Taylor Wimpey | plc

Delivering value through the cycle

Annual Report and Accounts 2013
www.taylorwimpey.co.uk

Welcome to the Taylor Wimpey Annual Report 2013

Our vision is to become the UK's leading residential developer for creating value and delivering quality for all our stakeholders.

Visit us on-line
www.taylorwimpey.co.uk

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Principal Risks and Uncertainties

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Key to other items in this report

Throughout this report you will find the following icons for particular points of interest:

- Cross reference to information on-line
- Cross reference to information in this report
- KPI Key Performance Indicator
- Corporate Responsibility

Corporate Responsibility

A full Corporate Responsibility Report is published separately on-line and is available from www.taylorwimpey.co.uk/corporate/corporate-responsibility Key information about our approach to sustainable development is available in the following areas of this report:

Governance
Pages 41-54

Approach and policies
Pages 14-15, 23-25, 27, 48, 52

Employees
Pages 20, 34

Health and safety
Pages 18, 25, 32


Taylor Wimpey
Get the 'thumbs up'

Strategic Report

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Warwick Chase, Midlands
A development of three, four and five bedroom homes situated on the outskirts of historic Warwick.

Visit www.taylorwimpey.co.uk for more information

Key Highlights for 2013

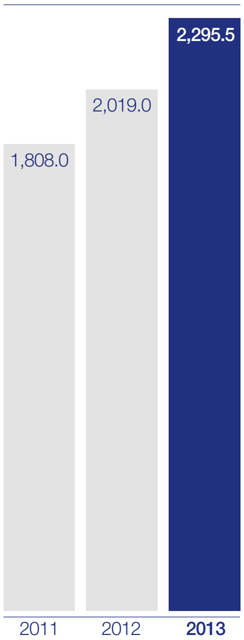
Group highlights

- Group operating profit margin* increased to 13.6% (2012: 11.2%**)
- Group return on net operating assets*** increased to 16.8% (2012: 13.3%**)
- Tangible net asset value per share† increased to 69.6 pence (2012: 61.5 pence)
- Cash return to shareholders:
  - Initial c.£250 million – £50 million in 2014 and £200 million in 2015
  - Strategy expected to lead to further significant annual payments from 2016
- Maintenance dividend policy remains unchanged
  - Final dividend proposed 0.47 pence (2012: 0.43 pence), giving total for the year of 0.69 pence (2012: 0.62 pence)

Continuing operations

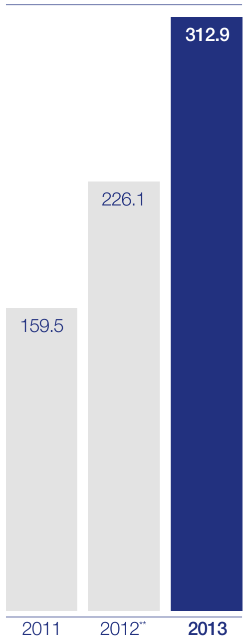
Revenue
(£m)

£2,295.5m



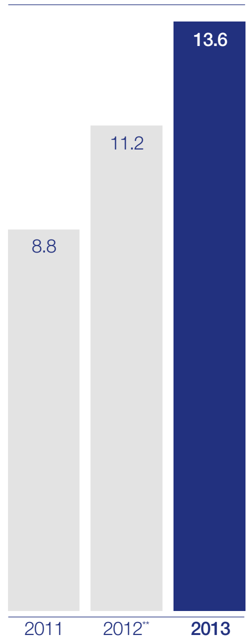
Operating profit*
(£m)

£312.9m



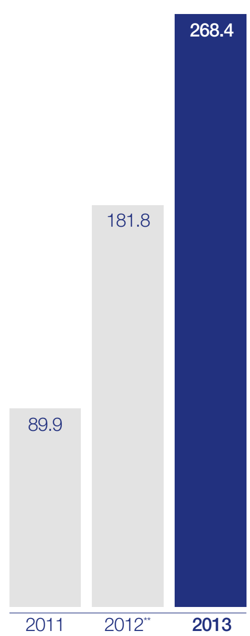
Operating profit margin*
(%)

13.6%



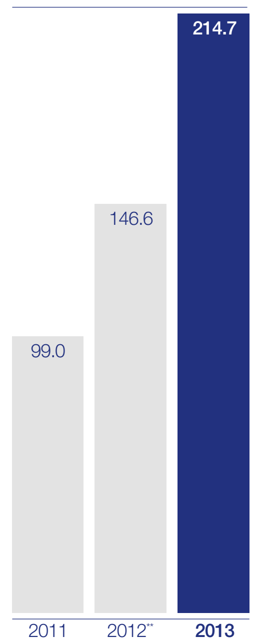
Profit before tax and exceptional items
(£m)

£268.4m



Profit for the year before exceptional items
(£m)

£214.7m

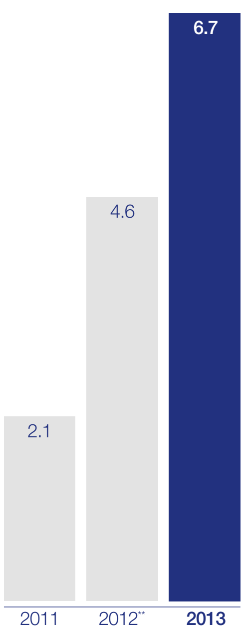


UK operational highlights

- 39.1% increase in operating profit* to £312.8 million (2012: £224.8 million**)
- Completed 11,696 homes at an average selling price of £191k (2012: 10,886 homes at £181k)
- 31.4% in total order book value to £1,246 million at 31 December 2013 (2012: £948 million)
- Reaching the optimal landbank size for our business with c.9.2k plots converted from the strategic land pipeline
- Invested £227.0 million in local communities (2012: £180.8 million)
- 33% fall in the accident rate on site

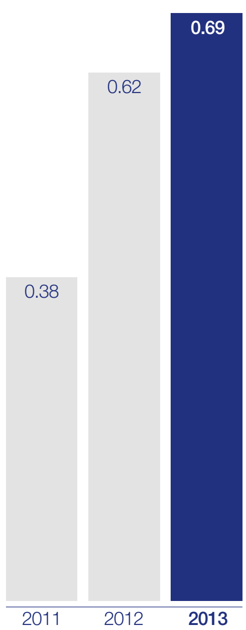
Adjusted basic earnings per share
(p)

6.7p



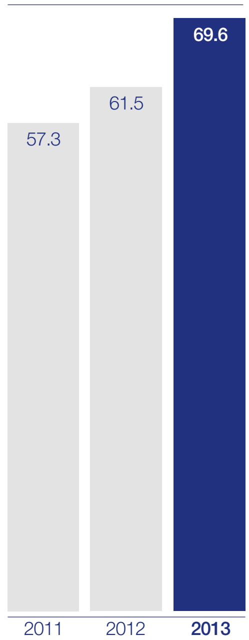
Dividend
(p)

0.69p



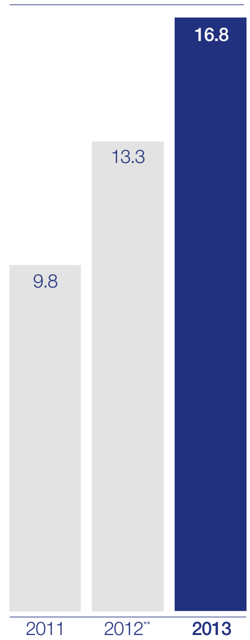
Tangible net assets per share†
(p)

69.6p



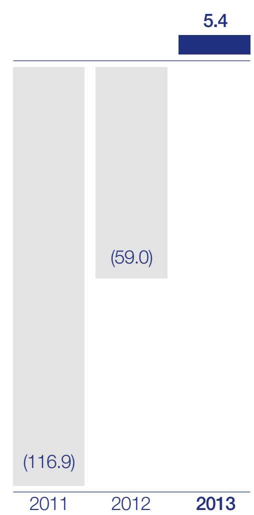
Return on net operating assets***
(%)

16.8%



Year end net cash/(debt)
(£m)

£5.4m



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

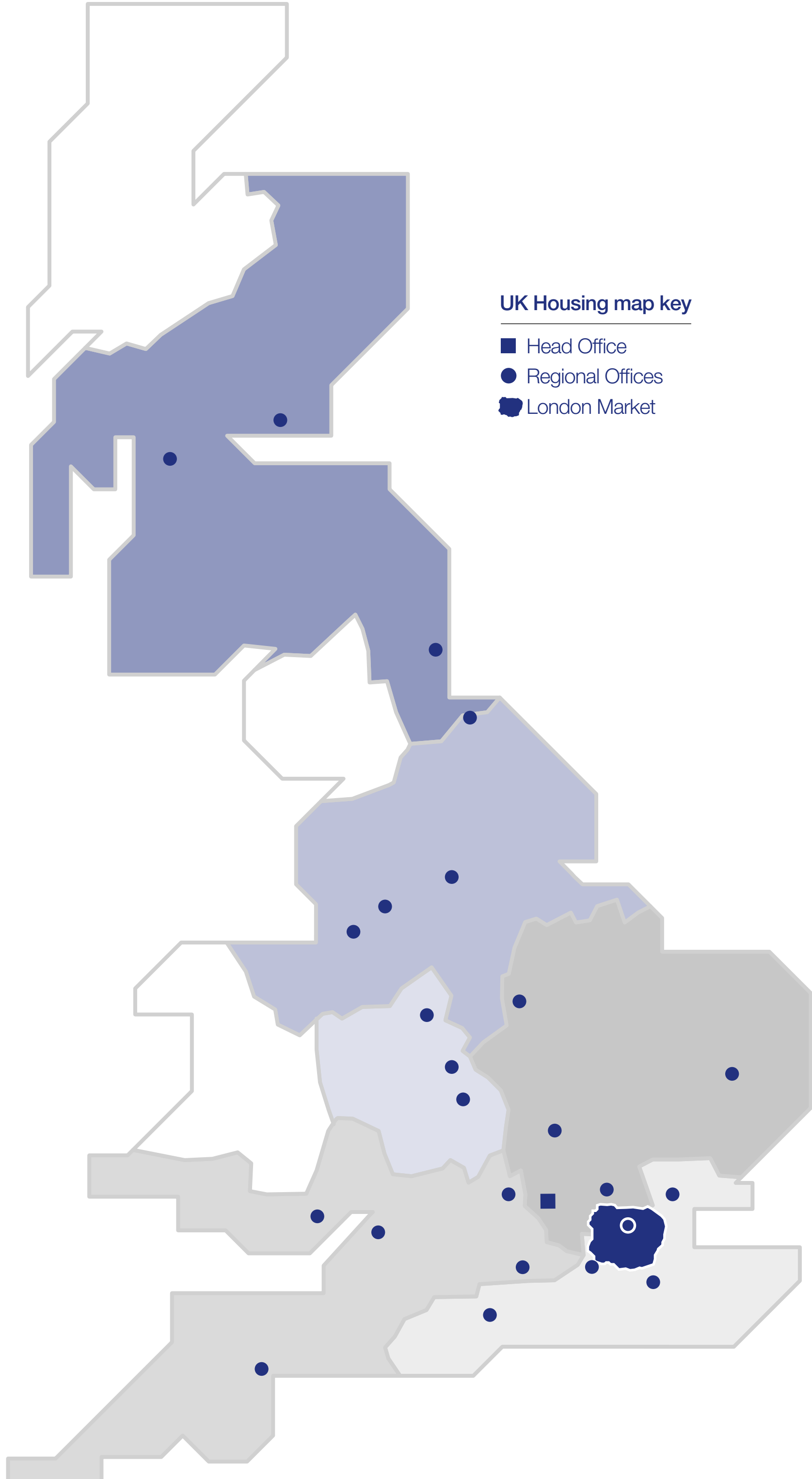
** 2012 has been restated following the adoption of IAS19 'Employee Benefits' (amended 2011), with changes in the presentation of certain costs relating to the defined benefit schemes.

*** Return on net operating assets is defined as operating profit divided by the average of the opening and closing net operating assets, which is defined as capital employed plus intangibles less tax balances.

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

Business Overview

Taylor Wimpey is a national developer operating at a local level from 24 regional businesses across the UK. We also have operations in Spain.



Completions
11,696

Average selling price
£191k

Average sales outlets (sites)
315

Short term landbank
70,628 plots

Key business achievements

- Delivered 11,696 well-designed, high-quality, highly energy-efficient homes in the UK at an average selling price of £191k (2012: 10,886 homes at £181k).
- 39.1% increase in operating profit* to £312.8 million (2012: £224.8 million**).
- Invested £227.0 million in local communities (2012: £180.8 million).

UK Housing

Overview
- We build a wide range of homes in the UK, from one bedroom apartments to five bedroom houses, with prices ranging from below £100,000 to over £3 million.
- In addition, we build affordable housing across the UK, which represented 18% of our 2013 completions.
- We aim to deliver aspirational homes for our customers that are efficient to build.

Market conditions
- Much improved mortgage environment with better affordability and accessibility.
- Planning remains the fundamental constraint on the industry.

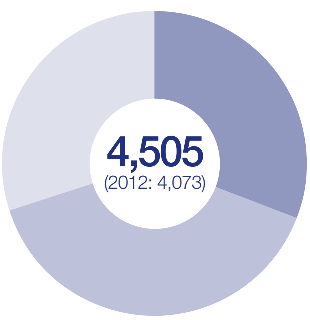
Priorities
- Continue to take active steps to manage the cycle.
- Delivering planning and adding value to our existing land assets.
- Focus on cash and capturing the value at every level of the business.

Our regional operations

North

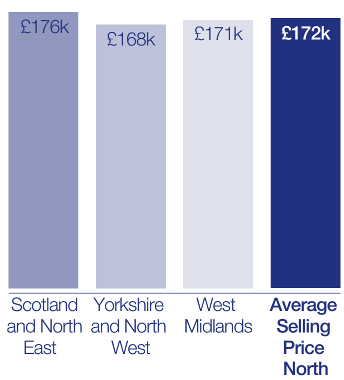
Our North Division covers Scotland, the North East, the North West and the West Midlands.

Completions[a] (%)



- Scotland and North East **31%**
- Yorkshire and North West **39%**
- West Midlands **30%**

Average selling price



(Average selling price North in 2012: £160k)

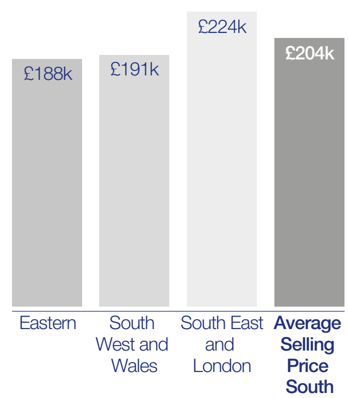
South

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

Completions[a] (%)

- Eastern **33%**
- South West and Wales **25%**
- South East and London **42%**

Average selling price



(Average selling price South in 2012: £194k)

(a) Excluding joint ventures.

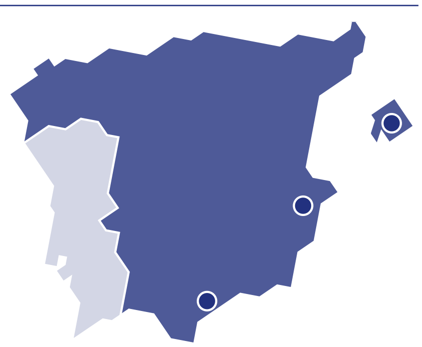
Page References 29-34

Spain Housing

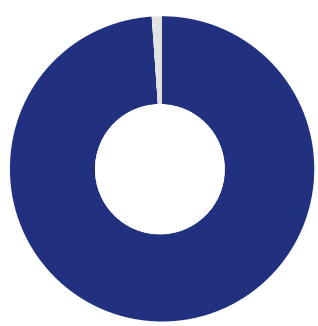
We build high-quality homes in popular locations.

Overview
- We have operations on the Costa Blanca, Costa del Sol and the island of Mallorca.
- We build high-quality homes that appeal to both foreign and Spanish buyers.

Page Reference 35



Proportion of continuing Group revenue



- UK Housing **99%**
- Spain Housing **1%**

Chairman's Statement

"2013 has been a great year for Taylor Wimpey."

Kevin Beeston
Chairman

2013 performance
Once again I am very pleased to be able to report to you that we have delivered a significant improvement against all of our strategic objectives, resulting in a 38% increase in Group operating profit to £312.9 million (2012: £226.1 million), while continuing to strengthen the underlying quality of the business. We enter 2014 well placed for the future.

2013 reporting
We value open and honest dialogue and work hard to maintain high levels of trust and transparency with all of our stakeholders. This year's Annual Report incorporates a number of improvements we have identified to make our strategy, business model and performance easier to understand, including better linkages between these three key factors (pages 14 to 15). In addition, the Board welcomes and has adopted and embraced both the UK Corporate Governance Code and the reporting changes introduced by the Department of Business, Innovation and Skills. These include the Board's confirmation that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In line with corporate governance requirements, we have also enhanced our Audit Committee Report.

Delivering on our commitments
We remain committed to creating value for shareholders and delivering quality for all of our stakeholders. The cultural and process foundations are firm and this positions us well to achieve our vision to be the UK's leading residential developer and to be the homebuilder of choice for our stakeholders.

We continuously review our strategy to make sure that it remains appropriate and aligned to the interests of shareholders and other stakeholders. Whilst the short term conditions have improved through 2013, our cautious and balanced strategy remains relevant and is working.

Our success in the year is undoubtedly thanks to the commitment and dedication of the 3,972 employees who make up the Taylor Wimpey team. I would like to take this opportunity to thank all our employees for their efforts, hard work and dedication throughout 2013. During 2013, Pete Redfern and the senior management team conducted a series of 13 strategy update sessions across the country, updating all employees.

The Board firmly believes that employees throughout the Company should have the opportunity to acquire their own personal stake in the business through share ownership. This naturally results in a greater sense of alignment with shareholders. In addition to reviewing and deepening our shareholding guidelines for senior management, we were also delighted that the most recent sharesave scheme saw a 12% increase in take up with 1,184 employees participating. Currently 1,992 employees participate in one or both of our all-employee share plans, representing 53% of eligible employees. More details of our share schemes can be found on page 63.

Corporate responsibility
Our values and strong culture are at the heart of our success. As a Board, we are determined that Taylor Wimpey should be known for how we conduct ourselves as well as for our financial performance and, whilst we do not get everything right, these are responsibilities that we will continue to fully embrace and strive to enhance. For further information on our approach to corporate responsibility, please see our 2013 Corporate Responsibility Report which will be available from 21 March at www.taylorwimpey.co.uk

Corporate governance
Although our main objective is of course to deliver shareholder value, the way in which we deliver these returns is equally important to us. Good corporate governance and risk management are therefore essential and we have a strong track record of taking a considered approach in these areas. The policies and guidelines we have in place,

setting standards concerning ethics, sound business practices and wider governance, are regularly reviewed and can be found on our website.

I am satisfied that your Board continues to operate effectively and more information on what this means can be found within our Corporate Governance Report (on pages 44 to 54). We are very alert to the need for fair and proportionate remuneration arrangements and again have consulted very constructively with our major shareholders and their representative bodies concerning both 2013 and 2014 policy and practice.

As a Board we remain committed to linking reward to the longer term objectives of Taylor Wimpey and, in turn, the longer term interests of shareholders. This year, shareholders are, for the first time, invited to vote on both sections of the Remuneration Report – a binding vote on our policy and an advisory vote on its implementation during 2014 and our proposals for 2014. We set out more details on our policy in our Remuneration Report on pages 60 to 75.

Dividend

We are an asset based business and operate in a cyclical industry and so fundamentally believe that our dividend policy, as a key part of shareholder return, should reflect these two factors. We remain committed to paying a regular annual maintenance dividend, as we have for the last two years, of between 1-2% of net asset value. The 2013 final maintenance dividend of 0.47 pence (2012: 0.43 pence), if approved by shareholders at the Annual General Meeting (AGM), will be paid as a conventional cash dividend on 21 May 2014 to shareholders on the register at close of business on 11 April 2014. Shareholders are once again being offered the opportunity to reinvest all of their dividend under the Dividend Re-Investment Plan (DRIP). More information can be found on page 136.

We can be a very cash generative business and how we best use that cash to achieve the optimum balance of reducing risk to protect the business and delivering the best quality of returns, largely depends on the cyclical risk and the land market, as well as the business position. We believe now is the time to commence cash returns and accordingly a special dividend of c.£50 million (1.54 pence per share) will be paid in 2014 and £200 million (c. 6.16 pence per share) in 2015. We have set out our policy in full on page 13. The 2014 special dividend will be paid as a cash dividend on 3 July 2014 to all shareholders on the register at close of business on 6 June 2014. The DRIP will not be made available in respect of special dividend payments.

Diversity

We value diversity in every sense. We believe that establishing an organisational culture with diversity as a core value will better enable individuals to reach their full potential and provide a better service and representation to our customers. We also acknowledge that we must continue to promote diversity in order to create an organisation that attracts, supports and promotes the broadest range of talent.

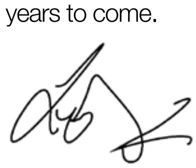
Therefore, during the year we conducted our first independent diversity study of the business. This highlighted the positive culture within the organisation of which we are justifiably proud. However it also highlighted a number of areas where there is clearly room for improvement. Diversity and inclusion related matters have now been added as a regular agenda item for the Group Management Team and we will focus on further implementing the recommendations of the study. Further information on our diversity policy can be found on pages 52 and 78.

Board changes

As previously reported, Baroness Brenda Dean of Thornton-le-Fylde stepped down from the Board as an Independent Non Executive Director (NED) at the conclusion of the 2013 AGM following nine years of dedicated service and again, I would like to thank her for her outstanding service. At that meeting we also welcomed Baroness Margaret Ford of Cunninghame to the Board as a NED and Margaret has already made a very valuable contribution.

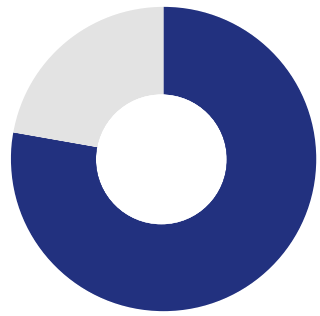
On 26 February 2014 we announced that Anthony (Tony) Reading MBE would be standing down from the Board at the conclusion of the 2014 AGM, again, after nine years of outstanding service. On behalf of the Board, I would also like to thank Tony for his invaluable contribution to the Board and especially his chairmanship of the Remuneration Committee, since the merger between George Wimpey and Taylor Woodrow in 2007, which will now be chaired by Margaret Ford.

Finally, on behalf of the Board and shareholders I would like to thank our Executive Directors for their outstanding leadership of the business. I truly believe we have a team of the highest quality with the right experience, drive and perspective that will continue to position Taylor Wimpey as an excellent business for years to come.



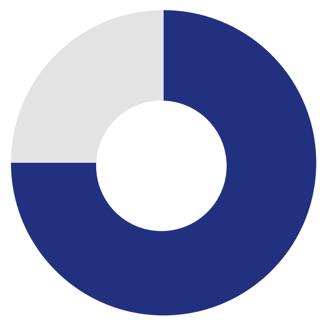
Kevin Beeston
Chairman

Board diversity



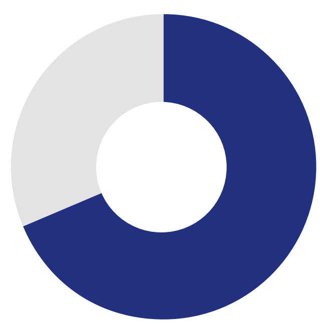
- Male **78%** (7)
- Female **22%** (2)

Senior Management diversity



- Male **75%** (6)
- Female **25%** (2)

Employee diversity



- Male **69%** (2,732)
- Female **31%** (1,240)

Chief Executive's Review

> "We have delivered a strong financial performance and continued to develop our business for the future."
>
> **Pete Redfern**
> Chief Executive

2013 was a year of significant improvement, where both the quality of our investments and the underlying improvement in the housing market contributed to an improvement across all of our key performance metrics.

In a UK housing market showing significant recovery for the first time in five years, we have strongly improved our operating performance, increasing operating profits by 39%. The business is starting to earn a healthy level of returns as the investments we have made from 2009 onwards are starting to deliver. We have the right organisational structure in place for the long term, with 24 regional businesses across the country, including a growing London presence, all of which are in areas in which people want to live and which are supported by strong economic fundamentals. Most importantly, we have continued to make significant investment for the future, adding to our short term landbank and strategic land pipeline and increasing the level of training and development of staff, at all levels, from site trades to office technical roles. This strong platform and our clear operating and financial strategy leave the Group well positioned to continue to make further progress in the years ahead.

Financial performance

Group revenue in 2013 increased by £276.5 million to £2,295.5 million (2012: £2,019.0 million) from Group completions of 11,814 (2012: 11,042), including joint ventures. The gross profit in the year has increased by 26.1% to £449.3 million (2012: £356.3 million).

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

** 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.

*** Return on net operating assets is defined as operating profit divided by the average of the opening and closing net operating assets, which is defined as capital employed plus intangibles less tax balances.

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

†† Asset turn is defined as total revenue divided by the average of opening and closing net operating assets.

The gross profit for the year includes £45.4 million (2012: £85.1 million) of positive contribution, on completions from sites with previously impaired inventory. Group operating profit* increased significantly by £86.8 million, or 38.4%, to £312.9 million (2012: £226.1 million**), resulting in a Group operating margin* of 13.6% (2012: 11.2%**). Net operating assets grew by 15.7% and as at 31 December stood at £1,999.6 million (2012: £1,727.9 million). Group asset turn†† increased to 1.23 times in 2013 (2012: 1.19 times), with both faster sales rates and our focus on capital efficiency contributing to the positive performance and offsetting the impact of a lower pension liability. These improvements resulted in Group return on net operating assets*** increasing substantially by 350 basis points to 16.8% (2012: 13.3%**).

We have continued to strengthen our balance sheet and to reduce net debt, and we end the year with a net cash position of £5.4 million, driven by both operational improvement and the timing of land payments (31 December 2012: £59.0 million net debt).

See pages 36 to 39 for the full financial detail in Ryan Mangold's section.

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 can realise success. One of our priorities in 2014 will be continuing with the work and investment we have put into our teams and the future of the business through training and development. More information on our training and development schemes can be found on pages 20 and 34.

In autumn 2013, I and some of our senior management team presented an update on our business strategy at a series of road show sessions available to all of our staff across the 24 regional businesses and on site. Over 3,200 of our employees attended the sessions, which provided an update on progress made against the objectives set in 2011 and priorities for the next couple of years. The sessions covered key employee issues such as diversity and employee development and skills. This was a great opportunity for me to hear first hand their feedback on these issues and more. This was very successful and I was pleased that 93% of those who attended thought they were adequately and clearly updated on the progress made since 2011.

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.

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, pensions and treasury, as well as Information Technology (IT). 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.

Maria Pilfold
Group Human Resources Director

Responsibilities
Maria 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
Director of Land and Planning

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

Ingrid Skinner
Central London, Managing Director

Responsibilities
Ingrid oversees our Central London business unit.

UK operational environment

From the very beginning of 2013, we saw an improvement in customer sentiment and an increase in sales rate as customers, already feeling more confident, were able to gain access to a healthier mortgage market, helped through Funding for Lending and a more willing and competitive banking system.

Underscoring the importance of housebuilding to the UK economy, the Government implemented Help to Buy, the most significant programme to date, from the beginning of the second quarter, effectively replacing the FirstBuy programme and having a quick and direct impact on the affordability of mortgages. Following the implementation of Help to Buy, we saw a significant step up in both interest levels and sales rates. In 2013, the total value of mortgage approvals for home purchases was £113,170 million (2012: £90,953 million) according to the Bank of England data, with property transactions 15.0% higher at 1,071,220 (2012: 931,790).

According to the House Builders Federation (HBF), planning approvals increased by 34% to 185,266 in the year to September 2013 (2012: 138,441). This remains significantly less than the number of homes needed on an annual basis, highlighting the fact that planning remains the fundamental constraint on the size of the industry and our business.

UK national house prices increased to £174k (2012: £163k) during 2013, according to the Nationwide House Price Index, and led in the early part by the South East and Midlands, but with most regions in the UK experiencing an increase by the end of the year.

Our strategy

Whilst short term conditions have improved through 2013, our strategy remains unchanged and our focus is clearly set on the long term health and sustainability of the business.

Our strategic objectives are:

- Earn top quartile operating margins
- 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

Our strategy is underpinned by our key strategic principles, or drivers of value, set out on page 14.

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 11.

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 16 to 21.

Our strategic objectives are:

- Earn top quartile operating margins.
- 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.

Our strategy is underpinned by our key drivers of value set out on page 14.

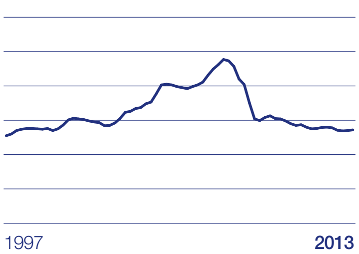
Managing the cycle

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 over the short term, 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.

Market data

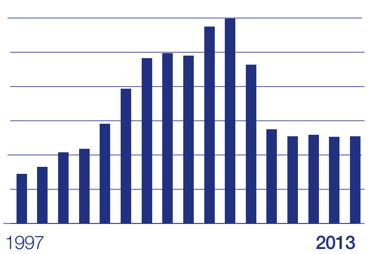
We continually monitor where we are in the cycle using external indicators to assess the macro environment.

Mortgage/Earnings ratio



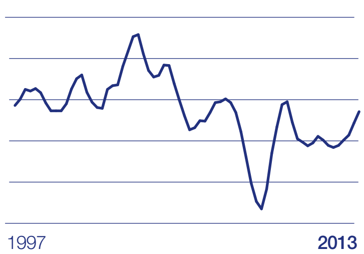
Source: Halifax
The mortgage/earnings ratio provides an indication of the affordability of housing, taking into account the underlying mortgage interest rates.

Gross secured lending



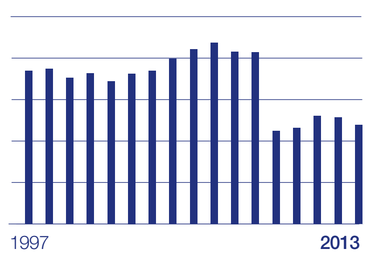
Source: Bank of England
The correlation between the gross secured lending chart above and the housing starts chart (right) reflects the impact of restricted credit availability on the housing market.

Average annual house price change



Source: Nationwide
There has been significant variation in the average annual house price change since 1997, with very strong growth from 2001 to 2003 and price declines in 2008 and 2009.

Housing starts, Great Britain



Source: Communities and Local Government
Total housing starts do not exhibit the same strong growth as house prices in the period from 1997 to 2006, but fell sharply from 2007 to 2009.

The charts on page 12 show some of the key external measures we follow closely and 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.

Cash generation in 2014 and beyond

We can be a very cash generative business and how we can best use that cash to achieve the optimum balance of delivering the best quality of returns whilst managing risk to protect the business is key.

We have seen a progressive return to normal land market conditions quarter by quarter, however, they have not yet returned to the levels of competition that we have seen in the past. This has facilitated a prolonged period of strong acquisition margins compared to the range we have seen historically. During 2013 we continued to see a significant number of attractive opportunities in the land market and we were able to use our expertise to capitalise on the current reduced level of competition to invest in land that will deliver strong financial returns in the future. We added 18,770 plots to the short term consented landbank in 2013 through the acquisition of 9,560 plots in the land market and the conversion of 9,210 plots from the strategic pipeline. This is a very strong level of additions, and takes our short term consented landbank into the range of between 70,000 and 75,000 plots, which we see as a good steady state to deliver our optimum sustainable business size.

We are still seeing attractive new opportunities in the land market today and will continue to invest in high-quality opportunities, however we do expect that over the next few years the consented land market will naturally continue to tighten and therefore we do not expect to reinvest all of the cash we generate. In addition, we will continue to focus on achieving planning consents from our strategic land pipeline. By their nature, strategic pipeline sites are long term and we are in continual dialogue with local authorities across the UK to try and bring these sites forward for development. Over the next few years, we expect the strategic pipeline to provide an average of about 6,000 consented plots a year, and completions from these sites to be in excess of the 30% target that we have set.

The combination of our existing short term landbank and the strategic pipeline gives us the confidence that we can grow to our optimum scale, despite the limits of the UK planning environment, allowing us to focus on driving value both through the conversion of the strategic pipeline and our work to bring forward development on our controlled sites and newly acquired sites. This will, of course, still require funding. However, as we move from a phase where we have been significantly growing our overall land positions to a more neutral replacement phase, the funding requirement will decrease and this, together with our increasing profitability as delivery from post-2009 sites grows, means we will be generating significant cash surplus to our funding requirements on an annual basis from the second half of 2014 onwards.

Dividend policy

We have always been clear that our dividend policy, whether maintenance or special returns, is an inherent part of our strategy. Our maintenance dividend policy remains unchanged at between 1% and 2% of net assets, and this will continue to be paid in May and September of each year. As set out above, we have now reached the point where the strategy is creating surplus cash and we will therefore pay a special dividend of c.£50 million in 2014 and £200 million in 2015, the latter subject to shareholder approval. These payments will be made in July of each year, in line with our working capital requirements.

The charts on page 22 show how the value created in the business has been distributed to key areas as a percentage of revenue in 2012 and 2013.

We see significant cash returns as a feature of the current stage of the cycle and anticipate making further significant cash returns annually to shareholders from 2016.

