

Taylor
Wimpey | plc

Annual Report and Accounts 2012

Creating value, Delivering quality



Key highlights for 2012

UK operational highlights

- 44% increase in operating profit* to £228.8 million (2011: £159.3 million**)
- Completed 10,886 homes at an average selling price of £181k (2011: 10,180 homes at £171k)
- Extensive strategic landbank of 100,340 plots (2011: 86,236)
- Total order book value increased by 14% to £948 million at 31 December 2012 (31 December 2011: £835 million)
- Customer satisfaction increased to 93.2% (2011: 92.1%)
- Reduction in waste generated per 1,000ft² built to 3.36 tonnes (2011: 3.44 tonnes)
- Contributed over £175 million to our local communities via Section 106 and Section 75 planning obligations (2011: £130 million)
- Continue to compare favourably with the construction industry with an Annual Injury Incidence Rate (AIIR) of 389 versus the 2011/12 'Construction Sector Rate' of 589

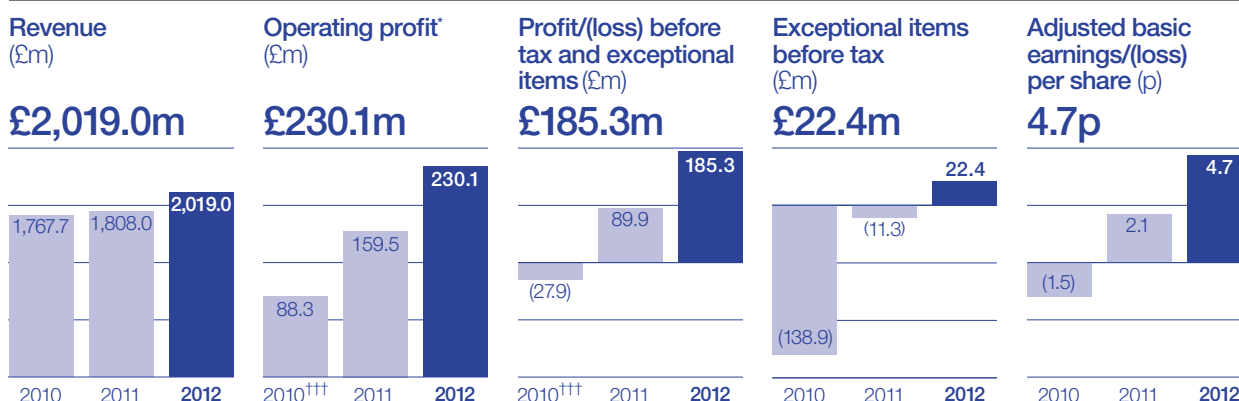


FTSE4Good

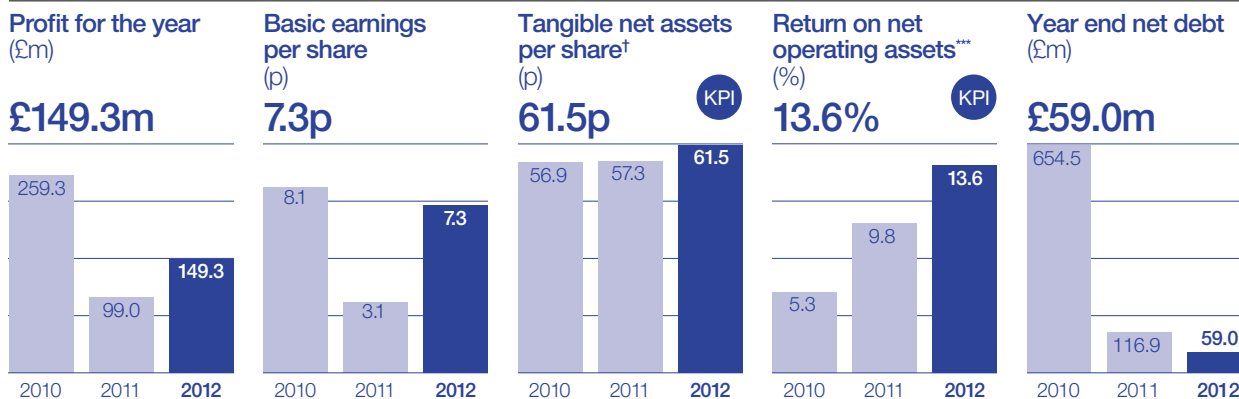


Our 2012 financial performance

Continuing operations



Total Group



* 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.

** 2011 comparatives have been restated to consolidate the UK Housing and Corporate segment, as the Group now only reports two operating segments.

*** 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.

††† 2010 comparative excludes a one-off pension curtailment credit of £12.0 million in the UK.

Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain. Our vision is to become the UK's leading residential developer for creating value and delivering quality.

Inside this report

<p>Business overview</p> <p>An overview of our operations in the UK and Spain, including regional performance</p>  <p>p2</p>	<p>Chairman's statement</p> <p>An overview of 2012 and shareholder information</p>  <p>p4</p>	<p>Chief Executive's review</p> <p>Including an explanation of our business model and our strategy</p>  <p>p6</p>
<p>Corporate responsibility</p> <p>Our approach to corporate responsibility</p>  <p>p14</p>	<p>Group financial review</p> <p>An overview of our Group financial performance</p>  <p>p24</p>	<p>Governance</p> <p>An overview of our corporate governance processes</p> <p>p28</p>

Directors' Report: Business Review
Operational and financial performance in 2012 and prospects for 2013.

- 02 Business overview
- 04 Chairman's statement
- 06 Chief Executive's review
- 08 Strategy & Group key performance indicators
- 12 Principal risks and uncertainties
- 14 Corporate responsibility
- 15 UK Housing
- 23 Spain Housing
- 24 Group financial review

Directors' Report: Governance
Information regarding the Board and how they run the business for the benefit of shareholders.

- 28 Board of Directors
- 30 Corporate Governance Report
- 37 Audit Committee Report
- 41 Remuneration Report
- 57 Statutory, regulatory and other formal information

Financial Statements
Detailed analysis of our financial performance.

- 61 Independent Auditor's Report
- 62 Consolidated Income Statement
- 63 Consolidated Statement of Comprehensive Income
- 64 Consolidated Balance Sheet
- 65 Consolidated Statement of Changes in Equity
- 66 Consolidated Cash Flow Statement
- 67 Notes to the Consolidated Financial Statements
- 102 Independent Auditor's Report
- 103 Company Balance Sheet
- 104 Notes to the Company Financial Statements
- 110 Particulars of Principal Subsidiary Undertakings
- 111 Five Year Review

Shareholder Information
Notice of Annual General Meeting, information regarding your shares and how to contact us.

- 112 Notice of Annual General Meeting
- 120 Shareholder Facilities
- 121 Principal Operating Addresses

