 (2013: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2013: 1,158,299,201) deferred ordinary shares of 24p each	**278.0**	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2013	3,237,020,303	288.1
Share warrants exercised in the year	**16,441,228**	**0.2**
31 December 2014	**3,253,461,531**	**288.3**

During the year, options were exercised over 24,463,017 ordinary shares (2013: 23,392,655) all of which were met from our holding of shares in our ESOTs at varying prices from nil pence to 84.72 pence per share. Under the Group's executive share option plans, employees held options at 31 December 2014 to purchase up to 455,865 shares, subject to achievement of performance tests (2013: 573,981) at a price of 39.34 pence per share nominally exercisable up to 7 August 2022. Under the Group's performance share plan, employees held conditional awards at 31 December 2014 in respect of up to 16,706,261 shares, subject to achievement of performance tests (2013: 24,609,301) at nil pence per share nominally exercisable up to 3 September 2017.

Under the Group's savings-related share option schemes, employees held options at 31 December 2014 to purchase 27,313,874 shares (2013: 34,004,667) at prices between 22.88 pence and 90.00 pence per share exercisable up to 31 May 2020. Under the Group's share purchase plan, employees held conditional awards at 31 December 2014 in respect of 6,356,595 shares (2013: 6,979,841) at nil pence per share.

Under a financing agreement signed in April 2009, the Company agreed to issue 57.9 million warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc. The warrants were priced at 17.4473p per share. As at 31 December 2013, 40,321,481 warrants had been exercised. A further 16,441,228 were exercised in the year, whilst 1,152,191 lapsed unexercised. These warrants have now expired.

24. Share premium account

£ million	2014	2013
At 1 January	**760.2**	758.8
Share warrants exercised	**2.7**	1.4
At 31 December	**762.9**	760.2

25. Reserves

£ million	Retained earnings	Capital redemption reserve	Translation reserve	Other	Total other reserves
Balance at 1 January 2013	912.6	31.5	5.5	7.6	44.6
Share-based payment credit	6.4	–	–	–	–
Cash cost of satisfying share options	(7.3)	–	–	–	–
Actuarial gain on defined benefit pension schemes	21.0	–	–	–	–
Deferred tax charge on defined benefit gain	(6.6)	–	–	–	–
Exchange differences on translation of foreign operations	–	–	1.2	–	1.2
Movement in fair value of hedging derivatives and loans	–	–	(1.2)	–	(1.2)
Transfer to retained earnings	0.8	–	–	(0.8)	(0.8)
Dividends approved and paid	(20.8)	–	–	–	–
Profit for the year	271.4	–	–	–	–
Balance at 31 December 2013	1,177.5	31.5	5.5	6.8	43.8
Share-based payment credit	**6.2**	**–**	**–**	**–**	**–**
Cash cost of satisfying share options	**(14.7)**	**–**	**–**	**–**	**–**
Actuarial loss on defined benefit pension schemes	**(25.9)**	**–**	**–**	**–**	**–**
Deferred tax credit on defined benefit gain	**5.2**	**–**	**–**	**–**	**–**
Exchange differences on translation of foreign operations	**–**	**–**	**(1.8)**	**–**	**(1.8)**
Movement in fair value of hedging derivatives and loans	**–**	**–**	**1.8**	**–**	**1.8**
Transfer to retained earnings	**1.9**	**–**	**–**	**(1.9)**	**(1.9)**
Dividends approved and paid	**(72.7)**	**–**	**–**	**–**	**–**
Profit for the year	**374.4**	**–**	**–**	**–**	**–**
Balance at 31 December 2014	**1,451.9**	**31.5**	**5.5**	**4.9**	**41.9**

Other reserves

Capital redemption reserve

The capital redemption reserve arose on the historical redemption of Parent Company shares, and is not distributable.

Translation reserve

The translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging derivatives where such instruments are designated and effective as hedges of investment in overseas operations.

Other reserve

The Group issued 57.9 million of warrants with a fair value of £5.5 million in 2009 as part of its debt refinancing agreement. The full cost of the warrants was recognised in the other reserve on their issuance.

26. Own shares

£ million	
Balance at 1 January 2013	15.9
Shares acquired	15.1
Disposed of on exercise of options	(12.1)
Balance at 31 December 2013	18.9
Shares acquired	**10.0**
Disposed of on exercise of options	**(18.1)**
Balance at 31 December 2014	**10.8**

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market, those held as treasury shares and those held by the Taylor Wimpey Employee Share Ownership Trusts to satisfy options and conditional share awards under the Group's share plans.

	2014 Number	2013 Number
Ordinary shares held in trust for bonus, option and performance award plans	**14.3m**	28.1m
	14.3m	28.1m

Employee Share Ownership Trusts (ESOTs) are used to hold the Company's shares which have been acquired on the market. These shares are used to meet the valid exercise of options and/or vesting of conditional awards and/or award of shares under the Executive Incentive Scheme, Bonus Deferral Plan, Performance Share Plan, Executive Share Option Scheme, Savings-Related Share Option Scheme and the matching award of shares under the Share Purchase Plan.

During the year, Taylor Wimpey plc purchased £10.0 million of its own shares which are held in the ESOTs (2013: £15.1 million).

The ESOTs' entire holding of shares at 31 December 2014, aggregating 14.3 million shares (2013: 28.1 million), was covered by outstanding options and conditional awards over shares at that date.

27. Discontinued operations

In 2011, the Group sold the North American division. As part of the disposal, the Group provided certain indemnities to the buyers. No provision was released during the year as the outstanding indemnities remained valid (2013: £31.3 million released).

28. Notes to the cash flow statement

£ million	2014	2013
Profit on ordinary activities before finance costs:		
Continuing operations	**496.8**	355.3
Discontinued operations	**–**	31.3
Adjustments for:		
Depreciation of buildings, plant and equipment	**1.2**	1.3
Net reversal of inventory write-downs	**(18.7)**	(45.6)
Amortisation of software development	**1.7**	1.6
Pensions settlement gain	**–**	(4.1)
Pension overhead expenses	**3.1**	3.2
Pension contributions in excess of charge	**(36.3)**	(48.1)
Share-based payment charge	**6.2**	6.4
Profit on disposal of property and plant	**(0.4)**	(0.1)
Increase/(decrease) in provisions	**7.1**	(60.7)
Operating cash flows before movements in working capital	**460.7**	240.5
Increase in inventories	**(409.1)**	(92.8)
Decrease/(increase) in receivables	**20.6**	(27.3)
Increase in payables	**135.0**	12.0
Cash generated by operations	**207.2**	132.4
Income taxes received	**0.1**	0.9
Interest paid	**(14.6)**	(35.2)
Net cash from operating activities	**192.7**	98.1

Pension contributions in excess of charge in the table above has been re-presented to be before movements in working capital. In respect of 2013, 'Cash received on exercise of share options' and 'Purchase of own shares' as presented on the Consolidated Cash Flow Statement have been re-presented to aid comparison to the current year figures.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less.

Movement in net cash/(debt)

£ million	Cash and cash equivalents	Overdrafts, banks and other loans	Debenture loans	Total net (debt)/cash
Balance 1 January 2013	190.4	(100.0)	(149.4)	(59.0)
Cash flow	(83.3)	–	149.4	66.1
Foreign exchange	(1.7)	–	–	(1.7)
Balance 31 December 2013	105.4	(100.0)	–	5.4
Cash flow	**106.1**	**–**	**–**	**106.1**
Foreign exchange	**1.3**	**–**	**–**	**1.3**
Balance 31 December 2014	**212.8**	**(100.0)**	**–**	**112.8**

29. Contingent liabilities and capital commitments

General

The Group in the normal course of business has given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Group has no material capital commitments as at 31 December 2014 (2013: none).

30. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

£ million	2014	2013
Within one year	**7.6**	8.4
In more than one year but not more than five years	**12.6**	14.4
After five years	**1.3**	0.5
	21.5	23.3

31.Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the Remuneration Report on pages 66 to 85.