We do not believe that it is in our shareholders' interest to use significant debt in order to generate cash returns but we also do not believe that zero debt or a positive cash position is a necessary or efficient way to deliver value from the business. We remain comfortable with the guidance previously given of a maximum of 30-40% of gearing (including land creditors) throughout the cycle.

"We see significant cash returns as a feature of the current stage of the cycle and anticipate making further significant cash returns annually to shareholders from 2016."

Outlook

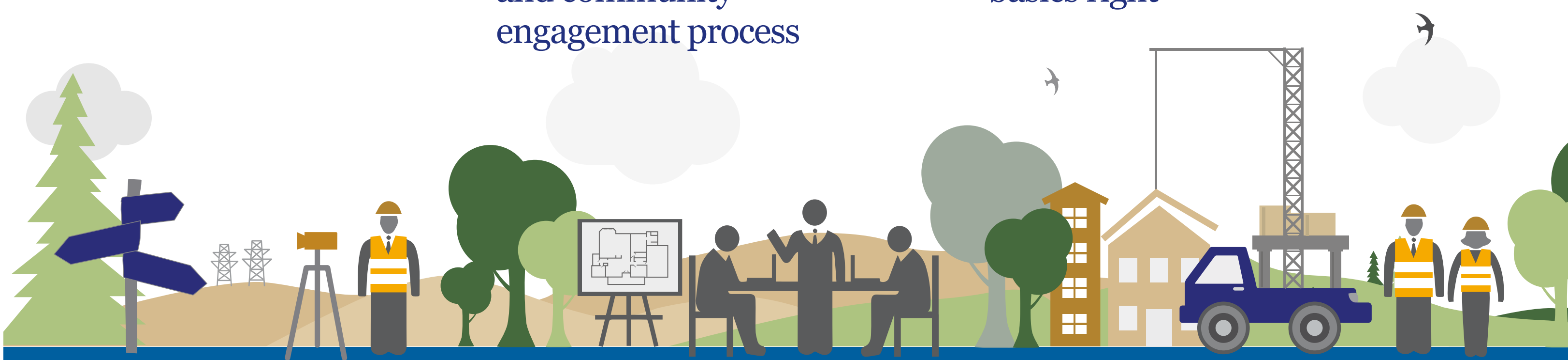
We have continued to build on our excellent order book position, which stood at £1,491 million, excluding year to date completions as at 23 February 2014 (24 February 2013: £1,076 million). We are around 55% forward sold for 2014 completions (as at 23 February 2014), giving us good visibility and security of the performance for the year ahead.

In the first two months of 2014, we have seen the increased interest levels convert to reservations, with both the North and South divisions of our business following similar trends. We are confident that we will continue to perform well in the favourable short term environment and that the disciplined processes we have in place will allow us to capture any additional market value and grow operating margin by at least an additional 200-300 basis points in 2014.

Our Business Model and Strategy

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

Business model



Selecting land

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.

Page References 16, 31-32

Managing the planning and community engagement process

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.

Page References 17, 32

Getting the homebuilding basics right

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.

Page References 18, 32-33

Corporate responsibility

Our aim is to build homes and communities that our customers will aspire to and that enhance the local area. We seek to be a responsible organisation and to manage our business to make positive social, environmental and economic contributions to the regions in which we operate.

Page References 8, 26-27, 33

Our strategy

We are confident of achieving our strategy by concentrating on our key drivers of value:

- 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.
- 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.

Page References 12-22

Caring about our customers

Our people

Optimising value

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.

Page References 19, 33-34

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

Page References 20, 34

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.

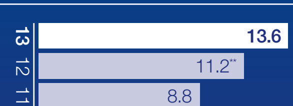
Page References 21, 34

We believe that sustainability requires balancing 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 both the right thing to do and brings significant business benefits. Being sustainable is crucial for risk and opportunity management and is an essential part of good governance.

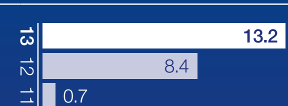
Our strategic objectives

– Earning top quartile operating margins.



13.6%

– Growing net assets by 10% per annum on average through the cycle.



13.2%

– Delivering at least a 15% return on net operating assets through the cycle.

16.8%

Selecting land

The ability to purchase the right sites in the right locations at the right price and at the right point is key.

29%
completions sourced from the strategic pipeline

18,770
plots added to the short term landbank in 2013

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. Our regional businesses are also supported by our strategic land teams who operate throughout the UK and are tasked with identifying areas where population growth, or other local demand, could create opportunities to promote land through the planning system. The importance we place on effective partnerships, along with our expertise and track record for delivering planning consents, makes us an attractive partner for landowners.

Progress in 2013

Added 18,770 plots to the short term landbank, of which 49% were converted from the strategic pipeline. Average selling prices increased for 2013 to £191k (2012: £181k) primarily as the result of enhanced locations which contributed to the increase in contribution per legal completion to £38.8k from £33.9k in 2012. Also added 16,833 plots to the strategic pipeline, which stood at 109,974 potential plots as at 31 December 2013. 29% of 2013 completions were sourced from the strategic land pipeline, up from 24% in 2012.

Priorities for 2014

Continue to manage our investments and landbank in line with the cycle. We aim to source more than 30% of completions from the strategic pipeline.

Our UK operational Key Performance Indicators

Owned and controlled plots with planning

70,628

Contribution per legal completion (£k)

38.8

Page Reference 27, 30-32

Our strategy in action

Andrew Taylor started his journey with the Company in 1995 when he joined the then Bryant Homes subsidiary based in Yorkshire. As a Land and Planning Director, Andrew is responsible for the management of the land acquisition strategy at the Midlands regional business.

He works closely with key stakeholders such as landowners, local authorities and communities to build strong relationships at each step of the land and planning process, from land acquisition to community engagement.

Visit www.taylorwimpey.co.uk for more information about Andrew and on how we select land.

Andrew Taylor – Land and Planning Director, Taylor Wimpey Midlands

Managing the planning and community engagement process

Designing sustainable communities that meet the needs of local residents.

9,210
plots converted from the strategic pipeline

£227m
invested in our local communities via Section 106 and Section 75 planning obligations

559
community events, exhibitions and meetings in 2013

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. We have rolled out a continuous process of community engagement over the lifetime of each development, which will enable us to identify the best use of each site to meet the needs of local residents, to deliver appropriate financial returns for our shareholders, to ensure that we have a mix of homes that meets local market demand and that the site is optimised for safe, efficient and considerate development.

Progress in 2013

Contributed £227.0 million to our local communities via Section 106 and Section 75 planning obligations (2012: £180.8 million).

Achieved external recognition and named National Champion for Environmental and Corporate Responsibility in European Business Awards.

Launched new integrated website including community engagement pages for each proposed site.

Continued to work to bring forward development with 9,210 plots converted from the strategic pipeline and 83% appeals won.

Priorities for 2014

Monitor the use of our unique set of community engagement tools provided in the community engagement manual and seek detailed feedback from regional businesses.

Develop our approach to on-line 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 UK operational Key Performance Indicators

Owned and controlled plots with planning
70,628

Contribution per legal completion (£k)
38.8

Page Reference 27, 30, 32

Helen Carter – Land Manager, Taylor Wimpey West Midlands

Our strategy in action
Helen joined the Company in 2001 as a Management Trainee. She has also worked as a Design and Planning Executive, and within a couple of years was promoted to Design Manager, in charge of her own technical team.

Towards the end of 2011, Helen expressed an interest in working as part of the land team and was seconded for six months, working in both the technical and land teams. She was subsequently appointed as Land Manager, a role she has been in since July 2012.

Visit www.taylorwimpey.co.uk for more information about Helen and how we manage our planning and community engagement process.

Getting the homebuilding basics right

Working with selected subcontractors and building using carefully sourced materials, ensuring the homes that we sell are of a high-quality.

100+
apprentices on additional new scheme over the next two years

33%
reduction in accident rate on site in 2013

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 2013

Substantially decreased the number of accidents on site, recording 31 RIDDOR injuries (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations), a decrease of 30% and reduced our Annual Injury Incidence Rate (AIIR) by 33%. Provided an average of 4.7 days HSE training per person for our site management and operational staff. Continued our site safety supervisor training for groundworker supervisors. By the end of the year, a total of 2,164 groundworks supervisors had received training and a qualification since the initiative began in 2012.

Priorities for 2014

Continue to decrease number of reportable injuries.

Continue with our subcontractor training. Extend our site safety supervisor training to other trades.

Our UK operational Key Performance Indicators

Health and safety incident rate

207

Waste generated per 100 square metres built (tonnes)

3.59

Page Reference 27, 30, 32-33

Julian Foster – Senior Site Manager, Taylor Wimpey Midlands

Our strategy in action

As part of his role, Julian oversees his team's construction operation on site to ensure that the schemes that he is managing in our Midlands regional business are built safely, to the highest standards and on time, while meeting the set cost parameters and ensuring maximum customer satisfaction.

In his time with Taylor Wimpey, Julian has received 11 Pride in the Job Quality awards, five of which were Seal of Excellence, awarded by NHBC in recognition of Julian's long-standing commitment to producing high-quality new homes and to maintaining exceptional standards in every aspect of building work.

Visit www.taylorwimpey.co.uk for more information about Julian and our commitment to getting the homebuilding basics right.

Caring about our customers

We aim to make buying, moving into and living in a Taylor Wimpey home as easy as possible for our customers.

292
sales staff completed our unique Sales Acadamy training since it began in 2012

5
we were awarded the maximum HBF 5 star rating

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 on-line capabilities, including our website and use of social media such as Facebook and Twitter.

Progress in 2013

Awarded the HBF five star rating in March 2013, the highest rating, reflecting our commitment to customers.

Launched our new integrated Taylor Wimpey website.

Over 250 staff graduated from the Taylor Wimpey Sales Academy in 2013.

Priorities for 2014

Improve our customer service scores and continue with customer service review.

Continue to focus on providing an excellent 'Customer Journey' for our customers.

Implement integrated strategy for social media, Facebook and Twitter across customer, corporate and land and planning channels.

Our UK operational Key Performance Indicators

Customer satisfaction score (%)

90

Forward order book as a percentage of completions (%)

57.4

Page References 27, 30, 33-34

Emma Gibbons – Sales Executive, Taylor Wimpey North Midlands

Our strategy in action

As part of her role as a Sales Executive, Emma recently completed Taylor Wimpey's unique Sales Academy, an industry leading training programme designed specifically for Taylor Wimpey sales executives which aims to provide the best homebuying experience for our customers. Over 290 of our sales executives have already graduated from the Academy.

Emma said: "I found the training really valuable as it gave me an opportunity to improve my sales and customer service skills further and provided an update on ever changing industry regulations and best practice, all of which helps to ensure that our customer homebuying experience is as smooth and enjoyable as possible."

Visit www.taylorwimpey.co.uk for more information about Emma and our commitment to our customers.

Our people

Our people deliver aspirational, high-quality homes and communities for our customers.

89
We recruited 49 trade apprentices, 6 site management apprentices, 11 graduates and 23 management trainees in 2013

3,200+
staff members attended a strategy update presentation by senior management

68
of our site managers won Pride in the Job Awards, with one scooping the top Supreme Winner title

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.

Progress in 2013

Strategy update presentations delivered to each and every full time employee.

Undertook an audit of the diversity of our employees.

New scheme implemented for site management apprentices.

Priorities for 2014

Conduct employee survey.

Drawing on the success of Taylor Wimpey Sales Academy, implement modular training programme for production and technical employees.

Continue to increase apprentices and management trainees within our local businesses.

Our UK operational Key Performance Indicators

Employee turnover (%)

7.5

Page Reference 27, 30, 34

Our strategy in action

Matthew joined Taylor Wimpey in 2009 as an apprentice bricklayer. After spending two years on the scheme he asked to shadow an assistant site manager in his third year. During this time Matthew impressed the site team, and when an opening came up for an assistant site manager Matthew applied. He was successful and started in his new role in July 2012.

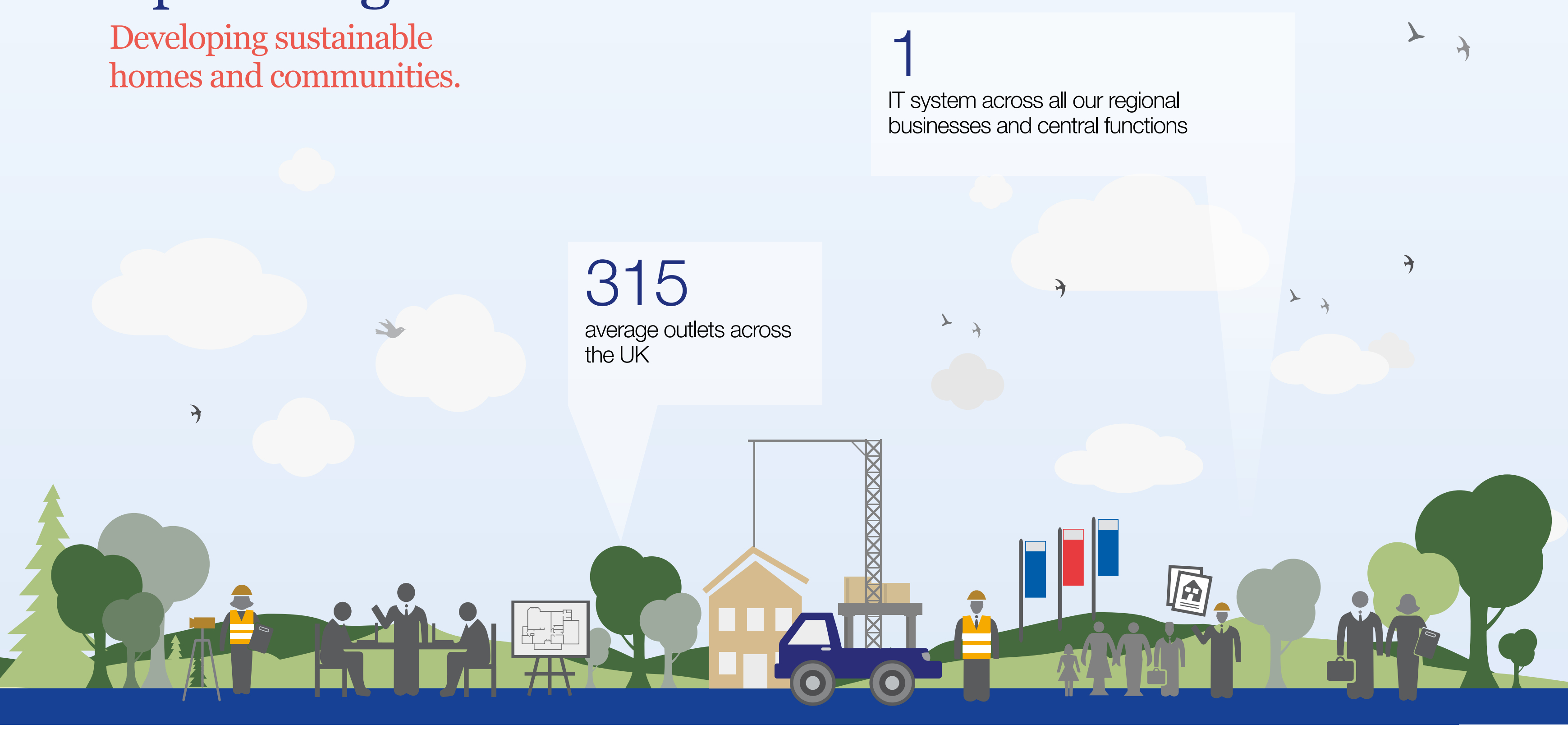
Matthew commented: "To have made it to the assistant site manager level in just three years is amazing. I love my job and the site I'm working on and have learned so much so quickly. I really wouldn't want to be doing anything else."

Visit www.taylorwimpey.co.uk for more information about Matthew and what we do to attract and retain the best people in the industry.

Matthew Whitbrook – Assistant Site Manager, Taylor Wimpey West Midlands

Optimising value

Developing sustainable homes and communities.



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 lifecycle, using our value improvement and tracking processes to ensure that we are continually optimising and delivering the value within our land portfolio.

Progress in 2013

Completed the migration of all 24 regional businesses and central functions to our new IT system.

Continued to review every site through our value improvement meetings.

Delivered an additional 1.7% (2012: 1.5%) of contribution margin on completions on land acquired post-2009.

Priorities for 2014

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.

Our UK operational Key Performance Indicators

Contribution per legal completion (£k)

38.8

Page Reference 27, 30, 34

Our strategy in action

Damian began his career with the Company as an Assistant Quantity Surveyor in 1998.

In his current role as Commercial Director, Damian is responsible for setting out and successfully implementing his regional business strategy for delivering efficient cost control and procurement needs in line with the regional targets.

He monitors all contractual issues in the Midlands regional business, including reviewing costs and identifying valuable cost saving opportunities, while also overseeing all material and subcontract procurement.

Visit www.taylorwimpey.co.uk for more information about Damian and how we, as a business, create and deliver value.

Damian Hayward – Commercial Director, Taylor Wimpey Midlands

Distributing Value as a Percentage of Revenue

Distributing the value across the business

Our revenue is primarily generated through our customers buying our homes. Below shows key areas expressed as a percentage of revenue.

Maximising value & reducing risk across the housing cycle

Strategy

Creating value

Business model

Employment
7%
for 2013 (7% for 2012)

Investment in land
25%
for 2013 (22% for 2012)

Investment in local communities
10%
for 2013 (9% for 2012)

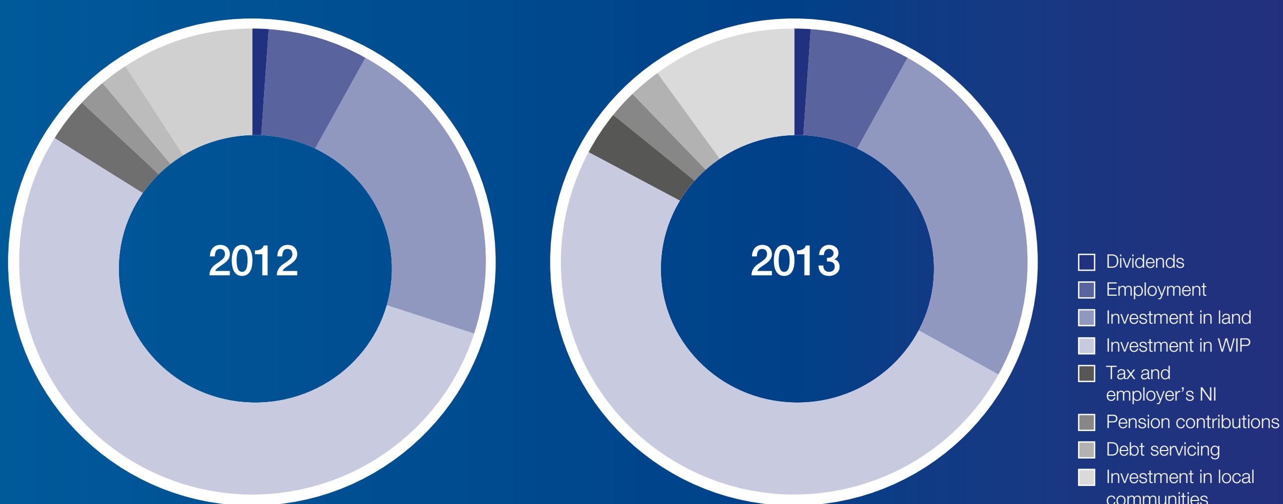
Investment in WIP
50%
for 2013 (54% for 2012)

Dividends
1%
for 2013 (1% for 2012)

Tax and employer’s NI
3%
for 2013 (3% for 2012)

Pension contributions
2%
for 2013 (2% for 2012)

Debt servicing
2%
for 2013 (2% for 2012)



Our Approach to Risk Management

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

Our risk assessment and management process

The successful management of risk is essential to enable the Group to deliver on its strategic priorities. The risk management and internal control framework define the procedures that manage rather than eliminate the risk facing the business and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management framework consists of risk registers at all organisational levels, which detail the risk faced by the Group, its operating companies and the central service teams. The registers identify key operational and financial risks while strategic risks are identified as part of the business planning process, although it is expected that strategic risks will be included on risk registers. The risk registers take into account the significance of environmental, social and governance matters of the Company 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 ranked according to a risk matrix which accounts for the likelihood and impact of each risk.

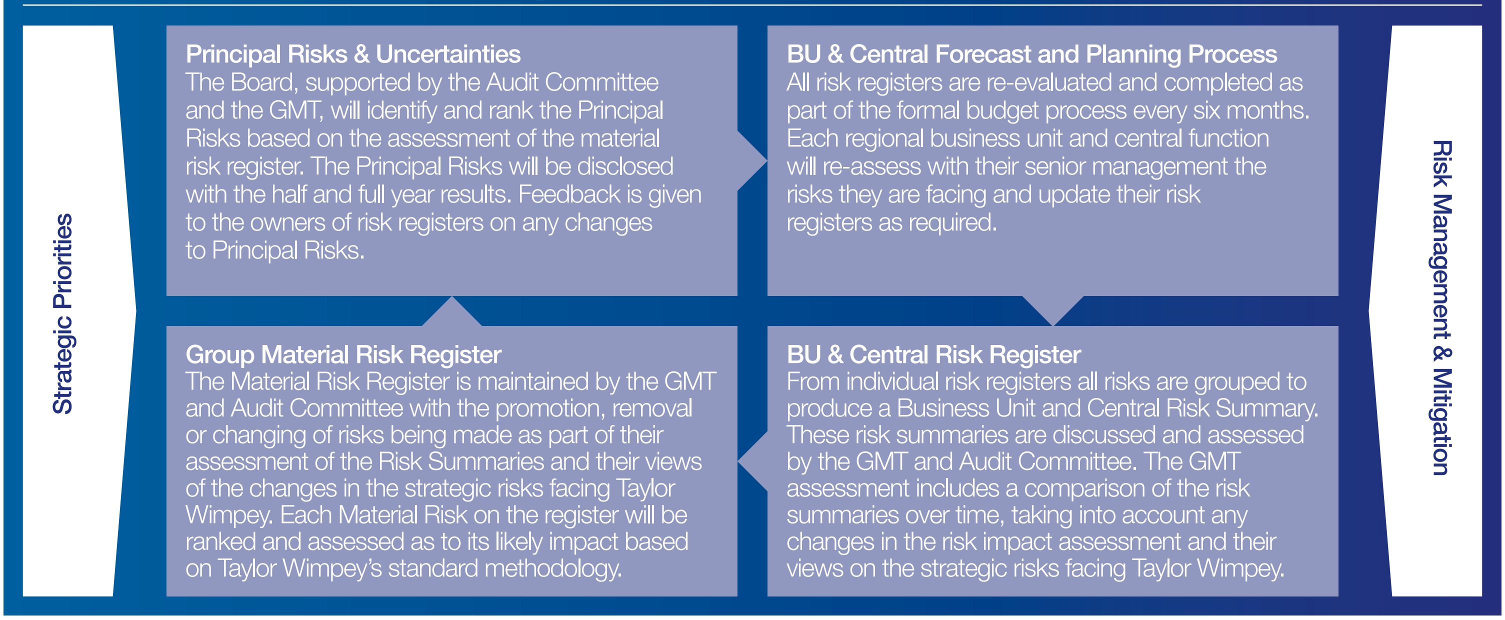
The risks identified are assessed for the potential effect on the Company's short and long term value. The completion of risk registers is iterative and refreshed on an ongoing basis as part of our financial planning cycle. The risk registers feed into a formal half yearly risk assessment that identifies the principal risks (see pages 24 and 25) and allows the Board to re-evaluate the identified strategic risks facing the Group.

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 Governance Code, the Board holds formal risk reviews half yearly. At its half year and year end meetings the Board reviewed the risk profile of the Group and the significant risks with the mitigating factors.

At the year end meeting in February 2014, following the annual review by the Audit Committee on the effectiveness of internal controls and a formal assessment of risk, which included a detailed risk assessment by the GMT, the Board completed its annual assessment of risks for the year ended 31 December 2013. The key risks affecting the Group were identified and agreed with the Board, together with the processes for their elimination or mitigation and actions required to reduce the likelihood of each risk to the Group.

More information on risk management and internal control is contained within the Audit Committee Report on pages 55-59.

Our risk assessment and management process



Principal Risks and Uncertainties

The table below summarises the Group's principal risks and uncertainties. We also maintain a Sustainability and Climate Change Risk and Opportunity Register to monitor other non-financial issues that could affect the Group. More information is available in our Corporate Responsibility Report at www.taylorwimpey.co.uk/corporate/corporate-responsibility/cr-reports

	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2013
Government policy and planning regulations The implementation of recent legislation (the Localism Act, National Planning Policy Framework and the Community Infrastructure Levy (CIL)) is having a significant impact on the planning system and with the recovering housing market it could lead to a change in government policy. **Responsibility** – Chief Executive – Director of Land and Planning – Other members of our senior management team – Managing Directors of our regional businesses	Our ability to build homes is dependent on obtaining the necessary planning permissions to develop communities which is dependent on our ability to meet the relevant regulatory and planning requirements. Although the new planning system is in place, it is still a relatively new system with the powers within the processes still being tested. This could result in extended timescales for gaining planning consents or increased legal challenges. These factors increase uncertainty and increase the commercial risk of projects.	– Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we are able to build. We could also be required to fund higher than anticipated levels of planning obligations, or incur additional costs to meet increased regulatory requirements. – The locally produced CIL charge schedules could increase costs and therefore impact on the viability of current developments. All of these would 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 therefore 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.	We continue to make significant strides in the implementation of our customer and community engagement planning strategy and have been encouraged by the feedback and successes that we have achieved. We are participating in the local Plans Management Group (PMG) via the HBF to ensure local plans are robust and CIL charge schedules are appropriate.
Impact of market environment on mortgage availability and demand Mortgage availability is a key constraint on demand in the UK housing market. In 2013 mortgage availability has improved with the return of high loan to value mortgages initially via the Government backed Help to Buy initiative and latterly by general mortgage products. However there is still uncertainty on how and what the impact will be when the Help to Buy initiative for new build is removed by the Government. **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 therefore impact on their demand for housing. In particular the ability of first time buyers and investors to purchase homes is impacted by any change in the mortgage availability at the higher loan to value levels as it would impact on the level of deposits required.	– 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 were amongst the first in the industry to offer the Government backed Help to Buy scheme when it launched in March 2013 and we have seen strong interest in the scheme amongst our customers. We launched a new Taylor Wimpey website to provide best in industry customer experience and better insight into the Taylor Wimpey products.
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. The recovery in the housing market and the recent changes in the planning system have meant that the retention of high-quality trained employees 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 care 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 2013, we have committed to delivering 1.5 days of training per salaried employee and extended our development initiatives to improve key skills. This included the introduction of a mentoring programme for key staff and the development of a modular training programme for production and technical employees. We have also extended our apprentice and graduate training programmes.

	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2013
Material costs and availability of subcontractors The recovery of the housing market with an increase in production could reduce the availability of materials and subcontractors resulting in the increase in costs above expectations. **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. As production increases, demand for subcontractors and materials will increase so 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, therefore, reduced 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 regarding volume requirements and negotiate contract pricing and duration as appropriate. As part of our subcontractor selection process key competencies are considered, particularly in relation to health and safety, quality, previous site performance and financial stability. We also work to address the skills shortage in the industry through apprenticeship schemes and the Construction Industry Training Board.	During 2013 industry volumes have increased and with the wider recovery in the UK economy demand for building materials have also increased. An example was the shortage of bricks which drove up cost and lead times for delivery during 2013. We have made further progress in delivering increased build efficiency by the ongoing review of our standard house types and selective regional cost benchmarking.
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 in the economic cycle will enhance the Group's ability to deliver future profit growth as the housing markets recover.	– 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 local 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.	During 2013 we continued to see attractive opportunities in the land market and secured land with higher than normal returns. However as the market recovers we expect to see in the land market an increase in competition, so increasing the demand and the cost of land.
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	The success of our operations requires a large number of people, ranging from employees and subcontractors to customers and their families, who 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 training for our subcontractors. We run HSE induction training and poster campaigns as well as providing regular site toolbox talks for operatives on site. All health and safety issues are reviewed by the Group Management Team and, where appropriate, action plans are put in place to rectify any issues.	We continue to compare favourably to the UK construction industry in terms of site safety. During 2013, we continued our site safety supervisor training for groundworkers' supervisors. By the end of 2013 over 2,000 groundworks supervisors had received training and a site safety supervisory qualification since the initiative began in 2012. We ran a series of poster and safety campaigns in 2013 including our Safe Working at Height campaign. We also introduced our zero tolerance policy on safe delivery and vehicle offloading and this has now been integrated into our site procedures and inspection process.

Corporate Responsibility

"We seek to be a responsible organisation and to manage our business to make positive social, environmental and economic contributions to the regions in which we operate."

Our approach to corporate responsibility

We want to create value and drive returns for our stakeholders but how we deliver this is just as important to us.

We do much more than build homes. We are an important contributor to local communities and to the sustainability of those communities and areas. During 2013, we invested £227.0 million in the local communities via Section 106 and Section 75 planning obligations (2012: £180.8 million). Since 2010 we have invested over £630 million.

As a business dedicated to building homes and creating communities, we care deeply about housing and homelessness issues. We are proud to be working with our network of homelessness charities, led by our national charity Centrepoint and supported by smaller regional charities across the UK. We donated over £327k to charity in 2013 (2012: £247k), including £210k (2012: £149k) to Centrepoint and our network of homelessness charities. We are also a patron of CRASH, the construction and property industry's homelessness charity.

Sustainability

Ultimate executive accountability for corporate responsibility, sustainability and climate issues continues to rest with me as Chief Executive. We launched our first Sustainability Strategy in 2013, which introduces six sustainability principles and sets out a range of strategic sustainability commitments that relate to key social, economic and environmental issues. The strategy works alongside the Energy and Carbon Strategy that we introduced in 2011.

In early 2014 we went one step further and introduced an intensity reduction target of 25% of direct emissions by 2018, which equates to 5% reduction in carbon intensity per year.

Human rights

We support the United Nations' Universal Declaration on Human Rights and have policies and processes in place to ensure that we act in accordance with our values in relation to 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 2013 data has been externally verified by the Carbon Trust.

Outlook

Corporate responsibility and sustainability cover each element of our business model and both are fundamental to our continued success. We will continue to strive to improve and develop both of these elements in the future.

Pete Redfern
Chief Executive

Our sustainability recognition

Occupational health and safety score in 2013 Corporate Sustainability Assessment by RobecoSAM

97%

Next Generation benchmarking against industry average of 39%

70%

Named National Champion for Environmental and Corporate Responsibility in the European Business Awards

Award winning

HOUSING DESIGN AWARDS
PROJECT WINNER 2013

CARBON TRUST STANDARD
CARBON MEASURED 2013

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

ROBECOSAM
Sustainability Award
Bronze Class 2014

Global GHG emissions for period 1 January to 31 December 2013

Category	Total emissions (tonnes CO_2e)
Emissions from combustion of fuel (scope 1)	16,177
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2)	10,526
Total emissions	26,703
Emissions Intensity: Emissions per 100 sqm of completed homes	2.48 tCO_2e/ 100 sqm

Methodology

We have used the GHG Protocol Corporate Accounting and Reporting Standard, data gathered from our own operations, and emissions factors from UK Government's Conversion Factors for Company Reporting 2013.

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:

i) Fugitive emissions (refrigerant gases): excluded on the basis of expected immateriality and difficulty in acquiring;

ii) Gas and electricity of part-exchange properties: excluded on the basis of immateriality due to very few completions of this type;

iii) Certain joint venture properties: where Taylor Wimpey was not part of the handover process. In these cases other housebuilders have captured MCR-related data.

iv) Emissions from combined heat and power units which are operated at sites prior to their transfer, excluded due to difficulty in acquiring information.

Evaluating our progress

Corporate responsibility is the way in which we are responding to the global challenges of sustainable development. We continually evaluate our progress against our annual targets.

Priorities	Progress	Status	Targets for 2014
Selecting land	– Awarded Large Developer of the Year in the RESI Awards for the residential property market. – Integrated our Site Sustainability Appraisal tool into new design and access statement internal guidance in the form of a comprehensive checklist.	✔	– Continue to focus on selecting the right land and developing it in a sustainable manner. – Develop other aspects of our Site Sustainability Appraisal Tool in 2014.
Managing the planning and community engagement process	– Provided map references and web pages for proposed developments on our new website. – Revised and relaunched our approach to community engagement. – Introduced toolkit to provide improved guidance and reflect best practice across our business. – Successful at 83% of appeals to bring forward development. – Published updated internal best practice guidance documents on preparing design and access statements for new developments. – Member of all four regions of Homes and Communities Agency's (HCA) Delivery Partner Panel (DPP2) and on the Greater London Authority (GLA) panel.	✔	– Further develop the web pages for our proposed developments and promote our website as a community engagement tool. – Look at how social media can aid our community engagement process. – Continue to bring forward land for much needed development through planning and conversion of strategic pipeline.
Getting the homebuilding basics right	– Reduced our Annual Injury Incidence Rate by 33%. – Launched our first sustainability strategy. – Improved our standard house type portfolio. – Developed new energy-efficient specifications for our building sites, show homes and sales areas. – In 2013 we started work on a review of our UK Housing supply chain resource efficiency covering energy, carbon, water and waste.	✔	– Progress towards our carbon intensity reduction target for direct emissions of 25% by 2018. – Maintain the same level of construction waste. – Launch an Energy Guide for our employees, which will set out principles for energy-efficient behaviour. – Require all of our national suppliers to sign up to Constructionline. – Extend our site safety supervisory training to other trades and undertake further HSE consultation workshops. – Aim to maintain RIDDOR incident rate level.
Caring about our customers	– Awarded the maximum five-star rating for customer satisfaction by the HBF. – Awarded Private Developer of the Year at the 2013 First Time Buyer magazine Readers' Awards. – New website launched which includes customer service dedicated section. – Developed a new marketing brochure which includes details of Taylor Wimpey's approach to sustainability.	✔	– Develop action plans to tackle issues raised by the customer service review undertaken in 2013. – Finalise our Sales Academy community engagement and sustainability modules and update existing Sales Academy modules. – Launch our sales development programme for sales managers.
Our people	– Strategy update to over 3,200 employees across Taylor Wimpey by senior management. – Continued with our broad trainee programmes including graduate and apprentice scheme and mentoring. – Implemented new site management apprentice scheme and talent management programme. – 68 of our site managers won NHBC Pride in the Job Awards with one of our site managers winning the Supreme title.	✔	– Continue our trade apprenticeship scheme and strive to attract around 100 new apprentices on our new site management apprenticeship scheme by the end of 2015. – Recruit a greater number of graduates and management trainees. – Provide professionalism training on diversity to office and site employees across the UK. – Start our Production Academy training and finalise our Technical Academy. – Undertake our two-yearly employee survey.
Optimising value	– Invested £227.0 million in the communities we operate via Section 106 and Section 75 planning obligations. – Donated over £327k to charity.	✔	– Continue to do much more than build homes, adding social, economic and environmental value to the wider communities in which we operate. – Maintain our support for charities in 2014.