Corporate responsibility

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

Governance
Pages 5, 28-60

Approach & policies
Pages 4, 7, 14

Employees
Pages 4-5, 8-9, 10, 13, 14, 21-22, 59

Health & safety
Pages 12, 14, 16, 18, 23

Environment
Pages 14, 16, 20

Community
Pages 8-9, 12, 14, 18

KPIs
Pages 8-9, 12-13, 16, 23

Visit us on-line






The Taylor Wimpey plc corporate Web site: plc.taylorwimpey.co.uk

Learn more about Taylor Wimpey about.taylorwimpey.co.uk



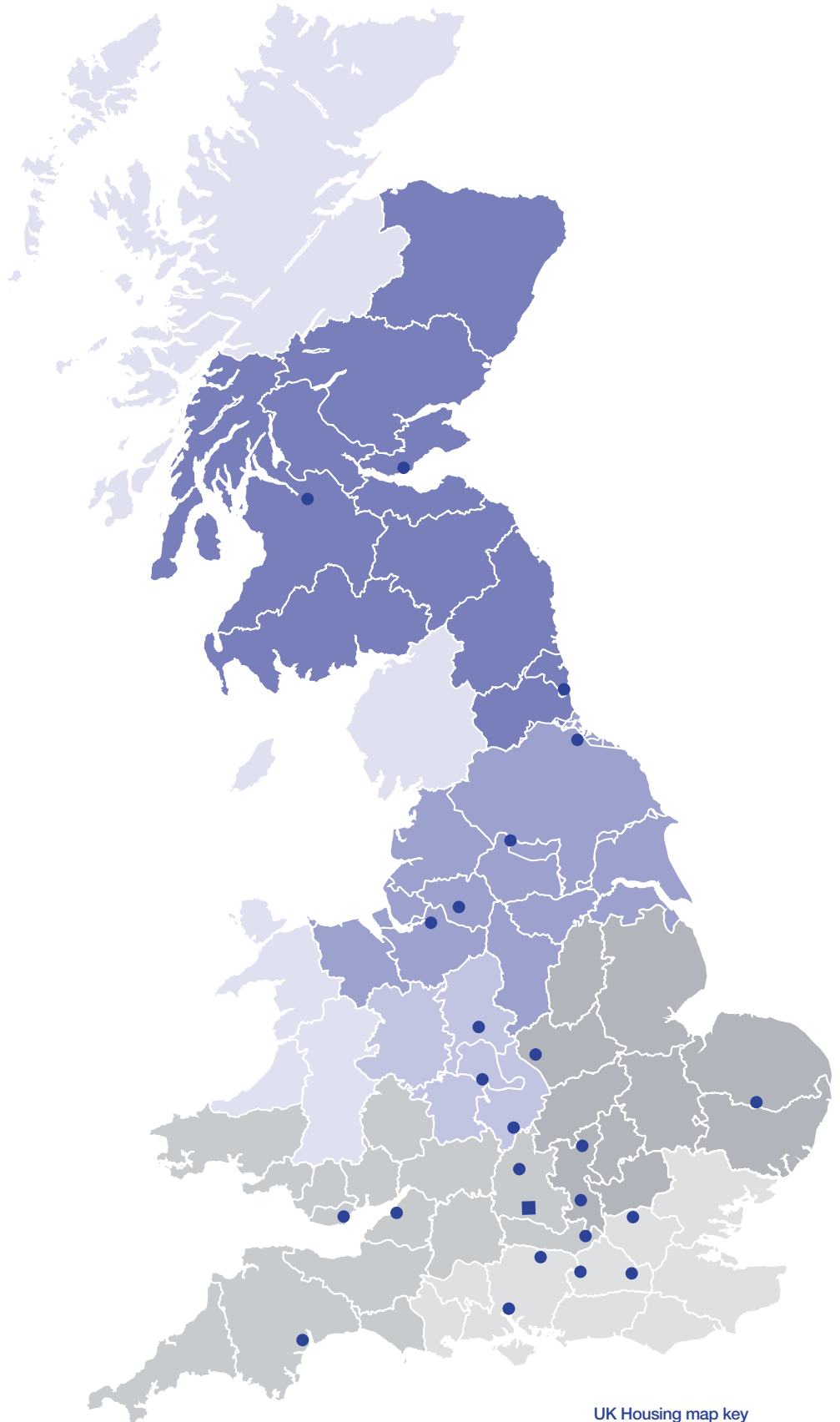
Key to other items in this report

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

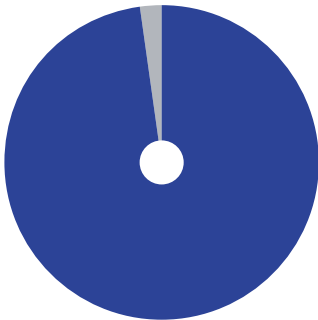
-  Cross reference to information on-line
-  Cross reference to information in this report
-  Key performance indicator
-  Corporate responsibility
-  Business model

Business overview

Taylor Wimpey is one of the largest residential developers in the UK with national coverage from 24 regional offices.



Proportion of continuing Group revenue



■ UK Housing
■ Spain Housing

Completions

10,886

Average selling price

£181k

Average sales outlets (sites)

311

Short term landbank

65,409 plots

UK Housing map key

■ Head Office ● Regional Offices

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 above £750,000.
- In addition, we build affordable housing across the UK, which represented 18% of our 2012 completions.
- We aim to deliver aspirational homes for our customers that are efficient to build.

Market conditions

- Mortgage availability was the key constraint on the market, although we saw further incremental improvement over the course of 2012.
- Government initiatives started to have a positive impact.
- Market sales prices remained flat.
- Modest increases in volumes of homes built.

Priorities

- Ongoing focus on both short and long term margin performance.
- Delivering planning and adding value to our existing land assets.
- Adding new sites to our land portfolio.

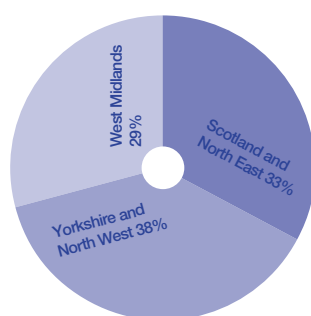
Our regional operations

We operate as a network of 24 local businesses, supported by a Head Office in High Wycombe.

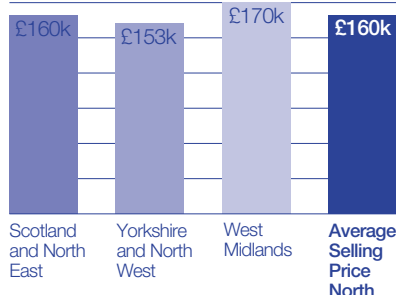
North

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

Completions^(a) (%)



Average selling price



(Average selling price North in 2011: £159k)

4,073

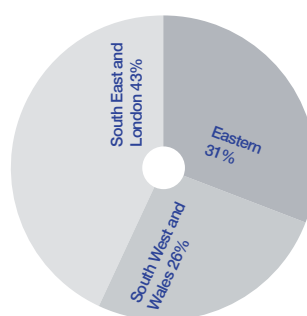
(2011: 3,995)

See pages 15-22 for more information

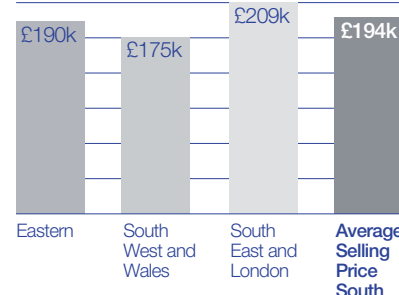
South

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

Completions^(a) (%)



Average selling price



(Average selling price South in 2011: £179k)

6,715

(2011: 6,128)

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.

See page 23 for more information



(a) Excluding joint ventures

Chairman's statement

Creating value and driving increased returns for all our stakeholders across the cycle.



“Taylor Wimpey has delivered another year of significant profit growth in 2012.”

Kevin Beeston
Chairman

In 2012 the Company has:

- Increased adjusted basic earnings per share by 124% to 4.7p (2011: 2.1p)
- Increased tangible net assets per share[†] to 61.5 pence (2011: 57.3 pence)
- Proposed a final dividend per share of 0.43 pence (2011 final: 0.38 pence)

2012 performance

2012 has been another year of significant progress for Taylor Wimpey, with further improvement in all our strategic objectives. It is particularly pleasing that against a backdrop of a flat housing market, we have been able to exceed our expectations, delivering an increase in Group operating profit* of 44.3% to £230.1 million from £159.5 million in 2011.

Delivering on our commitments

This period of success is another step on our journey as we continue to deliver on the strategy that we clearly set out in 2011, which rightly sets us challenging targets and ambitions. Over the course of 2012 our performance has continued to gain momentum. It was encouraging to see first-hand on my visits to our business units this year the difference that the internal strategy roll out has made to the understanding and

[†] 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.

* 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.

motivation of our employees, which is crucial as we pull together to achieve our common goals. I would like to take this opportunity to thank our employees for their dedication and commitment.