	2014		2013	
Schemes requiring consideration from participants:	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	**40,984,508**	**0.38**	46,105,165	0.30
Granted during the year	**8,106,951**	**0.80**	6,421,141	0.85
Lapsed during the year	**(1,539,724)**	**0.53**	(1,481,268)	0.49
Exercised during the year	**(13,425,401)**	**0.23**	(10,060,530)	0.30
Cancellations during the year	**–**	**–**	–	–
Outstanding at the end of the year	**34,126,334**	**0.46**	40,984,508	0.38
Exercisable at the end of the year	**6,308,736**	**0.12**	13,625,551	0.32

The table above includes shares which are granted to employees on a matching basis. When the employee joins the scheme, purchased shares are matched on a 1:1 basis. 6,356,595 of these awards, which do not expire, were in issue at 31 December 2014 (2013: 6,979,841). The remaining options outstanding at 31 December 2014 had a range of exercise prices from £0.23 to £0.90 (2013: £0.23 to £0.85) and a weighted average remaining contractual life of 1.3 years (2013: 0.9 years).

	2014		2013	
Schemes not requiring consideration from participants:	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	**25,183,282**	**–**	47,967,069	–
Granted during the year	**4,329,016**	**–**	4,677,791	–
Lapsed during the year	**(1,768,421)**	**–**	(14,129,453)	–
Exercised during the year	**(11,037,616)**	**–**	(13,332,125)	–
Cancellations during the year	**–**	**–**	–	–
Outstanding at the end of the year	**16,706,261**	**–**	25,183,282	–
Exercisable at the end of the year	**–**	**–**	12,961,419	–

These conditional awards outstanding at 31 December 2014 had a weighted average remaining contractual life of 1.5 years (2013: 1.1 years).

The weighted average share price at the date of exercise across all options exercised during the period was £1.20 (2013: £0.99).

31.Share-based payments continued

For share plans with non-market conditions granted during the current and preceding year, the fair value of the awards at grant date was determined using the Binomial model. The inputs into that model were as follows:

	2014	2013
Weighted average share price	**£1.17**	£0.94
Weighted average exercise price	**£0.67**	£0.58
Expected volatility	**34%**	39%
Expected life	**3/5 years**	3/5 years
Risk free rate	**1.5%**	1.1%
Expected dividend yield	**5.7%**	0.8%

The weighted average fair value of share awards granted during the year is £0.52 (2013: £0.49).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

For share awards with market conditions granted during the current year, the fair value of the awards was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2014	2013
Weighted average share price	**£1.25**	£0.83
Weighted average exercise price	**Nil**	Nil
Expected volatility	**34%**	40%
Expected life	**3 years**	3 years
Risk free rate	**0.8%**	0.5%
Expected dividend yield	**0.0%**	0.9%

The weighted average fair value of share options granted during the year is £0.79 (2013: £0.54).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term. The expected life used in the model is based on historical exercise patterns.

The Group recognised total expenses of £6.2 million related to equity-settled share-based payment transactions in 2014 (2013: £6.4 million).

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in Note 21.Transactions between the Group and its joint ventures are disclosed below. The Group has loans with joint ventures that are detailed in Note 13.

On 1 November 2014, the Chief Executive was appointed as a non executive director of Travis Perkins Plc. During the year, the Group directly purchased from Travis Perkins Plc goods to the value of £14.7 million. In addition, indirect purchases through sub-contractors amounted to £10.4 million. Any residual purchases made at a local level are not material to either party. All transactions were completed on an arms-length basis.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £nil (2013: £nil) and sales to joint ventures totalled £12.2 million (2013: £14.8 million).

Remuneration of key management personnel

The key management personnel of the Group are the members of the Group Management Team (GMT) as presented on page 11. The remuneration information for the three Executive Directors is set out in the Remuneration Report on page 78. The aggregate compensation for the other five (2013: five) members of the GMT is as follows:

£000	2014	2013
Short term employee benefits	**2,697**	2,287
Post-employment benefits	**249**	206
Other long term benefits	**–**	–
Termination benefits	**153**	–
Total (excluding share based payments charge)	**3,099**	2,493

Anne Billson-Ross replaced Maria Pilfold as Group HR Director during the year. There was no other change in the composition of the GMT.

In addition to the amounts above, a share-based payments charge of £349,000 (2013: £501,000) related to share options held by members of the GMT.

33. Dividends

£ million	2014	2013
Proposed		
Interim dividend 2014 0.24p (2013: 0.22p) per ordinary share of 1p each	**7.8**	6.9
Final dividend 2014 1.32p (2013: 0.47p) per ordinary share of 1p each	**42.9**	15.2
	50.7	22.1
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2013 0.47p (2012: 0.43p) per ordinary share of 1p each	**15.2**	13.9
Interim dividend 2014 0.24p (2013: 0.22p) per ordinary share of 1p each	**7.8**	6.9
Special dividend 2014 1.54p (2013: nil) per ordinary share of 1p each	**49.7**	–
	72.7	20.8

The Directors recommend a final dividend for the year ended 31 December 2014 of 1.32 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of £42.9 million (2013: £15.2 million). The final dividend will be paid on 20 May 2015 to all shareholders registered at the close of business on 10 April 2015.

The Directors additionally recommend a special dividend of £250.0 million subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 3 July 2015 to all shareholders registered at the close of business on 22 May 2015.

In accordance with IAS 10 'Events after the balance sheet date' the proposed final or special dividends have not been accrued as a liability as at 31 December 2014.

Company Balance Sheet

At 31 December 2014

£ million	Note	2014	2013
Fixed assets			
Investments in Group undertakings	4	**2,440.1**	1,623.5
		2,440.1	1,623.5
Current assets			
Debtors:			
Due in less than one year	5	**2,595.9**	2,432.6
Due in more than one year	5	**7.0**	15.0
Cash at bank and in hand		**192.6**	84.2
		2,795.5	2,531.8
Current liabilities			
Creditors: amounts falling due within one year	6	**(1,676.8)**	(1,653.0)
		(1,676.8)	(1,653.0)
Net current assets		**1,118.7**	878.8
Total assets less current liabilities		**3,558.8**	2,502.3
Creditors: amounts falling due after one year	7	**(100.0)**	(100.0)
Provisions		**(1.3)**	(0.7)
Net assets		**3,457.5**	2,401.6
Capital and reserves			
Share capital	8	**288.3**	288.1
Share premium account	9	**762.9**	760.2
Capital redemption reserve	10	**31.5**	31.5
Profit and loss account	11	**2,385.6**	1,340.7
Own shares	12	**(10.8)**	(18.9)
Shareholders' funds	15	**3,457.5**	2,401.6

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the Parent Company profit and loss account.

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2015. They were signed on its behalf by:

P Redfern
Director

R Mangold
Director

Notes to the Company Financial Statements
for the year to 31 December 2014

1. Significant accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards (UK GAAP) under the historical cost convention. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

Under Financial Reporting Standard (FRS) 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that consolidated financial statements, which include the Company, are publicly available.

The Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has not reported transactions with wholly owned subsidiaries. The Company has also taken advantage of the exemption contained within FRS 29 'Financial Instrument Disclosures' and has not presented any disclosures required by that standard, as disclosures that comply with FRS 29 are included within the Taylor Wimpey plc consolidated financial statements in Note 20 on pages 120 to 123.

The principal accounting policies adopted are set out below.

Going concern

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified on pages 28 to 29. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

Accordingly, the Company financial statements have been prepared on a going concern basis.

Investments in Group undertakings

Investments are included in the balance sheet at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account; if the impairment is not considered to be a permanent diminution in value, it may reverse in a future period to the extent it is no longer considered necessary.

The Company values its investments in subsidiary holding companies based on a comparison between the net assets recoverable by the subsidiary company and the investment held. Where the net assets are lower than the investment an impairment is recorded. For trading subsidiaries, the investment carrying value in the Company is assessed against the net present value of the discounted cash flows from the subsidiary in accordance with FRS 11.

Borrowing costs

Capitalised finance costs are held in other debtors and amortised over the period of the facility.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Any liability or credit in respect of Group relief in lieu of current tax is also calculated using corporation tax rates that have been enacted or substantively enacted by the balance sheet date unless a different rate (including a nil rate) has been agreed within the Group.

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

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

Overseas currencies

Transactions denominated in foreign currencies are recorded in Sterling at actual rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Unrealised exchange differences on intercompany long term loans and foreign currency borrowings, to the extent that they hedge the Company's investment in overseas investments, are taken to the translation reserve.