Further information about our corporate responsibility activities can be found within our dedicated Corporate Responsibility Report and on our website.

www.taylorwimpey.co.uk/corporate/corporate-responsibility/cr-reports

Visit our website for more details 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

The Banks, Yorkshire
Part of the new Waverley development, The Banks is a community focused scheme supported by local infrastructure like shops, schools, restaurants, leisure facilities, community centres and parks.

Visit www.taylorwimpey.co.uk for more information

UK Housing

Managing the housing cycle to create value and deliver the best quality returns.

UK Housing at a glance

- Completions 11,696 (2012: 10,886)
- Average Selling Price £191k (2012: £181k)
- Revenue £2,271.4m (2012: £1,987.0m)
- Operating profit* £312.8m (2012: £224.8 m**)
- Operating margin* 13.8% (2012: 11.3%**)
- Contribution per legal completion £38.8k (2012: £33.9k)
- Forward order book as a % of completions of 57.4% (2012: 55.3%)
- Strategic pipeline of 109,974 potential plots (31 December 2012: 98,659)
- Short term owned and controlled landbank of 70,628 (31 December 2012: 65,409)

UK financial performance

We have performed at the upper end of our expectations in 2013 and continued to grow our business in the right way. Revenue has increased by 14.3% to £2,271.4 million (2012: £1,987.0 million), primarily driven by an improved mix and quality of location. Operating profit* increased by 39.1% to £312.8 million (2012: £224.8 million**). This value focus resulted in an increase in operating margin to 13.8% for the full year (2012: 11.3%**), including absorbing the impact of approximately 0.6% from impairment releases at the half year stage.

Net operating assets in the UK were £1,954.6 million (2012: £1,667.2 million) with a strong increase in our return on net operating assets*** for the year to 17.3% (2012: 13.7%**).

Sales, completions and pricing

During 2013, we completed 11,696 homes (2012: 10,886 homes), 9,423 of which were private homes (2012: 8,842), 2,124 of which were affordable (2012: 1,946) and 149 joint venture completions (2012: 98). We completed 828 homes in the London market (inside the M25) and this level will continue to naturally grow as we steadily grow the business. During 2013 we were selling from an average of 315 outlets (2012: 311). Our net private reservation rate for the full year was 0.62 homes per outlet per week (2012: 0.58), with cancellation rates very low at 13.3% (2012: 15.2%).

Our average selling prices on private completions increased by 6.6% to £210k (2012: £197k). This increase is primarily the result of our strategic underlying shift to better quality locations. During the second half of the year, we also saw market sales price increases in line with the general level of inflation after several years of a declining or flat market. Our overall average selling price on completions increased to £191k (2012: £181k). The average selling price of affordable completions was slightly lower at £110k (2012: £112k).

We achieved an increase of 31.4% in the forward order book value, ending the year at £1,246 million (31 December 2012: £948 million), and an increase of 11.1% in volume, ending the year at 6,627 homes (31 December 2012: 5,966 homes). Private average selling price in the order book increased by 19.7% to £243k (31 December 2012: £203k), again primarily the result of better quality locations, and reflecting the increase in general selling price inflation. Our central London regional business unit has started to impact the order

UK Housing land portfolio

	31 Dec 2013 (including JVs)				31 Dec 2012
Plots	Owned	Controlled	Pipeline	Total	Total
Detailed planning	39,769	2,871	299	42,939	39,028
Outline planning	9,797	10,381	2,004	22,182	16,367
Resolution to grant	1,307	6,503	455	8,265	11,569
Subtotal	**50,873**	**19,755**	**2,758**	**73,386**	**66,964**
Allocated strategic	5,241	9,777	422	15,440	9,662
Non-allocated strategic	28,536	66,420	2,059	97,015	90,678
Total	**84,650**	**95,952**	**5,239**	**185,841**	**167,304**

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

** 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.

*** Return on net operating assets is defined as operating profit divided by the average of the opening and closing net operating assets, which is defined as capital employed plus intangibles less tax balances.

Our UK Housing Key Performance Indicators (KPIs)

	Objective	Definition	Why is it key to our strategy?		Status
Contribution per legal completion (KPI)	We strive to maximise the level of contribution per home sold.	Revenue, net of incentives, less build costs, land costs and direct selling costs, divided by the number of homes completed (excluding joint ventures).	We continue to prioritise both short and long term margin performance. Increasing the contribution per plot is a key driver to achieving this priority.	£38.8k 2011: £28.6k 2012: £33.9k **2013: £38.8k**	✔
Forward order book as a percentage of completions (KPI)	In a flat or falling pricing environment we look to maximise the level of our order book.	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).	A strong order book provides greater stability in business planning and enhances our ability to increase the contribution per legal completion.	57.4% 2011: 53.1% 2012: 55.3% **2013: 57.4%**	✔
Owned and controlled plots with planning (KPI)	We aim to maintain sufficient land in our portfolio to enable us to remain selective in future purchases.	The total number of plots that we either own or control, with some form of planning consent.	Having a portfolio of land in place is key to planning the required scale of our building operations for future home completions and enables us to be selective in land purchases.	70,628 plots 2011: 65,264 2012: 65,409 **2013: 70,628**	✔
Customer satisfaction (KPI)	We strive to maintain and improve our customer satisfaction scores.	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.	Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor-quality work.	90% 2011: 92.1% 2012: 92.5% **2013: 90%**	✔
Health and safety (KPI)	We want our employees and subcontractors to go home safe and uninjured, day after day.	Reportable injury frequency rate per 100,000 employees and contractors (Annual Injury Incidence Rate).	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.	207(a) 2011: 222 2012: 311 **2013: 207**	✔
Construction waste generated (KPI)	We aim to reduce or maintain the level of construction phase waste generated relative to our build each year.	Total tonnage of construction waste per 100 square metres built.	As well as having a beneficial impact on the environment, reducing waste is a key part of driving down build cost and may also assist in winning future planning consents.	3.59(b) 2011: 3.70 2012: 3.62 **2013: 3.59**	✔
Employee turnover (KPI)	We aim to attract and retain the best people in the industry and give them opportunities to develop to their full potential.	Voluntary resignations divided by number of total employees.	Our employees are one of our greatest competitive advantages and they are crucial to executing the strategy.	7.5%(c) 2011: 7.0% 2012: 7.1% **2013: 7.5%**	✔

For more information please see www.taylorwimpey.co.uk/corporate/corporate-responsibility/cr-reports

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) Please note that construction waste is waste from the construction phase of our developments and excludes other site wastes such as demolition, remediation and infrastructure including soil. This data was previously reported in ft^2.

c) UK employee turnover is now calculated using a different methodology. Data for 2011 and 2012 has been amended accordingly. This data is for voluntary turnover only.

book due to the forward selling nature of the business and as at 31 December 2013 represented 11.7% of the total order book value at an average selling price of £746k.

During 2013, 2,928 customers used Help to Buy to get onto or move up the property ladder with 19.6% of completions in the year from this scheme, with sales of 29% in the period. During 2013, FirstBuy, NewBuy and MI New Home were also in effect and we supported 139 (2012: 1,203) customers to purchase homes using FirstBuy and 1,208 customers (2012: 546 homes) using NewBuy and MI New Home in 2013.

We entered 2014 with 314 active outlets (31 December 2012: 327) and a strong set of selling locations. We remain focused on turning our strategic pipeline into consented sites and those sites with planning into developments, with a focus on getting it right first time and progressing sites through planning as efficiently as possible.

> "It all starts with land: we buy land where people want to live."

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.

We buy land where people want to live, and where we believe we have a realistic chance of securing planning permission for homes that people would choose to live in. Success for us is always at a local level. Our 24 regional businesses are located across the country in most key markets. Our completions and landbuying are approximately weighted 60% to the South and 40% to the North, and are always judged against strict evaluation criteria, which includes margin, return on capital, market demand and a site specific risk assessment. We have a strong presence in the South East and London, with 17 active sites in the London market (within the M25) and a further nine sites in central London (the inner London boroughs) which we are progressing through planning.

The land market remained relatively benign in 2013. During the year we continued to see a number of attractive opportunities in the land market as we continued to secure these at margins far higher than historically achieved. Total land spend including land creditors was £566 million (2012: £427 million). During 2013 we added a net 18,770 plots to the short term landbank of which 49% were converted from the strategic pipeline.

However, against the backdrop of the planning constrained environment, these opportunities are not limitless and, particularly during the last quarter of the year, we have seen tightening in some local markets. Whilst this is not currently impacting the margins at which we are able to secure land, we anticipate that during 2014 and 2015 the number of value creating opportunities will naturally reduce. We will continue to invest in the land market in a disciplined way but we will also continue to add to our landbank through the promotion and conversion of our strategic pipeline. The strength of our land position reinforces our ability to maintain a disciplined approach to new land investment, investing only where we see value.

As at 31 December 2013, our short term owned and controlled landbank comprised 70,628 plots across our 24 regional businesses, including joint ventures (31 December 2012: 65,409). Our short term landbank comprises 50% of land sourced from the strategic pipeline (31 December 2012: 43%). 29% of our 2013 completions (2012: 24%) were sourced from the strategic pipeline and we expect this percentage to increase to over 30% from 2014, underpinning our confidence in continuing margin progression.

Key UK strategic priorities

- Recruit, train and develop employees to the highest level in the industry, giving individuals from all backgrounds the opportunity to thrive.
- Cement our reputation as the industry leader in managing the planning process across our business and continue to build key relationships, becoming the first choice for our local communities and land vendors/partners.
- Increase our focus on delivering aspirational homes, developments and levels of service for our customers.
- Maximise performance from our strategic pipeline by adding value throughout the planning and development process and continue to add the right sites on an opportunity-led basis.
- Create a balanced and positive approach to sustainability within our business that is deliverable in the long term.

The strength of our strategic pipeline, which stands at 109,974 potential plots (2012: 98,659 potential plots) reflects the investment that we have made over the last four and a half years, both in maintaining a strong strategic land team, and adding new sites. Our success here reduces overall business risk and allows us to focus on getting the quality of our delivery right. We remain focused on taking strategic pipeline sites through the planning system, achieving an 83% success rate in our planning appeals in 2013.

We will undertake land sales where we believe the price achieved delivers value and the land does not fit our strategy or is surplus to our requirements in a particular local market. Revenue from land sales totalled £28.5 million in 2013 (2012: £16.2 million) with a gross profit of £6.1 million (2012: £3.5million**). Due to the nature of large strategic pipeline sites, we believe that this level will probably grow, however, we still see our primary route to market is through delivering homes through our regional network.

> "We do much more than build homes."

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. During 2013 we invested £227.0 million in local communities via Section 106 and Section 75 planning obligations (2012: £180.8 million), including infrastructure, education, public transport and affordable housing. Since 2010 we have invested over £630 million. We also sponsor local sports teams, events and clubs within our communities while providing the housing that is needed.

Despite this, we know that local communities do not always welcome housing developments in their area and so 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 2013, we organised 188 days of community events and exhibitions and 371 community meetings. Following the release of the National Planning Policy Framework and the enactment of the Localism Act, we have changed our business significantly to embrace the principle of community engagement. We have built a robust and consistent framework to be applied throughout our business, together with a suite of tools to support this approach, and require our regional business units to undertake tailored, development-specific community engagement on all sites. Launched at the end of 2013, our new Taylor Wimpey website provides map references and web pages for our proposed developments in the UK.

We strive 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. In January 2014, we were delighted to have received detailed planning permission for the first phase of Chobham Manor, the first neighbourhood to be built on the Olympic Park, in partnership with London and Quadrant (L&Q).

In March 2013, the Homes and Communities Agency (HCA) confirmed our place on the four regions (North, Midlands, South East and South West) of the second Delivery Partner Panel (DPP2), which is a framework panel of prequalified housing developers chosen for their ability to meet a range of criteria. We are also a member of the Greater London Authority's (GLA) London Development Panel.

> "Getting the basics right means effective processes, consistently applied."

Getting the homebuilding basics right

Health and safety

Health and safety at Taylor Wimpey is the non-negotiable top priority. We will not compromise in ensuring that everyone leaves our sites safe and well. We have a formal, comprehensive and fully integrated health, safety and environmental (HSE) management programme in place across our business. Our commitment to HSE is reflected by the fact that it continues to form part of all senior managers' business objectives and is the first item on the agenda at every executive management meeting.

We have reduced accidents on sites by 30%, recording 31 RIDDOR injuries (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) against 44 in 2012. Our Annual Injury Incidence Rate (AIIR) for all reportable injuries decreased by 33% to 207 per 100,000 employees and contractors (2012: 311). There was one HSE Prohibition Notice (2012: one) issued on one UK site for inadequate traffic management and we took appropriate measures immediately to improve the traffic management on site.

In 2013, we provided an average of 4.7 days per person of formal HSE training to our site operational staff (2012: 3.9). We also believe we should play our part in educating our site teams, subcontractors and the wider community about how to stay safe on site. During 2013, we visited 31 schools to explain to local children the dangers of playing on building sites and continued our site safety supervisor training for groundworker supervisors.

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 and we also 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 2013, the proportion of apartments in our private completions was 20% (2012: 24%). 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 1,038 square feet (2012: 1,013 square feet).

We are committed to delivering high-quality homes for all of our customers and we endeavour to continue to improve on this. We were particularly pleased to win 68 National House-Building Council (NHBC) Pride in the Job Quality Awards (2012: 66), representing

22% of our active sites, 17 Seals of Excellence Awards (2012: 16), a further five (2012: two) Regional Awards and one Supreme Award (2012: none). These awards are based on build quality and site management excellence.

During 2013, we have continued to implement and improve our house type portfolio. These homes are designed to be high-quality, extremely energy efficient and straightforward, 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. The housetypes are designed to meet specific space standards and comply with Secured by Design principles, the nationwide initiative intended to reduce crime through home and scheme design. They are also capable of achieving 'Lifetime Homes' standards of accessibility and adaptability for changing lifestyles, where appropriate. We continually review, assess and gain feedback from our customers and partners and this enabled us to further improve our house type portfolio in 2013. As at January 2014, these house types were plotted on approximately 226 sites (January 2013: 150) across the UK which is c.72% of current outlets. This will continue to have a positive impact on build efficiencies, and costs, mitigating 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. Over 90% of the material spend in 2013 was sourced by central procurement, with prices on national deals staying broadly flat. This not only results in lower costs per item but, increasingly as we look forward, security of supply.

Against a backdrop of improving market conditions in 2013, we started to see some increases in costs in certain key trades and materials, and a shortage of supply in some areas, particularly in the first half of the year. As the market has adjusted, these short term pressures have eased, and we do not see material and labour supply as a major constraint. With improving industry volumes and pricing, we do expect some underlying cost increases in some areas following a number of years of falling or static costs. With our scale and processes, we do not believe that these changes will materially impact on performance.

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.

We also take steps to ensure our supply chain is efficient. In 2013 we started work on a Supply Chain Sustainability Strategy for Taylor Wimpey. Our Supply Chain Policy highlights our approach to environmentally preferable materials.

Environment

We continue to focus on waste management and the reduction of waste produced from our sites. This is not only the responsible thing to do, but it also makes a positive contribution to site efficiency and reduced build costs. We are committed to continual improvement in this area and believe that our approach to waste and resource management is industry leading.

We further reduced the construction waste produced as a result of our activities to 3.59 tonnes in 2013 per 100 square metres built (2012: 3.62 tonnes). This has been achieved by careful planning of operations and giving due consideration to eliminating, reducing or reusing all potential waste wherever possible.

The new homes we build are considerably more energy-efficient than older housing. Our 'fabric first' approach to energy efficiency, which concentrates on highly insulated walls and windows, which helps owners effortlessly to save energy and money. We are committed to building increasingly energy-efficient homes. In early 2014 we will go one step further and introduce an intensity reduction target for direct carbon emissions (scope 1 and 2) of 25% by 2018, which equates to 5% reduction in carbon intensity per year.

Housebuilding can impact on biodiversity so we need to ensure that we build sensitively with regard to the ecology of the land being developed.

> "Each home we build is aspirational to the customer who purchases it."

Caring about our customers

We have a strong and sustainable customer base, with over 90% owner occupiers, and first time buyers accounted for 38% of our sales (2012: 32%). 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 understand 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. During 2013, we achieved 90% on the externally measured customer service scale (2012: 92.5%) and were awarded the maximum HBF five star rating in March 2013, reflecting our commitment to our customers. Nine out of 10 of our customers said they were satisfied with the quality of their new home and would recommend Taylor Wimpey to a friend. However, we were disappointed that our customer service score has slipped. To address this, in 2013 we started a wide scale review of customer service in all regional business units. Increasing customer satisfaction will be a clear priority for us in 2014.

Sales and marketing

Buying a home is a significant financial and emotional investment for our customers. In everything we do, we try to make the homebuying process as easy as possible and make our existing and prospective customer information comprehensive, transparent, straightforward and accessible. Our customers' communication preferences have changed over the last few years resulting in a greater use of the internet and mobile devices. We work to harness technology to make it easier for our customers and to allow us to communicate more effectively. In 2013, 19,772 appointments were made on our online booking system (2012: 16,196). Our new website contains a customer service dedicated section with useful information for both existing and new homeowners, including details of our Customer Charter and Customer Journey, and is developed to work across a range of devices, including desktop, tablet and mobile.

We have also improved the IT equipment available to our sales teams on site, delivering a better customer experience and increasing efficiency in our communication and other business processes such as reporting. We are looking to extend this to production teams on site over the next 18 months.

> "Our people are one of our greatest competitive advantages."

Our people

Our employees make a vital contribution to the continued success, growth and profitability of our business and particularly in the last two years we have seen the advantages of improving our investment in people and the need to continue to do so. We aim to attract and retain the best people from both within the industry and from outside, by having a culture that people identify with, where they can realise their full potential through achieving both success and satisfaction in their work.

We provided employment for 3,900 people in the UK in 2013 (2012: 3,683) and work for an average of 11,380 operatives on our UK sites (2012: 10,750).

During 2013, we delivered an average of 2.7 days of training per monthly salaried employee including health and safety training (2012: 2.5 days).

We believe strongly in the opportunity for internal succession and believe that internal candidates make valuable business leaders because they understand our culture and approach. Our employee turnover rate for 2013 remained broadly similar at 7.5% (2012: 7.1%).

Throughout the downturn, we maintained our graduate programme, believing firmly in the importance of investing for the future. Our graduate programme has run for 11 years with an exceptionally low employee turnover rate of 3% amongst graduates, with many graduates achieving success within the business at director level. Recruitment website TheJobCrowd named Taylor Wimpey in the top 100 companies for graduates to work for and listed us amongst the top 10 employers within the property and housebuilding category. We recruited a total of 11 graduates in 2013 (2012: seven).

In early 2012, we launched the Taylor Wimpey Sales Academy, a modular accreditation programme which aims to develop the most competent and knowledgeable sales and marketing teams in the industry. Around 500 sales staff are taking part and over 290 have now completed their training. Following the success of our Sales Academy, we now plan to follow the same broad outline for a Production Academy and Technical Academy in 2014 and 2015 respectively.

We introduced a new site management apprenticeship scheme in 2013 to tackle a skills shortage in our industry and ensure that we continue to have expert site managers in years to come. We recruited six apprentices under this scheme in 2013 and aim to attract around 100 new site management apprentices by the end of 2015. We will continue with our trade apprenticeship scheme and recruited 49 apprentices under this scheme in 2013 (2012: 34) and 23 management trainees (2012: 13) and aim to recruit a greater number in 2014.

In 2013 we continued our partnership with Buckinghamshire University Technical College (BUTC) which opened in September 2013. As the lead sponsor for this Government-funded college specialising in construction and IT studies for 14-19 year olds, we are working with BUTC to shape the construction course curriculum and provide valuable work experience. We are also supporting the college in other ways from teaching and donating materials to mentoring students and providing our industry expertise.

> "Optimising and capturing value through our disciplined processes."

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 2013, we achieved an 1.7% (2012: 1.5%) increase in achieved contribution margin on completions on land we had acquired post-2009.

In 2013, we completed the migration of all our business units over to our COINS based Enterprise Resource Planning (ERP) system. This new IT system is expected to deliver significant savings through the retirement of a number of legacy systems, as well as support our focus on value improvement through improved management information, reporting and analysis. Importantly this will allow us to benchmark and challenge ourselves and make better business decisions.

Spain Housing

"Market conditions are still challenging but we have been able to take advantage of the lack of competition and depressed land market to purchase three sites in exceptional locations which are performing extremely well."

Javier Ballester
Managing Director, Spain

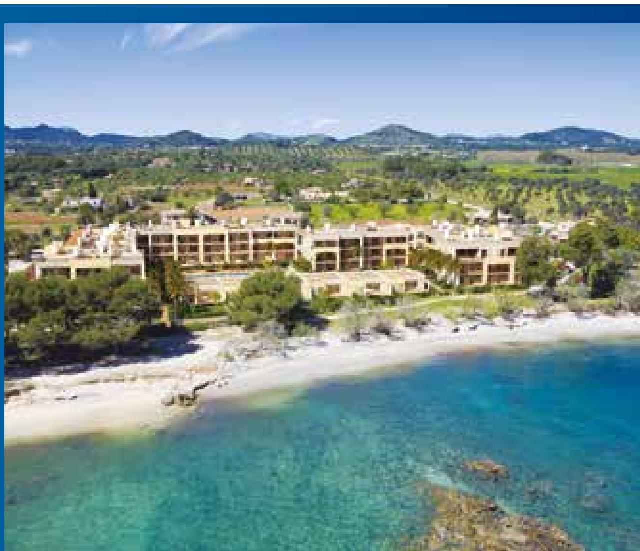
Spain Housing at a glance

2013 Spain highlights
– 100% customer recommendation rate.
– Record order book of 195 homes reflecting quality of new sites.
– No reportable accidents on site.

2013 Key market drivers
– Macro environment improved considerably.
– Mortgage availability remains restricted.
– Customer confidence remains subdued.

	2013	2012
Order book volume as a percentage of completions	**165.3%**	33.9%
Total landbank plots	**1,615**	1,815
Customer satisfaction	**100%**	100%
Health and safety	**0**	915

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



Costa Beach is a beach front development in one of the most naturally beautiful areas of Mallorca, famous for the pine trees that line the coast. The development, one of the last remaining beach front plots available in the area, was secured in 2012. The development will consist of 80 apartments and six beach bungalows and will have a selection of community amenities, including underground parking and a communal swimming pool. The first phase is due for completion in June 2015.

Financial and operational performance

Whilst the wider macro-economic uncertainty has considerably improved, customer confidence still remains subdued on the whole and in certain locations continues to be extremely challenging with mortgage availability remaining restricted. Against this backdrop, we completed 118 homes (2012: 156) at an average selling price of £194k (2012: £197k). The reduction in homes completed was primarily the result of a lower order book at the start of the year and resulted in lower revenues for the period of £24.1 million (2012: £32.0 million). Despite these lower volumes, we achieved an operating profit* of £0.1 million (2012: £1.3 million), once again a testament to the strength of the operating team we have in Spain.

The total order book stands at 195 homes (31 December 2012: 53 homes), which is primarily related to the new sites and we anticipate these sites will contribute positively to our 2014 performance. Our total landbank in Spain stands at 1,615 plots (2012: 1,815).

We are extremely pleased to report that in 2013, 100% of our customers in Spain said they would recommend us to friends and family (2012: 100%).

During 2013, we had no reportable injuries on site (2012: three) and as such our Annual Injury Incidence Rate (AIIR) in Spain per 100,000 employees and subcontractors was 0 for 2013 (2012: 915).

Current trading and outlook

Conditions continue to be generally challenging in Spain. We anticipate that average selling prices will naturally increase in 2014, with increased completions from our newly acquired sites, which are performing very well due to their quality locations.

Group Financial Review

"We are focused on delivering sustainable returns through the cycle."

Ryan Mangold
Group Finance Director

Group financial review of continuing operations

We have delivered a significant improvement in profit before exceptional items and tax, which has increased by 47.6% to £268.4 million (2012: £181.8 million**) driven by improved underlying operating performance and lower net debt finance costs.

Group revenue in 2013 increased by £276.5 million to £2,295.5 million (2012: £2,019.0 million) from Group completions of 11,814 (2012: 11,042), including joint ventures, against a backdrop of an improving housing market in the UK. Gross profit of £449.3 million (2012: £356.3 million) increased by 26.1% and reflects our strategy of maximising the value achieved from each home completion via cost improvements through re-plans and cost reduction initiatives and driven by selling from better quality locations. The gross profit for the year includes £45.4 million (2012: £85.1 million) of positive contribution on completions from sites previously impaired. The positive contribution is the estimation difference between the realised value on completions compared to the value assumed in the net realisable value review in the previous reporting period. These amounts are stated before the allocation of overheads that are excluded from the Group's net realisable value exercise. As at 31 December 2013, 32% (2012: 46%) of the Group's completions in the UK were from sites that had been previously impaired. As at 31 December 2013, 12% (2012: 26%) of our short term UK owned and controlled land was impaired (excluding JVs). In Spain, 95 plots (2012: 120) were sold that had previously been impaired.

In the UK, contribution per completion increased to £38.8k (2012: £33.9k) benefitting from sales from better quality locations, from newly acquired sites and build cost efficiencies. Total build cost per unit increased to £105k (2012: £101k) mainly as a result of the average unit size increasing 2.7% to 1,002 square feet (2012: 976 square feet).

Group operating profit* increased by £86.8 million, or 38.4%, to £312.9 million (2012: £226.1 million**) and Group operating margin* rose to 13.6% (2012: 11.2%**) as a result of the improved trading performance, with a 200 basis point increase in gross margins from 17.6% to 19.6%. The approximate impact to the 2013 gross margins

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

** 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.

*** Return on net operating assets is defined as operating profit divided by the average of the opening and closing net operating assets, which is defined as capital employed plus intangibles less tax balances.

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

†† Asset turn is defined as total revenue divided by the average of opening and closing net operating assets.

Financial highlights

2013 Group results

	UK Housing	Spain Housing	Consolidated
Completions	11,696	118	11,814
Revenue (£m)	2,271.4	24.1	2,295.5
Operating profit* (£m)	312.8	0.1	312.9
Operating margin* (%)	13.8%	0.4%	13.6%
Profit before tax and before exceptional items (£m)			**268.4**
Exceptional items (£m)			**37.8**
Profit before tax (£m)			**306.2**
Tax, including exceptional charge (£m)			**(66.4)**
Profit for the year before exceptional items (£m)			**214.7**
Adjusted earnings per share (p)			**6.7**
Dividends per share (p)			**0.69**

– Group operating profit margin* increased to 13.6% (2012: 11.2%**).

– Group return on net operating assets*** increased to 16.8% (2012: 13.3%**).

– Tangible net asset value per share† 69.6p (2012: 61.5p).

– Initial c.£250 million cash return to shareholders – £50m in 2014 and £200m in 2015 with strategy expected to lead to further significant annual payments from 2016.

– Net cash of £5.4 million (31 December 2012: £59.0 million net debt) with further improved capital structure efficiencies.

– Completed the merger of the two legacy pension schemes as part of ongoing pension exposure management using £100 million Pension Funding Partnership backed by market value show homes.

– Completed refinancing of the debt facilities.

following the net realisable value release of £34.1 million at the half year was 60 basis points with the underlying gross margin increasing 260 basis points from 2012 to 2013.

The Group's administration expenses, excluding other income and expenses, have increased by £9.6 million to £151.7 million due mainly to one-off costs related to share based awards as a result of the significant improvement in share price and vesting; implementation of the integrated Enterprise Resource Planning (ERP) system completed in 2013; and pensions costs relating to the legacy pension scheme and merger and related asset backed funding structure. We remain on track to deliver the target of £20 million overhead saving by 2014 relative to 2010.

Group asset turn†† increased to 1.23 times in 2013 (2012: 1.19 times**), benefitting from our investment in higher quality locations and results in an increase in the Group return on net operating assets*** of 350 basis points to 16.8% (2012: 13.3%**).

Our year end adjusted gearing, including land creditors, stood at 15.3% (31 December 2012: (21.8%) and is comfortably below our indicative maximum working range of 30% to 40% for this point in the cycle.

Net finance costs

Pre-exceptional finance costs totalled £44.5 million (2012: £44.3 million**), net of £0.9 million of interest receivable (2012: £1.2 million).

Interest on borrowings was £27.9 million (2012: £31.7 million) with the reduction in interest reflecting the lower average net debt level of the Group during 2013 of £169.3 million (2012: £228.3 million) and the full year benefit of increased net debt efficiency, following the repurchase of £15.2 million of 10.375% Senior Notes during 2012.

Other items included in finance costs are a net pension interest charge of £9.7 million (2012: £9.4 million**), which is higher due to the impact of higher discount rates and a total imputed interest charge for land creditors and other payables of £7.8 million (2012: £4.4 million**), due to higher average land creditors than 2012.

Exceptional items

In the first half of 2013 the Group saw a sustained improvement in the UK housing market and the wider economy, with increased mortgage availability, lower interest rates together with enhanced customer confidence following the launch of the Government's Help to Buy scheme in April 2013. At the half year, the Group completed the Net Realisable Value (NRV) assessment of inventory and with the improved market conditions, and increased profitability on a number of our previously impaired sites, the Group recorded a net reversal of £34.1 million of inventory write-downs in the UK. The UK housing market continued the positive trend into the second half, in particular the fourth quarter following the Government's announcement of accelerating the Help to Buy phase two mortgage guarantee scheme, adding further confidence to consumers and the housing market more widely. This has resulted in the Group recording a further net reversal of £28.2 million of inventory write-downs in the second half in the UK that consists of a reversal of previous write-downs of £41.9 million and additional write-downs to the lower of cost and net realisable value of £13.7 million.

The Spanish market remains challenging, particularly on the long dated legacy sites and following a strategic review this has resulted in a write-down of £16.7 million. The impact on the Group for the year is a net reversal of previous write-downs totalling £45.6 million that have been reported as an exceptional gain.

The Group repurchased all of the remaining 10.375% Senior Loan Notes due 2015 at a premium of £7.8 million that has been recognised as an exceptional charge in 2013.

Adjusted basic earnings per share – continuing Group

6.7p

for 2013 (4.6p for 2012)

Net cash

£5.4m

at 31 December 2013
(£59.0m net debt at 31 December 2012)

Special dividend

1.54p

in 2014

c.6.16p

in 2015

Risk Management

The Group's approach to risk management is explained in detail on pages 23-25

Discontinued operations

Further progress has been made during the year relating to the ongoing commitments for the disposal of the North American business in 2011 and £31.3 million of the provision has been released with £11.8 million retained on the balance sheet (2012: £58.4 million). This provision release has been presented as a discontinued operation.

Tax

The Group incurred a pre-exceptional tax charge of £53.7 million (2012: £35.2 million**) which equates to an underlying tax rate of 20.0% (2012: 19.4%). This differed from the average statutory tax rate for the year of 23.25%, mainly due to the recognition of additional deferred tax assets of £18.8 million (2012: £16.5 million) relating to previously unrecognised losses in the UK, following another year of profitability and utilisation of brought forward unrecognised losses of £6.6 million (2012: £11.7 million) and a deferred tax asset write-off of £21.8 million (2012: £21.1 million) following the reduction in the statutory rate to 20% during 2013.

Earnings per share

The pre-exceptional basic earnings per share increased by 46% to 6.7p (2012: 4.6p**). The basic earnings per share after exceptional items is 8.5p (2012: 7.2p**).

Balance sheet and cash flow

Net assets at 31 December 2013 increased by £262 million in the year to £2.3 billion (31 December 2012: £2.0 billion) which equates to a tangible net asset value per share of 69.6p (31 December 2012: 61.5p), driven by profit in the year, reduction in the pension deficit and provisions, offset partially by £20.8 million of dividend payments and £15.1 million of share purchases in the period. Adjusted gearing (including land creditors) at the year end is 15.3% (31 December 2012: 21.8%).

Net land held on the balance sheet was £2,180.1 million as at 31 December 2013 (31 December 2012: £2,051.0 million), a net investment increase of 6.3%. In the UK, 62% of land on the balance sheet was acquired post 2009. The average selling price in the owned landbank was £196k (2012: £184k), with land cost as a percentage of average selling price at 18.4% (2012: 19.0%).