During 2012 we conducted our first employee survey for a number of years. The main highlights are covered in Pete Redfern's commentary on page 10, but we were particularly pleased to note that 99% of our employees agree we take health and safety seriously and 94% of our employees are proud to work for Taylor Wimpey. As you would expect, there are however areas we can improve and we intend to focus on these during 2013.

Corporate responsibility

Our size and substance demands a responsible approach to business. As one of the largest homebuilders in the UK, we have social, economic, ethical and environmental responsibilities. We have a responsibility to do the right thing and whilst we do not get everything right, this is a principle that we strongly embrace. Furthermore the Board recognises that being a socially responsible company adds to and enhances the Company's overall value. The impact our business activities have on the environment and the communities in which we operate is very important to us, and of course, to our stakeholders. We are therefore delighted with our inclusion in the Dow Jones Sustainability Index as well as the FTSE4Good Index. Our 2012 Corporate Responsibility Report will be available from March on plc.taylorwimpey.co.uk/CorporateResponsibility and I encourage everyone to read it as it seeks to set out what we do, how we do it and why, as well as our key areas of focus.

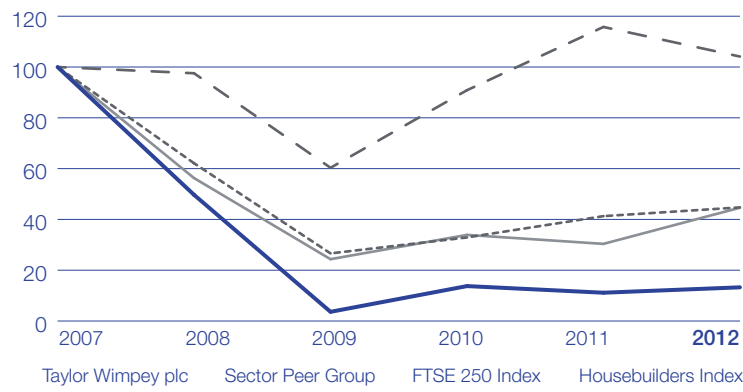
Shareholder value

Whilst driving in-year performance, we remain firmly focused on the long term strategy for the business, knowing that this is what drives sustainable value for shareholders. The successful implementation and ongoing execution of our value focused strategy has allowed us to build on the improvements which we have delivered consecutively over the last three years. We continuously review our strategy to make sure that it remains appropriate and aligned to creating and delivering value to shareholders and other stakeholders.

We are delighted that our all-employee share ownership incentive schemes are helping our staff to acquire their own personal stake in the business. During 2012, 1,694 employees participated in one or both of our all-employee share plans, representing 48.5% of eligible employees. The Board encourages such participation and alignment

Total shareholder return

Source: Thomson Reuters



with shareholders' interests and has made considerable efforts to achieve a broad spread of participation, which currently includes 51% of male employees; 49% of female employees; and 31% of weekly-paid employees. More details of our share schemes can be found on page 48.

Corporate governance

As a Board, we continue to firmly believe that good corporate governance is essential and it remains a top priority. Your Board works well and is effective.

However, governance should not be confined to the boardroom and therefore strong corporate governance and risk management are essential. The way in which we run our business is of paramount importance to us and is what enables us to successfully deliver our business plans and objectives. We have systems in place to identify, analyse and manage key risks arising from both our operations and the wider macro economic environment, and develop continuously improving business methods. The policies and guidelines we have in place set standards concerning ethics, sound business practices and wider governance and can be found on our Web site: plc.taylorwimpey.co.uk/investorrelations/corporategovernance. The governance of companies has continued to attract attention throughout the year. In September 2012 the Financial Reporting Council (FRC) issued a revised UK Governance Code (UKGC) which the Board welcomed. The Board considered the UKGC early in order to ensure compliance with it as soon as practicably possible and ahead of being formally required to do so. On the same date, the FRC issued a revised Stewardship Code which the Board also welcomed. The Board very much values the dialogue which it regularly has with shareholders.

Executive remuneration has also continued to be in the spotlight. We have a strong track record of taking a considered approach to this and we again consulted very constructively with our major shareholders, and their representative bodies, on remuneration. The 2012 Remuneration Report is set out on pages 41 to 56.

Dividend

Given the current outlook of the UK housing market, and the strength of the Group's asset base, I am pleased to confirm that the Board will be recommending the payment of a final dividend for the year of 0.43 pence per share (2011: 0.38 pence per share). Combined with the interim dividend of 0.19 pence per share (2011: nil) this gives a total dividend for the year of 0.62 pence per share (2011: 0.38 pence per share). Subject to shareholder approval at the Annual General Meeting ('AGM'), the final dividend will be paid on 21 May 2013 to shareholders on the register at close of business on 19 April 2013. This dividend will be paid as a conventional cash dividend but shareholders are once again being offered the opportunity to reinvest all of their dividend under the Dividend Re-Investment Plan, details of which are contained in the Shareholder Information section.

Corporate governance

Strong corporate governance and risk management are essential in challenging market conditions.

More information on our approach is contained within my statement on page 30 and the Corporate Governance Report on pages 31 to 36, which confirms that the Company was fully compliant with the 2010 UK Corporate Governance Code.

Shareholder information

Full details of the facilities available to shareholders can be found on page 120 of this Annual Report and Accounts and at:



plc.taylorwimpey.co.uk/ShareholderInformation

Diversity

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 representative of our communities. 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. Further information on our diversity policy as well as the number of women at senior levels and other diversity benchmarks can be found on pages 32 to 33. 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 to our customers.

Board changes

We announced on 1 March that Baroness Dean of Thornton-le-Fylde would be stepping down from the Board as an Independent Non Executive Director after nine years of committed service following the conclusion of the 2013 Annual General Meeting on 25 April 2013. Brenda has been an outstanding member of the Board and has offered invaluable advice on a very wide range of matters during her time on the Board and, on behalf of shareholders and the Company, I thank her greatly. Following Brenda's retirement, I am delighted that Baroness Margaret Ford of Cunninghame will be appointed to the Board as an Independent Non Executive Director following the conclusion of the AGM. Margaret brings with her a wealth of relevant experience from her time as Chair of English Partnerships and of the Olympic Legacy Company, not to mention her wider business and public sector experience and we look forward to her joining the Board. Margaret will also be a member of the Nomination and Remuneration Committees.

The size and structure of the Board and its Committees are reviewed annually. We believe we have an excellent balance, with an appropriate mixture of skills and experience, which will continue to be the case following the above change. During the year a Board Evaluation took place in line with the UKGC and details of both the process and the key outcomes are set out on page 33.

The foundations for growth that have been laid and strengthened over the past few years are supporting the successful implementation of our strategy. As we look forward to 2013, we are confident that we will continue to build on our success and deliver increased value and returns for our shareholders.

Kevin Beeston
Chairman

Electronic communications

We make our Annual Report available electronically to those shareholders who have not requested a paper version. This has three key benefits:

- A significant reduction in printing and postage costs, without reducing the level of information available;
- Faster access to information; and
- Reducing the amount of resources consumed, such as paper, and lessening the impact of printing and mailing activities on the environment.

We also encourage 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 Web site at:



plc.taylorwimpey.co.uk/ShareholderInformation/ElectronicCommunications.htm

Chief Executive's review

Our strategy has continued to gain momentum and we are pleased to report that we continue to deliver progress across a number of areas and against each of our strategic objectives.



“We have delivered a strong financial performance and continued to develop our business for the future.”

Pete Redfern
Chief Executive

Our corporate responsibility highlights

- 99% of our employees agree that Taylor Wimpey is committed to Health, Safety and Environmental (HSE) and keeping people safe.
- 93% of our employees agree that Taylor Wimpey takes its social and community responsibilities seriously.
- We were named 'Housebuilder of the Year' at the Housebuilder Awards 2012 and also won the 'Best Product' category.
- We achieved a 74% reduction in waste to landfill since 2007.
- The Home Builders Federation (HBF) awarded us the maximum five star rating for customer satisfaction.
- We contributed over £175 million to our local communities via Section 106 and Section 75 planning obligations (2011: £130 million).