Derivative financial instruments and hedge accounting

The Company uses foreign currency borrowings and currency swaps to hedge its investment in overseas operations. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of investment in overseas operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the profit and loss account. The hedged items are adjusted for changes in exchange rates, with gains or losses from remeasuring the carrying amount being recognised directly in reserves.

Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. The cost of equity-settled share-based payments granted to employees of subsidiary companies is borne by the employing company, without recharge. As such the Company's investment in the subsidiary is increased by an equivalent amount.

Notes to the Company Financial Statements continued

1. Significant accounting policies continued

Provisions

Provisions are recognised at the Directors' best estimate when the Company has a present obligation as a result of a past event and it is probable that the Company will have to settle the obligation.

Own shares

The cost of the Company's investment in its own shares, which comprise shares held in treasury by the Company and shares held by employee benefit trusts for the purpose of funding certain of the Company's share option plans, is shown as a reduction in shareholders' funds.

Dividends paid

Dividends are charged to the Company's profit and loss reserve in the period of payment in respect of an interim dividend, and in the period in which shareholders' approval is obtained in respect of the Company's final dividend.

2. Particulars of employees

	2014 Number	2013 Number
Directors	**3**	3

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 66 to 85, from Taylor Wimpey UK Limited. This remuneration is reflective of the Directors' service to the Company and all its subsidiaries.

3. Auditor's remuneration

£ million	2014	2013
Total audit fees	**0.1**	0.1
Other services	**–**	–
Tax services	**–**	–
Total non-audit fees	**–**	–
	0.1	0.1

A description of other services is included in Note 6 on page 110 to the Group financial statements.

4. Investments in Group undertakings

£ million	Shares	Loans	Total
Cost			
1 January 2014	5,245.2	–	5,245.2
Capital contribution relating to share based payments	**6.2**	**–**	**6.2**
31 December 2014	**5,251.4**	**–**	**5,251.4**
Provision for impairment			
1 January 2014	3,621.7	–	3,621.7
Release for the year	**(810.4)**	**–**	**(810.4)**
31 December 2014	**2,811.3**	**–**	**2,811.3**
Carrying amount			
31 December 2014	**2,440.1**	**–**	**2,440.1**
31 December 2013	1,623.5	–	1,623.5

All of the above investments are unlisted and particulars of principal subsidiary undertakings are listed on page 142, which forms part of these financial statements.

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5. Debtors

£ million	2014	2013
Amounts falling due within one year:		
Due from Group undertakings	**2,594.2**	2,431.0
Other debtors	**1.7**	1.6
	2,595.9	2,432.6

£ million	2014	2013
Amounts falling due in over one year:		
Other debtors	**4.3**	6.0
Deferred tax	**2.7**	9.0
	7.0	15.0

6. Creditors: amounts falling due within one year

£ million	2014	2013
Due to Group undertakings	**1,674.9**	1,650.8
Other creditors	**1.5**	1.8
Corporation tax creditor	**0.4**	0.4
	1,676.8	1,653.0

7. Creditors: amounts falling due after one year

£ million	2014	2013
Other loans	**100.0**	100.0
	100.0	100.0
Other loans are repayable as follows:		
In more than two years but less than five years	**100.0**	100.0
	100.0	100.0

Other loans comprise a £100.0 million (2013: £100.0 million) variable rate term loan with an investment fund.

8. Share capital

£ million	2014	2013
Authorised:		
22,200,819,176 (2013: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2013: 1,158,299,201) deferred ordinary shares of 24p each	**278.0**	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2013	3,237,020,303	288.1
Share warrants exercised in the year	**16,441,228**	**0.2**
31 December 2014	**3,253,461,531**	**288.3**

8. Share capital continued

During the year, options were exercised over 24,463,017 ordinary shares (2013: 23,392,655) all of which were met from our holding of shares in our ESOTs at varying prices from nil pence to 84.72 pence per share. Under the Group's executive share option plans, employees held options at 31 December 2014 to purchase up to 455,865 shares, subject to achievement of performance tests (2013: 573,981) at a price of 39.34 pence per share nominally exercisable up to 7 August 2022. Under the Group's performance share plan, employees held conditional awards at 31 December 2014 in respect of up to 16,706,261 shares, subject to achievement of performance tests (2013: 24,609,301) at nil pence per share nominally exercisable up to 3 September 2017.

Under the Group's savings-related share option schemes, employees held options at 31 December 2014 to purchase 27,313,874 shares (2013: 34,004,667) at prices between 22.88 pence and 90.00 pence per share exercisable up to 31 May 2020. Under the Group's share purchase plan, employees held conditional awards at 31 December 2014 in respect of 6,356,595 shares (2013: 6,979,841) at nil pence per share.

Under a financing agreement signed in April 2009, the Company agreed to issue 57.9 million warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc. The warrants were priced at 17.4473p per share. As at 31 December 2013, 40,321,481 warrants had been exercised. A further 16,441,228 were exercised in the year, whilst 1,152,191 lapsed unexercised. These warrants have now expired.

9. Share premium account

£ million	2014	2013
At 1 January	**760.2**	758.8
Share warrants exercised	**2.7**	1.4
At 31 December	**762.9**	760.2

10. Capital redemption reserve

£ million	2014	2013
At 31 December	**31.5**	31.5

The capital redemption reserve is non-distributable.

11. Profit and loss account

£ million	2014	2013
At 1 January	**1,340.7**	1,313.8
Profit for the financial year	**64.9**	54.4
Reversal of impairment of investment in Group undertakings	**810.4**	–
Dividends received from subsidiary undertakings	**250.0**	–
Dividends paid	**(72.7)**	(20.8)
Cash cost of satisfying share options	**(7.7)**	(6.7)
At 31 December	**2,385.6**	1,340.7

As permitted by Section 408 of the Companies Act 2006, Taylor Wimpey plc has not presented its own profit and loss account. The profit of the Company for the financial year was £64.9 million (2013: profit of £54.4 million).

Included in the Company profit and loss account is £499.6 million (2013: £436.5 million) which is not distributable.

12. Own shares

£ million	2014	2013
Own shares	**10.8**	18.9

These comprise ordinary shares of the Company:	Number	Number
Shares held in trust for bonus, options and performance award plans	**14.3m**	28.1m

The market value of the shares at 31 December 2014 was £19.7 million (2013: £31.3 million) and their nominal value was £0.14 million (2013: £0.28 million).

Dividends on these shares have been waived except for 0.01p per share in respect of the shares held in trust.

Employee Share Ownership Trusts (ESOTs) are used to hold the Company's shares which have been acquired on the market. These shares are used to meet the valid exercise of options and/or vesting of conditional awards and/or award of shares under the Executive Incentive Scheme Bonus Deferral Plan, Performance Share Plan, Executive Share Option Scheme, Savings-Related Share Option Scheme and the matching award of shares under the Share Purchase Plan.

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12. Own shares continued

During the year, Taylor Wimpey plc purchased £10.0 million of its own shares which are held in the ESOTs (2013: £15.1 million).

The ESOTs' entire holding of shares at 31 December 2014, aggregating 14.3 million shares (2013: 28.1 million), was covered by outstanding options and conditional awards over shares at that date.

13. Share-based payments

Details of share awards granted by the Company to employees of subsidiaries, and that remain outstanding at the year-end over the Company's shares, are set out in Note 31 to the Group financial statements. The Company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

14. Contingent liabilities

The Company has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts.

Provision is made for the Directors' best estimate of known legal claims and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Company issued a guarantee in respect of the TWPS, which had a deficit under IAS 19 of £182.4 million at 31 December 2014. The guarantee commits the Company to ensure that the participating subsidiaries make deficit repair contributions in accordance with a schedule agreed with the Trustees during the year of £16.0 million per annum.