The work in progress (WIP) spend is tightly controlled with an average of £2.3 million gross WIP per outlet (31 December 2012: £2.2 million), resulting in an improved WIP turnover ratio of 3.1 times (31 December 2012: 2.8 times).

As at 31 December 2013, the Group held inventory that had been written down to a NRV of £490.1 million of which the balance in the UK was £459.9 million (31 December 2012: £784.4 million). As at 31 December 2013, the associated NRV write-downs were £265.1 million (2012: £396.1 million) of which £206.8 million related to the UK (31 December 2012: £351.5 million).

As at 31 December 2013, the Group had mortgage debtors of £107.5 million (31 December 2012: £91.4 million), the majority of which relate to shared equity that has been fair valued in the period with a gain of £5.5 million (2012: nil), following the improvement in the housing market, in particular in the second half of the year.

Land creditors were £349.0 million at 31 December 2013 (31 December 2012: £375.0 million). The use of land creditors remains a useful tool for financing land purchases, however we continue to use them selectively due to our very low marginal cost of borrowings.

In total, the Group has recognised deferred tax assets of £246.6 million (31 December 2012: £319.6 million) of which £195.7 million (31 December 2012: £248.0 million) relate to losses and £36.4 million (31 December 2012: £56.2 million) relate to deferred tax on retirement obligations.

The Group has unrecognised potential deferred tax assets as at 31 December 2013 in the UK of £3.5 million (31 December 2012: £34.1 million) and £31.2 million in other jurisdictions (31 December 2012: £28.1 million).

Year end net debt levels reduced from £59.0 million in 2012 to £5.4 million net cash in 2013. This reduction in net debt is a result of the Group generating a cash inflow from operating activities of £98.1 million in 2013 (2012: cash inflow of £78.4 million) due to improved underlying operating results and working capital efficiency. Total land spend including land creditors was £574.7 million (2012: £433.8 million), £48.1 million (2012: £52.4 million) was paid to our pension funds in the year and £35.2 million (2012: £33.3 million) was paid in finance costs.

Dividend

A key element of our strategy is the ongoing management of the Group's capital structure, operating base and level of land investment to maximise performance across the housing market cycle. We are committed to our strategy of actively managing the business through the housing market cycle and this approach includes managing the Group's capital. This active strategy is intended to balance the capital requirements of the business and return surplus cash to shareholders, whilst at all times maintaining balance sheet strength and land investment flexibility.

Our dividend is an inherent part of our strategy and will be in the form of both regular maintenance dividend payments through the cycle and additional returns where appropriate. Our maintenance dividend policy of between 1% and 2% of net assets remains unchanged. This results in a final proposed dividend of 0.47 pence per share (2012: 0.43 pence per share). Combined with the interim dividend of 0.22 per share, this gives a 2013 total dividend of 0.69 pence per share (2012: 0.62 pence per share). The final maintenance dividend will be paid on 21 May 2014 subject to shareholder approval at the 2014 Annual General Meeting. These dividends are declared at the half year results and the full year results in an approximate one-third / two-thirds split respectively.

We have performed strongly in 2013 both from a trading perspective and in the land market and this coupled with the improvement in profitability forecast as a result of the improved quality of the landbank, and the capital requirements for the short term has led the Board to recommend a special dividend with c.£50 million payable (1.54 pence per share) on 3 July 2014 to shareholders on the register on 6 June 2014 and £200 million (c.6.16 pence per share) in July 2015, the latter subject to shareholder approval. As we have set out above, we see significant cash returns as a feature of the current stage of the cycle and, subject to any material change in the land or housing market or, most fundamentally, the planning environment, cash returns will continue to form a significant proportion of our total return to shareholders on an annual basis going forward.

Treasury management and funding

The Group operates within policies and procedures approved by the Board. The Group currently has two sources of committed debt funding: a £550 million syndicated revolving credit facility maturing in August 2018 and a £100 million term loan maturing November 2020. The outstanding £149.4 million in respect of the 10.375% Senior Notes due 2015 was repaid and cancelled on 31 December 2013, thereby satisfying the condition to the extension of the term loan originally due to mature in 2015. The average maturity across these sources of borrowings has increased to 4.7 years.

Taking into account term borrowings and committed revolving credit facilities, the Group has access to committed funding of £650 million as at 31 December 2013 (31 December 2012: £849.4 million).

The Group is operating well within its financial covenants and limits of available funding.

The Group acquired £15.1 million of its own shares for future vesting of share awards (2012: £10.0 million), representing 14.5 million shares (2012: 20.9 million shares).

Pensions

The IAS19 pension deficit, which appears on the Group's balance sheet, is £182.2 million at 31 December 2013 (31 December 2012: £242.5 million**). The Company contributed a total of £48.1 million (2012: £52.4 million) over the year, including £46.0 million in deficit recovery contributions.

The changes in actuarial assumptions resulted in a loss of £49.9 million in the year, due to the increase in the inflation assumption of 0.65% per annum for both RPI and CPI inflation partially offset by the increase in discount rate of 0.30% per annum, leading to a decrease in the liabilities. The schemes' assets outperformed expectations by £70.9 million in the period and with total expense recognised in the income statement of £8.8 million (2012: £13.4 million**) for interest and administration expense, resulted in a net decrease in the pension deficit by £60.3 million.

The majority of the assets and liabilities of the GWSPS and the TWGP&LAF were merged and transferred into a new defined benefit pension scheme, the Taylor Wimpey Pension Scheme (TWPS) on 1 October 2013. The Company has agreed to maintain the same level of funding contributions (£46.0 million) into the TWPS until the initial valuation has been completed by 31 December 2014. As part of the merger, a £100.0 million asset backed funding structure for the new pension scheme was implemented via a Pension Funding Partnership backed by Taylor Wimpey show homes.

We continue to review and implement options to manage the volatility of the pension deficit actively with each proposal being reviewed with the pension trustees.

Existing employees of the Company are offered a Defined Contribution pension called the Taylor Wimpey Personal Choice Plan (PCP).

In line with the Government's auto-enrolment legislation, the Group implemented automatic enrolment arrangements at the end of October 2013. All eligible employees who were not in a pension provided by the Group were automatically enrolled into the People's Pension provided by B&CE.

Going concern

The Directors remain of the view that, whilst the economic and market conditions continue to be volatile, on the whole, the Group's financing arrangement and balance sheet strength provides both the necessary facility and covenant headroom to enable the Group to operate within its terms 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 2013 that have a material impact on the Group results.

Ryan Mangold
Group Finance Director

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

Directors' Report: Governance

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The Meadows, West Midlands
The Meadows forms part of the wider Telford Millennium Village, an innovative sustainable development created in partnership with the Homes and Communities Agency and the borough of Telford & Wrekin.

Visit www.taylorwimpey.co.uk for more information

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, Partnerships in Care 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. Pete is a member of the Nomination Committee. 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 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 from April 2009. 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.

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 and Remuneration Committees. She is Chairman of Barchester Healthcare Ltd. and STV Group plc and a Non Executive Director of Grainger plc and SEGRO plc. An Honorary Professor of Real Estate at Glasgow University and an Honorary Member of the Royal Institute of Chartered Surveyors, she formerly chaired the Olympic Park Legacy Company, English Partnerships and May Gurney Integrated Services Plc, and had a long career in management consulting with Price Waterhouse and then Eglinton Management Centre, which she founded.

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. 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.

The strength and depth of our Board adds value to the effective control and leadership of the Company.

Standing from left to right: Rob Rowley, Baroness Ford of Cunninghame, Kate Barker CBE and James Jordan.

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

Tony Reading MBE
Independent Non Executive Director

Appointed as a Non Executive Director in July 2007, Tony is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. He was previously a Director of Tomkins Plc and Chairman and Chief Executive of Tomkins Corp. USA, a Non Executive Director of Spectris Plc and Laird Plc and e2v Technologies plc and was a Non Executive Director of George Wimpey Plc prior to its merger with Taylor Woodrow plc.

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, a partner at Knight Frank, Chairman of the Regeneration and Development Committee of the British Property Federation and a Trustee of LandAid, the property industry charity.

Kate Barker CBE
Independent Non Executive Director

Appointed as a Non Executive Director in April 2011, Kate is a member of the Audit and Nomination Committees. She is a business economist and is presently 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, she 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.

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

For more information see page 51

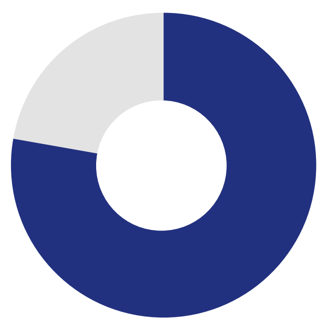
Audit Committee Current members:
Rob Rowley (Committee Chairman), Kate Barker, Mike Hussey and Tony Reading.

For more information see page 53

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

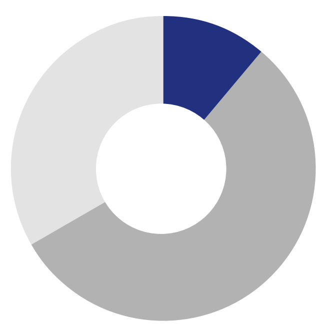
For more information see page 53

Board tenure



- 1-4 years
- > 4 years

Board composition



- Chairman
- Independent Non Executive Directors
- Executive Directors

Corporate Governance

The Board takes corporate governance very seriously. This report explains the processes in place for the delivery of long term success, compliance and shareholder value.

In 2013 the Company has:

- Fully reported in compliance with the UK Corporate Governance Code ('the Code'), which applies to 2013 reporting and which the Company substantially introduced early, in its 2012 reporting last year.
- Reflected the new legal requirements in the Company's remuneration reporting, which, again, were substantially adopted by the Company, early, in its 2012 reporting and which now apply fully for 2013.
- Included in its Notice of AGM two resolutions relating to Remuneration – a Policy vote, which is binding on the Company, and an advisory vote on the implementation of the Policy during the year.
- Introduced three additional areas of compliance dealt with by the Audit Committee, covering:
  - Confirmation that the Annual Report and Accounts meets the requirements of the Code provision C.1;
  - Significant issues addressed during the preparation of the Annual Report and Accounts, and;
  - An assessment of the external auditor's performance and the factors leading to the recommendation for their re-appointment at the 2014 AGM.
- Revised the front section of the Annual Report and Accounts into a Strategic Report designed to highlight the key issues for shareholders and make it easier to understand the Company's strategy and business model.
- Introduced greater Carbon reporting, including details of the Company's Greenhouse Gas emissions.

I am very pleased to be able to take this opportunity again to make a personal statement on the Company's approach to corporate governance. As mentioned earlier in this Annual Report, the Board takes corporate governance very seriously and this has been demonstrated over many years, with full compliance with the UK Corporate Governance Code and its predecessor versions. To demonstrate the Board's proactive approach to corporate governance, in October, the Board set aside time in order to receive detailed and specific presentations from external specialists on corporate governance including recent developments, which all Directors found very helpful.

This report on Corporate Governance therefore sets out and explains in clear terms the processes in place which are essential for the delivery of long term success, 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. The Board believes that good governance should be focused not only on how the Board itself operates but also how all of our businesses operate.

As you will see from the list of key activities undertaken by the Board in the area of governance during 2013, it was a very busy year, with full implementation of the 2012 UK Governance Code (the 'Code') and the Department of Business, Innovation & Skills ('BIS') remuneration reporting requirements, together with significant developments addressed later in this report and in the Audit Committee Report on page 55. These developments all support good governance and additionally aim to assist shareholders' understanding of the Company's strategy and the business model that it has designed to achieve it. The Board welcomes these developments; considers that they are beneficial for the Company and its shareholders; and supports them wholeheartedly.

This report also explains what your Board of Directors actually 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 our shareholders and 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 approach, preferring our governance to be something that is embedded in our 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 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 and safety, our strategy, risks, the market, operational matters, human resources, diversity, corporate responsibility, our financial position and performance, governance and legal matters and shareholder-related matters including our share register. This is done through reports submitted by, and discussions with, the Executive Directors and through other reports and presentations by our senior management. The Board and individual Directors also undertake regular visits to our regional businesses and also to their development sites.

Board evaluation

The 2013 Board evaluation was conducted internally by myself and the Company Secretary. The evaluation is an important part of the corporate governance framework and is always taken very seriously, and certainly no less so when it is facilitated internally. The Code requires the evaluation to be carried out via external facilitation once every three years and we will therefore undertake this exercise externally in 2014, and will report on its outcome in next year's Annual Report and Accounts.

This year's evaluation confirmed that the Board believes that it is operating effectively and continues to work well as a unit. In addition, and most importantly, there is good constructive challenge and debate around the table. The evaluation confirmed the Board's view that succession has been effectively managed, with seven of the ten Board positions at the time of the 2009 Annual Report and Accounts having been refreshed, including both Executive and Non Executive Directors. 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 14 to 15.

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.

Each of these key areas will remain firmly on the Board's agenda during 2014. More detail, including the ways in which the findings of the 2012 review were addressed during the year, and the process for the 2013 evaluation, is set out on pages 50 to 51.

Diversity

Diversity has continued to be a key item on the overall UK governance agenda during 2013. Within Taylor Wimpey, diversity has remained a key priority for the Board's agenda and this will continue to be the case during 2014. Our ambitions and views on diversity are set out in our Diversity Policy which can be found on page 52 and on the Company's website: www.taylorwimpey.co.uk/corporate/corporate-responsibility/our-policies. 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. With regard to gender, as at 31 December 2013, approximately 31% of our employees were female. 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. During 2013, the Company worked with an external adviser in order to review, develop, improve and implement diversity and inclusion initiatives.

Our Board and Committee structure

The Board consists of nine Directors, two of whom are women (22%), and we will aspire to maintain at least this level of diversity going forward, consistent with our past practice, the Code and our response to Lord Davies of Abersoch's report on Women on Boards in 2011 ('Davies Report'). During 2014, after Tony Reading has stood down (as explained below), the percentage of women on the Board will increase to 25%.

The Group Management Team consists of eight executives, two of whom are women (25%).

Appointments and succession

We announced on 26 February 2014 that Tony Reading would be stepping down from the Board immediately following the conclusion of the 2014 Annual General Meeting on 17 April 2014 ('AGM'), broadly coinciding with the successful conclusion of his third three-year term of office. We also announced that Margaret Ford will succeed Tony as Chairman of the Remuneration Committee from that time.

I believe that the balance of the Board, going forward from the AGM, 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.

At the AGM, all Directors (with the exception of Tony Reading) will again be subject to election or re-election, as appropriate, by shareholders in accordance with the Code. Biographical details of each Director can be found on pages 42 to 43 .

Board Committees

The Board has three Committees: Nomination, Remuneration and Audit, whose activities are described below:

The Nomination Committee has been closely involved during 2013 in reviewing succession planning, to achieve our strategic aim of attracting, developing and retaining the best quality people at all levels of the Company, and to improve our talent management. This remains a key priority for further development during 2014. Additional reporting on its activities, in line with the Code, is set out on page 51.

The Remuneration Committee has completed the implementation of the BIS requirements, a substantial proportion of which were introduced by the Company last year in the interests of good governance, and are fully explained in the Remuneration Report on page 60. These include an additional resolution to be proposed at the 2014 AGM, described in the notes on pages 136 to 139, giving shareholders an opportunity to vote on a binding remuneration policy for the Company, in addition to an advisory vote on its implementation during 2013 and proposals for 2014. The Committee has engaged with major shareholders and their representative bodies on key remuneration matters and very much values and welcomes their input.

The Audit Committee has implemented a wide variety of new governance developments set out in the Code, details of which are set out in the Audit Committee Report on pages 55 to 59. It has established processes to enable it to satisfy 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 59). It 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 56). A very important role of the Committee relates 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 58). The Committee has, during the year, continued to focus closely on this key area.

As ever, I very much look forward to meeting with shareholders at the AGM on 17 April 2014 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.

Overall, I believe your Board is effective and working well, and I am pleased with the Board's activity with regard to corporate governance, but we continually look for ways to learn and improve.

Statement of compliance

For the year ended 31 December 2013, the Company complied with all the provisions of the Code; the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations; and the provisions of the Disclosure and Transparency Rules on Audit Committees and Corporate Governance Statements (DTR 7). These regulations are publicly available at:

- the Code can be found at www.FRC.org.uk;
- the BIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations can be found at www.gov.uk, and;
- the Disclosure and Transparency Rules on Audit Committees and Corporate Governance Statements (DTR 7) can be found at www.fshandbook.info

Yours sincerely

Kevin Beeston
Chairman

Board visit to Taylor Wimpey East London's Reflections development in Romford, Essex.

Taylor Wimpey plc Board

Kevin Beeston
Chairman

Number of meetings in 2013	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	8
Kate Barker Independent Non Executive Director	8
Margaret Ford Independent Non Executive Director[a]	5
Mike Hussey Independent Non Executive Director	8
Tony Reading Independent Non Executive Director	8
Brenda Dean Former Director[b]	2

(a) appointed 25 April 2013.
(b) resigned 25 April 2013.

The Board and its Committees

As at the date of this Report, the Board consists of nine Directors, namely: the Chairman, three Executive Directors and five Independent Non Executive Directors. Their names, responsibilities and other details appear on pages 42 to 43. On 25 April 2013, Brenda Dean retired from the Board, having served for just over nine years (including her time on the Board of George Wimpey), and Margaret Ford was appointed as an Independent Non Executive Director. Tony Reading has indicated that he will stand down from the Board, immediately following the conclusion of the 2014 AGM, as he will have served nine years, including previously on the Board of George Wimpey. Upon his retirement, Margaret Ford will succeed him as Chairman of the Remuneration Committee.

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. 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 top executive positions immediately below Board level.

The Board met on eight occasions during 2013. Directors make every effort to attend all Board and applicable Committee meetings, as 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. Details of the attendance of each Director at Board and Committee meetings are set out in the tables on pages 47, 51 and 53.

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 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 2013 Corporate Responsibility Report, the Board is fully committed to providing a safe place in which our employees and sub-contractors 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. A new addition during 2013 was carbon reporting, as required by BIS, of which more details are set out on page 26.

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 Secretary, the Group HR Director, the Land and Planning Director, the two UK Housing Divisional Chairmen and the Managing Director of our Central London Region. The GMT meets twice each month including, as a new initiative introduced in 2013, with the six Divisional Managing Directors as a 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 UK Housing Divisional Chairmen (who alternate 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.

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

- 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, Bond Dickinson and Deloitte on the details of an Enhanced Transfer Value offer made to certain members of one of the Company's pension schemes and additionally from Slaughter and May on the refinancing which took place on 9 August 2014, and on the proposed merger of the Group's two UK pension funds, described in more detail in Note 21 to the Accounts on page 111.

Advice was also taken from Deloitte on the significant governance developments during the year.

The Board receives at each meeting a report from J.P. Morgan Cazenove ('Cazenove') on the sector and the relative performance of the Company's share price. Cazenove and an independent broker, Redburn Partners LLP, attended the Board during the year in order to provide a detailed presentation on the industry, UK stock market and the wider economy.

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 an Anti-Corruption Policy linked to an annual Bribery Act compliance sign-off. These policies are available for review on the Company's website www.taylorwimpey.co.uk/corporate/corporate-responsibility.

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, 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 nine, representing 22% of Directors, which will become two out of eight, representing 25% of Directors, when Tony Reading stands down from the Board on 17 April 2014).

The Nomination Committee, which is composed of a majority of Independent Non Executive Directors in line with the Code, oversees on behalf of the Board, 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.

During the year, Margaret Ford was appointed to the Board as an Independent Non Executive Director and the Committee worked with Russell Reynolds Associates with regard to this appointment.

The Nomination Committee also guides the Board in regularly assessing 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.

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. During 2013 each held one such meeting.

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 42 and 43 and, also on pages 136 and 137.

Kevin Beeston, Chairman, has a wealth of commercial, financial and high level management experience. Kevin also has significant experience of chairing Boards of both public and private companies.

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;

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 her time on the Bank of England's Monetary Policy Committee;

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 chairing of remuneration committees;

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;

Tony Reading, Independent Non Executive Director, has a wealth of management and financial experience in both the UK and also in the USA, and was previously a director of Tomkins Plc and CEO of its US division. Tony is an experienced non executive director and has chaired a number of remuneration committees of various plcs;

Rob Rowley, Independent Non Executive 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.

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.

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 2013 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 requires every Director to seek election or re-election, as appropriate, at each year's Annual General Meeting. Accordingly, at the 2014 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 election or re-election, as appropriate, other than Tony Reading, who will be standing down at the conclusion of the AGM.

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 132 to 139.

As part of the 2013 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. In line with the Code, a more rigorous review took place with regard to Tony Reading as he had completed more than six years' service as a Non Executive Director (including his time as a Director of George Wimpey Plc).

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

Performance evaluation of the Board, its Committees and other functions

The annual Board evaluation is externally facilitated at least every third year, in compliance with the Code, and is conducted in-house in intervening years. Both the 2012 and 2013 Board evaluations were conducted internally and formally facilitated by the Chairman and the Secretary. The 2014 evaluation will be externally facilitated and the outcome of that review will be reported in the 2014 Annual Report and Accounts.

The outcome of the 2012 Board evaluation was reported on in detail in last year's Report. The main action points arising from that exercise are set out below:

- additional focus by the Board on the performance of the Company's regional business units and operating divisions;
- greater involvement and contact between the Board and the Company's senior management and talent pool.

These were each addressed during the year by several additional presentations from Regional management, at which current performance and prospects for each business unit were discussed in detail. In addition, as in previous years, one Board meeting was held in a business unit and included visits to its development sites and discussions with local management. The 2013 visit was to the East London business unit, during which the Board visited the Chobham Manor site at the Olympic Park.

- the carrying out of further work and initiatives to further develop the Company's strategy and progress to date on diversity;

Diversity was a regular topic of Board consideration during 2013 and continues to be so during 2014. An action plan has been developed and agreed, including both medium and long-term goals, towards the achievement of the Company's strategic goals in this area, and appears on page 52.

- further detailed work on succession planning within the business;

Succession planning continued to be a key focus of the Nomination Committee during 2013 and the Board will ensure that this remains the case during 2014.

The 2013 Board evaluation consisted of a detailed and comprehensive bespoke questionnaire which the Secretary sent individually to all Directors for completion. The questionnaire focused on the performance of the Board, each of the three Board Committees, each Director (by way of self-assessment and also by way of a confidential evaluation by the Chairman on each Director) and finally the performance of the Chairman. In line with the Code, the questionnaire also had a separate section in respect of the Non Executive Director who had completed more than six years of service (Tony Reading), so as to enable the further evaluation of his independence.

The questionnaire required detailed consideration by each Director of the balance of skills; experience; independence; knowledge of the Company; diversity; succession planning; gender; how the Board works as a unit; and other factors relevant to the Board's effective operation.

Once completed, the Secretary then collated all of the responses to the questionnaire and produced a summary in respect of each performance area.

The Chairman and the Secretary then reviewed the summaries in respect of each performance area and in respect of each Director (except those completed with regard to the Chairman in respect of which the process is set out below) and then formally presented the findings to the Board for discussion at the December Board meeting on a non-attributable basis.

As part of the appraisal process, the Chairman also discussed the evaluation on a one-to-one basis with each contributor as necessary.

A number of action points designed to increase the overall effectiveness of the Board came out of the 2013 performance evaluation and have either already been implemented or will be implemented during 2014 which include:

- a more definitive split between the Chief Executive's strategic reporting on the Group's progress and prospects, and more detailed operational reviews from senior executives below Board level;
- 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;
- further work to refine succession planning and related development programmes for executives; and

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

These action points will be kept under regular review by the Board and progress against them will be reported on in the 2014 Annual Report and Accounts.

As part of the 2013 process, the Non Executive Directors, led by the Senior Independent Director, undertook the evaluation of the Chairman's performance. The evaluation was based on a non-attributable summary prepared by the Secretary on the feedback received from the Non Executive Directors and Executive Directors in response to the questionnaire. The Secretary's summary was reviewed by the Non Executive Directors in the absence of the Chairman, following which Rob Rowley in his capacity as the Senior Independent Director provided feedback direct to the Chairman.

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 and systems, the principles underlying the discharge of their duties as Directors and wider issues relating to the housing sector.

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.

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 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 now circulated electronically and Board meetings are effectively 'paperless'.

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. The Board also receives regular briefings and updates on environmental, social and governance ('ESG') matters.

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.

Nomination Committee

Reports directly to the Taylor Wimpey plc Board

Kevin Beeston
Chairman

Number of meetings in 2013 1

Directors	Attendance
Kevin Beeston	1
Kate Barker	1
Margaret Ford	1
Mike Hussey	1
Tony Reading	1
Pete Redfern	1
Rob Rowley	1

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 succession planning processes across the Group.

Board Committees and their work

Nomination Committee

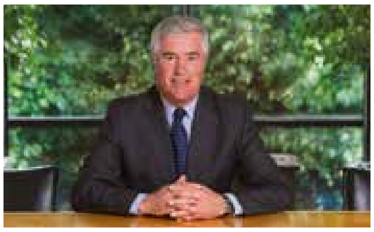
The Committee is chaired by the Chairman of the Board and is composed of a majority of Non Executive Directors as required by the Code. Its members are set out in the table above. As set out earlier in this Report, the Committee has procedures in place with regard to maintaining a formal, rigorous and transparent process for Board appointments, ensuring that appointments to the Board are made on merit and assessed against objective criteria. It guides the Board in regularly assessing whether there is a correct balance of expertise, reviewing progress towards compliance with 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 on page 48.

The Board has adopted a policy on diversity which is available on the Company's website www.taylorwimpey.co.uk/corporate/corporate-responsibility/our-policies. The Company actively embraces 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. The Company believes 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. The Company is also committed to ensuring that our people are free from any direct or indirect discrimination, harassment or bullying.

The Company has put in place systems to measure and monitor diversity around the Group more effectively. Currently (in addition to Board diversity referred to above) there are two women out of eight on the GMT (25%, increased from 14% last year) and one woman out of 24 Regional Managing Directors (4%). Across the Group, the Company employs approximately 1,240 women (2012: 1,185) representing 31% of the workforce (2012: 33%). Of the new starters with the Company during 2013, 27% were women (2012: 53%). Within the Company's mentor programme for the development of staff, 50% of the participants are women (2012: 48%).

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 2013 we invited an external consultant (Ian Dodds Consulting) to complete a sample survey of our employees on Diversity and Inclusion. The findings indicated a positive culture but also a need for more role models, an increase in under-represented groups and a requirement for further diversity awareness training. In 2013 we delivered awareness training in four of our businesses and will extend this in 2014. In 2013 the Chief Executive and Group HR Director held discussion groups with different sections of the workforce to explore their ideas on diversity. Groups representing ethnicity and disability are planned for 2014. In 2013 we identified role models and mentors from diverse backgrounds. In 2014 we will complete our new careers website with testimonials to promote greater diversity.
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.	Line Managers have approved an increasing number of flexible working requests in 2013. Our flexible holiday purchase scheme was subscribed to by 525 employees; the majority of these were female. In 2013 we delivered 66 training sessions and this will continue in 2014. In 2013 we recruited 43 apprentices, 23 management trainees and 11 graduates. In 2014 we plan to recruit 20 graduates and up to 100 site management apprentices by 2015.
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.	Management training in recruitment continues throughout 2013 and 2014. In 2013 we instructed our external recruitment partners about Taylor Wimpey's diversity strategy and requirements. We established relationships with the Diversity Directory, Women in Engineering and targeted Year in Industry groups. In 2014 we seek to identify other groups that we can work with to secure more diverse candidates.
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.	In 2013 we launched a whistleblowing campaign focused on diversity, encouraging employees to speak up against any inappropriate practices or behaviour. Our grievance policy ensures that any reports of harassment or bullying are investigated and acted upon. These actions will continue in 2014.
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 was a core message within our strategy roadshows in 2013. It was also a main item at our Managing Directors' Conference. In 2013 it was introduced as a standing agenda item at the Group Management Team meetings. Our employee survey in 2014 will ask for further feedback on Diversity and Inclusiveness.

Audit Committee



Reports directly to the Taylor Wimpey plc Board

Rob Rowley
Chairman

Number of meetings in 2013	3
Directors	Attendance
Rob Rowley	3
Kate Barker	3
Mike Hussey[a]	2
Tony Reading	3

(a) appointed to the Committee on 28 February 2013.

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.

Remuneration Committee

Reports directly to the Taylor Wimpey plc Board

Tony Reading
Chairman

Number of meetings in 2013	4
Directors	Attendance
Tony Reading	4
Kevin Beeston	4
Margaret Ford[a]	2
Rob Rowley	4
Brenda Dean[b]	2

(a) appointed 25 April 2013.
(b) resigned 25 April 2013

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.

We believe that by embracing diversity and inclusiveness, we 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.

Our strategy roadshows specifically addressed this area as a priority. In 2013 we invited an external diversity consultant to survey a section of our team and to work with the management team in identifying actions to improve diversity. All those involved in recruitment are trained in inclusion, and we have delivered diversity awareness sessions to a number of our businesses. We targeted under-represented groups in our recruitment of students for Year in Industry placements; our links with Women in Engineering; and through advertising within the Diversity Directory. We have committed to discussion groups to explore how we can achieve a more representative workforce in relation to both ethnicity and disability.

This detailed information on the types and extent of various forms of diversity around the Group is taken into account when considering where recruitment, training and career development work is necessary, with a view to ensuring that there is a suitable recruitment pool at all levels from which to increase diversity, where appropriate.

The Company's plans and progress in implementing its diversity policy, benchmarked against appropriate targets, are set out on page 52. Progress is measured and monitored by the Nomination Committee and the Board.

The Committee considered in detail short and long term succession planning for Directors and key executives, together with appropriate development plans. There were two changes in the composition of the Board during 2013 – the retirement of Brenda Dean on 25 April 2013 and the appointment of Margaret Ford on that date, as described on page 47. Details of the attendance of each Director are set out in the table on page 51.

Audit Committee

The members of the Audit Committee are as set out above. Details of the Committee's activities during 2013 and priorities for 2014 are contained in the Audit Committee Report on page 55.

Remuneration Committee and remuneration

The Board's policy and approach to the setting of remuneration for Directors and senior executives and the activities of the Remuneration Committee are described in detail in the Directors' Remuneration Report on pages 60 to 75. The Committee is constituted in accordance with the Code and its members are set out above.

The levels of remuneration are considered by the Committee to be sufficient to attract, retain and motivate Directors and other senior management of the quality required to run the Company successfully, without being excessive. A significant proportion of Executive Directors' remuneration is linked to rewarding corporate and individual performance and there is linkage to effective risk management. There is a formal and transparent procedure for developing policy on executive remuneration, including shareholder consultation and professional advice, and for agreeing the remuneration packages of individual Directors, none of whom is involved in deciding his or her own remuneration.

The 2013 Remuneration Report reflects in full the BIS regulations on remuneration reporting, which help to clarify and improve the reporting of executive pay, and which the Committee welcomes. This includes a number of additional disclosures in the Directors' Remuneration Report on pages 60 to 75, which is again divided into two sections:

- Remuneration Policy Report, setting out the framework within which the Company proposes to remunerate its Executive Directors and other senior executives. This is subject to a new, separate resolution to be proposed to shareholders at the 2014 AGM, the result of which 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 2013 and how it is proposed to implement the policy following the 2014 AGM. This resolution will be submitted to the AGM each year and has advisory status.

Details of these two resolutions may be found in the Notice of Annual General Meeting on pages 132 to 139.

The Committee is chaired by Tony Reading and consists of three Independent Non Executive Directors and also the Chairman of the Board. Margaret Ford was appointed to the Committee when Brenda Dean retired from the Board on 25 April 2013 and she will assume the Chair of the Committee when Tony Reading leaves the Board in April 2014, as referred to earlier in this Report.

During the year the Remuneration Committee met on four occasions, and details of the attendance of each Director are set out in the table on page 53.

Management

Progress in achieving the Group Strategy is reviewed at each Board meeting and is reported on pages 14 to 15. 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. Reviews identify training needs to support achievement of objectives.

Succession Planning

We have increased our emphasis on succession planning at all levels of the organisation. The Nomination Committee has visibility of a wider range of employees with leadership potential. A Talent Management Group comprising the Chief Executive, the Group HR Director and the two UK Housing Divisional Chairmen has been established. 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.

Relations with shareholders

The Board actively seeks and encourages engagement with major institutional shareholders and other stakeholders and supports the initiatives set out in 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. During the year, in addition to monitoring the guidance made available to companies generally by the institutional shareholder bodies, the Chairman met with three of our major shareholders – Schroders, Legal and General and Kames Capital, to ascertain their views on the Company's performance, prospects, communications and remuneration policies. He also met with the Association of British Insurers on governance-related matters generally.

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 132 to 139 which sets out details of the rights of shareholders in connection with the notice of, and participation in, general meetings of the Company.