Our strategy

As I laid out in my Chief Executive's report in the 2011 Annual Report, we communicated our strategy to all of our stakeholders last year. We believe that it is important to communicate our strategy to all of our stakeholders and to get their buy in, as well as keeping them updated on how we do in a measurable way.

Our Strategic Objectives set out what we want to achieve financially. Our progress on these can be found on page 7. Everything we do is underpinned by our six cultural principles:

- If something is worth doing, it's worth doing properly;
- If we make a mistake, we put it right;
- We will not compromise in ensuring that everyone leaves our sites safe and well;
- We are competitive and don't accept second best, we drive for results;
- We behave with integrity, and are honest and forthright, but we support each other; and
- We strive to enhance the environment and local community, not damage it.

2012 has been a year of significant progress for Taylor Wimpey, where we have delivered a strong financial performance and continued to develop our business for the future.

During 2012, we've continued our consistent approach and focus on margin and returns, delivering a significant increase in profits. These results show the benefit of our short term land and strategic land asset choices, along with our sharpened focus on capital efficiency.

Financial Review

Group revenue in 2012 increased by £211.0 million to £2,019.0 million (2011: £1,808.0 million) from Group completions of 10,944 (2011: 10,232), excluding joint ventures, against a backdrop of a stable UK housing market. The gross profit in the year has increased 23.8% to £356.3 million (2011: £287.7 million). The gross profit for the year includes £85.1 million (2011: £99.6 million) of positive contribution, on completions from sites with previously impaired inventory. Group operating profit* increased significantly by £70.6 million, or 44.3%, to £230.1 million (2011: £159.5 million) resulting in a Group operating margin* of 11.4% (2011: 8.8%). Group asset turn** increased to 1.19 times in 2012 (2011: 1.11 times), benefiting from a greater proportion of sales from higher quality sites, resulting in Group return on net operating assets*** increasing substantially by 3.8 percentage points to 13.6% (2011: 9.8%).

UK market and cycle

2012 market conditions were stable throughout the year and underlying market prices were flat. We completed 10,886 homes in the UK at an average price of £181k (2011: 10,180 homes at £171k),

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*** 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.

††† 2010 comparative excludes a one-off pension curtailment credit of £12.0 million in the UK.

against a backdrop of broadly flat house prices in the wider market. This increase has been driven primarily by the enhanced quality of our locations. Our net private reservation rate for the full year was 0.58 homes per outlet per week (2011: 0.54). We would consider a more normalised market environment to be one where market sales prices move at least in line with general inflation and annual average sales rates are around 0.70.

Different stages in the housing and economic cycle require different actions in order to deliver value and returns across the cycle. While it is impossible to judge the peaks and troughs exactly right, a fundamental part of our strategy is to take a more active approach to managing the cycle than has been undertaken in the business historically.

Successfully implementing our strategy

The impact of our strategy has continued to gain momentum and we are pleased to report that we continue to deliver progress across a number of areas and against each of our strategic objectives. Our vision is to become the UK's leading residential developer for creating value and delivering quality for customers and other stakeholders. We are confident of achieving this 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; and
- Active management of investments and structure over the housing cycle, to reduce risk and maximise returns over the long term.

Our landbank

Our landbank is an investment portfolio which is critical to our success and underpins the future performance of our business. We have continued to enhance the quality of our short term landbank by actively managing our portfolio: taking advantage of the attractive opportunities we are currently seeing at this point in the cycle and continuously adding value to our existing landbank. As at 31 December 2012, our short term owned and controlled landbank in the UK comprised 65,409 plots across our 24 regional businesses (31 December 2011: 65,264). The strength of our UK strategic landbank, which stands at 100,340 plots (including pipeline) (2011: 86,236) reflects the investment we have made over the last few years and further builds on our confidence in delivering sustainable returns through the cycle.

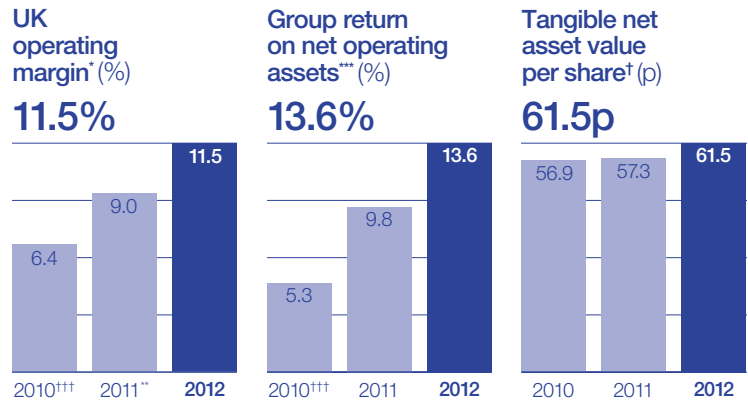
Our business model

Our business model is based on a value cycle on page 8 first set out in our 2010 Annual Report and Accounts. Each component of the value cycle is important and in order to achieve our strategic objectives we constantly work to optimise each stage, while never forgetting that we need to attract, develop and retain the right team to deliver this.

We strongly believe that having specific and identifiable objectives as well as a clear business model creates long term value and delivers our strategic priorities in each area of activity and in turn our business. Our results have shown that this strategy is already reaping benefits and that it can navigate the short term market challenges and deliver in the future.

Our strategic objectives

- Driving further UK operating margin progression beyond 2012
- Delivering at least a 15% return on net operating assets through the cycle
- Growing net assets by 10% per annum on average through the cycle



KPIs

Having a set of clear and consistent Key Performance Indicators (KPIs) is important to us and holds us to account in a clear and measurable way. These KPIs are set out in detail on page 16 and include both financial information and non-financial metrics across the business in areas such as the environment, health and safety and people.

Each of our 24 businesses adheres to an Internal Operating Framework. A description of the Company's internal control system for management, particularly of financial risks, is in the Audit Committee Report on pages 37 to 40. An analysis of the key business risks facing the Group appears in the Business Review on pages 12 and 13.

Corporate responsibility

We want to create value and drive returns for our stakeholders, but how we deliver this is just as important to us. With our scale and importance to the UK economy, comes social, environmental, economic and ethical responsibilities and a call to lead by example. We take these responsibilities seriously and integrate them into our business activities to effectively manage our environmental, economic and social impacts. We strive to make a positive difference to the communities in which we operate. This objective is set within a context of achieving a sustainable long term UK business.

As a business dedicated to building homes and creating communities, we care deeply about housing and homelessness issues. During 2012 we continued to support Centrepoin and also set up a unique network of regional charities.

Taylor Wimpey also publishes on its Web site an annual Corporate Responsibility Report which details the practices, strategies and policies being implemented across the divisions. Within our Annual Report and Accounts there are various links to corporate responsibility and you will see how ingrained this is within our business.

Our business model



The table provides a description of each component of the value cycle, and how each is important to our strategy to create and deliver enhanced value and quality. It also highlights the progress we have made in 2012 and our priorities for 2013.

We monitor several Key Performance Indicators (KPIs) which we derive from our value cycle and which we use to measure our success.



 See page 16 for more information on our KPIs

Components of the value cycle

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.

See page 17 for more information



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.

See page 18 for more information



Getting the homebuilding basics right

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

See page 18 for more information



Caring about our customers

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

See page 20 for more information



Optimising value

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

See page 21 for more information



Simply the best people

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

See page 21 for more information



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.

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.

We are committed to providing a safe place in which our employees and sub-contractors 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.

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 Web site and use of social media such as Facebook and Twitter.

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.

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 2012

Added 14,172 plots to the short term landbank on favourable terms. Average selling prices increased for 2012 to £181k (2011: £171k) primarily as the result of enhanced locations which contributed to the increase in contribution per legal completion to £33.9k from £28.6k in 2011. Also added 14,104 plots to the strategic landbank which stood at 100,340 plots as at 31 December 2012. 24% of 2012 completions were from strategically sourced land, up from 17% in 2011.