15. Reconciliation of movement in shareholders' funds

£ million	2014	2013
Opening shareholders' funds	**2,401.6**	2,376.2
Profit for the financial year	**64.9**	54.4
Reversal of impairment of investment in Group undertakings	**810.4**	–
Dividends received from subsidiary undertakings	**250.0**	–
Dividends paid	**(72.7)**	(20.8)
New share capital subscribed	**2.9**	1.5
Purchase of own shares	**(10.0)**	(15.1)
Utilisation of own shares	**18.1**	12.1
Cash cost of satisfying share options	**(7.7)**	(6.7)
Closing shareholders' funds	**3,457.5**	2,401.6

16. Dividend

£ million	2014	2013
Proposed		
Interim dividend 2014 0.24p (2013: 0.22p) per ordinary share of 1p each	**7.8**	6.9
Final dividend 2014 1.32p (2013: 0.47p) per ordinary share of 1p each	**42.9**	15.2
	50.7	22.1
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2013 0.47p (2012: 0.43p) per ordinary share of 1p each	**15.2**	13.9
Interim dividend 2014 0.24p (2013: 0.22p) per ordinary share of 1p each	**7.8**	6.9
Special dividend 2014 1.54p (2013: nil) per ordinary share of 1p each	**49.7**	–
	72.7	20.8

The Directors recommend a final dividend for the year ended 31 December 2014 of 1.32 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of £42.9 million (2013: £15.2 million). The final dividend will be paid on 20 May 2015 to all shareholders registered at the close of business on 10 April 2015.

The Directors additionally recommend a special dividend of £250.0 million subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 3 July 2015 to all shareholders registered at the close of business on 22 May 2015.

In accordance with FRS 21 'Events after the balance sheet date', the proposed final or special dividends have not been accrued as a liability as at 31 December 2014.

Particulars of Principal Subsidiary Undertakings

Country of incorporation and principal operations	Taylor Wimpey plc interest is 100% in the issued ordinary share capital of these undertakings included in the consolidated accounts	Activity
United Kingdom	Taylor Wimpey Holdings Limited	Holding company
United Kingdom	George Wimpey Limited	Holding company
United Kingdom	Taylor Wimpey UK Limited[(a)]	United Kingdom housebuilder
United Kingdom	Taylor Wimpey Developments Limited[(a)]	Holding company
Spain	Taylor Wimpey de España S.A.U.[(a)(b)]	Spanish housebuilder

(a) Interests held by subsidiary undertakings.

(b) 9% cumulative, redeemable preference shares are additionally held.

Five Year Review

£ million	2014	2013	2012[c]	2011	2010[d]
Revenue – continuing operations	**2,686.1**	2,295.5	2,019.0	1,808.0	1,767.7
Profit on ordinary activities before exceptional items, finance costs and tax	**478.1**	309.7	223.7	158.3	100.6
Share of results of joint ventures	**2.6**	3.2	2.4	1.2	(0.3)
Exceptional items	**18.7**	45.6	–	(5.8)	(55.5)
Net finance costs, including exceptional finance costs	**(30.6)**	(52.3)	(21.9)	(75.1)	(199.6)
Profit/(loss) for the financial year before taxation	**468.8**	306.2	204.2	78.6	(154.8)
Taxation (charge)/credit	**(94.4)**	(66.4)	24.4	(22.7)	329.5
Profit for the year from discontinued operations	**–**	31.3	–	43.1	84.6
Profit for the financial year	**374.4**	271.1	228.6	99.0	259.3
Profit/(loss) for the financial year before taxation and exceptional items	**450.1**	268.4	181.8	89.9	(15.9)
Balance sheet					
Intangible assets	**2.5**	4.2	5.2	5.1	1.0
Property, plant and equipment	**16.8**	8.3	7.1	5.0	5.4
Interests in joint ventures	**38.6**	34.7	31.5	31.9	33.9
Non-current trade and other receivables	**111.1**	110.8	102.0	70.3	50.7
Non-current assets (excluding tax)	**169.0**	158.0	145.8	112.3	91.0
Inventories	**3,490.1**	2,928.8	2,788.8	2,686.6	2,680.6
Other current assets (excluding tax and cash)	**102.6**	118.5	96.0	72.5	74.7
Trade and other payables	**(910.0)**	(793.9)	(772.6)	(697.8)	(705.1)
Provisions	**(40.4)**	(28.3)	(84.4)	(76.6)	–
Net-current assets (excluding tax and cash)	**2,642.3**	2,225.1	2,027.8	1,984.7	2,050.2
Trade and other payables	**(361.5)**	(193.7)	(190.8)	(199.7)	(215.9)
Retirement benefit obligations	**(183.8)**	(183.8)	(244.2)	(210.2)	(246.0)
Provisions	**(1.0)**	(6.0)	(10.7)	(18.5)	(103.3)
Non-current liabilities (excluding debt)	**(546.3)**	(383.5)	(445.7)	(428.4)	(565.2)
Net assets held for sale	**–**	–	–	–	699.5
Net cash/(debt)	**112.8**	5.4	(59.0)	(116.9)	(751.3)
Tax balances	**157.5**	246.8	320.6	283.3	298.9
Net assets	**2,535.3**	2,251.8	1,989.5	1,835.0	1,823.1
Capital employed excluding assets held for sale	**2,420.0**	2,242.2	2,043.3	1,946.8	1,873.9
Add back intangibles	**2.5**	4.2	5.2	5.1	1.0
Less tax balances	**(157.5)**	(246.8)	(320.6)	(283.3)	(298.9)
Net operating assets excluding assets held for sale	**2,265.0**	1,999.6	1,727.9	1,668.6	1,576.0
Statistics					
Adjusted earnings/(loss) per share – continuing Group	**11.2p**	6.7p	4.6p	2.1p	(1.5)p
Tangible net assets per share	**77.9p**	69.6p	61.5p	57.3p	56.9p
Number of shares in issue at year end (millions)	**3,253.5**	3,237.0	3,228.3	3,201.4	3,197.2
Return on capital employed[a]	**20.6%**	14.6%	11.3%	8.3%	4.9%
Operating margin	**17.9%**	13.6%	11.2%	8.8%	5.7%
Return on net operating assets	**22.5%**	16.8%	13.3%	9.8%	5.3%
Growth in net assets	**12.6%**	13.2%	8.4%	0.7%	21.5%
UK short term landbank (plots)[b]	**75,136**	70,628	65,409	65,264	63,566
UK ASP £000	**213**	191	181	171	171
UK Completions (homes)	**12,454**	11,696	10,886	10,180	9,962

(a) Return on capital employed is calculated as profit on ordinary activities before amortisation of brands, exceptional items, finance costs and tax but including share of results of joint ventures, divided by the average of opening and closing capital employed.

(b) The total number of plots that we either own or control, with some form of planning consent (including joint ventures from 2013).

(c) The results for 2012 have been restated to reflect the adoption of IAS 19 'Employee benefits' (amended 2011).

(d) The results of the North American business have been restated for 2010. The 2010 balance sheet has the North American assets separated as assets held for sale and £57.8 million tax liabilities have been reclassified to provisions.

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Directors' Report: Governance p44-91
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Shareholder Information
Notice of Annual General Meeting

This notice of meeting is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from a stockbroker, solicitor, bank manager, accountant, or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Taylor Wimpey plc (the 'Company'), please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares. If you have sold or transferred part only of your holding of shares in the Company, please consult the person who arranged the sale or transfer.

Notice is hereby given of the eightieth Annual General Meeting of the Company to be held on 23 April 2015 at 11:00 am at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP for the following purposes:

Ordinary Business

Ordinary Resolutions:

1. To receive the Directors' Report, Directors' Remuneration Report, Strategic Report, the Auditor's Report and the Financial Statements for the year ended 31 December 2014.
2. To declare due and payable on 20 May 2015 a final dividend of 1.32 pence per ordinary share of the Company for the year ended 31 December 2014 to shareholders on the register at close of business on 10 April 2015.
3. To declare due and payable on 3 July 2015 a special dividend of 7.68 pence per ordinary share of the Company to shareholders on the register at close of business on 22 May 2015.
4. To re-elect as a Director, Kevin Beeston.
5. To re-elect as a Director, Pete Redfern.
6. To re-elect as a Director, Ryan Mangold.
7. To re-elect as a Director, James Jordan.
8. To re-elect as a Director, Kate Barker DBE.
9. To re-elect as a Director, Baroness Ford of Cunninghame.
10. To re-elect as a Director, Mike Hussey.
11. To re-elect as a Director, Robert Rowley.
12. To re-appoint Deloitte LLP as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
13. Subject to the passing of resolution 12, to authorise the Audit Committee to determine the remuneration of the auditors on behalf of the Board.
14. That the Board be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

    (A) up to a nominal amount of £10,844,871 (such amount to be reduced by the nominal amount of any equity securities (as defined in the Companies Act 2006) allotted under paragraph (B) below, in excess of £10,844,871); and