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

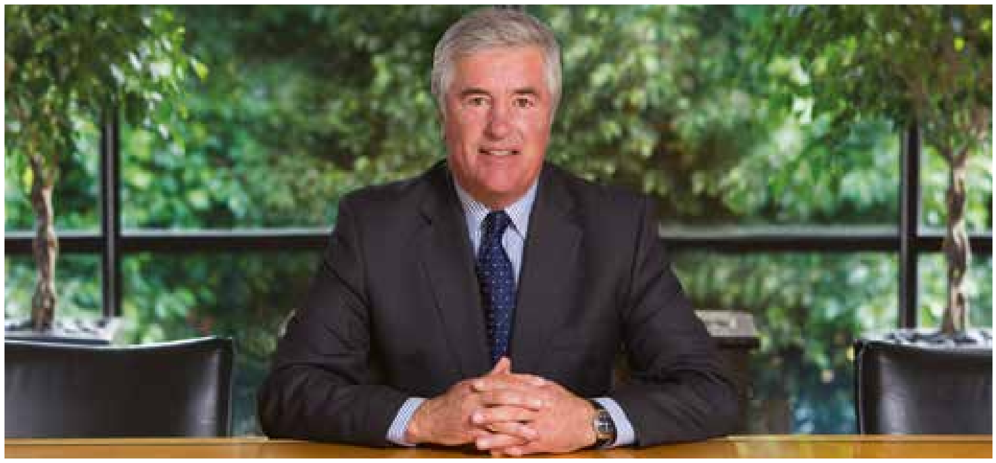
This 2013 Annual Report and Accounts

Your Directors have responsibility for preparing this 2013 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 59.

Audit Committee Report

We assist the Board in continually seeking to further strengthen all elements of the Group's governance framework.



In 2013 the Company has:

- Concluded the review of the effectiveness of the project management and the impact on the overall control environment of the business, of the implementation of the One Business, One Solution, Enterprise Resource Planning ("1B1S ERP") system, across the UK business.
- Ensured common systems are embedded across the UK business in order to support and gain maximum benefits from the completed 1B1S ERP system.
- Introduced the new Internal Audit approach to auditing in the new 1B1S ERP environment across the UK business.
- Developed suitable processes to meet the requirements of the UK Corporate Governance Code provision C.1.1.

Priorities for 2014 are to:

- Embed the 1B1S ERP processes and review new governance structures for IT.
- Enhance business reporting including the utilisation of 1B1S data.
- Focus on the process areas to optimise value in an improving market.
- Review processes designed to meet the new governance responsibilities of the Committee.

The Committee supports the Board in fulfilling its responsibilities relating to the Group's internal control framework, internal audit process, risk management, financial reporting practices and external audit process.

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 2013; and the priorities established for 2014.

Following a review in December 2013, the terms of reference of the Audit Committee were amended to reflect its three key new responsibilities introduced by the UK Corporate Governance Code ('Code'), namely:

- to develop suitable 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;
- to review significant issues considered in preparing the Annual Report and Accounts; and
- to undertake an assessment of the effectiveness of the external audit process.

A key requirement of the Audit Committee remains that it should evaluate its performance against its key objectives on an annual basis. The 2013 performance against objectives was formally assessed at the meeting of 24 February 2014.

During 2013 the Audit Committee:

- satisfied itself that the implementation of the new 1B1S ERP system had been successfully concluded throughout the UK business and that the Internal Audit approach had been appropriately amended to reflect the new operating regime; and
- introduced and monitored processes to meet its three key new responsibilities set out above.

A key priority for 2014 is to ensure that the 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.

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

Strategic Report p3-39
Directors' Report: Governance p41-79
Financial Statements p81-131
Shareholder Information p132-141

Audit Committee

The Audit Committee is chaired by Rob Rowley. All members of the Committee are Independent Non Executive Directors as required by 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 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 without any Executive Directors (other than the Secretary) being present.

During the year, the Committee was strengthened by the appointment of Mike Hussey, Independent Non Executive Director, as the fourth member with effect from 25 February 2013.

The Audit Committee met on three occasions during the year. Details of the attendance of each Director are set out in the table on page 53. 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 2013 meeting, reviewing the final draft 2012 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 2012 results;
– at its July 2013 meeting, reviewing the final draft half-year statement for 2013 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 2013 meeting, the priorities for 2014; approval of updates to the Audit Committee framework; the external auditor's interim report on the progress of the audit; considering its two new additional responsibilities of monitoring the processes whereby it ensures that the 2013 Annual Report and Accounts meets the requirements of Code provision C.1, and advising the Board of its assessment of the performance of the external auditor together with a recommendation as to whether their re-appointment should be recommended at the 2014 AGM.

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

– the internal control framework;
– the internal audit process;
– proper investigation of all incidents of whistle blowing;
– 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.

The Audit Committee has been in constructive dialogue with the Financial Reporting Council (FRC) through the current and prior year, following their review of the 2011 Annual Report and Accounts. The FRC identified certain areas, including the presentation and disclosure of profits arising on the realisation of impaired inventory, where they believed the Company's reporting and disclosure could be improved. These improvements were agreed with the FRC and have been reflected in the 2012 and 2013 annual reports. Consequently, the FRC has concluded its review.

In carrying out these activities, the Committee places reliance on regular reports from executive management, Internal Audit and the 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.

External auditor

Re-appointment

Deloitte LLP is the Company's external auditor. Their performance is kept under regular review by the Board and the Audit Committee and, as stated above, the Committee undertook a formal assessment of their performance during their audit of the Company's 2013 results and their 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 24 February 2014 meeting.

The outcome of the review was that the Committee recommended to the Board, which in turn is recommending to shareholders in Resolution 11 on page 132, that Deloitte be re-appointed at the 2014 AGM.

Tender

A formal competitive tender process was carried out with regard to the appointment for the 2008 audit, following which Deloitte was selected to continue as external auditor to the Company. The current lead engagement partner is Colin Hudson and 2013 is his fifth and final year in that role. Under Deloitte's partner rotation scheme, his successor, Ed Hanson, was involved in the 2013 external audit, to familiarise himself with its scope and detail in preparation for taking responsibility for the audit of the Company's 2014 results. The Code requires that FTSE 350 companies should put the external audit contract out to tender at least every ten years. The Company also notes the guidance issued by the FRC by way of transitional arrangements. Therefore, having gone out to tender in 2007/2008 the Company intends to defer tendering until completion of Ed 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 policy on whether to employ the external auditor to provide services other than audit services. 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 auditor independence and objectivity.

Non-audit services in 2013 predominantly related to work undertaken as a result of Deloitte's role as auditors, or work resultant from knowledge and experience gained as part of the role. Other assurance services related to advisory services relating to pension liability management consultation. Tax services included advisory services for Taylor Wimpey plc and its subsidiaries.

The Audit Committee fully recognises and supports the importance of the independence of auditors. Its review of the auditor's performance during 2013 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, mainly, of work carried out relating to the pensions merger, the level of non-audit services work was £0.263m in 2013 (2012: £0.327m) as set out in Note 6 to the Accounts on page 98.

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 review and activity and resulting reports are provided to the Audit Committee for review and discussion.

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

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.

A number of initiatives were progressed during 2013 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. Following this assessment of control and process risk, particularly in relation to revised systems and processes associated with the new 1B1S ERP system now used throughout the UK Group, and how that assessment influences Internal Audit review priorities, the Charter was updated and enhanced by the Committee to ensure its continued alignment with the Group's risk management framework.

The Head of Internal Audit has direct access to the Chairman of the Audit Committee, the Chairman of the Board, 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 and implemented to meet the requirements of the Group and the risks it encounters.

Internal control is managed according to a framework which consists of clearly defined processes and objectives which are assigned to individuals. This framework defines the way the Company operates and how it is managed on a day-to-day basis. In the UK Group this is achieved through an established Operating Framework supported by functional manuals covering the main disciplines. Compliance with policies, processes and procedures is required and monitored to ensure business effectiveness and efficiency. Every employee is required to comply with Group policies and specific responsibilities and accountabilities are identified at each process level, yet the governance framework also supports and encourages individual and team initiatives. The control framework in place establishes procedures to identify, evaluate and manage significant risks faced by the Group. These procedures define and limit the nature and extent of the significant risks the Board is willing to take in achieving the Company's strategic objectives. They seek to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The successful management of risk is essential to enable the Group to deliver on its strategic priorities. The risk management framework consists of risk registers at all organisational levels which detail the risks faced by the Group, its operating companies and the central service teams. The registers identify key operational and financial risks while strategic risks are identified as part of the business planning process, although it is expected that strategic risks will be included on risk registers. The risk registers take into account the significance of environmental, social and governance matters of the Company and use a standardised methodology for the assessment of risk.

This methodology requires each risk identified to be assessed and ranked according to a risk matrix which accounts for the likelihood and impact of each risk. The risks identified are assessed for potential effect on the Company's short and long term value. The completion of risk registers is iterative and refreshed on an ongoing basis. The risk registers feed into a formal half-yearly risk assessment that identifies the principal risks (see pages 24 to 25) and allows the Board to re-evaluate the identified strategic risks facing the Group.

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. The Board conducts formal risk reviews half-yearly, consistent with the Code, and the GMT conducts a more detailed review as part of the business planning process.

In compliance with the Code, the Board 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.

This process is based principally on reviewing reports from management to consider whether significant risks are correctly managed and controlled as part of managing the Group's operations. The Board is assisted in the assessment of risks by the Audit Committee's review of risk management procedures for appropriateness and effectiveness (see Audit Committee remit on page 53). Throughout 2013 and into 2014, the Audit Committee continued to assess the Group's risk management and internal control framework by reviewing the business change issues and Internal Audit activities across the Group.

At its half-year and year-end meetings the Board reviewed the risk profile of the Group and the mitigating factors identified with the significant risks. At the year-end meeting in February 2014 following the annual review by the Audit Committee on the effectiveness of internal controls and a formal half-year assessment of risk, which included a detailed risk assessment by the GMT, the Board completed its annual assessment of risks for the year end 31 December 2013. The key risks affecting the Group were identified and agreed with the Board together with processes for their elimination or mitigation and actions required to reduce the likelihood of each risk to the Company and the Group.

A detailed review of the principal risks and uncertainties facing the Group is set out in the Strategic Report. See Principal Risks and Uncertainties on pages 24 to 25.

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 investigated by the Head of Internal Audit, Group Health and Safety Director (where appropriate), Group Human Resources Director and/or the Secretary depending on the nature and seriousness of the issue. The Chief Executive is apprised of all allegations and review conclusions.

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.

Annual Report and Accounts 2013

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 Secretary; 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 14 to 22;
– ensured that it correctly described the Company's strategy, as described on pages 14 to 22;
– 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 2013 Annual Report and Accounts:

– To ensure the carrying value of inventory is reflective of its fair 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. In addition, during the year the Audit Committee had dialogue with the Financial Reporting Council (FRC) following their review of the 2011 Annual Report and Accounts, with a view to improving and enhancing certain aspects of Inventory disclosure which have been reflected in the 2013 Annual Report and Accounts.

– To ensure the implementation of the ERP system did not have a material impact on the UK control environment.

  The Audit Committee reviewed the project management and progress of the ERP throughout the implementation cycle. In addition, the Internal Audit team completed Steady State Process reviews which assessed the progress of each required business unit in reaching a defined process environment and reported their findings back to the Audit Committee. No material issues were found. The Audit Committee will continue to assess the impact of the ERP implementation on the control environment during 2014.

As part of the year-end process the Audit Committee received updates on judgemental areas, specifically Pensions accounting, and other financial matters including Tax and International Accounting Standards updates which were considered when reviewing the 2013 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 24 February 2014.

The outcome of that review was that the Committee confirmed to the Board that the 2013 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 54.

Going concern

The UK market has improved, with better mortgage availability and consumer confidence, and the Group has continued to be profitable in the current year and has further strengthened its balance sheet through the reduction of debt, including the redemption of the outstanding Senior Notes and the reduction of the pension deficit.

The Group has prepared forecasts, including certain sensitivities, taking into account the principal risks identified on pages 24 to 25. These forecasts indicate that the Group has sufficient financial capacity to continue for at least the next 12 months from the date of signing these financial statements.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Remuneration Report

The aim of our remuneration policy is to attract, develop and retain high-quality leaders who are focused and adequately incentivised to deliver outstanding business results.

In 2013 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.
- Reflected the new legal requirements in the Company's remuneration reporting.
- Engaged with shareholder bodies and taken into account their views in framing the Remuneration Policy which will be proposed to shareholders at the 2014 AGM.
- Renewed the Company's all-employee share plans, following shareholder approval at the 2013 AGM.
- Achieved employee participation, as either shareholders or participants in all-employee share plans, in excess of 50%.

Priorities and actions for 2014:

- 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 amend the terms of the Company's all-employee share plans to reflect the Government's recently announced increases in participation limits.
- To further align employees' and shareholders' interests through further increasing participation in all-employee share plans and the percentage of employee shareholders.

I am very pleased to be able to again take this opportunity in my capacity as Chairman of the Remuneration Committee to summarise the Company's remuneration strategy and the way it has been implemented during 2013.

As always, the Committee remains 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.

Although we very substantially complied with the proposed changes to reporting on remuneration in last year's Remuneration Report, this is Taylor Wimpey's first report under the Government's Business, Innovation and Skills Department's (BIS) new regulations on the reporting of remuneration by public limited companies. The Committee welcomed the new regulations which will help to ensure that shareholders are better informed as a result of clearer information. With regard to this year's Report, the most obvious change for shareholders to note, is that it has been divided into two reports, the first dealing with the Company's strategy and framework for future years on executive pay entitled "Remuneration Policy Report", and the second dealing with the implementation of the current remuneration strategy during the reporting year entitled "Annual Report on Remuneration". We hope that this new way of reporting will enable us to be as transparent as possible whilst displaying information (including a single table for remuneration) in a way that will be more helpful to our shareholders.

At our forthcoming AGM shareholders will be invited to vote on each separate Report with the vote on the Remuneration Policy Report being a binding vote requiring a simple majority. Shareholders will then be able to track the Company's compliance with its policy in future years via the Annual Report on Remuneration where there will again be an advisory vote. The Committee has continued its much valued practice of engaging with key institutional investors and shareholder representative bodies with regard to Director level remuneration. As in previous years, the Committee has taken into account the feedback which it has received and is, as ever, most sincerely, very grateful for the constructive engagement and feedback.

With regard to salaries, the general increase throughout the Company to take effect from 1 April 2014 will be 2.5%. This will also apply to the Executive Directors. With regard to incentive payments to Executive Directors, one third of the short term incentive (cash bonus) will be deferred into shares for three years without matching (2012: 25% deferral).

I am pleased to confirm that the August 2010 PSP award partially vested during the year and that the Return on Capital Employed and Operating Margin portions of the 2011 PSP will vest in part for participants. The level of vesting under these plans reflects the significant improvement in the Group's performance including Return on Capital Employed and Operating Margin from 5.3% to 16.8% and 5.7% to 13.6%, respectively, between 2010 and 2013 achieved as a result of management's focus on these key measures. This improvement in financial performance has contributed to a circa 254% increase in Taylor Wimpey's share price over the same period (from 31.5p on 31 December 2010 to 111.5p on 31 December 2013), resulting in a significant increase in value for our shareholders and is reflected in the value of the awards that vest. Vested shares are subject to the enhanced shareholding guidelines which we put in place for our Executive Directors last year and details of each Director's shareholding are set out on page 74.

I should also point out that due to the timing of the granting and performance periods of the August 2010 and the 2011 awards, vesting from both of these awards took place in 2013 and this is therefore reflected in the tables on page 68. The recent vesting of the Company's long-term incentive plans over the past two years follows several years of no vesting as illustrated by the table on page 71. The remaining portion of the 2011 PSP is dependent on the measurement of the Company's total shareholder return performance for the three years to 1 April 2014 and the level of vesting (which is expected to be towards the higher end due to the Company's share price performance during the period) will be reported next year. Further details on the vesting of the August 2010 PSP together with an update on the 2011 PSP award are set out on page 69.

The Committee has reviewed the achievement of targets for both short-term and long-term incentive plans in respect of 2013, taking into account the impact of Government support schemes 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 2013. 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 2014, the Committee has also factored in the potential impact of such support schemes, and the Committee will keep this under review in 2014 and beyond.

Executive Directors' interests continue to be sufficiently aligned with those of the Company's shareholders through the increased shareholding requirements introduced in 2013, and described on page 73, and also via the previously mentioned increased bonus deferral into shares requirement described in more detail on page 63. This is being further enhanced for PSP awards made in 2014 by the introduction of a requirement to hold net after tax shares resulting from any vesting for at least one year post vesting and rising to two years for awards made in 2015 and beyond.

The Committee continues to believe that the remuneration policy set out in the Remuneration Policy Report will both support and motivate our 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 2013 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 both the level of remuneration paid during 2013 and the Committee's policy for the future, at this year's Annual General Meeting.

As mentioned elsewhere, having completed nine years as an independent Non Executive Director, which includes chairing the Remuneration Committee since mid-2007, in line with best practice, I will be standing down from the Board upon the conclusion of the AGM. I would therefore very much like to take this opportunity to thank shareholders for their very strong support and guidance during my Chairmanship. I hand over to the very capable hands of Margaret Ford, who I am sure will continue to enjoy the same level of support.

Yours sincerely

Tony Reading
Chairman of the Remuneration Committee

Introduction

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.

This Report has been prepared to comply with the provisions of the Companies Act 2006 and other applicable legislation, including the new 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.

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 2013, contains audited information.

Separate resolutions to approve the Remuneration Policy Report and the Annual Report on Remuneration will be proposed at the Annual General Meeting of the Company on 17 April 2014 ('AGM'). Details of the resolutions and their status as an advisory or binding vote are set out in the Notes to the Notice of Meeting on page 135.

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

Remuneration Committee

The Remuneration Committee has clearly defined terms of reference which are available on the Company's website www.taylorwimpey.co.uk. The key remit of the Committee is to recommend to the Board the remuneration strategy and framework for Executive Directors and senior management in line with the Code and related investor guidance. Within this framework 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.

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.

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 the 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 ABI's 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, if approved by shareholders at the 2014 AGM, will become effective from the conclusion of the 2014 AGM and be binding until the AGM in 2017. It also summarises the remuneration position of the Chairman and Non Executive Directors and all-employee share schemes.

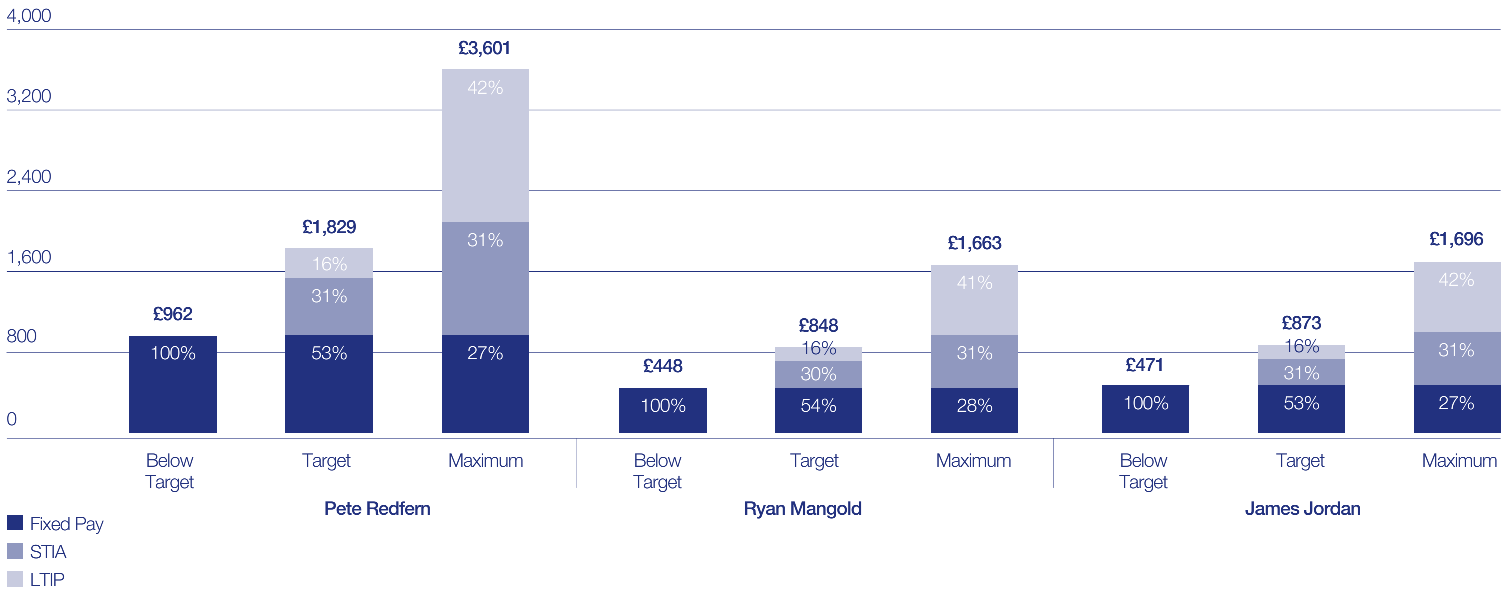
Element	Purpose and Link to Strategy	Operation	Maximum	Performance targets
Salary	To recruit and reward executives of a suitable calibre for the role and duties required.	Salaries are normally reviewed annually to ensure that salaries remain competitive with external market practices and are competitive 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 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; – a 5% discount on the price of a new or part exchange home acquired from the Group in the UK or Spain; and 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

1. The Company makes a contribution to the Chairman's office-related and other expenses, as reported on page 68.
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.

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 2014 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 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 will be 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 currently based on: – ROCE (RONA); – Relative Total Shareholder Return ('TSR') measured against the FTSE 250 and TSR measured against an unweighted industry peer group; and – Margin. 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 the prior consultation with the Company's major shareholders. Vesting of awards is also subject to the achievement of a financial underpin. The targets and weightings for 2014 are described in the Annual Report on Remuneration.
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 an 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

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.

Performance criteria pay chart – 2014
(£000's)



1. Salary is £772,669, £355,744, £358,739 for Pete Redfern, Ryan Mangold and James Jordan, respectively and with effect from 1 April 2014.
2. Benefits are £30,000, £13,000, £35,000 for Pete Redfern, Ryan Mangold and James Jordan, respectively.
3. Pension is £184,804, £70,713, £88,338 for Pete Redfern, Ryan Mangold and James Jordan, respectively.
4. For the annual 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 vesting is 40% and 200% of salary respectively.

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 62 and 63):

- 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 disapply 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 fulfill 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 Remuneration 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 will take into account any feedback when determining any changes that might apply. The last such consultation took place in early 2014 and included the performance targets and weightings of the LTIP and STIA, salary proposals and the accrual of dividends for participants during the performance and deferral periods respectively, in respect of any shares that ultimately vest. The Committee also confirmed that it would be amending the shareholding guidelines so as to exclude deferred shares until they formally vest after the applicable three year period.

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 determine at least 50% of the bonus and include profit before 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.

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. Currently, none of the Executive Directors holds an external directorship of a disclosable nature. Any such appointments would be the subject of a public announcement to the London Stock Exchange.

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 operates 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. In time, the Committee may consider linking part of the long-term incentive awards to the Executive Directors to similar measures. This would, however, be subject to a prior and comprehensive shareholder consultation before any implementation takes place. The Company also offers both Sharesave and SIP schemes to all eligible UK employees with more than three months' service.

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 incumbent.

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, 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 62;
- 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 62);
- employer's contribution to a pension scheme (details of which are set out on page 63);
- 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 exisiting 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

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. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2014 AGM. The information in the "Implementation of the Remuneration Policy During 2013" section on pages 67 to 75 has been audited.

The Committee currently comprises three Independent Non Executive Directors and the Chairman of the Board. Tony Reading is the Committee Chairman and he chaired the Committee throughout the year. The other members of the Committee are Kevin Beeston, Margaret Ford and Rob Rowley. On 25 April 2013 Margaret Ford joined the Committee following the retirement of Brenda Dean. Membership of the Committee is, and was throughout 2013, in line with the Governance Code. As announced, Kate Barker will become a member of the Committee with effect from 17 April 2014.

Details of attendance at Remuneration Committee meetings held during 2013 are set out in the table on page 53.

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). 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 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 relates to technical advice on share schemes and also with regard to any senior appointments and termination arrangements.

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
Tony Reading	3 July 2007	21 November 2007	3 years, reviewed annually	6	6
Rob Rowley	1 January 2010	1 December 2009	3 years, reviewed annually	6	6

The fees paid to the Committee's advisers in 2013 were: New Bridge Street £95,788 (2012: £43,000) representing a full year's appointment. The increase in fees was due to additional work advising the Committee on, and preparing for, the BIS Regulations described earlier in this report.

Pete Redfern, the Chief Executive; James Jordan, the Group Legal Director and Company Secretary; and Maria Pilfold, 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.

How the Remuneration Policy will be applied in 2014

Base Salary

The Committee reviewed the Executive Directors' salaries in February 2014 and has decided to award increases of 2.5% for Pete Redfern, Ryan Mangold and James Jordan, with effect from 1 April 2014, in line with the equivalent general increase made to all employees (subject to a very small number of exceptions).

The salaries of the Executive Directors effective from 1 April 2014 will be as follows:

Name	Salary at 1 April 2013	Salary at 1 April 2014	Increase
Pete Redfern	£753,823	£772,669	2.5%
James Jordan	£349,989	£358,739	2.5%
Ryan Mangold	£347,067	£355,744	2.5%

Short term incentive arrangements ('STIA')

The STIA performance metrics and their weightings for 2014 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	40%
Cash generated (before land spend)	Growing net assets by 10% per annum on average	25%
ROCE	Delivering an average 15% return on net operating assets through the cycle	10%
Margin	Driving further UK operating margin progression	10%
Customer Service	Caring about our customers	10%
Energy Reduction	To help create a more sustainable business	5%

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 Order Book metric, on the basis that the planned strategic level for that metric has been reached, although it will of course remain a key priority for the Company.

Long Term Incentive Plans

Taylor Wimpey Performance Share Plan ('TWPSP')

The annual awards granted to Executive Directors in 2014 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.
Margin in 2016	25%	Less than 14%	14%	18.5%
Absolute ROCE in 2016	25%	Less than 10%	10%	20%
TSR v FTSE 250	20%	Less than median	Median	Upper Quartile

Awards vest on a straight line basis between these points. The ROCE targets are based on the absolute ROCE in 2016, defined as 'operating profit, divided by the average of the opening and closing net operating assets, which is 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 (newly-added for 2014 awards), 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.

With regard to Margin performance measure, the Committee will retain the right (as part of its overall discretion) to reduce the vesting of this part of the award if it considers that volumes (i.e. the number of homes sold) have not been satisfactory during the relevant performance period.

A further change to the terms of the LTIP awards with effect from the 2014 award is that 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 (whose fees are determined by the Remuneration Committee in his absence) and the Non-Executive Directors were reviewed in May 2013 and increased with effect from 1 July 2013 as summarised in the table below:

	Fees at 1 April 2013	Fees at 1 April 2014
Chairman	£250,000	£256,250
Basic Non Executive Director fee	£50,000	£55,000
Senior Independent Director fee	£10,000	£10,000
Audit Committee Chairman	£10,000	£15,000
Remuneration Committee Chairman	£10,000	£15,000

Prior to the increases in 2013, the Non Executive Directors' fees were last increased in 2007 and the Chairman's fees have remained the same since his appointment in 2010.

All Directors, with the exception of Tony Reading, will submit themselves for re-election or election at the AGM in accordance with the Code.

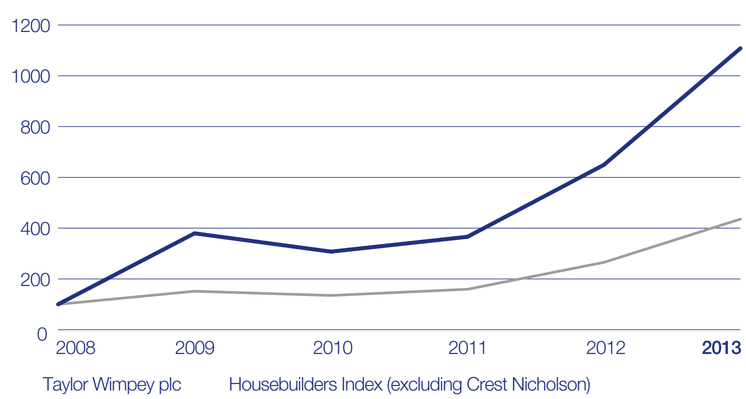
Implementation of the Remuneration Policy During 2013: Audited information

Performance graph

This graph shows the value, by 31 December 2013, 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 (excluding Crest Nicholson). The other points plotted are the values at intervening financial year-ends.

Total shareholder return

Source: Thomson Reuters



The table below shows the total remuneration figure for the Chief Executive over the same five 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**
Total Remuneration (£'000)[(a)]	£1,657	£1,542	£1,674	£3,009	**£6,512**
STIA (%)	100%	85%	82%	95%	**90%**
LTIP vesting (%)	0%	0%	0%	40%	**85%**

(a) 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 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 69.

Director Emoluments

£'000	Year	Fees & Salary	Benefits[(a)]	STIA in respect of 2013	LTIP[(e)]	Pension	**Total**
Executive							
Pete Redfern[(g)]	2013	749	30	1,018	4,535	180	**6,512**
	2012	*731*	*27*	*903*	*1,172*	*176*	***3,009***
Ryan Mangold[(c)(d)(f)(g)]	2013	340	13	469	1,080	88	**1,990**
	2012	*311*	*13*	*389*	*137*	*143*	***993***
James Jordan[(g)]	2013	348	29	472	1,807	86	**2,742**
	2012	*339*	*34*	*419*	*408*	*89*	***1,289***
Non Executive							
Kevin Beeston[(b)]	2013	253	–	–	–	–	**253**
	2012	*250*	–	–	–	–	***250***
Kate Barker	2013	53	–	–	–	–	**53**
	2012	*50*	–	–	–	–	***50***
Brenda Dean (resigned 25 April 2013)	2013	17	–	–	–	–	**17**
	2012	*50*	–	–	–	–	***50***
Margaret Ford (appointed 25 April 2013)	2013	37	–	–	–	–	**37**
	2012	–	–	–	–	–	**–**
Mike Hussey	2013	53	–	–	–	–	**53**
	2012	*50*	–	–	–	–	***50***
Tony Reading	2013	65	–	–	–	–	**65**
	2012	*60*	–	–	–	–	***60***
Rob Rowley	2013	75	–	–	–	–	**75**
	2012	*70*	–	–	–	–	***70***
	2013	1,990	72	1,959	7,422	354	**11,797**
	2012	1,911	74	1,711	1,717	408	**5,821**

(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 £25,000 (2012: £25,000) at the rate of £2,109.33 (2012: £2,083.33) per month as a contribution towards the Chairman's annual office and related administration costs incurred in carrying out his role. Kevin Beeston's base fee is £256,250 (2012: £250,000) per annum.

(c) Ryan Mangold is a member of the salary exchange scheme operated by the Company and the amount exchanged during the year was £34,000 (2012: £32,000). 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 includes £52,000 (2012: £51,000) company contribution to Ryan Mangold's non-Group pension arrangement, including bonus sacrificed during the year by Ryan Mangold in favour of its treatment instead as additional employer pension contribution.

(e) This column shows the vesting during 2012 and 2013 of LTIPs as set out in the table at the top of page 69.

(f) Ryan Mangold's 2012 'Pension' figure includes the employer's contribution to his pension arrangements included in the 'Other' column for 2012 reporting.

(g) 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 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 69.

LTIP awards included in 2012 single figure

LTIP Award	Performance Target	Weighting	% Vesting (max 100%)	Date of End of Performance Period	Date of Vesting	Share Price at Vesting
2009 PSP	TSR FTSE	50%	0%	06/08/2012	01/03/2013	83.65
	TSR Peer Group	50%	25%	06/08/2012	01/03/2013	83.65
2009 SOP	ROCE	100%	51.63%	31/12/2012	01/03/2013	83.65
2010 PSP tranche 1	ROCE	40%	48.40%	31/12/2012	22/03/2013	89.25

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[a]	ROCE	30%	74.40%	31/12/2013	01/04/2014	107.8[b]
	Margin	30%	100%	31/12/2013	01/04/2014	107.8[b]

(a) The remaining performance test for this award, relating to TSR, will be calculated at the end of the TSR performance period in April 2014 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 2013) ending on the vesting date of 31 December 2013.

Note: For 2014 awards and going forward, all performance periods for all performance targets will be aligned to end on 31 December of the final year of the applicable performance period.

Short term incentive arrangements ('STIA') in respect of 2013

For 2013, 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 £250m Target £281.4m Stretch £300m	£312.9m	40	26.67	13.33
ROCE (RONA)	Delivering an average 15% on net operating assets through the cycle	25%	Entry 11.1% Target 12.1% Stretch 13.6%	16.8%	25	16.67	8.33
Cash generated (before land spend)	Growing net assets by 10% per annum on average	15%	Entry £850m Target £920.7m Stretch £1,010m	£1,111.7m	15	10	5
Order Book	Driving further UK operating margin progression	10%	Entry £650m Target £700m Stretch £725.5m	£954.2m	10	6.66	3.34
Energy Reduction	Seeking to reduce the use of energy in building our homes	5%	Entry 93.3% of CRC usage data Target as Entry plus data sheets Stretch as Target plus 90% of water use data	69%	0	0	0
Customer service	Caring about our customers	5%	Entry 89% Target 90% Stretch 91%	88%	0	0	0
Total		**100%**			**90**	**60**	**30**

The amounts paid to Pete Redfern, Ryan Mangold and James Jordan in respect of 2013 are set out in the remuneration table on page 68.

Vesting of long-term incentive awards in 2013

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 March 2010 TWPSP awards, all of the August 2010 TWPSP awards and the ROCE element of the April 2011 TWPSP award.

Due to the timing of the 2009 awards, which were made during the second part of the year, the 2010 awards were made in two equal tranches, after the full-year and half-year announcements. This was to reduce the potential overlap of the vesting of the 2009 and 2010 awards in 2013 due to the fact that the 2009 awards were effectively based on four year performance periods.