Contributed over £175 million to our local communities via Section 106 and Section 75 planning obligations (2011: £130 million).

Introduced a new set of community engagement tools and continued to provide engagement training for employees. Continued to maintain the About Taylor Wimpey Web site. Ranked in joint first place on the 'Impact on Society and Economy' section of the 2012 NextGeneration benchmark.

Developed a new training programme on adopting a collective responsibility for health and safety and delivered training to over 500 individuals from senior managers to Board directors.

Our ReUSE programme was 'Highly Commended' in the waste category of the Constructing Excellence National Awards 2012.

Awarded 'Housebuilder of the Year' and 'Best Product' for our innovative PresRoof at the Housebuilder Awards in November 2012.

Further reduced the construction waste produced as a result of our activities to 3.36 tonnes in 2012 per 1,000ft² built (2011: 3.44 tonnes).

Awarded the HBF five star rating in March 2012, the highest rating, reflecting our commitment to customers.

Customer satisfaction increased to 93.2% in 2012 (2011: 92.1%).

Launched the Taylor Wimpey Sales Academy.

Migrated 15 businesses to our new IT system.

Continued to review every site through our value improvement meetings.

Conducted an employee survey and undertook an audit of the diversity of our employees.

Priorities for 2013

Continue to manage our investments and landbank in line with the cycle. We aim to source 30% of completions from strategic land over the next three years.

Monitor the use of tools provided in the community engagement manual and seek detailed feedback from regional businesses. Further develop the About Taylor Wimpey Web site and develop our approach to on-line community engagement.

Decrease the number of RIDDOR reportable injuries to 2011 levels.

Provide a minimum of two days HSE training for our site management and operational staff.

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

Launch our new Taylor Wimpey Web site.

Complete roll out of our new IT system to all our business units.

Continue to actively review every site and optimise new sales outlets prior to opening.

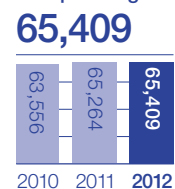
Draw up action plans to improve areas highlighted by our employee survey.

Develop a modular training programme for production and technical employees.

Our UK operational Key Performance Indicators

KPI

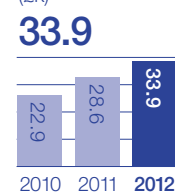
Owned and controlled plots with planning



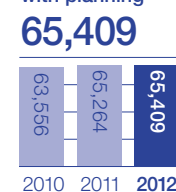
Contribution per legal completion (£k)



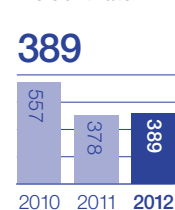
Contribution per legal completion (£k)



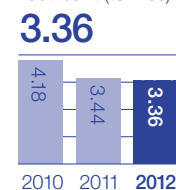
Owned and controlled plots with planning



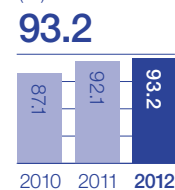
Health and safety incident rate



Waste generated per 1,000 square feet built (tonnes)



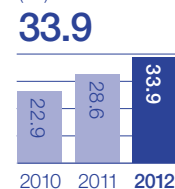
Customer satisfaction score (%)



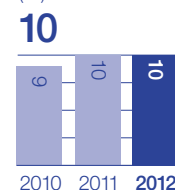
Forward order book as a percentage of completions (%)



Contribution per legal completion (£k)



Employee turnover (%)



Group Management Team

The Group Management Team (GMT) is responsible for the day to day running of the Company and 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 and treasury, as well as Information Technology. Ryan also plays an active part in our Investor Relations programme.



James Jordan
Group Legal Director and
Company Secretary

Responsibilities

James is responsible for our Company Secretariat department, as well as overseeing all legal matters from plot conveyancing to land buying.



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.



Maria Piffold
Group Human Resources Director

Responsibilities

Maria has responsibility for all areas of Human Resources, including recruitment, benefits, talent and performance management.

External recognition

We are committed to delivering high-quality homes for all of our customers. During 2012, Taylor Wimpey won a number of awards, recognising excellence across various areas of the business, including 'Housebuilder of the Year' and 'Best Product' for our innovative PresRoof at the Housebuilder Awards in November. We were particularly pleased to win 66 NHBC Pride in the Job Quality Awards (2011: 65), representing 21% of our active sites, 16 Seals of Excellence (2011: 18) and a further two (2011: two) Regional Awards, which are based on build quality and site management excellence.

People and culture

Our employees are critical to our success and provide us with a sustainable competitive advantage that can neither be easily, nor quickly, replicated.

During 2012 we conducted our first employee survey for a number of years. We were particularly pleased to note that 99% of our employees agree we take health and safety seriously and 94% of our employees are proud to work for Taylor Wimpey. Following the roll out of our strategy to all employees in 2011, the survey also highlighted that 98% of employees understand how their work fits into Taylor Wimpey, 97% understand what Taylor Wimpey wanted to achieve in 2012, and 97% are clear about what is expected from them on a day to day basis. This buy in and understanding makes a big difference. Importantly, this survey also highlighted areas for improvement and we intend to focus on these during 2013.

I would also like to take this opportunity to reiterate Kevin's words and say thank you to our employees who have implemented the strategy and delivered this great result with such enthusiasm.

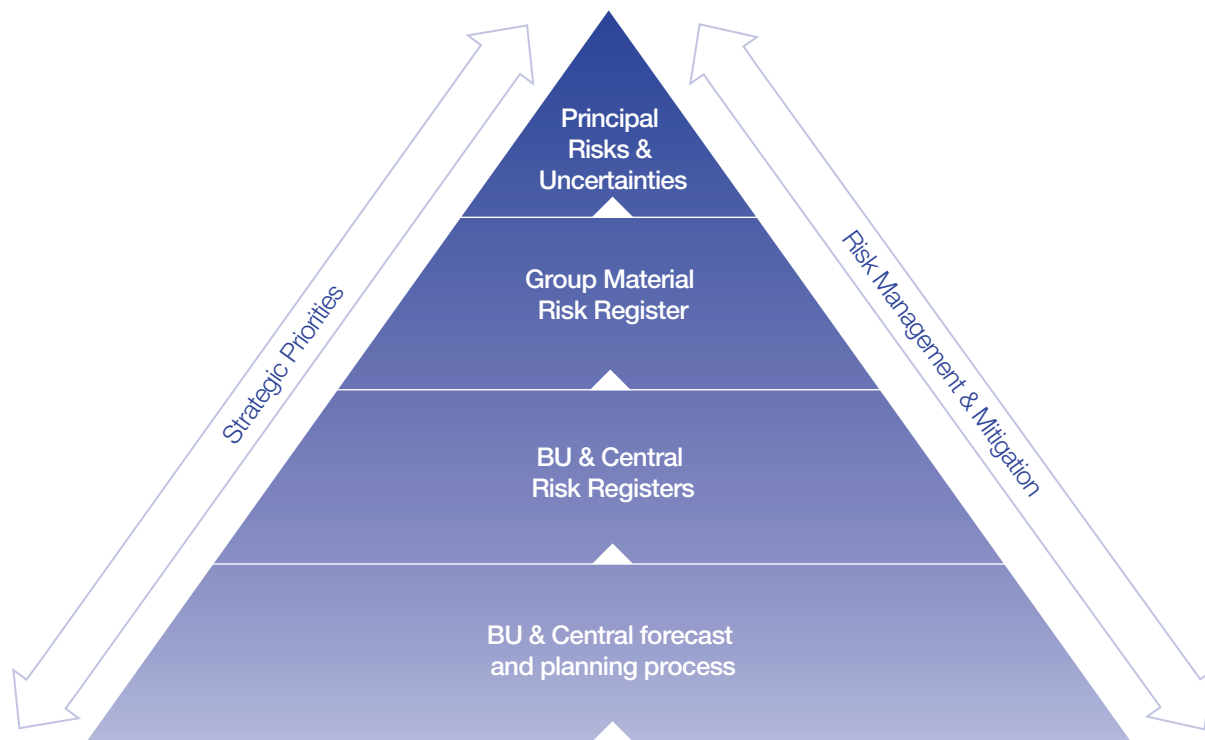
Outlook

It is too early to predict the market for the year and we believe that mortgage availability will remain the key constraint on the market, although we have seen improvement over the last few months and hope that this will continue. This, combined with a tentative improvement in consumer confidence, gives us grounds for cautious optimism in the short term.