    (B) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £21,689,743 (such amount to be reduced by any shares and rights to subscribe for or convert any security into shares allotted under paragraph (A) above) in connection with an offer by way of a rights issue:

    (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary;

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the Annual General Meeting of the Company in 2016 (or, if earlier, until the close of business on 22 July 2016) but, in each case, so that the Company may make offers and enter into agreements during this period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends; and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

Special Resolutions:

15. That, if resolution 14 is passed, the Board be given the power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash, free of the restriction in Section 561 of the Companies Act 2006, such power to be limited:

    (A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of or invitation to apply for equity securities (but in the case of the authority granted under paragraph (B) of resolution 14, by way of a rights issue only):

    (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

    (ii) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary;

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

    (B) in the case of the authority granted under paragraph (A) of resolution 14 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (A) above) of equity securities up to a nominal amount of £1,626,730, such power to apply until the conclusion of the Annual General Meeting of the Company in 2016 (or, if earlier, until the close of business on 22 July 2016), but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends; and the Board may allot equity

securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

16. That the Company be authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of the ordinary shares of 1p each of the Company ('ordinary shares'), provided that:

    (A) the maximum number of ordinary shares hereby authorised to be purchased shall be 325,346,100;

    (B) the minimum price which may be paid for ordinary shares is 1p per ordinary share;

    (C) the maximum price (exclusive of expenses) which may be paid for an ordinary share is the highest of:

        (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which such ordinary share is purchased; and

        (ii) the higher of the price of the last independent trade and the highest independent bid on the trading venues where the purchase is carried out;

    (D) the authority hereby conferred shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2016 and 22 October 2016 unless such authority is renewed prior to such time; and

    (E) the Company may make contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may purchase ordinary shares in pursuance of any such contracts, as if the authority conferred by this resolution had not expired.

Special Business

Ordinary Resolutions:

17. To approve the Directors' Remuneration Report on pages 66 to 85 for the financial year ended 31 December 2014.

18. That in accordance with Sections 366 and 367 of the Companies Act 2006, the Company and all companies which are its subsidiaries when this resolution is passed are authorised to:

    (A) make political donations to political parties and/or independent election candidates not exceeding £250,000 in aggregate;

    (B) make political donations to political organisations other than political parties not exceeding £250,000 in aggregate; and

    (C) incur political expenditure not exceeding £250,000 in aggregate, during the period beginning with the date of passing this resolution and the conclusion of the Annual General Meeting of the Company in 2016. For the purposes of this resolution the terms 'political donations', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by Sections 363 to 365 of the Companies Act 2006.

19. That the sale of Vivienda 5-5, Parcela A, Urbanización 38, Servera Deya, Es Port Vell, 07559 Son Servera, Mallorca, by Taylor Wimpey de España S.A.U., for the sum of €484,500, to Mr Pete Redfern, a Director of the Company, be hereby approved.

Special Resolutions:

20. That a general meeting other than an Annual General Meeting of the Company may continue to be called on not less than 14 clear days' notice.

Explanatory notes relating to each of the above resolutions are set out on pages 148 to 151.

Action to be taken

If you wish to attend and vote at the Annual General Meeting in person, please bring with you the attendance card accompanying this document. It will help to authenticate your right to attend, speak and vote, and will help us to register your attendance without delay. Registration will be available from 9:30 am on the day of the meeting. For the safety and comfort of those attending the meeting, large bags, cameras, recording equipment and similar items will not be allowed into the building and in the interests of security, by attending the meeting, upon request, you hereby agree to be searched together with any bags and other possessions. The meeting will commence at 11:00 am and light refreshments will be available from 9:30 am and also after the conclusion of the meeting. There is wheelchair access to the venue for shareholders who require it or those with reduced mobility. However, where required, attendees are strongly advised to bring their own carers to assist with their general mobility around the venue. An induction loop system operates in the meeting room. Directions to the venue can be found on the reverse of your attendance card.

If you would like to vote on the resolutions but cannot come to the Annual General Meeting, please complete the proxy form sent to you with this notice and return it to our registrar as soon as possible. In order for it to count, the registrar must receive it by no later than 11:00 am on 21 April 2015. If you prefer, you can submit your proxy electronically either via the internet at www.capitashareportal.com or, if you are a CREST member, through the CREST system by completing and transmitting a CREST proxy instruction as described in the procedural notes below.

Recommendation

Your Directors are of the opinion that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend you to vote in favour of them. Each Director will be doing so in respect of all of his or her own beneficial shareholding.

Shareholder Information
Notice of Annual General Meeting continued

Inspection of documents

The following documents will be available for inspection at the Company's registered office, Gate House, Turnpike Road, High Wycombe, Buckinghamshire HP12 3NR, during normal business hours from the date of this notice of meeting until the date of the Annual General Meeting and at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP from 15 minutes before the Annual General Meeting until it ends:

– copies of the Executive Directors' service contracts;

– copies of the letters of appointment of the Chairman and the Independent Non Executive Directors; and

– a copy of the full Annual Report and Financial Statements of the Company for the year ended 31 December 2014, including the Directors' Remuneration Report referred to in resolution 17, is also available on our website www.taylorwimpey.co.uk/corporate

By Order of the Board

James Jordan
Group Legal Director and Company Secretary

Taylor Wimpey plc
Registered Office:
Gate House
Turnpike Road
High Wycombe
Buckinghamshire HP12 3NR

(Registered in England and Wales under number 296805)

2 March 2015

Notes to the Notice of Meeting

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Procedural notes

1. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes which shareholders may cast), shareholders must be registered in the Register of Members of the Company at 6:00 pm on 21 April 2015 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Shareholders then on the Register of Members shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after that deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

2. As at 4 March 2015 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 3,253,461,531 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 March 2015 were 3,253,461,531.

3. If you are a shareholder of the Company at the time and date set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend and to speak and vote on your behalf at the meeting. Shareholders may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company but must attend the Annual General Meeting to represent you. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Capita Asset Services as soon as possible on 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8:30 am to 5:30 pm Monday to Friday). In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holdings (the first-named being the most senior).

4. To be valid any proxy form or other instrument appointing a proxy must be received by Capita Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, or, if you want to use an envelope the address to use is simply FREEPOST CAPITA PXS, or, if you prefer, electronically via the internet at www.capitashareportal.com or, if you are a member of CREST, via the service provided by Euroclear UK and Ireland Limited at the electronic address provided in note 9, in each case no later than 11:00 am on 21 April 2015. Please note that all forms of proxy received after this time will be void. A form of proxy sent electronically at any time that is found to contain any virus will not be accepted.

5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as further described in notes 8 and 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

6. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Such persons should direct any communications and enquiries to the registered holder of the shares by whom they were nominated and not to the Company or its registrar.

7. The statement of the rights of shareholders in relation to the appointment of proxies in notes 3 and 4 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, it must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11:00 am on 21 April 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the Annual General Meeting; or
    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

    The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
14. Any member attending the meeting has the right to ask questions and participate in the meeting. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
15. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found at www.taylorwimpey.co.uk/corporate
16. Voting on all resolutions at this year's Annual General Meeting will be conducted by way of a poll, rather than on a show of hands. The Board believes that a poll is more representative of shareholders' voting intentions because it gives as many shareholders as possible the opportunity to have their votes counted (whether their votes are tendered by proxy in advance of, or in person at, the Annual General Meeting). The results of the poll will be announced via a Regulatory Information Service and made available at www.taylorwimpey.co.uk/corporate as soon as practicable after the Annual General Meeting.

Explanatory notes to the resolutions

Ordinary Business

Ordinary Resolutions

Ordinary resolutions require more than half of the votes cast to be in favour.

Resolution 1: To receive the annual report and financial statements

English company law requires the Directors to lay the Financial Statements of the Company for the year ended 31 December 2014 and the reports of the Directors, namely the Strategic Report, Directors' Report and the Directors' Remuneration Report; and Auditors; before a general meeting of the Company (the Annual Report).

Resolution 2: To declare a final dividend

The Directors recommend the payment of a final dividend of 1.32 pence per share in respect of the year ended 31 December 2014. If approved at the Annual General Meeting, the dividend will be paid on 20 May 2015 to shareholders who are on the Register of Members at the close of business on 10 April 2015.