Performance testing for the first tranche of the 2010 awards, which were made in March of that year, was undertaken in two stages. The performance of the ROCE element of the award (40% of the overall award) was tested at the conclusion of the performance period (31 December 2012) and was reported in the 2012 Remuneration Report. The TSR measures making up the remaining 60% of the awards were tested on 22 March 2013 at the end of the applicable three year performance period relating to those measures.

With regard to the second tranche of the 2010 awards, made in August 2010, performance testing was undertaken at the conclusion of the performance period, on 30 June 2013 (for the ROCE element of the award) and 5 August 2013 (for the TSR elements of the award).

The performance period for the ROCE element of the 2011 award ended on 31 December 2013 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 1 April 2014 and reported in the 2014 Annual Report on Remuneration.

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

The outcomes were as follows:

Award	Measure	Weighting	Vesting Scale	Performance achieved	% of this award vesting
20 March 2010	TSR v Peer Group[1]	30%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	5th out of 13	20.77%
	TSR v FTSE 250[2]	30%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	50th out of 204	30%
6 August 2010	TSR v Peer Group[1]	30%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	3rd out of 13	30%
	TSR v FTSE 250[2]	30%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	9th out of 207	30%
	ROCE[3]	40%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	14.3%	21.76%
1 April 2011	ROCE[4]	30%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	16.8%	22.32%
	Margin[4]	30%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	13.8%	30%

1. As at third anniversary of date of award, there were 13 companies, including Taylor Wimpey plc, in the peer group.
2. As at third anniversary of date of award, there were (20 March 2010 award: 204 companies; 6 August 2010 award: 207 companies), including Taylor Wimpey plc, left of the original FTSE 250 used for this award.
3. As at 30 June 2013.
4. As at 31 December 2013.

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.

Level of vesting of LTIPs since July 2007

The Committee aims to set stretching targets to be achieved in order for LTIP awards to vest. This is demonstrated by the table below and the fact that no LTIP awards vested during the market downturn. However, following the adoption of the Company's current strategy and the Company's improved performance in the current market, vesting commenced during 2012 for the first time since the merger in 2007 and is forecast to do so again during 2014:

Year	% Vested
2008	0
2009	0
2010	0
2011	0
2012	40
2013[(a)]	85

(a) Due to the performance period for the 2009 awards being four years, the vesting of both the 2009 and 2010 awards took place during 2013. The 2009 awards vested at 51.67% (the SOP) and at 12.5% (the PSP). Tranche 1 of the 2010 award vested at 70.13% and tranche 2 at 81.76%. The figure shown for the relevant year is the average of the appropriate performance target vesting figures.

Change in Company performance relative to change in remuneration

	2013	2012	Change (%)
Profit before tax & exceptional items	**£312.9m**	£226.1m	38.4
Dividends paid per ordinary share	**0.69p**	0.62p	11.3
– interim 2012/interim 2013 (0.19p/0.22p)			
– final 2012/final 2013 (0.43p/0.47p)			
Employee pay in aggregate (see note 7 to the financial statements)	**£168.6m**	£154m	9.5
Employee pay average per employee (see note 7 to the financial statements)	**£45,568**	£43,663	4.4

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 2012 and 2013 for the Chief Executive compared to the average Taylor Wimpey employee during the year.

	Salary	Benefits	STIA
Pete Redfern	2.5%	11.11%	12.70%
Typical Taylor Wimpey (employee)	2.5%	18.27%	51.04%

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	1,784,608	£1,470,874 (200%)	(30% on ROCE; 30% on) Group operating margin; (20% on TSR v FTSE250;) (20% on TSR v Peer Group) index	(01/01/2013 – 31/12/2015) (or later Preliminary Announcement of results for 2015)	20% 20% 20%
Ryan Mangold	TWPSP	Nil cost options	769,123	£633,912 (200%)	As above	As above	As above
James Jordan	TWPSP	Nil cost options	828,568	£682,906 (200%)	As above	As above	As above

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

Name of Director	Plan	Outstanding shares at 1 January 2013	Granted/ Awarded in 2013 (number)	Dividend re-investment shares added during 2013 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2013	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Pete Redfern	Deferred Shares (STIA)[g]	503,266	–	–	503,266	–	–	–	85.73	22.03.10	23.03.13	22.09.13
	Deferred Shares (STIA)[g]	414,602	–	3,282	–	–	417,884	–	–	04.04.11	05.04.14	04.10.14
	Deferred Shares (STIA)[g]	382,078	–	3,024	–	–	385,102	–	–	23.03.12	24.03.15	23.09.15
	Deferred Shares (STIA)[g]	–	253,076[a]	2,003	–	–	255,079	–	–	25.03.13	26.03.16	25.09.16
	Performance Share Plan[h]	1,601,423	–	–	200,177	1,401,246	–	–	85.73	07.08.09	01.03.13	01.09.13
	Performance Share Plan[h]	1,574,606	–	–	1,104,253	470,353	–	–	85.73	22.03.10[e]	22.03.13	22.09.13
	Performance Share Plan[h]	2,012,779	–	–	1,645,647	367,132	–	–	111.92	06.08.10[e]	06.08.13	06.02.14
	Performance Share Plan[h]	3,484,701	–	–	–	–	3,484,701	–	–	01.04.11	01.04.14[d]	01.10.14
	Performance Share Plan[h]	2,906,623	–	–	–	–	2,906,623	–	–	05.03.12	05.03.15[d]	05.09.15
	Performance Share Plan[h]	–	1,784,608[b]	–	–	–	1,784,608	–	–	06.03.13[f]	06.03.16[d]	06.09.16
	Share Option Plan[h]	3,202,846	–	–	1,653,629	1,549,217	–	39.34	85.73	07.08.09	01.03.13	07.08.19
	Sharesave Plan[g]	63,331	–	–	–	–	63,331	24.04	–	11.10.11	01.12.16	31.05.17
	Total	**16,146,255**	**2,037,684**	**8,309**	**5,106,972**	**3,787,948**	**9,297,328**					
Ryan Mangold	Deferred Shares (STIA)[g]	21,099	–	167	–	–	21,266	–	–	04.04.11	05.04.14	04.10.14
	Deferred Shares (STIA)[g]	155,559	–	1,231	–	–	156,790	–	–	23.03.12	24.03.15	23.09.15
	Deferred Shares (STIA)[g]	–	109,070[a]	863	–	–	109,933	–	–	25.03.13	26.03.16	25.09.16
	Performance Share Plan[h]	190,645	–	–	23,830	166,815	–	–	85.73	07.08.09	01.03.13	01.09.13
	Performance Share Plan[h]	171,238	–	–	120,086	51,152	–	–	85.73	22.03.10[e]	22.03.13	22.09.13
	Performance Share Plan[h]	218,889	–	–	178,963	39,926	–	–	111.92	06.08.10[e]	06.08.13	06.02.14
	Performance Share Plan[h]	1,418,771	–	–	–	–	1,418,771	–	–	01.04.11	01.04.14[d]	01.10.14
	Performance Share Plan[h]	1,183,410	–	–	–	–	1,183,410	–	–	05.03.12	05.03.15[d]	05.09.15
	Performance Share Plan[h]	–	769,123[b]	–	–	–	769,123	–	–	06.03.13[f]	06.03.16[d]	06.09.16
	Share Option Plan[h]	381,291	–	–	196,861	184,430	–	39.34	85.73	07.08.09	01.03.13	07.08.19
	Sharesave Plan[g]	39,335	–	–	39,335	–	–	22.88	–	06.10.10	01.12.13	31.05.14
	Sharesave Plan[g]	–	10,623[c]	–	–	–	10,623	84.72	–	08.10.13	01.12.16	31.05.17
	Total	**3,780,237**	**888,816**	**2,261**	**559,075**	**442,323**	**3,669,916**					

Name of Director	Plan	Outstanding Shares at 1 January 2013	Granted/ Awarded in 2013 (number)	Dividend Re-investment shares added during 2013 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding Shares as at 31 December 2013	Exercise Price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry Date
James Jordan	Deferred Shares (STIA)[g]	233,659	–	–	233,659	–	–	–	85.73	22.03.10	23.03.13	22.09.13
	Deferred Shares (STIA)[g]	192,492	–	1,524	–	–	194,016	–	–	04.04.11	05.04.14	04.10.14
	Deferred Shares (STIA)[g]	177,393	–	1,404	–	–	178,797	–	–	23.03.12	24.03.15	23.09.15
	Deferred Shares (STIA)[g]	–	117,500[a]	930	–	–	118,430	–	–	25.03.13	26.03.16	25.09.16
	Performance Share Plan[h]	557,638	–	–	69,704	487,934	–	–	85.73	07.08.09	01.03.13	01.09.13
	Performance Share Plan[h]	548,300	–	–	384,516	163,784	–	–	85.73	22.03.10[e]	22.03.13	22.09.13
	Performance Share Plan[h]	700,878	–	–	573,038	127,840	–	–	111.92	06.08.10[e]	06.08.13	06.02.14
	Performance Share Plan[h]	1,617,897	–	–	–	–	1,617,897	–	–	01.04.11	01.04.14[d]	01.10.14
	Performance Share Plan[h]	1,349,503	–	–	–	–	1,349,503	–	–	05.03.12	05.03.15[d]	05.09.15
	Performance Share Plan[h]	–	828,568[b]	–	–	–	828,568	–	–	06.03.13[f]	06.03.16[d]	06.09.16
	Share Option Plan[h]	1,115,277	–	–	575,818	539,459	–	39.34	85.73	07.08.09	01.03.13	07.08.19
	Sharesave Plan[g]	63,331	–	–	–		63,331	24.04	–	11.10.11	01.12.16	31.05.17
	Total	**6,556,368**	**946,068**	**3,858**	**1,836,735**	**1,319,017**	**4,350,542**					

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

(a) Market value per share on date of grant 25 March 2013 was 86.35 pence.

(b) Market value per share on date of grant 6 March 2013 was 83.4 pence.

(c) Market value per share on date of grant 8 October 2013 was 98.7 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) Due to the timing of the 2009 awards, the 2010 awards were made in two equal tranches, after the full-year and half-year announcements. This was to reduce the potential overlap of the vesting of the 2009 and 2010 awards in 2013 due to the fact that the 2009 awards were effectively based on four year performance periods.

(f) Vesting will be 20% for the 2013 award (2012 and 2011 award for both tranches 20%) for threshold performance (50th percentile for TSR; 10% ROCE; 11.5% margin) and 100% (2012 and 2011 award for both tranches) for upper quartile performance (75th percentile for TSR; 20% ROCE; 16% 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 2013 was 111.5 pence and the range during the year was 68.1 pence to 114.5 pence. Details of any share awards made to Executive Directors during 2014 will be included in the 2014 Remuneration Report.

Directors' interests in shares of the Company

Share ownership guidelines

These guidelines are designed to encourage greater levels of shareholding by employees at all 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. Following shareholder consultation, shares held on trust by way of deferral under the STIA will no longer continue to count towards the target shareholding for each Executive Director unless or until they actually vest. Members of the Group Management Team and other designated executives are expected to maintain a shareholding of 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 pursuant to the Company's long term incentive plans until such guidelines are met.

The Committee will keep the guidelines under regular review. 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'):

	Beneficially owned		Outstanding interests in share plans				Share interests expressed as a percentage of salary			
Director	at 1/1/13 (ordinary shares)[a]	at 31/12/13 (ordinary shares)	STIA[b]	TWPSP	TWSOP	Sharesave	Value of shares (including any SIP shares) as at 31/12/13; salary as at 31/12/13[c]		Value of shares (including any SIP shares) as at 24/2/14; salary as at 1/4/14[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	897,196	2,014,404	560,773	6,431,958	–	63,331	298%	381%	341%	437%
Ryan Mangold	154,410	433,770	152,634	3,371,304	–	10,623	139%	188%	160%	216%
James Jordan	259,310	945,032	260,358	3,795,968	–	63,331	301%	384%	345%	440%
Kate Barker	40,000	40,000	–	–	–	–				
Margaret Ford	39,940	84,940	–	–	–	–				
Mike Hussey	125,000	125,000	–	–	–	–				
Tony Reading	400,000	400,000	–	–	–	–				
Rob Rowley	200,000	200,000	–	–	–	–				

(a) Or date of appointment.

(b) Deferred shares held on trust under the STIA do not count towards the achievement of share ownership guidelines targets described on page 73. In addition, only the net amount of shares has been included in this column and in the percentages set out in the eighth and tenth columns.

(c) This is the percentage of shareholding achieved at 31 December 2013 towards the targets described on page 73 calculated on 2013 salary and at 31 December 2013 share price. Salaries as at 31 December 2013 for Pete Redfern, Ryan Mangold and James Jordan were £753,823, £347,067 and £349,989 respectively.

(d) This is the percentage of shareholding achieved at 31 December 2013 towards the targets described on page 73 calculated on 1 April 2014 salary and at 24 February 2014 share price. Salaries as at 1 April 2014 for Pete Redfern, Ryan Mangold and James Jordan will be £772,669, £355,744 and £358,739 respectively.

(e) Including partnership and matching shares held under the Share Purchase Plan ('SIP') described on page 63.

Note: The share price on 31 December 2013 and used in the above calculation was 111.5 pence per share and on 24 February 2014 was 131 pence per share. Note: The above table does not include the deferral into shares of 33% of the 2013 STIA for any Executive Director.

There was no change to the Directors' interests as set out above during the period between 31 December 2013 and 25 February 2014.

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 31/12/12	Increase in accrued pension from 31/12/12 to 31/12/13	Accrued pension as at 31/12/13[a]	Transfer value gross of Director's contributions at 31/12/13[b]	Transfer value gross of Director's contributions at 31/12/12[b]	Increase in transfer value from 31/12/12 to 31/12/13 less Director's contributions[c]	Increase in transfer value from 31/12/11 to 31/12/12 less inflation	Transfer value of accrued pension increase less Director's contributions
Pete Redfern	62	28,547	660	29,207	370,948	366,650	4,298	–	–
James Jordan	62	25,348	574	25,922	437,490	430,500	6,990	–	–

(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.

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.

Non-Group pension arrangements

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

	2013 (£)	2012 (£)
Ryan Mangold	**36,000**	51,000

(a) Ryan Mangold also received a pension allowance of £52,000 in 2013 (2012: £43,000) in lieu of Company pension contributions over the Annual Allowance limit introduced in April 2011 of £50,000.

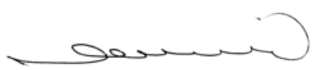
(b) Ryan Mangold elected to have £20,000 (2012: £30,000) of the non-deferred portion of his STIA cash bonus, earned for 2012 performance and paid in 2013, paid as additional pension contribution.

Statement of shareholder voting

At the 2013 Annual General Meeting, the result of shareholders' vote on the Company's Remuneration Report for 2012 was: For: 1.7 billion votes (84%) (2012: 1.9 billion (93%)); Against: 331 million votes (16%) (2012: 141 million (7%); Withheld: 102 million votes (2012: 5 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 17 April 2014.

Approval

This Remuneration Report was approved by the Board of Directors on 25 February 2014 and signed on its behalf by the Remuneration Committee Chairman:



Tony Reading
25 February 2014

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 Report and Accounts as detailed below:

– the Strategy Report introduced by the Department for Business Innovation & Skills ('BIS') appears on pages 6 to 36;
– the revised reporting on Remuneration introduced by BIS appears on pages 60 to 75;
– the new reporting on the Company's carbon footprint introduced by BIS appears on page 26;
– 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 141;
– changes in asset values are set out in the consolidated balance sheet on page 87 and in the Notes to the accounts on pages 90 to 122;
– the Group's profit before taxation and the profit after taxation and minority interests appear in the consolidated income statement on page 85 and in the Notes to the accounts on pages 90 to 122;
– a detailed statement of the Group's treasury management and funding is set out in Note 20 on pages 107 to 109, and;
– a statement that this Annual Report and Accounts meets the requirements of Provision C.1.1 of the UK Corporate Governance Code ('the Code'), as set out in the Corporate Governance Report on page 54.

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;

Mike Hussey, Independent Non Executive Director;

Tony Reading, Independent Non Executive Director, and;

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

Margaret Ford was appointed an Independent Non Executive Director on 25 April 2013.

Brenda Dean, Independent Non Executive Director, retired on 25 April 2013.

The Directors together with their biographical information are shown on pages 42 and 43.

Retirement, election and re-election

The Company has determined that in accordance with the UK Corporate Governance Code, all Directors, other than Tony Reading who is retiring at the conclusion of the AGM, should seek election or re-election, as appropriate, at this year's AGM as explained in the Notes to the Notice of Meeting and on page 50 of the Corporate Governance Report.

Each of the Directors proposed for election or 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, confirmed that:

– to the best of their knowledge there is no relevant audit information of which the Company's auditor is unaware, and;
– they have 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 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 56, a resolution to re-appoint Deloitte LLP 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. Deloitte LLP 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 98.

Annual General Meeting

The AGM will be held at 11:00 am on 17 April 2014 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 132 to 139 and on the Company's website www.taylorwimpey.co.uk. 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 2013 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 140.

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 116.

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 29 April 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). Warrants remain over approximately 0.3% of the current issued share capital at the subscription price per share of 17.4473 pence (25 pence prior to the Placing and Open Offer). The Warrants are transferable and carry entitlement to subscription for three months after the passing of a resolution for the winding-up of the Company. To date, aggregate exercises of Warrants have resulted in the issue of 48.6 million new Ordinary Shares of 1p each.

The authority given by shareholders at the AGM held on 25 April 2013 for the Company to purchase a maximum of 323 million of its own shares remained valid at 31 December 2013. The authority was not exercised during 2013 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. 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 63. 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 25 February 2014, 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 25 February 2014

Name	Number of shares held (millions)	Percentage of issued voting share capital
BlackRock Inc	205.9	6.37
J.P. Morgan Asset Management Holdings Inc	159.6	4.99
Legal & General Group Plc	103.4	3.20
Standard Life Investments Limited	96.4	3.01

Dividend

Information relating to the recommended 2013 final dividend is set out in the Chairman's Statement on page 8 and in the notes to resolution 2 on page 132 in the Notes to the Notice of Annual General Meeting.

The Company will be operating a Dividend Re-Investment Plan, further details of which are set out on page 136 of this Annual Report.

The right to receive any dividend has been waived in part by the Trustee of the Company's Employee Share Ownership Trusts over those Trusts' combined holding of 26,440,390 shares.

Research and development

During 2013 the Company continued to build the 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 the Company's regional business units is used in refining the range and to ensure we have the best house type range to support the business and to provide customers with what they want. To that end our continued development work will look at ways of enhancing the homes and offering more customer choice as well as capturing best practice in their use within urban design.

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 also continuing to push our strategy of fabric first in meeting energy efficiency as well as evaluating carbon offset methods of meeting allowable solutions on an individual site basis. As an adjunct to our R & D 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 sits 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. We continue to work with WRAP (Waste and Resources Action Programme), most notably on their programme on Clay Bricks & Blocks Resource Efficiency Action Plan (REAP) which was completed in 2013.

Through CIRIA (Construction Industry Research Information Association) Taylor Wimpey personnel have continued to contribute to Steering Groups on asbestos in soils and quality control for the installation of gas proof membranes.

Employee involvement and communication
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.

There is an internal forum on the Group's intranet inviting employees to comment and make suggestions on the Company's strategy and its implementation with each one being read by the Chief Executive and responded to.

This is in addition to the continuing forum on the intranet called 'Open Door' which allows direct communication with the Chief Executive on strategic areas of focus and other matters in order to enable all employees to contribute and comment. All employees are encouraged to participate and use the forum.

The Company promotes share ownership as widely as possible. In 2012 a new scheme was introduced whereby employees were offered the opportunity 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 second such offer was made in 2013 and resulted in 697,185 shares (2012: 934,516) being acquired by 294 employees (2012: 255).

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 (53.2% (2012: 48.5%)) participate in one or both plans or are otherwise already shareholders of the Company.

Equal opportunities
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. 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/corporate-responsibility/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 Group HR Director (Chairman), 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 £255,000 (2012: £247,000) and an additional 80 (2012: 476) hours of volunteer time to various charities in the UK.

Further information on the Group's donations, activities and initiatives can be found in the 2013 Corporate Responsibility Report which is available on the Company's website: www.taylorwimpey.co.uk/corporate/corporate-responsibility

Political donations
The Company has a policy of not making donations to political parties, has not made any this year and neither does it intend to. 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 as political in nature, the Companies Act 2006 definition of 'political organisations' and related terms is very wide and in certain circumstances a donation or a subscription to a charity or other organisation could retrospectively be categorised as a political donation. Accordingly, the Company will be seeking the usual annual dispensation at the Annual General Meeting as a matter of prudency.

Policy on payment of suppliers
The nature of the Group's operations means that there is no single Group standard in respect of payment terms to suppliers. Generally, business units are responsible for establishing payment terms with suppliers when entering into each transaction or series of linked transactions. In the absence of dispute, valid payment requests are met as expeditiously as possible within such terms. Our standard framework agreements with contractors establish the due date for payment as 30 days from the later of the date of issue of the invoice or request for payment, or the relevant month end notified by the employer, and for suppliers, the due date for payment is the end of the month following the month of receipt of the supplier's invoice for goods and/or services delivered to the Company.

Trade creditor days for the Group for the year ended 31 December 2013 were 41 days (2012: 36 days). This is based on the ratio of year end Group trade creditors (excluding sub-contract retentions and unagreed claims of £39.6 million (2012: £38.9 million) and land creditors, see Note 19 to the Consolidated Financial Statements) to amounts invoiced during the year by trade creditors. The Company had no significant trade creditors at 31 December 2013.

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 2013.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements 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.

A new requirement introduced for this year's reporting by Provision C.1 of the Code is for Directors to:

- ensure that the Annual Report and Accounts provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and as part of that process,
- report on the significant items considered in connection with the preparation of the 2013 Annual Report and Accounts.

Details of how these areas were addressed are set out in the Audit Committee Report on page 59.

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 Financial Statements, 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 25 February 2014.

James Jordan

James Jordan
Group Legal Director and Company Secretary
Taylor Wimpey plc
25 February 2014

Financial Statements

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Diglis Water, The Midlands

Diglis Water is a regeneration project which lines the banks of the River Severn.

Visit www.taylorwimpey.co.uk for more information

Independent Auditor's Report

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 2013 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 17. 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 59 that the Group is a going concern. We confirm that:

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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:

Risk	How the scope of our audit responded to the risk
Carrying value of inventory The carrying value of inventory at the lower of cost and net realisable value is dependent on key judgements in relation to future expected sales prices and costs, determined on a site by site basis.	We performed testing on the detailed exercise completed by management, validating a sample of inputs by reference to internal site specific information such as cost to complete estimates as well as actual prices from sales achieved during the year and independent forecasts of movements in future selling prices. We also consider the sensitivity of the key judgements.
Inventory costing Inventory is the most significant balance on the Balance Sheet. We consider the appropriate recognition of costs into inventory and the allocation of these between different phases and plots, including shared costs such as land and infrastructure to be a risk. These affect the appropriateness of the margin recognised on each legal completion.	For a sample of plots and sites, we tested additions to the inventory balance to check that costs had been appropriately capitalised, by tracing these additions to supporting supplier invoices. For a sample of plots and sites, we also tested that shared costs were allocated appropriately by assessing the reasonableness of the methodology used and independently recalculating this. We also tested the operating effectiveness of controls over this area.
Defined benefit pension scheme accounting Accounting for defined benefit pension schemes, is dependent on significant assumptions, including discount rates, salary and pension increases, price inflation and mortality rates. During the year, the merger of the Taylor Woodrow Group Pension and Life Assurance Fund and the George Wimpey Staff Pension Scheme occurred following the implementation of a pension funding partnership arrangement.	We assessed the competence, capabilities and objectivity of the qualified independent actuary engaged by the Group. 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 actuaries. We considered whether each assumption was reasonable in isolation and collectively in determining the pension liability at the balance sheet date. We also obtained an understanding of the scheme merger and audited the transaction.

Our assessment of risks of material misstatement continued

Risk	How the scope of our audit responded to the risk
System implementation During the year the Group completed a migration to a COINS based Enterprise Resource Planning (ERP) system.	We audited the business controls in place for the migration to COINS and tested a sample of data to check that it was consistent and complete post migration. We also tested the operating effectiveness of the key IT controls within the COINS system.
Revenue recognition Revenue recognition, including the timing of revenue recognition in relation to the sale of land, and recognition of revenue (and profit) arising from social housing contracts which are accounted for as long term contracts. Long term contracting requires judgement to determine the appropriateness of calculating the revenue and profit to be recognised, estimating the total expected costs to complete each site and the percentage of completion at the balance sheet date.	We carried out testing around cut-off and timing of revenue recognition of land sales and social housing revenue, as well as substantive testing, analytical procedures and assessing whether the revenue recognition policies adopted complied with IFRS. A sample of contracts was tested through verification of costs incurred and supporting evidence for the percentage completion at the balance sheet date sought from customer certification.

The Audit Committee's consideration of their risks is set out on page 58.

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 planning materiality for the Group to be £20 million, which is calculated based on 7.5% of pre-tax profit for the year excluding exceptional items.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £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% of the Group's net operating assets, 99% of the Group's revenue and 99% of the Group's profit on ordinary activities before joint ventures, finance costs, exceptional items and tax.

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.

Joint ventures and the Spanish operations were subject to specified procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations.

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.

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.

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. Under the Listing Rules we are required to review certain elements of the Directors' Remuneration Report. 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 nine 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:

- materiality 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.

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.

Colin Hudson, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 February 2014

Consolidated Income Statement
for the year to 31 December 2013

£ million	Note	Before exceptional items 2013	Exceptional items 2013 (Note 8,9 and 15)	Total 2013	Before exceptional items 2012 Restated – Note 1	Exceptional items 2012 (Note 8 and 9)	Total 2012 Restated – Note 1
Continuing operations							
Revenue	4	2,295.5	–	2,295.5	2,019.0	–	2,019.0
Cost of sales		(1,846.2)	45.6	(1,800.6)	(1,662.7)	–	(1,662.7)
Gross profit before positive contribution		403.9	45.6	449.5	271.2	–	271.2
Positive contribution from written down inventory		45.4	–	45.4	85.1	–	85.1
Gross profit		449.3	45.6	494.9	356.3	–	356.3
Net operating expenses	6	(139.6)	–	(139.6)	(132.6)	–	(132.6)
Profit on ordinary activities before finance costs		309.7	45.6	355.3	223.7	–	223.7
Interest receivable	8	0.9	–	0.9	1.2	–	1.2
Finance costs	8	(45.4)	(7.8)	(53.2)	(45.5)	22.4	(23.1)
Share of results of joint ventures	13	3.2	–	3.2	2.4	–	2.4
Profit on ordinary activities before taxation		268.4	37.8	306.2	181.8	22.4	204.2
Taxation (charge)/credit	9	(53.7)	(12.7)	(66.4)	(35.2)	59.6	24.4
Profit for the year from continuing operations		214.7	25.1	239.8	146.6	82.0	228.6
Discontinued operations							
Result for the year	27			31.3			–
Profit for the year				271.1			228.6
Attributable to:							
Equity holders of the parent				271.4			228.6
Non-controlling interests				(0.3)			–
				271.1			228.6

	Note	2013	2012 Restated – Note 1
Basic earnings per share – total Group	10	8.5p	7.2p
Diluted earnings per share – total Group	10	8.3p	7.0p
Basic earnings per share – continuing operations	10	7.5p	7.2p
Diluted earnings per share – continuing operations	10	7.3p	7.0p
Adjusted basic earnings per share – continuing operations	10	6.7p	4.6p
Adjusted diluted earnings per share – continuing operations	10	6.5p	4.5p
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 2013

£ million	Note	2013	2012 Restated – Note 1
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	25	**(1.2)**	0.2
Movement in fair value of hedging derivatives and loans	25	**1.2**	–
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	21	**21.0**	(73.3)
Tax (charge)/credit on items taken directly to equity	14	**(6.6)**	16.0
Other comprehensive income/(expense) for the year net of tax		**14.4**	(57.1)
Profit for the year		**271.1**	228.6
Total comprehensive income for the year		**285.5**	171.5
Attributable to:			
Equity holders of the parent		**285.8**	171.5
Non-controlling interests		**(0.3)**	–
		285.5	171.5

Consolidated Balance Sheet

at 31 December 2013

£ million	Note	2013	2012
Non-current assets			
Other intangible assets	11	**4.2**	5.2
Property, plant and equipment	12	**8.3**	7.1
Interests in joint ventures	13	**34.7**	31.5
Trade and other receivables	16	**110.8**	102.0
Deferred tax assets	14	**246.6**	319.6
		404.6	465.4
Current assets			
Inventories	15	**2,928.8**	2,788.8
Trade and other receivables	16	**118.5**	96.0
Tax receivables		**7.8**	9.7
Cash and cash equivalents	16	**105.4**	190.4
		3,160.5	3,084.9
Total assets		**3,565.1**	3,550.3
Current liabilities			
Trade and other payables	19	**(793.9)**	(772.6)
Tax payables		**(7.6)**	(8.7)
Provisions	22	**(28.3)**	(84.4)
		(829.8)	(865.7)
Net current assets		**2,330.7**	2,219.2
Non-current liabilities			
Trade and other payables	19	**(193.7)**	(190.8)
Debenture loans	18	**–**	(149.4)
Bank and other loans	17	**(100.0)**	(100.0)
Retirement benefit obligations	21	**(183.8)**	(244.2)
Provisions	22	**(6.0)**	(10.7)
		(483.5)	(695.1)
Total liabilities		**(1,313.3)**	(1,560.8)
Net assets		**2,251.8**	1,989.5
Share capital	23	**288.1**	288.0
Share premium account	24	**760.2**	758.8
Own shares	26	**(18.9)**	(15.9)
Other reserves	25	**43.8**	44.6
Retained earnings	25	**1,177.5**	912.6
Equity attributable to parent		**2,250.7**	1,988.1
Non-controlling interests		**1.1**	1.4
Total equity		**2,251.8**	1,989.5

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 25 February 2014. They were signed on its behalf by:

P Redfern
Director

R Mangold
Director

Consolidated Statement of Changes in Equity

for the year to 31 December 2013

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
Share-based payment credit	–	–	–	–	6.4	6.4
Cash cost of satisfying share options	–	–	–	–	(7.3)	(7.3)
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**

For the year to 31 December 2012 Restated – Note 1 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2012	287.7	754.4	(8.4)	46.7	753.1	1,833.5
Exchange differences on translation of foreign operations	–	–	–	0.2	–	0.2
Actuarial loss on defined benefit pension schemes	–	–	–	–	(73.3)	(73.3)
Deferred tax credit	–	–	–	–	16.0	16.0
Other comprehensive income/(expense) for the year net of tax	–	–	–	0.2	(57.3)	(57.1)
Profit for the year	–	–	–	–	228.6	228.6
Total comprehensive income for the year	–	–	–	0.2	171.3	171.5
New share capital subscribed	0.3	4.4	–	–	–	4.7
Own shares acquired	–	–	(10.0)	–	–	(10.0)
Utilisation of own shares	–	–	2.5	–	–	2.5
Share-based payment credit	–	–	–	–	4.8	4.8
Cash cost of satisfying share options	–	–	–	–	(0.7)	(0.7)
Transfer to retained earnings	–	–	–	(2.3)	2.3	–
Dividends approved and paid	–	–	–	–	(18.2)	(18.2)
Equity attributable to parent	288.0	758.8	(15.9)	44.6	912.6	1,988.1
Non-controlling interests						1.4
Total equity						1,989.5

Consolidated Cash Flow Statement

for the year to 31 December 2013

Strategic Report p3-39
Directors' Report: Governance p41-79
Financial Statements p81-131
Shareholder Information p132-141

£ million	Note	2013	2012
Net cash from operating activities	28	**98.1**	78.4
Investing activities			
Interest received		**0.6**	0.9
Dividends received from joint ventures		**1.5**	0.4
Proceeds on disposal of property, plant and investments		**0.1**	0.7
Purchases of property, plant and investments	12	**(2.5)**	(3.5)
Purchases of software	11	**(0.6)**	(0.8)
Amounts invested in joint ventures		**(1.5)**	–
Amounts repaid from joint ventures		**–**	2.1
Net cash used in investing activities		**(2.4)**	(0.2)
Financing activities			
Proceeds from sale of own shares		**1.5**	4.7
Cash cost of satisfying share options		**(7.3)**	(0.7)
Purchase of own shares		**(3.0)**	(7.7)
Repayment of debenture loans		**(149.4)**	(15.2)
Dividends paid		**(20.8)**	(18.2)
Net cash used in financing activities		**(179.0)**	(37.1)
Net (decrease)/increase in cash and cash equivalents		**(83.3)**	41.1
Cash and cash equivalents at beginning of year		**190.4**	147.7
Effect of foreign exchange rate changes		**(1.7)**	1.6
Cash and cash equivalents at end of year	28	**105.4**	190.4

Notes to the Consolidated Financial Statements
for the year to 31 December 2013

1. Significant accounting policies
Basis of preparation
The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated below.

The Group has continued to be profitable in the current year and has further strengthened the balance sheet. The Group has prepared forecasts for a period of more than 12 months which indicate that there is sufficient financial capacity to continue trading for the foreseeable future and at least the next 12 months.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Basis of accounting
The consolidated financial statements have been prepared in accordance with applicable International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS relevant to the Group's operations and effective for accounting periods beginning on 1 January 2013.

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 govern the financial and operating policies of an investee entity so as to obtain benefits 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 minority shareholders is stated at the minority'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 that 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.