Our strategy focuses on building and applying our key competencies: margin performance; land investment and management; continuously adding value; people; and an active approach to managing the market cycle to maximise returns. Our results already show the benefit of the successful implementation of our strategy, while our high-quality land portfolio, increased order book and strong balance sheet give us confidence to target further progress in 2013 and beyond.

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 will be able to deliver on our strategic priorities of improving operating margin, return on net operating assets and net asset value.



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 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 12 and 13) 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 our report last year and consistent with the UK Governance Code, the Board increased the frequency of its formal risk reviews to half yearly and in addition the GMT conducts a detailed review as part of the business planning process.

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 2013 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 end 31 December 2012. 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 Group.

More information on risk management and internal control is contained within the Audit Committee Report on pages 37 to 40.

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 plc.taylorwimpey.co.uk/CorporateResponsibility/CRreports/

	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2012
<p>Impact of market environment on demand</p> <p>Ongoing uncertainty in the wider economy, government austerity measures, flat economic growth and the potential for increased unemployment could suppress demand for housing.</p> <p>Responsibility</p> <ul style="list-style-type: none"> Group Management Team UK Sales Director Regional Sales and Marketing Directors 	<p>Due to economic conditions and, in particular, increasing unemployment, consumer confidence remains low. This has an impact on demand for new homes as individuals are more cautious about their financial future and so less likely to take on major new financial commitments such as a mortgage.</p>	<p>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.</p>	<p>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.</p> <p>We minimise the level of speculative build that we undertake and strive to reduce build costs, while maintaining quality, through operational efficiencies and price reductions. We continuously look to optimise our marketing Web site to increase the conversion rate of visitors to customers.</p>	<p>We were amongst the first in the industry to offer the government-backed NewBuy scheme when it launched in March 2012 and we have seen strong interest in the scheme amongst our customers.</p>
<p>Impact of economic environment on mortgage availability</p> <p>Whilst we have seen further incremental improvements in mortgage availability during 2012, the restricted availability of UK mortgage approvals remains the key constraint on the UK housing market.</p> <p>Responsibility</p> <ul style="list-style-type: none"> Group Finance Director UK Sales Director Group Treasurer 	<p>The majority of the homes that we build are sold to individual purchasers who take on significant mortgages to finance their purchases. In particular the ability of first time buyers and investors to purchase homes has decreased since the financial downturn due to reduced mortgage availability at the higher loan to value levels and hence significant deposits are required.</p>	<p>Credit availability remains below normal historic levels. As a result the level of effective demand for new homes is below historic trends, which could negatively impact on both profitability and cash generation. This would have an adverse effect on return on net operating assets and net debt.</p>	<p>We use a range of sales incentives like 'Easymover' and 'Deposit Match'. We also offer, on certain sites, the government backed 'FirstBuy' and NewBuy (MI New Home In Scotland) products to reduce customer up-front costs and the level of finance required.</p> <p>We continue to work with the government and with the lenders in order to further improve mortgage availability.</p>	<p>The confidence and ability of banks to lend has improved during 2012 as concerns regarding the Eurozone have eased. Although in its early stages, the introduction of the Funding for Lending Scheme (FLS) by the UK government also appears to be having a positive effect and the introduction of the NewBuy mortgage scheme has been well received.</p>
<p>Government regulations and planning policy</p> <p>The introduction of the Localism Act, National Planning Policy Framework and the Community Infrastructure Levy (CIL) have introduced significant change in the planning system.</p> <p>Responsibility</p> <ul style="list-style-type: none"> Chief Executive UK Land and Planning Director Other members of our senior management team Managing Directors of our regional businesses 	<p>Our ability to obtain the planning permission required to develop communities is dependent on our ability to meet the relevant regulatory and planning requirements.</p> <p>The new planning system is still in its infancy so could result in extended timescales for gaining planning consents or increased legal challenges as the powers within the new processes are clarified and tested. These factors increase uncertainty and increase the commercial risk of projects.</p>	<p>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.</p> <p>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.</p>	<p>We have responded to the changes in planning policy by developing a comprehensive community led planning strategy. This has improved communications between our regional businesses, communities and local authorities, enhancing our ability to deliver developments that meet local requirements.</p> <p>We consult with the UK government on upcoming legislation, both directly and indirectly as a member of industry groups, to highlight potential issues and to understand any proposed changes to regulations.</p>	<p>We have made significant strides in the implementation of our customer and community engagement planning strategy and have been encouraged by the early successes that we have achieved.</p> <p>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.</p>
<p>Site and product safety</p> <p>Building sites are inherently dangerous places. Unsafe practices by our employees or sub-contractors have the potential to cause death or serious injury.</p> <p>Responsibility</p> <ul style="list-style-type: none"> Chief Executive Head of Health and Safety Every employee and sub-contractor 	<p>The success of our operations requires a large number of people, ranging from employees and sub-contractors to customers and their families, to visit our sites each day. We want all of these people to go home at the end of the day safe and uninjured.</p>	<p>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.</p>	<p>We have a comprehensive health, safety and environmental management system, 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 houses that comply with the required regulations.</p> <p>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.</p>	<p>We continue to compare favourably to the UK construction industry in terms of site safety. Having been made aware of an incident of suspected exposure to carbon monoxide at a property with an extended gas flue (EGF), we undertook a prioritised programme of inspections at the site, as well as extending our existing nationwide EGF programme.</p>

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

Relevance to strategy

Land is the major 'raw material' for the Group and the limited availability of good-quality land at an attractive price leads to significant competition.

Purchasing land of the appropriate quality on attractive terms at the right point in the economic cycle will enhance the Group's ability to deliver future profit growth as housing markets recover.

Potential impact on KPIs

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.

Mitigation

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 landholders, 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.

Progress in 2012

At this point in the economic cycle we continue to see a number of attractive opportunities in the land market.

The lower level of competition from other potential purchasers enables us to acquire land at higher than normal returns.

Pensions

The volatility of the pension deficit has the potential to impact on the Group's share price, balance sheet and cash flow. The current economic uncertainty is driving discount rate volatility, resulting in increased liabilities and reduced investment returns, which have in turn led to an increased deficit and the potential for increased deficit recovery payments.

Responsibility

- Group Finance Director
- Head of Pensions

Our strategic objective of growing net asset value by 10% per annum on average through the cycle will be impacted by any increase in the pension deficit eroding net asset value delivered through operational performance.

Cash contributed to the pension schemes in order to reduce the deficits is not available to the Company for operational uses such as land spend.

Continuing economic uncertainty could lead to further reductions in the value of scheme assets, further reductions in the discount rate and/or increases in inflation could result in further increases in scheme liabilities.

Improvements in the economic environment could have a beneficial effect on the value of assets and reduce the level of liabilities.

We have regular meetings with the pension trustees to discuss investment performance, regulatory changes and proposals to manage the deficit actively.

We continue to implement the agreed investment strategy for the schemes through the established joint investment sub-committee.

We have started the process of merging the two pension schemes in 2013.

We are also in the process of creating a Pensions Funding Partnership (PFP) to accelerate the timescale for reducing the scheme deficit. The creation of the PFP will enable the Company to provide funding in the form of assets, reducing the level of cash contributions required from the Company.

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 challenging market conditions and changing planning environment have meant that the retention of high-quality trained employees continues to be key to achieving our strategic goals.