Resolution 3: To declare a Special Dividend

Taylor Wimpey has announced its intention to return cash to its shareholders, through the payment of annual Special Dividends, always subject to market and performance fluctuations. The first such dividend was paid in 2014 at the rate of 1.54 pence per share.

The Company now proposes a much larger Special Dividend for 2015, at the rate of 7.68 pence per share, and believes it is appropriate to seek prior shareholder approval for its payment.

Further details on the rationale for paying Special Dividends and the link to the Company's current strategy, can be found on pages 12 and 16.

The aggregate cost of the Special Dividend for 2015 will be around £250 million and will be met from profits and surplus cash generated during 2015. If approved, it will be paid on 3 July 2015 to shareholders on the register at the close of business on 22 May 2015.

Dividend Re-Investment Plan

Subject to shareholders approving either or both of the dividends as set out in Resolutions 2 and 3 at the Annual General Meeting scheduled for 23 April 2015, the Company will be offering a Dividend Re-Investment Plan (DRIP) on each one. The DRIP is provided and administered by the DRIP plan administrator, Capita IRG Trustees Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). The DRIP offers shareholders the opportunity to elect to invest cash dividends received on their ordinary shares, in purchasing further ordinary shares of the Company. These shares would be bought in the market, on competitive dealing terms.

The DRIP will operate automatically in respect of the Final Dividend for 2014 (unless varied beforehand by shareholders) and all future dividends, including Special Dividends, until such time as you withdraw from the DRIP or the DRIP is suspended or terminated in accordance with the Terms and Conditions.

Important: Please Read: Action May Be Required:

Please note that if you have already elected to participate in the DRIP, unless you take positive action to cancel your participation, the DRIP will operate automatically in respect of this and future special dividends, as it does already for interim and final dividends.

It is therefore very important to note that a DRIP election or the revocation of a DRIP election, received or already in place 25 days before a dividend payment date will apply to all future dividends, whether interim, final or special dividends, until such time as a valid new election or revocation of an election is received.

To assist, please note the following important dates:

Final dividend:
Record date – Friday 10 April 2015

Last day for DRIP elections (to apply, or to revoke an election, to the 2014 Final Dividend) – Saturday 25 April 2015

Pay date – Wednesday 20 May 2015

Special dividend:
Record date – Friday 22 May 2015

Last day for DRIP elections (to apply, or revoke an election, to the 2015 Special Dividend) – Monday 8 June 2015

Pay date – Friday 3 July 2015

Please note than an election or revocation of an election applies to all dividends thereafter until such time as further instructions are received,

CREST

For shares held in uncertificated form (CREST), please note that elections continue to apply only to one dividend and a fresh election must be made, via CREST, for each dividend.

Full details of the terms and conditions of the DRIP and the actions required to make or revoke an election, both in respect of Maintenance Dividends (i.e. in this case, the 2014 Final Dividend) and any Special Dividends, are available at www.capitashareportal.com or on request from the Registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, e-mail: shares@capita.co.uk tel: 0871 664 0381 (UK) or +44 20 8639 3402 (overseas).

Resolutions 4 to 11: Election of Directors

In accordance with the UK Corporate Governance Code which states that all directors of FTSE 350 companies should be subject to annual election by shareholders, the Board has resolved that all Directors of the Company will retire and, being eligible, offer themselves for re-election by shareholders at the Annual General Meeting.

Details of the Directors' service contracts, remuneration and interests in the Company's shares and other securities are given in the Directors' Remuneration Report to shareholders on pages 66 to 85 of the Report and Accounts. Full biographical information concerning each Director is on pages 44 and 45 of the Report and Accounts.

The following summary information is given in support of the Board's proposal for the re-election of the Directors of the Company:

Kevin Beeston – offers himself for re-election.

Kevin has been Chairman of the Board since July 2010. The Board is satisfied that he continues to carry out his duties to a very high standard including at meetings of the Board and of the Nomination Committee (which he Chairs) and the Remuneration Committee, and that his other commitments do not detract from the extent or quality of time which he is able to devote to the Company. His biography appears on page 44 and there is additional information on page 53.

Pete Redfern – offers himself for re-election.

Pete has been Chief Executive since July 2007 and was previously Group Chief Executive of George Wimpey Plc. His biography appears on page 44 and there is additional information on page 53.

Ryan Mangold – offers himself for re-election.

Ryan has been Group Finance Director since November 2010. His biography appears on page 44 and there is additional information on page 53.

James Jordan – offers himself for re-election.

James has been Group Legal Director since July 2011 and is also the Group Company Secretary, a position he has held since 2007. His biography appears on page 44 and there is additional information on page 53.

Kate Barker DBE – offers herself for re-election.

Kate has been an Independent Non Executive Director since April 2011. The Board is satisfied that she continues to be independent in character and judgement in applying her expertise at meetings of the Board and of the Audit; Nomination and Remuneration Committees, and that her other commitments do not detract from the extent or quality of time which she is able to devote to the Company. Her biography appears on page 44 and there is additional information on page 53.

Baroness Ford of Cunninghame – offers herself for re-election.

Margaret has been an Independent Non Executive Director since April 2013. The Board is satisfied that she continues to be independent in character and judgement in applying her expertise at meetings of the Board and of the Remuneration Committee (which she Chairs) and Nomination Committee, and that her other commitments do not detract from the extent or quality of time which she is able to devote to the Company. Her biography appears on page 44 and there is additional information on page 54.

Mike Hussey – offers himself for re-election.

Mike has been an Independent Non Executive Director since July 2011. The Board is satisfied that he is independent in character and judgement in applying his expertise at meetings of the Board and of the Audit and Nomination Committees, and that his other commitments do not detract from the extent or quality of time which he is able to devote to the Company. His biography appears on page 44 and there is additional information on page 54.

Robert Rowley – offers himself for re-election.

Rob has been an Independent Non Executive Director since January 2010 and the Senior Independent Director since April 2010. The Board is satisfied that he continues to be independent in character and judgement in applying his expertise at meetings of the Board and of the Audit Committee (which he Chairs) and the Nomination and Remuneration Committees, and that his other commitments do not detract from the extent or quality of time which he is able to devote to the Company. His biography appears on page 45 and there is additional information on page 54.

The Board confirms that each of the above Directors has recently been subject to formal performance evaluation, details of which are set out in the Corporate Governance Report in the Annual Report on pages 46 to 55, and that each continues to demonstrate commitment and to be an effective member of the Board. In compliance with provision B.7.2 of the Code, the Chairman hereby confirms that, following the formal performance evaluation referred to above, the performance of each of the Non Executive Directors continues to be effective and that each continues to demonstrate commitment to the role.

Resolution 12: Re-appointment of Deloitte LLP (Deloitte) as auditors of the Company

The Company is required to appoint auditors at each general meeting at which accounts are laid before the shareholders. It is therefore proposed that the auditors are appointed from the conclusion of the 2015 Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before shareholders. Following an annual review of Deloitte's performance, details of which are set out on page 62, the Board recommends the re-appointment of Deloitte as the Company's auditors.

Resolution 13: Authorisation of the Audit Committee to agree on behalf of the Board the remuneration of Deloitte as auditors

The Board seeks shareholders' authority for the Audit Committee to determine on behalf of the Board the remuneration of Deloitte for their services. The Board has adopted a procedure governing the appointment of Deloitte to carry out non-audit services, details of which are given in the Audit Committee Report. Details of non-audit services performed by Deloitte in 2014 are given in Note 6 on page 110 of the Report and Accounts.

Resolution 14: Authority to allot shares

The Directors wish to renew the existing authority to allot unissued shares in the Company, which was granted at the Company's last Annual General Meeting held on 17 April 2014 and is due to expire at the conclusion of this Annual General Meeting. Accordingly, Paragraph (A) of resolution 14 would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £10,844,871 (representing 1,084,487,100 ordinary shares). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 4 March 2015, the latest practicable date prior to publication of this notice of meeting.

In line with guidance issued by The Investment Association (formerly the Association of British Insurers) (TIA), paragraph (B) of resolution 14 would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £21,689,743 (representing 2,168,974,300 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (A) of resolution 14. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 4 March 2015, the latest practicable date prior to publication of this notice of meeting.

The Company does not hold any shares in Treasury.