Prior year restatement
The Group adopted IAS 19 'Employee Benefits' (amended 2011) in 2013. The application of IAS 19 (amended 2011) has resulted in the interest cost and expected return on assets being replaced by a net interest charge on the net defined benefit pension liability.

Certain costs previously recorded as part of finance costs or other comprehensive income have now been presented within administrative expenses.

The 2012 year has been restated with profit for the year £2.7 million lower and other comprehensive income £2.7 million higher, including the tax impact of the changes. The Group records actuarial adjustments immediately so there has been no effect on the prior year pension deficit.

Joint ventures
Undertakings are deemed to be a joint venture when the Group has joint control 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, namely that proportion sold outside the Group.

Where a jointly controlled operation is undertaken the related assets and liabilities are consolidated on a proportional consolidation basis.

Segmental reporting
The Group is divided into two operating divisions for management reporting and control:

– Housing United Kingdom

– Housing Spain

The Group completed the disposal of its North American business in July 2011. The result in the year relates to the release of certain provisions due to the settlement of various indemnities and liabilities associated with the disposal.

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. It is recorded at its fair value, established by independent surveyors, less cost to sell. Net proceeds generated from the subsequent sale of part exchange properties are recorded as a reduction to cost of sales.

(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 Consolidated Income Statement represents the amount of write-down allocated to inventory on a plot that has resulted in a 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'.

Finance Costs

(a) 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.

(b) 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 classified as equity 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 below 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary or jointly-controlled entity, the carrying value of any attributable goodwill is included in the determination of the profit or loss on disposal.

1. Significant accounting policies continued

Other 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.

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, fixtures and equipment 20-25%; and computer equipment 33% per annum.

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 excluding goodwill

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 reviewed for impairment. 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.

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. Where the receivable is due over one year it is discounted to present value.

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 less any provision for default and the embedded derivative is measured at fair value through the income statement. The fair value of the derivative is established based on two national house price indices.

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 at the proceeds received, net of direct issue costs.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

1. Significant accounting policies continued

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.

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 reserves and the ineffective portion, if any, is recognised immediately in the Consolidated Income Statement.

For an effective hedge of an exposure to changes in the 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 reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to the income statement for the period. In the situation that a derivative financial instrument does not meet the specific criteria of IAS 39 'Financial instruments' for hedging 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 net profit 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 reserves, in which case the deferred tax is also dealt with in reserves.

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; 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 Consolidated 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 costs to complete

In order to determine the profit that the Group is able to recognise on the proportion of completions 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 £45.6 million of inventory write-downs in the year. This consists of a UK reversal of £107.1 million and further write-downs of £44.8 million. A further £16.7 million of write-downs was recorded in Spain.

Impairment of other intangible assets

The determination of whether other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation involves significant judgement including an estimate of the future cash flows expected to arise from the cash-generating unit, the future growth rate of revenue and costs, and a suitable discount rate.

If the trading conditions of the business, where the brand is used, have significantly improved, the impairment provision relating to the related intangible asset may reverse in part or in whole.

Pensions

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 Group's Consolidated 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.

Going concern

The UK market has improved, with better mortgage availability and consumer confidence, and the Group has continued to be profitable in the current year and has further strengthened its balance sheet through the reduction of debt, including the redemption of the outstanding Senior Notes and the reduction of the pension deficit.

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified on pages 24 to 25. These forecasts indicate that the Group has sufficient financial capacity to continue for at least the next 12 months from the date of signing these financial statements.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Adoption of new and revised Standards and Interpretations

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 13 'Fair value measurement'. The amendment applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value. It requires disclosures about fair value measurement, using a fair value hierarchy, which results in a market based, rather than entity specific measurement.

IAS 19 'Employee benefits' (amended 2011). This Standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits is measured, providing detailed guidance in particular about post-employment benefits.

2. Key sources of estimation uncertainty and critical accounting judgements continued

This impacts the measurement of various components representing movements in the defined benefit obligation and associated disclosures, but not the Group's total obligation. The prior year comparatives have been restated as detailed in Note 1.

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:

- Annual improvements to IFRSs 2009-2011 Cycle
- IFRS 1 (amended) 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'
- IFRS 1 (amended) 'Government Loans'
- IFRS 7 (amended) 'Disclosure – Offsetting Financial Assets and Financial Liabilities'
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 10 (amended) 'Investment Entities'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosures of Interests in Other Entities'
- IFRS 12 (amended) 'Investment Entities'
- IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 27 (amended) 'Investment Entities'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IAS 32 (amended) 'Offsetting Financial Assets and Liabilities'

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.

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 141. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Review on pages 10 to 27.

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 91.

4. Revenue

An analysis of the Group's continuing revenue is as follows:

£ million	2013	2012
Housing	2,267.0	2,002.8
Land sales	28.5	16.2
Consolidated revenue for the year	2,295.5	2,019.0

Housing revenue includes £150.0 million (2012: £139.3 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 in 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.

The North American business was disposed of in 2011. In the year the Group has favourably settled a number of indemnity claims and liabilities related to the disposal which has resulted in the release of associated provisions. These are presented as discontinued operations.

Segment information about these businesses is presented below:

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)			(52.3)
Profit on ordinary activities before taxation			306.2
Taxation (including exceptional tax)			(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			
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)
Continuing 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

5. Operating segments continued

For the year to 31 December 2013 £ million	Housing United Kingdom	Housing Spain	Consolidated
Other information – continuing operations			
Property, plant and equipment additions	**2.5**	**–**	**2.5**
Software development costs	**0.6**	**–**	**0.6**
Depreciation – plant and equipment	**1.2**	**0.1**	**1.3**
Software amortisation	**1.6**	**–**	**1.6**

For the year to 31 December 2012 Restated – Note 1 £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue			
External sales	1,987.0	32.0	2,019.0
Result			
Profit on ordinary activities before joint ventures, finance costs and exceptional items	222.4	1.3	223.7
Share of results of joint ventures	2.4	–	2.4
Profit on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	224.8	1.3	226.1
Finance costs, net (including exceptional finance costs and credits)			(21.9)
Profit on ordinary activities before taxation			204.2
Taxation (including exceptional tax)			24.4
Profit for the year – total Group			228.6
Assets and liabilities			
Segment operating assets	2,922.6	76.5	2,999.1
Joint ventures	31.3	0.2	31.5
Segment operating liabilities	(1,286.7)	(16.0)	(1,302.7)
Continuing Group net operating assets	1,667.2	60.7	1,727.9
Net current taxation			1.0
Net deferred taxation			319.6
Net debt			(59.0)
Net assets			1,989.5
Other information – continuing operations			
Property, plant and equipment additions	3.4	0.1	3.5
Software development costs	0.8	–	0.8
Depreciation – plant and equipment	1.2	0.1	1.3
Software amortisation	0.7	–	0.7

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	2013	2012 Restated – Note 1
Administration expenses	151.7	142.1
Net other income	(12.1)	(9.5)
Exceptional items	(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	2013	2012
Net reversal of inventory write-downs (Note 15)	(45.6)	–
Exceptional items	(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 £45.6 million of previous write-downs in the year (2012: £nil). This consisted of £107.1 million of releases and £44.8 million of additional NRV requirements in the UK. A further £16.7 million of additional NRV write-downs have been recorded in Spain. These relate to specific legacy sites where management has completed a strategic review to realise the associated inventory.

Profit on ordinary activities before financing costs for continuing operations has been arrived at after charging / (crediting):

£ million	2013	2012
Cost of inventories recognised as expense in cost of sales, before write-downs of inventories	1,765.8	1,589.9
Write-down of inventories	61.5	–
Reversal of write-downs of inventories	(107.1)	–
Depreciation – plant and equipment	1.3	1.2
Minimum lease payments under operating leases recognised in income for the year	5.7	6.4

The remuneration paid to Deloitte LLP, the Group's external auditor, is as follows:

£ million	2013	2012
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 their 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	–	0.1
Other services	0.1	–
Total non-audit fees	0.2	0.3
Total fees	0.6	0.7

Non-audit services in 2013 and 2012 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 the pension asset backed funding structure implemented in the year and to pension liability management consultation. The work was either the subject of a competitive tender or was best performed by the Group's auditor because of their knowledge of the Group.

Tax services include advisory services for Taylor Wimpey plc and subsidiaries. See page 57 for details of the Group's policies in respect of non-audit services and approval by the Audit Committee.

7. Staff costs

Continuing Group	2013 Number	2012 Number
Average number employed		
Housing United Kingdom	**3,629**	3,465
Housing Spain	**71**	62
	3,700	3,527
United Kingdom	**3,629**	3,465
Overseas	**71**	62
	3,700	3,527

£ million	2013	2012
Remuneration		
Wages and salaries	**160.9**	145.0
Redundancy costs	**0.9**	0.6
Social security costs	**19.7**	17.5
Other pension costs	**7.7**	9.0
	189.2	172.1

The information required by the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority is contained on pages 60 to 75 in the Directors' Remuneration Report.

8. Finance costs

Interest receivable from continuing operations £ million	2013	2012
External interest receivable	**0.9**	1.2
	0.9	1.2

Finance costs from continuing operations are analysed as follows:

£ million	2013	2012 Restated – Note 1
Interest on overdrafts, bank and other loans	**12.4**	13.6
Interest on debenture loans	**15.5**	18.1
Movement on interest rate derivatives and foreign exchange movements	**(0.2)**	0.3
	27.7	32.0
Unwinding of discount on land creditors and other payables	**8.0**	4.1
Notional net interest on pension liability (Note 21)	**9.7**	9.4
	45.4	45.5
Exceptional finance items:		
Tax liability interest credit	**–**	(22.4)
Senior Note 10.375% due 2015 prepayment penalty	**7.8**	–
	53.2	23.1

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. In the prior year £1.7 million of premium paid on the repurchase of £15.2 million Senior Notes 10.375% due 2015 was included in interest on debenture loans.

The exceptional credit in 2012 related to the release of an interest accrual associated with the favourable resolution of a historic potential tax liability.

9. Tax

Tax (charge) / credit in the income statement for continuing operations is analysed as follows:

£ million		2013	2012 Restated – Note 1
Current tax:			
UK corporation tax:	Current year	–	–
	Prior years	–	63.6
Foreign tax:	Current year	–	–
	Prior years	–	–
		–	63.6
Deferred tax:			
UK:	Current year	(69.8)	(38.9)
	Prior year	3.4	(0.3)
		(66.4)	(39.2)
		(66.4)	24.4

Corporation tax is calculated at 23.3% (2012: 24.5%) 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 £12.7 million in respect of UK tax. This consists of a charge of £14.5 million associated with the net realisable value of inventory and a credit of £1.8 million related to a prepayment penalty on the redemption of the Senior Notes 10.375% due 2015.

The charge for the year includes a charge of £21.8 million (2012: £21.1 million) relating to the impact on the deferred tax asset of the 3% reduction in UK corporation tax from 23% to 20% (2012: 25% to 23%).

The (charge) / credit for the year can be reconciled to the profit per the income statement as follows:

£ million	2013	2012 Restated – Note 1
Profit before tax	306.2	204.2
Tax at the UK corporation tax rate of 23.3% (2012: 24.5%)	(71.2)	(50.1)
Net over provision in respect of prior years	3.4	63.3
Tax effect of expenses that are not deductible in determining taxable profit	0.8	(1.4)
Unrecognised temporary differences utilised	6.6	17.2
Losses not recognised	(5.0)	–
Recognition of deferred tax asset relating to trading losses	–	16.5
Recognition of deferred tax asset relating to other losses	18.8	–
Impact of 3% rate reduction on deferred tax	(21.8)	(21.1)
Other rate impacting adjustments	2.0	–
Tax (charge) / credit for the year	(66.4)	24.4

10. Earnings per share

	2013	2012 Restated – Note 1
Basic earnings per share	**8.5p**	7.2p
Diluted earnings per share	**8.3p**	7.0p
Basic earnings per share – continuing operations	**7.5p**	7.2p
Diluted earnings per share – continuing operations	**7.3p**	7.0p
Adjusted basic earnings per share – continuing operations	**6.7p**	4.6p
Adjusted diluted earnings per share – continuing operations	**6.5p**	4.5p
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	**3,201.4**	3,186.4
Weighted average number of shares for diluted basic/adjusted earnings per share – million	**3,280.4**	3,262.4

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 better measure on 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	2013	2012 Restated – Note 1
Earnings from continuing operations for basic and diluted earnings per share	**239.8**	228.6
Adjust for exceptional net reversal of inventory write-downs (Note 15)	**(45.6)**	–
Adjust for exceptional interest items (Note 8)	**7.8**	(22.4)
Adjust for exceptional tax items (Note 9)	**12.7**	(59.6)
Earnings from continuing operations for adjusted basic and adjusted diluted earnings per share	**214.7**	146.6

11. Other intangible assets

£ million	Brands	Software development costs	Total
Cost			
At 1 January 2012	140.2	5.1	145.3
Additions	–	0.8	0.8
At 31 December 2012	140.2	5.9	146.1
Additions	**–**	**0.6**	**0.6**
At 31 December 2013	**140.2**	**6.5**	**146.7**
Amortisation/impairment			
At 1 January 2012	(140.2)	–	(140.2)
Charge for the year	–	(0.7)	(0.7)
At 31 December 2012	(140.2)	(0.7)	(140.9)
Charge for the year	**–**	**(1.6)**	**(1.6)**
At 31 December 2013	**(140.2)**	**(2.3)**	**(142.5)**
Carrying amount			
31 December 2013	**–**	**4.2**	**4.2**
31 December 2012	–	5.2	5.2

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.

Additions in the year relate to certain software and consultancy services relating to the continued development and roll out of a new IT system for use by the operational business units. 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 2012	1.5	14.5	16.0
Additions	0.4	3.1	3.5
Changes in exchange rates	–	(0.1)	(0.1)
At 31 December 2012	1.9	17.5	19.4
Additions	**1.5**	**1.0**	**2.5**
Disposals	**–**	**(4.4)**	**(4.4)**
Changes in exchange rates	**–**	**–**	**–**
At 31 December 2013	**3.4**	**14.1**	**17.5**
Accumulated depreciation			
At 1 January 2012	–	(11.0)	(11.0)
Charge for the year	(0.1)	(1.2)	(1.3)
At 31 December 2012	(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)**
Carrying amount			
At 31 December 2013	**3.3**	**5.0**	**8.3**
At 31 December 2012	1.8	5.3	7.1

13. Interests in joint ventures

£ million	2013	2012
Aggregated amounts relating to share of joint ventures		
Current assets	**42.2**	38.0
Total assets	**42.2**	38.0
Current liabilities	**(4.7)**	(2.1)
Non-current liabilities	**(27.7)**	(27.9)
Total liabilities	**(32.4)**	(30.0)
Carrying amount	**9.8**	8.0
Loans to joint ventures	**24.9**	23.5
Total interests in joint ventures	**34.7**	31.5

£ million	2013	2012
Share of post-tax profits from joint ventures		
Revenue	**24.5**	16.4
Cost of sales	**(19.6)**	(13.0)
Gross profit	**4.9**	3.4
Net operating expenses	**(1.4)**	(0.7)
Profit on ordinary activities before finance costs	**3.5**	2.7
Finance costs	**(0.1)**	(0.2)
Profit on ordinary activities before tax	**3.4**	2.5
Taxation	**(0.2)**	(0.1)
Share of joint ventures' post-tax results for the year	**3.2**	2.4

The Group has four (2012: three) principal joint ventures.

Particulars of principal 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]	50%

(a) Interest held by subsidiary undertakings.

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 Restated – Note 1
At 1 January 2012	–	–	289.8	52.7	0.3	342.8
Credit/(charge) to income	2.4	8.1	(41.8)	(10.0)	2.1	(39.2)
Credit to equity	2.5	–	–	13.5	–	16.0
At 31 December 2012	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**

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% (2012: 23%), the rate effective from 1 April 2015 but 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 a reduction in the net deferred tax asset at the end of 2013 of £28.3 million. Of this £28.3 million, £6.5 million has been charged directly to the Statement of Comprehensive Income.

The net deferred tax balance is analysed into assets and liabilities as follows:

£ million	2013	2012
Deferred tax assets	**247.6**	319.6
Deferred tax liabilities	**(1.0)**	–
	246.6	319.6

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £17.4 million (2012: £148.3 million) in the UK and £103.9 million (2012: £93.8 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 utilisation. The losses in Spain have not been recognised due to uncertainty of sufficient taxable profits existing against which to utilise the losses.

At the balance sheet date, the Group has unused UK capital losses of £255.3 million (2012: £252.8 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 remaining capital losses at 31 December 2013 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

15. Inventories

£ million	2013	2012
Raw materials and consumables	**1.3**	0.8
Finished goods and goods for resale	**21.3**	29.2
Residential developments:		
Land[(a)]	**2,180.1**	2,051.0
Development and construction costs	**724.7**	704.9
Commercial, industrial and mixed development properties	**1.4**	2.9
	2,928.8	2,788.8

(a) Details of land creditors are in Note 19.

In 2013 the Group has seen a sustained improvement in the UK housing market and the wider UK economy, with increased mortgage availability, lower interest rates and enhanced customer confidence. This is partly as a result of the recently announced 'Help to Buy' Government scheme.

The Group completed net realisable value assessments of inventory in June and December. Given the continued improving market conditions supporting increased profitability on a number of our previously impaired sites in the UK, a net reversal of £62.3 million of impairment write-downs has been recorded in 2013.

15. Inventories continued

The net reversal in the UK consists of a reversal of previous write-downs of £107.1 million and additional write-downs to the lower of cost and net realisable value of £44.8 million on previously impaired sites. At the 2012 year end the Group identified £16.0 million of reversals of write-downs and £5.1 million of additional write-down of inventory, however due to the immaterial nature of the net adjustment and the lack of evidence of a sustainable market recovery these amounts were not recorded and no net realisable value adjustments had been recorded since 2009.

In the year 32% (2012: 46%) 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 £459.9 million (2012: £784.4 million) with associated impairments of £206.8 million (2012: £351.5 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.

As at £ million	+1% selling price	-1% selling price	+1% build cost	-1% build cost
31 December 2013	**18.3**	**(6.9)**	**(6.6)**	**11.7**
31 December 2012	24.2	(21.0)	(16.2)	19.0

Following a strategic review of the Spanish inventory a handful of legacy sites were identified for further write-downs of £16.7 million to allow the business to exit the sites efficiently. In the year 95 plots (2012: 120) were completed in Spain that had previously been impaired. In Spain there was inventory written down to net realisable value of £30.2 million as at 31 December 2013 (2012: £50.1 million).

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	2013	2012
1 January	**396.1**	532.5
Utilised	**(86.4)**	(135.1)
Net reversal	**(45.6)**	–
Forex exchange	**1.0**	(1.3)
31 December	**265.1**	396.1

16. Other financial assets

Trade and other receivables

	Current		Non-current	
£ million	2013	2012	2013	2012
Trade receivables	**79.9**	57.0	**109.5**	97.4
Other receivables	**38.6**	39.0	**1.3**	4.6
	118.5	96.0	**110.8**	102.0

The average credit period taken on sales is 14 days (2012: 12 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £3.2 million (2012: £5.4 million). This allowance has been determined by reference to past default experience.

Included within trade receivables are mortgage receivables of £107.5 million (2012: £91.4 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 the income statement.

The embedded derivative fair value movement is established by reference to two published national house price indices. In the year the fair value of the derivative was determined to have increased by £5.5 million (2012: nil).

Cash and cash equivalents

£ million	2013	2012
Cash and cash equivalents (see Note 20)	**105.4**	190.4

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. Overdrafts, bank and other loans

£ million	2013	2012
Bank overdrafts repayable on demand	–	–
Bank loans	–	–
Other loans	100.0	100.0
	100.0	100.0

Bank borrowings and other loans were borrowed at variable rates of interest, from 2.8% to 5.8% (2012: 2.8% to 5.8%) during the year.

Other loans comprise a £100.0 million (2012: £100.0 million) variable rate term loan with an investment fund.

£ million	2013	2012
Amount due for settlement after one year	100.0	100.0
Total bank borrowings	100.0	100.0

£ million	Bank overdraft	Bank and other loans
Analysis of borrowings by currency:		
31 December 2013 and 31 December 2012		
Sterling	–	100.0
	–	100.0

18. Debenture loans

£ million	2013	2012
Unsecured		
£250m Senior Note 10.375% due 2015	–	149.4
Carrying value	–	149.4
Fair value	–	165.2

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).

£ million	2013	2012
Repayable		
Total falling due in more than one year	–	149.4
	–	149.4

Interest rates and currencies of debenture loans:	Fixed rate £ million	Weighted average interest rate %	Weighted average time until maturity years
31 December 2013			
Sterling	–	–	–
31 December 2012			
Sterling	149.4	10.4	3.0

19. Trade and other payables

£ million	Current 2013	Current 2012	Non-current 2013	Non-current 2012
Trade payables	**412.6**	401.0	**140.6**	136.7
Other payables	**381.3**	371.6	**53.1**	54.1
	793.9	772.6	**193.7**	190.8

Trade payable days were 41 days (2012: 36 days), based on the ratio of year-end trade payables (excluding subcontract retentions and unagreed claims of £39.6 million (2012: £38.9 million) and land creditors to amounts invoiced during the year by trade creditors.

Other payables include customer deposits for reserving plots of £49.4 million (2012: £25.3 million) and £141.2 million (2012: £142.1 million) relating to certain accruals associated with completed sites.

Land creditors (included within trade payables) are due as follows: £ million	2013	2012
Due within one year	**209.3**	240.1
Due in more than one year	**139.7**	134.9
	349.0	375.0

Land creditors are denominated as follows: £ million	2013	2012
Sterling	**347.4**	371.7
Euros	**1.6**	3.3
	349.0	375.0

Land creditors of £264.8 million (2012: £243.9 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 based on maintaining a minimum interest cover and within a maximum level of gearing adjusted for land creditors. Shareholders' equity and long term debt are used to finance fixed assets and medium to long term land bank. Revolving credit facilities are used to fund net current assets including development and construction costs.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial Assets £ million	Fair value hierarchy	Carrying value 31 December 2013	Carrying value 31 December 2012	Fair value 31 December 2013	Fair value 31 December 2012
Financial Assets					
Cash and cash equivalents	c	**105.4**	190.4	**105.4**	190.4
Land receivables	c	**29.3**	24.0	**29.3**	24.0
Trade and other receivables	c	**48.6**	46.2	**48.6**	46.2
Mortgage receivables	b	**107.5**	91.4	**107.5**	91.4
		290.8	352.0	**290.8**	352.0

(a) The fair value of debenture loans have been determined from inputs that are observable for the liability directly or indirectly, relevant for the term and currency, being quoted prices in active markets for identical assets/liabilities (level 1).

(b) 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 the income statement. The fair value of the derivative is established based on two publically available national house price indices, being significant other observable inputs (level 2).

(c) 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 £43.9 million (2012: £36.4 million) of non-financial assets.

20. Financial instruments and fair value disclosures continued

Financial Liabilities £ million	Fair value hierarchy	Carrying value 31 December 2013	Carrying value 31 December 2012	Fair value 31 December 2013	Fair value 31 December 2012
Financial Liabilities					
Overdrafts, bank and other loans	c	**100.0**	100.0	**100.0**	100.0
Land creditors	c	**349.0**	375.0	**349.0**	375.0
Trade and other payables	c	**553.5**	519.4	**553.5**	519.4
Debenture loans	a	**–**	149.4	**–**	165.2
		1,002.5	1,143.8	**1,002.5**	1,159.6

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 £85.1 million (2012: £69.0 million) of non-financial liabilities.

The Group has designated the carrying value of €34.0 million (2012: €55.0 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 (level 2). At the year end the carrying value is considered to approximate its fair value.

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:

	2013 Notional amount	2013 Weighted average fixed	2012 Notional amount	2012 Weighted average fixed
Designated as hedging instruments:				
Currency forward contract to sell € against £	**€34.0m**	**n/a**	€55.0m	n/a

In addition, forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy/(sell) against Sterling: €22.0 million and C$(0.7) million (2012: €23.5 million and C$(0.8) 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.

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 both fixed and variable interest rates. The exposure to variable rate borrowings varies 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. At the year end the Group had £nil million (2012: £149.4 million) of fixed rate exposure.

20. Financial instruments and fair value disclosures continued

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with Group policy. A forward contract is currently being used to hedge the net investment risk in the Spanish operations.

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. For derivatives the fair values have been calculated based on rates available from a recognised financial information provider adjusted for the specified sensitivity.

The table assumes all other variables remain constant in accordance with IFRS 7.

1% increase in interest rates £ million	**Sensitivity income 2013**	**Sensitivity equity 2013**	Sensitivity income 2012	Sensitivity equity 2012
Derivatives	**–**	**–**	–	–
Non-derivatives	**–**	**–**	0.9	0.9
	–	**–**	0.9	0.9

1% decrease in interest rates £ million	**Sensitivity income 2013**	**Sensitivity equity 2013**	Sensitivity income 2012	Sensitivity equity 2012
Derivatives	**–**	**–**	–	–
Non-derivatives	**–**	**–**	(0.9)	(0.9)
	–	**–**	(0.9)	(0.9)

(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 remaining 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 functional currencies other than Sterling. The net investment risk is partially hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates and resultant exchange gains or losses monitored each month. 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

The Group has designated the carrying value of €34.0 million (2012: €55.0 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 respective currency 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 2013**	**Equity sensitivity 2013**	Income sensitivity 2012	Equity sensitivity 2012
Euro increase	**0.3**	**(1.1)**	0.3	(1.9)
Euro decrease	**(0.3)**	**1.1**	(0.3)	1.9

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. A small allowance for credit losses against other receivables is held, however the balance is not material in relation to the gross carrying value of this particular class of financial asset.

Mortgages 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 their 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.

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 4.7 years (2012: 2.2 years).

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 (2012: £550.0 million) and cash and cash equivalents were £105.4 million (2012: £190.4 million).

The £100.0 million term loan has now extended to mature in November 2020, with repayments commencing in November 2017, following the redemption of the Senior Notes 10.375% due 2015, which occurred on 31 December 2013.

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***	**Debenture loans**	**Total**
On demand	**–**	**–**	**–**	**–**	**–**
Within one year	**5.1**	**214.7**	**512.0**	**–**	**731.8**
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**	**–**	**1,048.2**

* Excludes land creditors

Financial liabilities £ million	Overdrafts, bank and other loans	Land creditors	Trade and other payables*	Debenture loans	Total
On demand	–	–	–	–	–
Within one year	5.2	244.3	471.5	15.5	736.5
More than one year and less than two years	5.2	65.6	29.5	15.5	115.8
More than two years and less than five years	102.6	62.6	17.3	164.6	347.1
In more than five years	–	23.4	1.1	–	24.5
31 December 2012	113.0	395.9	519.4	195.6	1,223.9

* Excludes land creditors

21. Retirement benefit schemes

Retirement benefit obligation comprises defined benefit pension liability of £182.2 million (2012: £242.5 million) and post-retirement healthcare liability of £1.6 million (2012: £1.7 million).

The Group merged the Taylor Woodrow Group Pension and Life Assurance Fund and the George Wimpey Staff Pension Scheme, creating the Taylor Wimpey Pension Scheme in 2013. This scheme is closed to new members and future accrual. The two legacy schemes are due to complete their winding-up in 2014. 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 £7.7 million in 2013 (2012: £7.1 million), which is included in the income statement charge. The Group expects to make contributions of around £8.0 million in 2014.

Defined benefit pension schemes

The Group's defined benefit pension scheme in the UK is the Taylor Wimpey Pension Scheme (TWPS) which was formed on 7 March 2013. On the 1 October 2013, the transfer of assets and obligations from the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) took place. The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006 and the GWSPS was closed to future accrual with effect from 31 August 2010. Consequently, the TWPS is closed to future accrual. The member benefits provided by the TWPS are consistent with the two legacy schemes and as such it is a funded defined benefit pension scheme which provides benefits to members 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 in payment 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 Group and the legacy schemes' Trustees formed a Joint Investment Sub Committee which undertook a joint review of the schemes' investment strategy. This investment committee continues for the TWPS and implementation of the investment changes started during 2011 and monitoring of these changes is ongoing.

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 is due as at 31 December 2013, and will be carried out during 2014. The estimated amounts of contributions to be paid to the TWPS during 2014 are £46.0 million in respect of deficit repair contributions in accordance with the previous schedule of contributions for the legacy schemes and an additional £2.8 million in respect of expenses and the Pension Protection Funds levy, until the funding valuation has been agreed.

21. Retirement benefit schemes continued

The table below sets out the details of the latest funding valuations for the two legacy schemes, carried out in March 2010. The Group has agreed to maintain the same level of funding contributions into the TWPS as into the legacy schemes until the first valuation of the TWPS is completed. The March 2013 valuation of the legacy schemes was deferred following the merger of the schemes.

Assumptions	GWSPS	TWGP&LAF
RPI inflation	3.85%	3.60%
Discount rate – pre/post-retirement	6.75%/4.75%	6.85%/5.10%
General pay inflation	–	–
Real pension increases	0.00%	0.00%

Valuation results	GWSPS	TWGP&LAF
Market value of assets	£694m	£758m
Past service liabilities	£953m	£1,022m
Scheme funding levels	73%	74%
Deficit repair contributions (per annum)	£24.0m	£22.0m
Period of payment	Until 10 years from valuation date	Until 10 years from valuation date

The results of the March 2010 valuations of the Group's legacy pension schemes have been updated to 31 December 2013. 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 15-16 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 two legacy schemes. The base tables used are the PA92 series tables with appropriate age rating adjustments. Future improvements in life expectancy are allowed for in the form of the medium cohort projections, with a 1% per annum underpin to future improvements in life expectancy.

	TWPS	
Accounting valuation assumptions	**2013**	2012
As at 31 December		
Discount rate for scheme liabilities	**4.60%**	4.30%
General pay inflation	**n/a**	n/a
Deferred pension increases	**2.30%**	1.80%
Pension increases	**2.15%-3.70%**	1.90%-3.50%

21. Retirement benefit schemes continued

The current life expectancies (in years) underlying the value of the accrued liabilities for the TWPS are:

	2013		2012	
Life expectancy	Male	Female	Male	Female
Member currently aged 65	**87**	**90**	87	90
Member currently aged 45	**89**	**92**	88	92

The pensions 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 (£ million)	Impact on defined benefit obligation (%)
Discount rate	Increase by 0.1% p.a.	Decrease by £35.9	(1.7)
Rate of inflation*	Increase by 0.1% p.a.	Increase by £29.0	1.4
Life expectancy	Members assumed to live 1 year longer	Increase by £71.2	3.5

* Including other inflation-linked assumptions (CPI inflation, pension increases).

The fair value of assets of the TWPS are set out below:

	£ million	Percentage of total scheme assets held
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%**
31 December 2012		
Assets:		
Equities	762.8	43.1%
Corporate bonds	540.9	30.5%
Fixed index Government bonds	128.5	7.3%
Index linked Government bonds	524.6	29.6%
Property	16.3	0.9%
Other assets[(a)]	(348.9)	(19.7%)
Cash	66.8	3.8%
Insurance policies in respect of certain members	79.5	4.5%
	1,770.5	100%

(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 schemes 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 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)**

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2012	(1,888.8)	1,680.6	(208.2)
Current service cost	–	–	–
Administration expenses	–	(4.0)	(4.0)
Past service cost / settlements	–	–	–
Interest (expense) / income	(88.9)	79.5	(9.4)
Total amount recognised in income statement	(88.9)	75.5	(13.4)
Return on scheme assets not included in income statement	–	86.0	86.0
Change in demographic assumptions	–	–	–
Change in financial assumptions	(156.4)	–	(156.4)
Experience (gains) / losses	(2.9)	–	(2.9)
Total remeasurements in other comprehensive income	(159.3)	86.0	(73.3)
Employer contributions	–	52.4	52.4
Employee contributions	–	–	–
Benefit payments	124.0	(124.0)	–
At 31 December 2012	(2,013.0)	1,770.5	(242.5)

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 opposite.

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.

21. Retirement benefit schemes continued

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.

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 legacy defined benefit schemes is shown below:

	TWGP&LAF	GWSPS
UK equities	7.6%	5.3%
Non-UK equities	30.4%	21.2%
Index-linked gilts	9.4%	20.3%
Fixed-interest gilts	5.1%	8.7%
Other bonds	25.0%	25.5%
Alternatives (GTAA; opportunistic credit; EMD; active commodities)	20.5%	19.0%
Property	2.0%	–

Risk	Description
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 GBP, 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	The majority of the TWPS' assets are invested in liquid instruments and approximately 80% of total 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. The remaining investments (with the exception of property) are in pooled funds with monthly or quarterly redemption dates and 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

The creation of the TWPS from the two legacy schemes in 2013 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 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.

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21. Retirement benefit schemes continued

At the same time as creating the TWPS, the Group introduced a £100.0 million Pension Funding Partnership utilising show homes in a sale and leaseback structure. The TWPS will benefit from the contingent funding structure should the Group be unable to meet the cash payments under the funding agreement. As at 31 December 2013 there was £92.9 million of show homes and £18.1 million of cash held within the structure.

The Group's post-retirement liability also includes £1.6 million at 31 December 2013 (2012: £1.7 million) in respect of continuing post-retirement healthcare insurance premiums for retired long-service employees. The liability is based upon the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 2008.

The cost is calculated assuming a discount rate of 3.6% per annum (2012: 3.6%) and an increase in medical expenses of 7.5% per annum (2012: 10.6%). The premium cost to the Group in respect of the retired long-service employees for 2013 was £0.2 million (2012: £0.2 million).