Not having the right teams in place could lead to delays, quality issues, reduced sales levels, poor customer care and reduced profitability.

We monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement.

We benchmark our remuneration against the industry and have succession plans in place for key roles within the Group. We hold regular development reviews to identify training requirements.

During 2012, we have conducted our first employee survey for a number of years, which has highlighted some areas for improvement that we will focus on in 2013.

We have also introduced our Sales Academy during the year.

Material costs and availability of sub-contractors

Supply of labour and materials has reduced as industry volumes declined over recent years. However, as markets recover, there will be greater demand and competition for key skills and materials which could lead to increased prices.

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 and local market conditions allow, the vast majority of work carried out on site is performed by sub-contractors.

Some sub-contractors and suppliers have gone out of business as a result of the downturn, with others reducing prices to secure orders. As demand increases, labour and material prices could increase.

If the availability of sub-contractors or materials is insufficient to meet demand this could lead to increased build times, increased costs and, therefore, reduced profitability.

Lack of skilled sub-contractors 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 sub-contractor 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.

Industry volumes remain subdued, as do markets in other economies that have the potential for significant demand for construction raw materials.

We have made further progress with the introduction of our standard house types and regional cost benchmarking, both of which are delivering increased build efficiency.

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.

Evaluating our progress

Priorities	Progress	Status	Targets for 2013
Our homes and communities 	<ul style="list-style-type: none"> Continued to work with Waste Resources and Action Programme (WRAP) and have achieved a 74% reduction in construction waste to landfill per home completed since 2007. Further reduced construction waste to 3.36 tonnes in 2012 (2011: 3.44 tonnes). Introduced a new set of community engagement tools and continued to provide engagement training for employees. Engaged with the Building for Life (BfL) partners behind the standard, and finalised our internal tool in 2012 for launch in 2013, which will reflect the new BfL12 standard. Started to measure soil to landfill and water use and will start to publish figures in 2013. 		<ul style="list-style-type: none"> Monitor the use of tools provided in the community engagement manual and seek detailed feedback from our regional businesses. Further develop the About Taylor Wimpey Web site and investigate how we could approach on-line community engagement. Launch our BfL tool and develop a major training programme for design and technical staff covering all aspects of their work, including sustainability and BfL. Undertake a review of supply chain resource efficiency covering energy, carbon, water and waste.
Our customers 	<ul style="list-style-type: none"> Continued to focus on our Customer Journey and customer service, achieving a five star ranking from HBF. Introduced new signage into our sales centres including details of energy efficiency and sustainability performance of homes. Introduced the Taylor Wimpey Sales Academy with the aim of developing the most knowledgeable and competent sales and marketing teams in the industry. 		<ul style="list-style-type: none"> Continue to monitor all aspects of customer service in order to continually improve our performance. Sales executives identified for career development programme and we will design a similar programme for sales managers. Start development of sustainability and community led planning modules for the Taylor Wimpey Sales Academy programme.
Our people 	<ul style="list-style-type: none"> Conducted an employee survey and undertook a review of the diversity of our employees. Developed a new training programme on adopting a collective responsibility for health and safety and delivered training to over 500 individuals from senior managers to Board directors. Continued to compare favourably to the construction industry with an Annual Injury Incidence Rate (AIIR) of 389 versus the 2011/12 'Construction Sector Rate' of 589. 		<ul style="list-style-type: none"> Draw up action plans to improve areas highlighted by our employee survey. Develop a modular training programme for production and technical employees. Decrease the number of RIDDOR reportable injuries to 2011 levels and continue to provide a minimum of two days HSE training for our site management and operational staff.
Our partners 	<ul style="list-style-type: none"> Vetted all of our national suppliers in the UK to ensure that they continued to comply with our health and safety requirements. Worked towards introducing a zero tolerance policy on safe delivery and vehicle off-loading by engaging with the UK Building Products Delivery Working Group on policy and procedures to introduce. Continued to work with our 12 largest suppliers on reducing packaging waste. 		<ul style="list-style-type: none"> Develop guidance for our regional businesses to ensure ongoing supplier compliance with our health and safety standards. Introduce zero tolerance policy on safe delivery and vehicle off-loading. Identify and approach another tranche of major suppliers with a view to working with them on packaging waste initiatives.

Our sustainability recognition

During 2012, Taylor Wimpey was selected as a component of the Dow Jones Sustainability Europe Index and a constituent of the FTSE4Good Index Series. Companies in these indices have met stringent environmental, social and governance criteria and are positioned to capitalise on the benefits of responsible business practice.



Visit our Corporate Responsibility Web site for more details and to download a copy of our Corporate Responsibility Report:

plc.taylorwimpey.co.uk/CorporateResponsibility

Visit our About Taylor Wimpey Web site for more details about our approach to land & planning, sustainability, design and developing communities, as well as case studies of developments we have built in your area:

about.taylorwimpey.co.uk

Our approach to corporate responsibility

This is the sixth year that we have produced a Corporate Responsibility Report as Taylor Wimpey. We believe that this is an important tool in highlighting how we address and embrace corporate responsibility.

We strive to make a positive difference to the communities in which we operate by providing or enhancing community facilities, education, employment, infrastructure, as well as housing. During 2012, Taylor Wimpey contributed over £175 million to our local communities via Section 106 and Section 75 planning obligations (2011: £130 million).

As a business dedicated to building homes and creating communities we care deeply about housing and homelessness issues. During 2012 we continued to support Centrepoin and also set up a unique network of regional charities, allowing each of our 24 businesses to work with a charity within their area and for our employees to see the difference their efforts makes. We are proud of our charity partnership and of the big impact that we have had on a number of small organisations.

More information on what we do and why, as well as our key areas of focus can be found within our dedicated Corporate Responsibility Report, our plc Web site and our About Taylor Wimpey brochure and Web site.

Pete Redfern
Chief Executive

UK Housing

Managing the housing market cycle to create value and deliver increased returns.

UK housing market

Mortgage availability remained the key constraint on the market for another year. In 2012, the total value of mortgage approvals for home purchases was £91,139 million (2011: £82,454 million) according to Bank of England data. During 2012, private industry housing starts decreased slightly to 78,120 (2011: 78,250) according to the National House-Building Council (NHBC).

Underscoring the importance of homebuilding to the UK economy, the Government implemented several initiatives during 2012, including NewBuy and extending FirstBuy. We have welcomed these initiatives and during 2012 supported 1,203 customers to purchase homes using FirstBuy and 546 homes using NewBuy and MI New Home.

UK financial performance

2012 has been a year of strong growth and operational performance. Revenue has increased by 11.7% to £1,987.0 million (2011: £1,779.4 million), primarily driven by an improved mix and quality of locations, resulting in higher sales prices and an increase in home completions. It is therefore very pleasing to report growth of 43.6% in operating profit* to £228.8 million (2011: £159.3 million**) as we continue to prioritise margin performance from new and old land. This value focus resulted in an increase in operating margin* to 11.5% for the full year (2011: 9.0%**).

Net operating assets in the UK were £1,667.2 million (2011: £1,607.2 million) with a strong increase in our return on net operating assets*** for the year to 14.0% (2011: 10.2%**).

Sales, completion and pricing

The best way to deliver sustainable returns for our shareholders is by focusing on delivering strong margin performance. Our average selling prices on private sales increased by 6.5% to £197k (2011: £185k) against a backdrop of broadly flat house prices in the wider market.

Market data

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

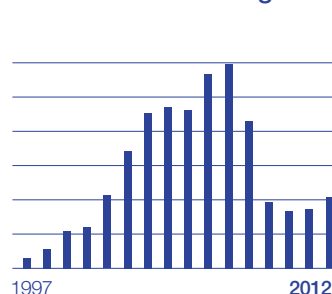
Mortgage/Earnings ratio



Source: Halifax

The mortgage/earnings ratio provides an indication of the affordability of housing, taking into account the underlying mortgage interest rates. Affordability is significantly improved as a result of recent declines in both house prices and Bank of England base rates.