The authorities sought under paragraphs (A) and (B) of resolution 14 will expire at the earlier of 22 July 2016 and the conclusion of the Annual General Meeting of the Company to be held in 2016.

The Directors have no present intention to exercise either of the authorities sought under this resolution. However, if they do exercise the authorities, the Directors intend to follow TIA recommendations concerning their use (including as regards the Directors standing for re-election in certain cases).

Special Resolutions

Special resolutions require at least a 75% majority of votes cast to be cast in favour.

Resolution 15: Authority to dis-apply pre-emption rights

The Board wishes to renew the existing authority from shareholders to allot shares or sell any shares held in treasury for cash otherwise than to existing shareholders pro rata to their holdings. Resolution 15, which will be proposed as a special resolution and therefore requires a 75% majority of votes to be cast in favour, would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be, similar to previous years, limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £1,626,730 (representing 162,673,000 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 4 March 2015, the latest practicable date prior to publication of this notice. In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders.

The authority will expire at the earlier of 22 July 2016 and the conclusion of the Annual General Meeting of the Company held in 2016.

Resolution 16: Authority to make market purchases of shares

Any purchases under this authority would be made in one or more tranches and would be limited in aggregate to 10% of the ordinary shares of the Company in issue at the close of business on 4 March 2015.

The maximum price to be paid on any exercise of the authority would not exceed the highest of (i) 105% of the average of the middle market quotations for the Company's ordinary shares for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out. Shares purchased pursuant to these authorities could be held as treasury shares, which the Company can re-issue quickly and cost-effectively, and provides the Company with additional flexibility in the management of its capital base. The total number of shares held as treasury shall not at any one time exceed 10% of the Company's issued share capital. Accordingly, any shares bought back over the 10% limit will be cancelled. The Company currently holds no shares in treasury.

This is a standard resolution, sought by the majority of public listed companies at Annual General Meetings. The Board's current intention of utilising this authority is generally limited to acquiring shares for the various share scheme arrangements. The Board would only consider a more formal share purchase programme if it would result in an increase in earnings per share and was in the best interests of shareholders generally, having regard to all relevant circumstances.

The total number of options and conditional share awards to subscribe for ordinary shares outstanding as at the close of business on 4 March 2015 was 42,999,919, representing approximately 1.3% of the issued ordinary share capital of the Company as at that date and approximately 1.5% of the Company's issued ordinary share capital following any exercise in full of this authority to make market purchases.

This authority will last until the earlier of 22 October 2016 and the conclusion of the Company's Annual General Meeting in 2016.

Special Business

Ordinary Resolutions

Resolution 17: Approval of the Directors' Remuneration Report for the year ended 31 December 2014

The Directors are required to prepare an annual report detailing the remuneration of the Directors and a statement by the Chairman of the Remuneration Committee (together the "Directors' Remuneration

Report"). The Company is required to seek shareholders' approval in respect of the contents of this report on an annual basis. The vote is an advisory one.

The Company's Remuneration Policy was approved by shareholders at last year's AGM and remains unchanged. In such circumstances, the Policy need not be re-submitted to shareholders for three years (unless amendments are proposed to it) and accordingly, there is no equivalent resolution at this year's AGM.

The Directors' Remuneration Report is set out on pages 66 to 85 of the Annual Report and Accounts.

The Company's current Remuneration Policy is available on the Company's web site at: www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance

Resolution 18: Authority to make political donations

In order to comply with its obligations under the Companies Act 2006 and to avoid any inadvertent infringement of that Act, the Board wishes to renew its existing authority for a general level of political donation and/or expenditure. Resolution 18 seeks to renew the existing authority for the Company to make political donations and incur political expenditure. The Companies Act 2006 requires this authority to be divided into three heads (as set out in Resolution 18) with a separate amount specified as permitted for each. An amount not exceeding £250,000 for each head of the authority has been proposed. In accordance with the Companies Act 2006, Resolution 18 extends approval to all of the Company's subsidiaries.

This authority will expire at the conclusion of the Annual General Meeting of the Company in 2016, unless renewal is sought at that meeting.

The Company and the Group do not make any donations to political parties or organisations and do not intend to going forward, but do support certain industry-wide bodies such as the Home Builders Federation in the UK. Whilst the Board does not regard this as political in nature, in certain circumstances such support together with donations made for charitable or similar purposes could possibly be treated as a donation to a political organisation under the relevant provisions of the Companies Act 2006. For example, a donation to a humanitarian charity which may also operate as a political lobby, sponsorship, subscriptions, paid leave to employees fulfilling public duties and payments to industry representative bodies could constitute a donation to a political organisation within the current definitions in the Companies Act 2006.

Details of the Company's and the Group's charitable donations appear on page 90 of the Report and Accounts.

Resolution 19: Substantial property transaction

Mr. Pete Redfern, a Director of the Company, intends to enter into a contract to purchase Vivienda 5-5, Parcela A, Urbanización 38, Servera Deya, Es Port Vell, 07559 Son Servera, Mallorca, at Taylor Wimpey de España S.A.U.'s development at Costa Beach, Port Vell, Mallorca for the sum of €484,500 subject to approval having been obtained for the transaction from the Company's shareholders at the Annual General Meeting, from Taylor Wimpey de España S.A.U., a wholly owned subsidiary of the Company.

As the transaction is in excess of £100,000, it constitutes a substantial property transaction with a Director of the Company under sections 190 and 191 of the Companies Act 2006 and therefore requires the prior approval of shareholders, which is being sought at this Annual General Meeting.

The Costa Beach development comprises a residential scheme built by Taylor Wimpey de España S.A.U. The purchase price being paid by Pete Redfern is €484,500 (representing £353,650 at the exchange rate of £1 = €1.37 on 4 March 2015, being the latest practicable date prior to the completion of this Notice of Meeting) for the purchase of a single storey terraced house. In addition, the purchase includes the supply of standard optional fitted extras, available routinely to independent purchasers on similar commercial terms, comprising domestic electrical appliances for the kitchen and fixtures for the bathroom. The purchase price was agreed following a rigorous review of the prices already obtained in the open market for similar properties, less a discount of 5 per cent. pursuant to the Company's employee discount scheme. Other than the standard employee discount, the price being paid by Pete Redfern assumes that the transaction is an arm's length sale.

The calculation of the price payable by Mr. Redfern (excluding VAT) is as follows:

Price upon reservation (January 2015):	€510,000
Standard employee discount (5%) available to all Taylor Wimpey employees:	€25,500
Price payable by Pete Redfern (excluding extras):	€484,500
Extras at full price:	€5,816
Total price payable by Pete Redfern:	€490,316
Standard reservation fee paid:	€6,000
Balance to be paid by Pete Redfern (if shareholder approval is given):	€484,316

The agreement between Taylor Wimpey de España S.A.U. and Pete Redfern will be a standard form sale and purchase agreement used by Taylor Wimpey de España S.A.U. for the Costa Beach development. Pete Redfern has paid a standard reservation fee to Taylor Wimpey de España S.A.U. prior to the Annual General Meeting but the transaction shall be subject to obtaining shareholder approval.

The terms of the proposed purchase have been subjected to the usual level of scrutiny and review applied to proposed purchases by other employees, has included a review by Internal Audit and also by the Group Legal Director and Company Secretary.

The Board believes the terms of the proposed agreement are fair and reasonable and that the price being paid by Pete Redfern will be the market value of the Costa Beach property (less the standard discount of 5 per cent. as described above) as at the date of exchange of contracts.

Special Resolution
Resolution 20: Notice of general meetings
Special resolutions require at least a 75% majority of votes cast to be cast in favour.

This resolution will be proposed as a special resolution and therefore requires a 75% majority of votes to be cast in favour. The Companies (Shareholders' Rights) Regulations 2009 have increased the notice period required for general meetings of the Company to 21 clear days unless shareholders agree to a shorter notice period, which cannot be less than 14 clear days. At the 2014 Annual General Meeting, a resolution was passed approving the Company's ability to call general meetings (other than Annual General Meetings, which will continue to be held on at least 21 clear days' notice) on not less than 14 clear days' notice. As this approval will expire at the conclusion of this Annual General Meeting, Resolution 20 proposes its renewal. The shorter notice period of 14 clear days would not be used as a matter of routine for any general meeting, but only where the flexibility is merited by the business of a particular meeting and is thought to be to the advantage of shareholders as a whole. The renewed approval will be effective until the Company's Annual General Meeting in 2016, when it is intended that a similar resolution will be proposed.