22. Provisions

£ million	Housing maintenance	Restructuring	North America disposal	Other	Total
At 1 January 2012	0.4	2.4	58.4	33.9	95.1
Additional provision in the year	0.2	1.8	–	15.2	17.2
Utilisation of provision	(0.1)	(0.6)	–	(7.6)	(8.3)
Released	–	(2.7)	–	(6.2)	(8.9)
At 31 December 2012	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**

£ million	2013	2012
Amount due for settlement within one year	**28.3**	84.4
Amount due for settlement after one year	**6.0**	10.7
31 December	**34.3**	95.1

The Group restructuring provision relates to costs associated with the reduction to realisable value of assets in the timber frame operation, Prestoplan, following a management decision to restructure the business and expect to utilise the provision in 2014.

The North America provision relates to the disposal of the North American business. Following the settlement of various claims in the year £31.3 million was released.

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 which has a legal responsibility of a long term nature for the management of old, completed sites relating to a former business and provisions for losses on construction contracts. 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 six years.

23. Share capital

£ million	2013	2012
Authorised:		
22,200,819,176 (2012: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2012: 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 2012	3,228,260,600	288.0
Share warrants exercised in the year	**8,759,703**	**0.1**
31 December 2013	**3,237,020,303**	**288.1**

23. Share capital continued

During the year, options were exercised over 23,392,655 ordinary shares (2012: 4,980,372) all of which were met from our holding of shares in our ESOTs at varying prices from 22.88 pence to 46.40 pence per share. Under the Group's executive share option plans, employees held options at 31 December 2013 to purchase up to 573,981 shares, subject to achievement of performance tests (2012: 10,436,384) 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 2013 in respect of up to 24,609,301 shares, subject to achievement of performance tests (2012: 37,530,685) at nil pence per share nominally exercisable up to 5 September 2016.

Under the Group's savings-related share option schemes, employees held options at 31 December 2013 to purchase 34,004,667 shares (2012: 39,309,344) at prices between 22.88 pence and 84.72 pence per share exercisable up to 31 May 2019. Under the Group's share purchase plan employees held conditional awards at 31 December 2013 in respect of 6,979,841 shares (2012: 6,800,851) at nil pence per share.

Under a financing agreement signed in April 2009, the Company agreed to issue 57.8 million warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc. The warrants may be exercised at 17.4473p per share by the holders within five years of the date of issue and as at 31 December 2013 40,321,481 warrants had been exercised.

24. Share premium account

£ million	2013	2012
At 1 January	**758.8**	754.4
Share warrants exercised	**1.4**	4.4
At 31 December	**760.2**	758.8

25. Reserves

£ million	Retained earnings Restated – Note 1	Capital redemption reserve	Translation reserve	Other	Total other reserves
Balance at 1 January 2012	753.1	31.5	5.3	9.9	46.7
Share-based payment credit	4.8	–	–	–	–
Cash cost of satisfying share options	(0.7)	–	–	–	–
Actuarial loss on defined benefit pension schemes	(73.3)	–	–	–	–
Deferred tax credit	16.0	–	–	–	–
Exchange differences on translation of overseas operations, net of tax	–	–	0.2	–	0.2
Transfer to retained earnings	2.3	–	–	(2.3)	(2.3)
Dividends approved and paid	(18.2)	–	–	–	–
Profit for the year	228.6	–	–	–	–
Balance at 31 December 2012	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	**(6.6)**	**–**	**–**	**–**	**–**
Exchange differences on translation of overseas operations, net of tax	**–**	**–**	**(1.2)**	**–**	**(1.2)**
Movement in fair value of hedging derivatives	**–**	**–**	**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**

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 57.8 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 2012	8.4
Shares acquired	10.0
Disposed of on exercise of options	(2.5)
Balance at 31 December 2012	15.9
Shares acquired	**15.1**
Disposed of on exercise of options	**(12.1)**
Balance at 31 December 2013	**18.9**

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market, those held as treasury shares and held by the Taylor Wimpey Employee Share Ownership Trusts to satisfy options and conditional share awards under the Group's share plans.

	2013 Number	2012 Number
These comprise ordinary shares of the Company:		
Shares held in trust for bonus, option and performance award plans	**28.1m**	38.2m
	28.1m	38.2m

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 £15.1 million of its own shares which are held in the ESOTs (2012: £10.0 million).

The ESOTs' entire holding of shares at 31 December 2013, aggregating 28.1 million shares (2012: 38.2 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 with a related provision of £58.4 million. A number of these indemnities have either been settled or expired and the Group has released £31.3 million through discontinued operations in the year (2012: £nil).

28. Notes to the cash flow statement

£ million	2013	2012 Restated – Note 1
Profit on ordinary activities before finance costs		
Continuing operations	**355.3**	223.7
Discontinued operations	**31.3**	–
Adjustments for:		
Depreciation of buildings, plant and equipment	**1.3**	1.3
Net reversal of inventory write-downs	**(45.6)**	–
Amortisation of software development	**1.6**	0.7
Pensions settlement gain	**(4.1)**	–
Pension overhead expenses*	**3.2**	4.0
Share-based payment charge	**6.4**	4.8
Profit on disposal of property and plant	**(0.1)**	(0.1)
Decrease in provisions	**(60.7)**	–
Operating cash flows before movements in working capital	**288.6**	234.4
Increase in inventories	**(92.8)**	(104.2)
Increase in receivables	**(27.3)**	(50.7)
Increase in payables	**12.0**	81.6
Pension contributions in excess of charge	**(48.1)**	(52.4)
Cash generated by operations	**132.4**	108.7
Income taxes received	**0.9**	3.0
Interest paid	**(35.2)**	(33.3)
Net cash generated from operating activities	**98.1**	78.4

*Includes the impact of the restatement of 2012 following the adoption of IAS19 'Employee Benefits' (amended 2011).

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 cash / (debt)
Balance 1 January 2012	147.7	(100.0)	(164.6)	(116.9)
Cash flow	41.1	–	15.2	56.3
Foreign exchange	1.6	–	–	1.6
Balance 31 December 2012	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**

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 2013 (2012: nil).

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	2013	2012
Within one year	8.4	9.1
In more than one year but not more than five years	14.4	21.1
After five years	0.5	6.0
	23.3	36.2

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 60 to 75.

	2013		2012	
Schemes requiring consideration from participants:	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	46,105,165	0.30	49,196,788	0.29
Granted during the year	6,421,141	0.85	4,565,514	0.46
Lapsed during the year	(1,481,268)	0.49	(2,678,719)	0.38
Exercised during the year	(10,060,530)	0.30	(4,065,993)	0.28
Cancellations during the year	–	0.33	(912,425)	0.31
Outstanding at the end of the year	40,984,508	0.38	46,105,165	0.30
Exercisable at the end of the year	13,625,551	0.32	1,571,442	0.53

The weighted average share price at the date of exercise for share options exercised during the period was £0.30 (2012: £0.28). The options outstanding at 31 December 2013 had a range of exercise prices from £0.23 to £0.85 (2012: £0.23 to £1.89) and a weighted average remaining contractual life of 1.3 years (2012: 1.7 years). Of the outstanding options 99.6% were exercisable at a value of less than £0.50 (2012: 99.6%).

	2013		2012	
Schemes not requiring consideration from participants:	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	47,967,069	–	40,328,077	–
Granted during the year	4,677,791	–	9,491,588	–
Lapsed during the year	(14,129,453)	–	(1,852,596)	–
Exercised during the year	(13,332,125)	–	–	–
Cancellations during the year	–	–	–	–
Outstanding at the end of the year	25,183,282	–	47,967,069	–
Exercisable at the end of the year	12,961,419	–	3,686,025	–

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plans. The Conditional awards outstanding at 31 December 2013 had a weighted average remaining contractual life of 1.7 years (2012: 2.5 years).

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:

	2013	2012
Weighted average share price	**£0.94**	£0.53
Weighted average exercise price	**£0.58**	£0.20
Expected volatility	**39%**	70%
Expected life	**3/5 years**	3/5 years
Risk free rate	**1.1%**	0.3%
Expected dividend yield	**0.8%**	0.6%

The weighted average fair value of share awards granted during the year is £0.49 (2012: £0.40).

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:

	2013	2012
Weighted average share price	**£0.83**	£0.47
Weighted average exercise price	**Nil**	Nil
Expected volatility	**40%**	52%
Expected life	**3 years**	3 years
Risk free rate	**0.5%**	0.5%
Expected dividend yield	**0.9%**	0.8%

The weighted average fair value of share options granted during the year is £0.54 (2012: £0.29).

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 £6.4 million related to equity-settled share-based payment transactions in 2013 (2012: £4.8 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.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £nil million (2012: £nil million) and sales to joint ventures of £14.8 million (2012: £ 10.5 million).

Remuneration of key management personnel

Details of the remuneration of the Directors and Executive Committee, who are the key management personnel of the Group, are contained in the audited part of the Remuneration Report on pages 60 to 75 and form part of these financial statements.

The Chief Executive purchased a property for £709,599 on one of the Group's developments under the staff discount scheme. The property was sold on the same terms available to all employees pursuant to the companies staff house purchase scheme and the transaction was approved by shareholders at the Company's 2013 annual general meeting, in accordance with the s.190 and s.191 of the Companies Act 2006 which relates to substantial property transactions between directors and companies.

33. Dividends

£ million	2013	2012
Proposed		
Interim dividend 2013 0.22p (2012: 0.19p) per ordinary share of 1p each	**6.9**	6.1
Final dividend 2013 0.47p (2012: 0.43p) per ordinary share of 1p each	**15.2**	13.9
	22.1	20.0
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2012 0.43p (2011: 0.38p) per ordinary share of 1p each	**13.9**	12.1
Interim dividend 2013 0.22p (2012: 0.19p) per ordinary share of 1p each	**6.9**	6.1
	20.8	18.2

The Directors are recommending a final dividend for the year ended 31 December 2013 of 0.47 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of £15.2 million (2012: £13.9 million). The final dividend will be paid on 21 May 2014 to all shareholders registered at the close of business on 11 April 2014.

The Directors are additionally recommending a special dividend of £250.0 million in recognition of the significant improvement in 2013 trading and quality of land acquisitions, along with strengthening outlook for the UK housing market. The dividend will be paid in two tranches; with the first £50.0 million being payable in July 2014 and a further £200.0 million payable in July 2015. The special dividend payable July 2014 will be paid on 3 July 2014 to all shareholders registered at the close of business on 6 June 2014.

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 31December 2013.

Company Balance Sheet

at 31 December 2013

£ million	Note	2013	2012
Fixed assets			
Investment in Group undertakings	4	**1,623.5**	1,623.0
		1,623.5	1,623.0
Current assets			
Debtors			
Due in less than one year	5	**2,432.6**	2,669.7
Due in more than one year	5	**15.0**	–
Cash at bank and in hand		**84.2**	179.3
		2,531.8	2,849.0
Current liabilities			
Creditors: amounts falling due within one year	6	**(1,653.0)**	(1,845.7)
		(1,653.0)	(1,845.7)
Net current assets		**878.8**	1,003.3
Total assets less current liabilities		**2,502.3**	2,626.3
Creditors: amounts falling due after one year	7	**(100.0)**	(249.4)
Provisions		**(0.7)**	(0.7)
Net assets		**2,401.6**	2,376.2
Capital and reserves			
Called-up share capital	9	**288.1**	288.0
Share premium account	10	**760.2**	758.8
Capital redemption reserve	11	**31.5**	31.5
Profit and loss account	12	**1,340.7**	1,313.8
Own shares	13	**(18.9)**	(15.9)
Shareholders' funds	16	**2,401.6**	2,376.2

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 25 February 2014. 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 2013

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 accounting standards and pronouncements of the Urgent Issues Task Force 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 its 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 107 to 110.

The principal accounting policies adopted are set out below.

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 carrying value of investments in subsidiary holding companies based on a comparison between the net assets held by the subsidiary company and the investment held. Where the net assets are lower than the investment then 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. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

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

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 are borne by the employing company.

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.

1. Significant accounting policies continued

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' fund.

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

	2013 No.	2012 No.
Directors	**3**	3

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 60 to 75, from Taylor Wimpey UK Limited.

However, it is not practicable to allocate such costs between their services as Executives of Taylor Wimpey UK Limited and their services as Directors of Taylor Wimpey plc and other Group companies. The fees of the Chairman and the Non Executive Directors, which are wholly attributable to the Company, are disclosed on page 68 of the Remuneration Report. The Company was recharged costs of £5.8 million (2012: £7.8 million) in respect of certain payments relating to staff costs for Directors and employees of subsidiary companies who provided services to Taylor Wimpey plc during the year, which includes amounts in respect of employer contributions to both defined contribution and defined benefit pension schemes. Information in respect of the Group's defined benefit pension schemes is provided in Note 21 to the Taylor Wimpey plc consolidated financial statements. Contributions in respect of the Defined Contribution Scheme for Directors can be found in the Remuneration Report on page 68. There were no outstanding contributions at the year end.

3. Auditor's remuneration

£ million	2013	2012
Total audit fees	**0.1**	0.1
Other services	**–**	0.2
Tax services	**–**	0.1
Total non-audit fees	**–**	0.3
	0.1	0.4

A description of other services is included in Note 6 on page 98 to the Group financial statements.

4. Investments in Group undertakings

£ million	Shares	Loans	Total
Cost			
31 December 2012	5,248.3	–	5,248.3
Liquidations	(3.1)	–	(3.1)
31 December 2013	**5,245.2**	**–**	**5,245.2**
Provision for impairment			
31 December 2012	3,625.3	–	3,625.3
Release for the year	(3.6)	–	(3.6)
31 December 2013	**3,621.7**	**–**	**3,621.7**
Carrying amount			
31 December 2013	**1,623.5**	**–**	**1,623.5**
31 December 2012	1,623.0	–	1,623.0

All of the above investments are unlisted and particulars of principal subsidiary undertakings are listed on page 130, which forms part of these financial statements.

5. Debtors

£ million	2013	2012
Amounts falling due within one year:		
Due from Group undertakings	**2,431.0**	2,666.7
Other debtors	**1.6**	0.5
Corporation tax debtor	**–**	2.5
	2,432.6	2,669.7

£ million	2013	2012
Amounts falling due in over one year:		
Other debtors	**6.0**	–
Deferred tax	**9.0**	–
	15.0	–

6. Creditors: amounts falling due within one year

£ million	2013	2012
Due to Group undertakings	**1,650.8**	1,842.1
Other creditors	**1.8**	2.0
Corporation tax creditor	**0.4**	1.6
	1,653.0	1,845.7

7. Creditors: amounts falling due after one year

£ million	2013	2012
Debenture loans	**–**	149.4
Other loans	**100.0**	100.0
	100.0	249.4
Bank and 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 (2012: £100.0 million) variable rate term loan with an investment fund.

8. Debenture loans

£ million	2013	2012
Unsecured Senior Notes 10.375% due 2015	**–**	149.4
Repayable		
In more than five years	**–**	–
In more than one year but less than five years	**–**	149.4
Within one year or on demand	**–**	–
	–	149.4

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.

9. Share capital

£ million	2013	2012
Authorised:		
22,200,819,176 (2012: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2012: 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 2012	3,228,260,600	288.0
Share warrants exercised	8,759,703	0.1
31 December 2013	**3,237,020,303**	**288.1**

10. Share premium

£ million	2013	2012
1 January	**758.8**	754.4
Share warrants exercised	**1.4**	4.4
31 December	**760.2**	758.8

During the year, options were exercised over 23,392,655 ordinary shares (2012: 4,980,372) all of which were met from our holding of shares in our ESOTs at varying prices from 22.88 pence to 46.40 pence per share. Under the Group's executive share option plans, employees held options at 31 December 2013 to purchase up to 573,981 shares, subject to achievement of performance tests (2012: 10,436,384) 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 2013 in respect of up to 24,609,301 shares, subject to achievement of performance tests (2012: 37,530,685) at nil pence per share nominally exercisable up to 5 September 2016.

Under the Group's savings-related share option schemes, employees held options at 31 December 2013 to purchase 34,004,667 shares (2012: 39,309,344) at prices between 22.88 pence and 84.72 pence per share exercisable up to 31 May 2019. Under the Group's share purchase plan employees held conditional awards at 31 December 2013 in respect of 6,979,841 shares (2012: 6,800,851) at nil pence per share.

Under a financing agreement signed in April 2009, the Company agreed to issue 57.8 million warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc. The warrants may be exercised at 17.4473p per share by the holders within five years of the date of issue and as at 31 December 2013 40,321,481 warrants had been exercised.

11. Capital redemption reserve

£ million	2013	2012
31 December	**31.5**	31.5

12. Profit and loss account

£ million	2013	2012
1 January	**1,313.8**	1,265.1
Profit for the financial year	**54.4**	67.2
Dividends paid	**(20.8)**	(18.2)
Cash cost of satisfying share options	**(6.7)**	(0.3)
31 December	**1,340.7**	1,313.8

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 £54.4 million (2012: profit of £67.2 million).

Included in the Company profit and loss account is £436.5 million (2012: £346.3 million) which is not distributable.

13. Own shares

£ million	2013	2012
Own shares	**18.9**	15.9

These comprise ordinary shares of the Company:	Number	Number
Shares held in trust for bonus, options and performance award plans	**28.1m**	38.2m

The market value of the shares at 31 December 2013 was £31.3 million (2012: £25.1 million) and their nominal value was £0.28 million (2012: £0.38 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 options and/or vesting of conditional awards under the Executive Incentive Scheme, Performance Share Plan, Executive Share Option Scheme and the Savings-Related Share Option Scheme and the matching award of shares under the Share Purchase Plan.

During the year, Taylor Wimpey plc purchased £15.1 million of its own shares which are held in the ESOTs (2012: £10.0 million).

The ESOTs' entire holding of shares at 31 December 2013, aggregating 28.1 million shares (2012: 38.2 million), was covered by outstanding options and conditional awards over shares at that date.

14. 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.

15. 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 Taylor Woodrow Group Pension and Life Assurance Fund and the George Wimpey Staff Pension Scheme were merged creating the Taylor Wimpey Pension Scheme (TWPS). The Company issued a guarantee in respect of the TWPS, a defined benefit pension scheme in which a number of its subsidiary companies participate, and which had a deficit under IAS 19 of £182.2 million at 31 December 2013. 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 £46.0 million per annum until the valuation for the new TWPS scheme is completed which is expected to be by 31 December 2014.

16. Reconciliation of movement in shareholders' funds

£ million	2013	2012
Opening shareholders' funds	2,376.2	2,330.3
Profit for the financial year	54.4	67.2
Dividends paid	(20.8)	(18.2)
New share capital subscribed	1.5	4.7
Purchase of own shares	(15.1)	(10.0)
Utilisation of own shares	12.1	2.5
Cash cost of satisfying share options	(6.7)	(0.3)
Closing shareholders' funds	2,401.6	2,376.2

17. Dividend

£ million	2013	2012
Proposed		
Interim dividend 2013 0.22p (2012: 0.19p) per ordinary share of 1p each	6.9	6.1
Final dividend 2013 0.47p (2012: 0.43p) per ordinary share of 1p each	15.2	13.9
	22.1	20.0
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2012 0.43p (2011: 0.38p) per ordinary share of 1p each	13.9	12.1
Interim dividend 2013 0.22p (2012: 0.19p) per ordinary share of 1p each	6.9	6.1
	20.8	18.2

The Directors are recommending a final dividend for the year ended 31 December 2013 of 0.47 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of £15.2 million (2012: £13.9 million). The final dividend will be paid on 21 May 2014 to all shareholders registered at the close of business on 11 April 2014.

The Directors are additionally recommending a special dividend of £250.0 million in recognition of the significant improvement in 2013 trading and quality of land acquisitions, along with strengthening outlook for the UK housing market. The dividend will be paid in two tranches; with the first £50.0 million being payable in July 2014 and a further £200.0 million payable in July 2015. The special dividend payable July 2014 will be paid on 3 July 2014 to all shareholders registered at the close of business on 6 June 2014.

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 2013.

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	2013	2012[c]	2011	2010[d]	2009
Revenue – continuing	**2,295.5**	2,019.0	1,808.0	1,767.7	2,595.6
Profit on ordinary activities before exceptional items, finance costs and tax	**309.7**	223.7	158.3	100.6	37.7
Share of results of joint ventures	**3.2**	2.4	1.2	(0.3)	5.6
Exceptional items	**45.6**	–	(5.8)	(55.5)	(580.7)
Net finance costs, including exceptional finance costs	**(52.3)**	(21.9)	(75.1)	(199.6)	(162.5)
Profit/(loss) for the financial year	**306.2**	204.2	78.6	(154.8)	(699.9)
Taxation, including exceptional taxation	**(66.4)**	24.4	(22.7)	329.5	59.3
Profit for the year from discontinued operations	**31.3**	–	43.1	84.6	–
Profit/(loss) for the financial year	**271.1**	228.6	99.0	259.3	(640.6)
Profit/(loss) for the financial year before tax and exceptional items	**268.4**	181.8	89.9	(15.9)	(96.1)
Balance sheet					
Goodwill and Intangibles	**4.2**	5.2	5.1	1.0	2.4
Other fixed assets	**8.3**	7.1	5.0	5.4	8.2
Interests in joint ventures	**34.7**	31.5	31.9	33.9	51.9
Non-current loans and receivables	**110.8**	102.0	70.3	50.7	65.0
Non-current assets (excluding tax)	**158.0**	145.8	112.3	91.0	127.5
Inventories	**2,928.8**	2,788.8	2,686.6	2,680.6	3,603.3
Other current assets (excluding cash and debt)	**118.5**	96.0	72.5	74.7	130.5
Trade and other payables	**(793.9)**	(772.6)	(697.8)	(705.1)	(760.0)
Provisions	**(28.3)**	(84.4)	(76.6)	–	(47.8)
Net-current assets (excluding cash and debt)	**2,225.1**	2,027.8	1,984.7	2,050.2	2,926.0
Trade and other payables	**(193.7)**	(190.8)	(199.7)	(215.9)	(278.6)
Retirement obligations	**(183.8)**	(244.2)	(210.2)	(246.0)	(409.3)
Provisions	**(6.0)**	(10.7)	(18.5)	(103.3)	(51.8)
Non-current creditors (excluding debt) and provisions	**(383.5)**	(445.7)	(428.4)	(565.2)	(739.7)
Net assets held for sale		–	–	699.5	–
Net debt	**5.4**	(59.0)	(116.9)	(751.3)	(750.9)
Tax balances	**246.8**	320.6	283.3	298.9	(62.0)
Net assets	**2,251.8**	1,989.5	1,835.0	1,823.1	1,500.9
Capital employed excluding assets held for sale	**2,242.2**	2,043.3	1,946.8	1,873.9	2,249.4
Add back intangibles	**4.2**	5.2	5.1	1.0	–
Less tax balances	**(246.8)**	(320.6)	(283.3)	(298.9)	62.0
Net operating assets excluding assets held for sale	**1,999.6**	1,727.9	1,668.6	1,576.0	2,311.4
Statistics					
Adjusted earnings/(loss) per share – continuing Group	**6.7p**	4.6p	2.1p	(1.5)p	(4.3)p
Tangible net assets per share	**69.6p**	61.5p	57.3p	56.9p	46.9p
Number of shares in issue at year end (millions)	**3,237.0**	3,228.3	3,201.4	3,197.2	3,196.9
Return on capital employed[a]	**14.6%**	11.3%	8.3%	4.9%	1.5%
Operating margin	**13.6%**	11.2%	8.8%	5.7%	1.7%
Return on net operating assets	**16.8%**	13.3%	9.8%	5.3%	1.6%
UK short term landbank (plots)[b]	**70,628**	65,409	65,264	63,566	66,089
UK ASP £'000	**191**	181	171	171	160
UK Completions (homes)	**11,696**	10,886	10,180	9,962	10,186
UK WIP turn	**3.1**	2.8	2.4	2.3	3.0

(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 IAS19 '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 £57.8m tax liabilities have been reclassified to provisions.

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 seventy ninth Annual General Meeting of the Company to be held on 17 April 2014 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 Auditors' Report and the Financial Statements for the year ended 31 December 2013.
2. To declare due and payable on 21 May 2014 a final dividend of 0.47 pence per ordinary share of the Company for the year ended 31 December 2013 to shareholders on the register at close of business on 11 April 2014.
3. To re-elect as a Director, Kevin Beeston.
4. To re-elect as a Director, Pete Redfern.
5. To re-elect as a Director, Ryan Mangold.
6. To re-elect as a Director, James Jordan.
7. To re-elect as a Director, Kate Barker CBE.
8. To re-elect as a Director, Mike Hussey.
9. To re-elect as a Director, Robert Rowley.
10. To elect as a Director, Baroness Ford of Cunninghame.
11. 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.
12. Subject to the passing of resolution 11, to authorise the Audit Committee to determine the remuneration of the auditors on behalf of the Board.
13. 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 £10,817,717 (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 £10,817,717); and

(B) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £21,635,433 (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 2015 (or, if earlier, until the close of business on 16 July 2015) 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:

14. That, if resolution 13 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 13, 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 13 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 £1,622,657, such power to apply until the conclusion of the Annual General Meeting of the Company in 2015 (or, if earlier, until the close of business on 16 July 2015), 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.

15. 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 324,531,499;

    (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 2015 and 16 October 2015 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:

16. To approve the Directors Remuneration Policy Report set out on pages 62 to 63 and contained in the Directors' Remuneration Report for the financial year ended 31 December 2013.

17. To approve the Directors' Remuneration Report (other than the Directors' Remuneration Policy Report) on pages 60 to 75 for the financial year ended 31 December 2013.

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 2015.

    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.

Special Resolutions:

19. 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 135 to 139.

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 and retain it until the end of the meeting. 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 15 April 2014. 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.

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; and
– copies of the letters of appointment of the Chairman and the Independent Non Executive Directors;

A copy of the full Annual Report and Financial Statements of the Company for the year ended 31 December 2013, including the Directors' Remuneration Policy referred to in resolution 16 and the Directors' Remuneration Report (other than the Directors' Remuneration Policy) 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)

10 March 2014

Notes to the Notice of Meeting

Strategic Report p3-39
Directors' Report: Governance p41-79
Financial Statements p81-131
Shareholder Information p132-141

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 15 April 2014 (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 6 March 2014 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 3,245,314,993 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 March 2014 were 3,245,314,993.

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 post to Freepost RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, or (during normal business hours only) by hand at Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, 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 15 April 2014. 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 15 April 2014. 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 2013 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 0.47 pence per share in respect of the year ended 31 December 2013. If approved at the Annual General Meeting, the dividend will be paid on 21 May 2014 to shareholders who are on the Register of Members at the close of business on 11 April 2014.

Dividend Re-Investment Plan

Subject to shareholders approving the dividend as set out in Resolution 2 at the Annual General Meeting scheduled for 17 April 2014, the Company will be offering a Dividend Re-Investment Plan (the 'DRIP'). 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.

Full details of the terms and conditions of the DRIP and the actions required to participate in it are available on the Company's website: www.taylorwimpey.co.uk/corporate/shareholder-information/dividend 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 0300 (UK) or +44 20 8639 3399 (overseas).

Resolutions 3 to 10: 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, including Margaret Ford, who was appointed after the 2013 AGM, but excluding Tony Reading, who retires at the conclusion of the AGM, will retire and, being eligible, offer themselves for election or re-election, as appropriate, 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 65 to 75 of the Report and Accounts. Full biographical information concerning each Director is on pages 42 and 43 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 42 and there is additional information on page 49.

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 42 and there is additional information on page 49.

Ryan Mangold – offers himself for re-election.
Ryan has been Group Finance Director since November 2010. His biography appears on page 42 and there is additional information on page 49.

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 42 and there is additional information on page 49.

Kate Barker CBE – 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 and Nomination 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 43 and there is additional information on page 49.

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 43 and there is additional information on page 49.

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 42 and there is additional information on page 49.

Baroness Ford of Cunninghame – offers herself for election.
Margaret has been an Independent Non Executive Director since April 2013, having been appointed by the Board following the 2013 AGM. 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 will Chair from April 2014) 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 42 and there is additional information on page 49.

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 50 to 51, and that each continues to demonstrate commitment and to be an effective member of the Board.

Resolution 11: 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 2014 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 56, the Board recommends the re-appointment of Deloitte as the Company’s auditors.

Resolution 12: 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 2013 are given in Note 6 on page 98 of the Report and Accounts.

Resolution 13: 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 25 April 2013 and is due to expire at the conclusion of this Annual General Meeting. Accordingly, Paragraph (A) of resolution 13 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 £10,817,717 (representing 1,081,771,664 ordinary shares). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 6 March 2014, the latest practicable date prior to publication of this notice of meeting.

In line with guidance issued by the Association of British Insurers (‘ABI’), paragraph (B) of resolution 13 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 £21,635,433 (representing 2,163,543,328 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (A) of resolution 13. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 6 March 2014, the latest practicable date prior to publication of this notice of meeting.

The authorities sought under paragraphs (A) and (B) of resolution 13 will expire at the earlier of 16 July 2015 and the conclusion of the Annual General Meeting of the Company to be held in 2015.

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 ABI 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 14: 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 14, 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 £1,622,657 (representing 162,265,749 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 6 March 2013, 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 16 July 2015 and the conclusion of the Annual General Meeting of the Company held in 2015.

Resolution 15: 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 6 March 2014.

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, conditional share awards and warrants to subscribe for ordinary shares outstanding as at the close of business on 6 March 2014 was 68,061,712, representing approximately 2.1% of the issued ordinary share capital of the Company as at that date and approximately 2.3% of the Company's issued ordinary share capital following any exercise in full of this authority to make market purchases.

The Company has warrants over 9,298,617 ordinary shares, representing 0.3% of the Company's ordinary issued share capital as at close of business on 6 March 2014. If the authority given by Resolution 15 were to be fully used, these would represent 0.3% of the Company's ordinary issued share capital at that date.

This authority will last until the earlier of 16 October 2015 and the conclusion of the Company's Annual General Meeting in 2015.

Special Business

Ordinary Resolutions

Resolution 16: Approval of the Remuneration Policy Report
The Company is separately required to seek shareholders' approval of its policy on remuneration of directors ("Directors' Remuneration Policy") set out in the Directors' Remuneration Report at pages 61 to 63. The vote is a binding one.

The Directors' Remuneration Policy, if approved, will take effect from the date of approval of the shareholders and will apply until replaced by a new or amended policy. Once the policy is effective, the Company will not be able to make remuneration payments to a director, or loss of office payments to a current or past director, unless the payment is consistent with the approved policy or has been otherwise approved by shareholders.

If the Directors' Remuneration Policy is not approved by the shareholders for any reason, the Company will, if and to the extent permitted to do so under the Companies Act 2006, continue to make payments to directors in accordance with its existing contractual arrangements and will seek shareholder approval for a revised policy as soon as practicable and, in any event, no later than 31 December 2014.

The Board considers that appropriate executive remuneration plays a vital part in helping to achieve the Company's overall objectives, by attracting and retaining executives of the calibre necessary to deliver the Company's strategy. The policy requires a substantial proportion of executive pay to be variable and linked to the achievement of challenging targets and strategic goals. It also covers certain special recruitment circumstances. The policy, being binding on the Company, has been drafted to cover a number of scenarios that may not, in practice, arise and is therefore not entirely representative of the actual remuneration paid to executives for performance during 2013 or potentially available for performance during 2014, details of which are set out in detail in the Directors' Remuneration Report, in the section entitled 'Annual Report on Remuneration' on pages 66 to 75 and which are dealt with in Resolution 17 below.

The Board believes that the remuneration policy proposed in this resolution represents an appropriate and proportionate framework to support the achieving of the Company's strategic goals and rewarding executives for that performance.

Subject to shareholder approval, this policy will come into operation upon the conclusion of this AGM and will apply until replaced by a new or amended policy. It is the Committee's intention that it will submit its remuneration policy to shareholders for approval once every three years unless circumstances dictate otherwise.

Resolution 17: Approval of the Directors' Remuneration Report for the year ended 31 December 2013
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 (excluding the part containing the Directors' Remuneration Policy which is dealt with in Resolution 16). The vote is an advisory one.

The Directors' Remuneration Report is set out on pages 60 to 75 of the Annual Report and Accounts.

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 2015, unless renewal is sought at that meeting.

The Company and the Group do not make any donations to political parties or organisations but do support certain industry-wide initiatives such as those of the Home Builders Federation in the UK. Whilst the Board does not regard this as political in nature, in certain circumstances 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 26 of the Report and Accounts.

Special Resolutions

Resolution 19: Notice of general meetings

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 2012 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 21 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 2014, 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

Annual General Meeting

11:00 am on 17 April 2014 at:

The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Latest date for receipt of proxy instructions for the 2014 Annual General Meeting: 11:00 am on 15 April 2014.

Group Legal Director and Company Secretary and Registered Office

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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: shares@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

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.

On-line facilities for shareholders

You can access our Annual and Interim Reports and copies of recent shareholder communications on-line at: www.taylorwimpey.co.uk/corporate/investor-relations/reporting-centre.

To register for on-line 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 on-line.

Once you have registered for access, you can make on-line 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 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. The Dividend Re-Investment Plan will not be available with regard to the payment of any special dividend.

Special dividend

The Company will be paying a special dividend of £50m equivalent to 1.54 pence per share, as a cash dividend, on 3 July 2014 to shareholders on the register at the close of business on 6 June 2014.

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.

Principal Operating Addresses

CREST shareholders
The Company offers shareholders who hold their Taylor Wimpey shares in CREST a facility for the receipt of dividends through the CREST system.

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 on-line 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.

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 during recent months 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 and you can contact the Taylor Wimpey Investor Relations Department at twplc@taylorwimpey.com.

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