Note that in order to be able to call a general meeting on less than 21 clear days' notice, the Company must in respect of that meeting make available electronic voting to all shareholders.

Shareholder Facilities

Shareholders' Services

Web communications

Shareholders have previously passed a resolution enabling the Company to make documents and information available to shareholders by electronic means and via a website, rather than by sending hard copies. This way of communicating is enabled in accordance with the Companies Act 2006, Rule 6 of the Disclosure and Transparency Rules and the Company's Articles of Association.

Making documents and information available electronically:

- enables the Company to reduce printing and postage costs;
- allows faster access to information and enables shareholders to access documents on the day they are published on the Company's website; and
- reduces the amount of resources consumed, such as paper, and lessens the impact of printing and mailing activities on the environment.

The Company provides hard copy documentation to those shareholders who have requested this and is, of course, happy to provide hard copies to any shareholders upon request.

The Company's website url is www.taylorwimpey.co.uk and shareholder documentation made available electronically is generally accessible at www.taylorwimpey.co.uk/corporate/shareholder-information

Electronic communications

The Company also encourages shareholders to elect to receive notification of the availability of Company documentation by means of an e-mail. Shareholders can sign up for this facility by logging onto our website at www.taylorwimpey.co.uk/corporate/shareholder-information/electronic-communications

Online facilities for shareholders

You can access our Annual and Interim Reports and copies of recent shareholder communications online at: www.taylorwimpey.co.uk/corporate/investor-relations/reporting-centre

To register for online access, go to www.taylorwimpey.co.uk/corporate/shareholder-information and click on the service you require. To access some of these services you will first be required to apply online.

Once you have registered for access, you can make online enquiries about your shareholding and advise the Company of changes in personal details.

Dividend Re-Investment Plan

You can choose to invest your cash dividends, including any special dividend, in purchasing Taylor Wimpey shares on the market under the terms of the Dividend Re-Investment Plan. For further information on the Plan and how to join, contact Capita Asset Services.

Important: Please Read: Action May Be Required:

The DRIP will operate automatically in respect of the Final Dividend or 2014 (unless varied beforehand by shareholders) and all future dividends, including Special Dividends, until such time as you withdraw from the DRIP or the DRIP is suspended or terminated in accordance with the Terms and Conditions.

Please note that if you have already elected to participate in the DRIP, unless you take positive action to cancel your participation, the DRIP will operate automatically in respect of this and future special dividends, as it does already for interim and final dividends.

It is therefore very important to note that a DRIP election or the revocation of a DRIP election, received or already in place 25 days before a dividend payment date will apply to all future dividends, whether interim, final or special dividends, until such time as a valid new election or revocation of an election is received.

To assist, please note the following important dates:

Final dividend:
Record date – Friday 10 April 2015

Last day for DRIP elections (to apply, or to revoke an election, to the 2014 Final Dividend) – Saturday 25 April 2015

Pay date – Wednesday 20 May 2015

Special dividend:
Record date – Friday 22 May 2015

Last day for DRIP elections (to apply, or revoke an election, to the 2015 Special Dividend) – Monday 8 June 2015

Pay date – Friday 3 July 2015

Please note than an election or revocation of an election applies to all dividends thereafter until such time as further instructions are received,

CREST

The company offers shareholders who hold their Taylor Wimpey shares in CREST a facility for the receipt of dividends through the CREST system.

For shares held in uncertificated form (CREST), please note that elections continue to apply only to one dividend and a fresh election must be made, via CREST, for each dividend.

Full details of the terms and conditions of the DRIP and the actions required to make or revoke an election, both in respect of Maintenance Dividends (i.e. in this case, the 2014 Final Dividend) and any Special Dividends, are available at www.capitashareportal.com or on request from the Registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, e-mail: shares@capita.co.uk tel: 0871 664 0381 (UK) or +44 20 8639 3402 (overseas).

Dividend mandates

We strongly encourage all shareholders to receive their cash dividends by direct transfer to a bank or building society account. This ensures that dividends are credited promptly to shareholders without the cost and inconvenience of having to pay in dividend cheques at a bank. If you wish to use this cost-effective and simple facility, complete and return the dividend mandate form attached to your dividend cheque. Additional mandate forms may be obtained from Capita Asset Services.

Duplicate share register accounts

If you are receiving more than one copy of our Annual Report, it may be that your shares are registered in two or more accounts on our Register of Members. You might wish to consider merging them into one single entry. Please contact Capita Asset Services who will be pleased to carry out your instructions in this regard.

Low-cost share dealing services

We have arranged both telephone and online share dealing services for UK resident Taylor Wimpey shareholders to buy or sell up to £25,000 worth of Taylor Wimpey plc shares. The services are operated by Capita Asset Services. To use the services either visit www.capitadeal.com or telephone +44 (0)871 664 0446 (calls cost 10p per minute plus network extras; lines open 8:00 am to 4:30 pm Mon-Fri). To deal, you will need to provide your surname, postcode, date of birth and investor code (which can be found on your share certificate or any form of proxy you have been sent). Shareholders are not in any way obliged to use this service when dealing in the Company's shares.

Strategic Report p2-43
Directors' Report: Governance p44-91
Financial Statements p92-143
Shareholder Information p144-153

Taylor Wimpey and 'CREST'
Taylor Wimpey shares can be held in 'CREST' accounts, which do not require share certificates. This may make it quicker and easier for some shareholders to settle stock market transactions. Shareholders who deal infrequently may, however, prefer to continue to hold their shares in certificated form and this facility will remain available for the time being, pending the likely general introduction of dematerialised shareholdings in due course.

Taylor Wimpey share price
Our share price is printed in many of the UK daily newspapers and is also available on our website www.taylorwimpey.co.uk/corporate/share-price-centre. It appears on BBC Text and other digital television interactive services. It may also be obtained by telephoning the FT Cityline service on telephone +44 (0)9058 171690 and ask for 'Taylor Wimpey' on the voice activated response (calls cost 75p per minute from a BT landline, other networks may vary).

Gifting shares to charity
If you have a small holding of Taylor Wimpey plc shares, you may wish to consider gifting them to charity. You can do so through 'ShareGift', which is administered by a registered charity, Orr Mackintosh Foundation Limited. Shares gifted are re-registered in the name of the charity, combined with other donated shares and then sold through stockbrokers who charge no commission. The proceeds are distributed to a wide range of recognised charities. For further details, please contact Capita Asset Services or approach ShareGift directly on www.sharegift.org or telephone them on +44 (0)20 7930 3737.

Unsolicited approaches to shareholders and "Boiler Room" Scams
We receive reports from time to time from Taylor Wimpey shareholders who have each received what appear to be fraudulent approaches from third parties with respect to their shareholding in the Company. In some cases these are 'cold calls' and in others correspondence. They generally purport to be from a firm of solicitors or an investment company and offer, or hold out the prospect of, large gains on Taylor Wimpey shares or other investments you may hold.

The approaches normally include the seeking of an advance payment from the shareholder, the disclosure of the shareholder's bank details or the sale of an unrelated investment. Shareholders are advised to be extremely wary of such approaches and advised to only deal with firms authorised by the UK Financial Conduct Authority (FCA). You can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/consumers/ or by calling 0845 606 1234.

More information online

Shareholders can sign up for this facility (namely: electronic communications) by logging onto our website at www.taylorwimpey.co.uk/corporate/shareholder-information/electronic-communications.

Annual General Meeting
11:00 am on 23 April 2015 at:

The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Latest date for receipt of proxy instructions for the 2015 Annual General Meeting: 11:00 am on 21 April 2015.

Group Legal Director and Company Secretary and Registered Office
James Jordan
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Fax: +44 (0)1494 885663
E-mail: james.jordan@taylorwimpey.com

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

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
E-mail: shareholderenquiries@capita.co.uk
Tel: 0871 664 0300 (UK)

(Calls cost 10p per minute plus network extras; lines are open 8:30 am to 5:30 pm Mon-Fri).

Tel: +44 20 8639 3399 (from overseas)

Auditors
Deloitte LLP

Solicitors
Slaughter and May

Stockbrokers
J.P. Morgan Cazenove
Jefferies Hoare Govett

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Printed by CPI Colour