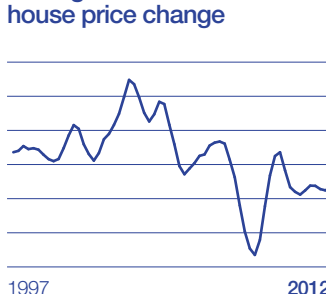
Gross secured lending



Source: Bank of England

The correlation between the gross secured lending chart above and the housing starts chart to the right reflects the impact of restricted credit availability on the housing market.

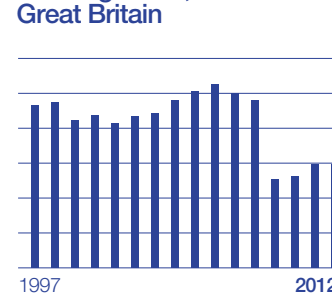
Average annual house price change



Source: Average of Halifax and Nationwide House Price Indices

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.

2012 UK market conditions

- Housing market remained stable, however mortgage availability remained constrained.
- UK Government introduced several initiatives including NewBuy and Funding for Lending and extended FirstBuy which had a positive impact.

Revenue

£1,987m

Operating profit*

£229m

This increase has been driven primarily by the enhanced quality of our locations. Our overall average selling price has increased to £181k (2011: £171k). During 2012, we completed 10,886 homes (2011: 10,180 homes), of which 8,842 were private homes (2011: 8,075), 1,946 were affordable (2011: 2,048) and 98 joint venture completions (2011: 57). The average selling price of affordable completions was slightly lower at £112k (2011: £116k). During 2012 we were selling from an average of 311 outlets (2011: 305). Our net private reservation rate for the full year was 0.58 homes per outlet per week (2011: 0.54) with cancellation rates remaining low at 15.2% (2011: 15.8%).

We achieved an increase of 14% in order book value, ending the year with a total of £948 million (31 December 2011: £835 million), and an increase of 11% in volume ending the year at 5,966 homes (31 December 2011: 5,379 homes). We have not compromised on our focus on driving margin and we are pleased to report further

* 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.

** 2011 comparatives have been restated to consolidate the UK Housing and Corporate segment, as the Group now only reports two operating segments.

*** 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 strategic priorities

- Retain our consistent disciplined approach to acquiring short term land, maintaining a longer land portfolio at this stage in the market cycle.
- Focus on adding new sites to our strategic land portfolio and delivering planning and value from existing sites.
- Become the industry leader in managing the planning process across our industry.
- Deliver an excellent Customer Journey consistently for all of our customers.
- Deliver on our aspiration to add value to every site after acquisition.

Our UK Housing Key Performance Indicators (KPIs)

	Objective	Definition	Why is it key to our strategy?	
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 ahead of volume growth. Increasing the contribution per plot is a key driver to achieving this priority.	£33.9k  2010 2011 2012
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.	55.3%  2010 2011 2012
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.	65,409 plots  2010 2011 2012
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.	93.2%  2010 2011 2012
Health and safety	KPI We want our employees and sub-contractors 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.	389  2010 2011 2012
Waste generated per home	KPI We aim to reduce the level of waste generated per home each year.	Total tonnage of construction waste per 1,000 square feet 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.	3.36  2010 2011 2012

Our UK Housing Risks

The Group's principal risks and uncertainties are detailed on pages 12 and 13 of this report. The risks that have seen the greatest change in the UK business during 2012 are:

- Lack of mortgage availability, which in part is helped by Funding for Lending and NewBuy; and
- Change in government planning policy and the Community Infrastructure Levy for which we are actively reviewing and implementing processes.



improvement in the margin on sales in the order book, with the growth driven by the strength of the private order book. Private average selling price in the order book stands at £203k (31 December 2011: £189k), again primarily the result of better quality locations. We entered 2013 with 327 active outlets (31 December 2011: 312).

Selecting land

With land, location is of course critical. We are first and foremost a local business. We have a network of 24 businesses, which are located across the country in most key markets. Our completions and land buying are approximately weighted 60% to the South and 40% to the North. We have a strong presence in the South East and in London, with 19 active sites and 31 landbank sites in the capital. Each land purchase we make, regardless of geography, is tested against our strict evaluation criteria, which includes margin, return on capital, market demand and site specific risk assessment.

During 2012, we approved the purchase of 14,172 new plots on 112 new sites at an average contribution margin of c.23% (2011: 11,756 plots on 106 sites). Total land spend including land creditors was £427 million (2011: £398 million). As we have set out, our strategy is to manage the business in line with the cycle, to maximise returns. We continue to see a number of attractive opportunities in the land market and we have been able to capitalise on the current reduced level of competition to invest in land that will deliver strong financial returns. At this point in the cycle, this offers the best return proposition for our shareholders. We continue to monitor the land market and other macro factors carefully and we are committed to the principle of returning cash to our shareholders when the number of attractive land opportunities decreases as competition in the land market heats up and we reach what we believe is optimal scale.

A key focus in 2012 was to maintain and develop our land partnerships and relationships across the business with the aim to become the land buyer that vendors and local communities want to deal with. We were delighted to be selected with London & Quadrant to build the first residential phase of Queen Elizabeth Olympic Park, Chobham Manor.

As at 31 December 2012, our short term owned and controlled landbank stood at 65,409 plots, representing 6.1 years of supply (31 December 2011: 65,264, 6.4 years). The strength of our landbank reinforces our ability to maintain a disciplined approach to new land investment and make investments only where we see value.

We are driven by returns and we will undertake land sales where we feel the price achieved delivers value and the land does not fit our strategy or is excess to our requirements in a particular local market. Revenue from land sales totalled £16.2 million in 2012 (2011: £23.4 million) with a gross profit of £3.5 million (2011: £6.3 million).

Selecting land



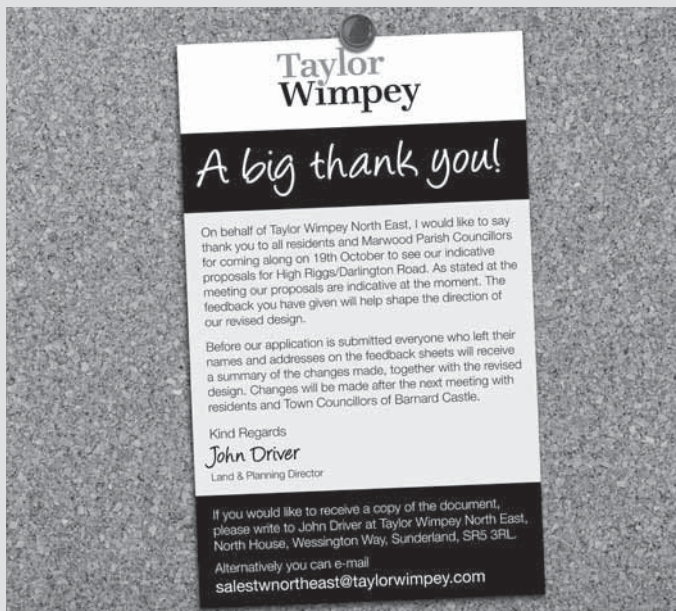
Chobham Manor, Queen Elizabeth Olympic Park
Our East London business unit and partner London & Quadrant (L&Q) were selected by the London Legacy Development Corporation (LLDC) to build the first of five housing developments on the Queen Elizabeth Olympic Park.

The 9.3 hectare site will provide 870 new homes and is one of the most high profile and strategically important developments in London. The build is scheduled to begin later in 2013, with the first homes due for completion by the end of 2014.

UK Housing land portfolio

Plots	2012				2011 Total
	Owned	Controlled	Pipeline	Total	
Detailed planning	35,226	3,546	256	39,028	36,853
Outline planning	11,900	3,921	546	16,367	21,846
Resolution to grant	3,488	7,328	753	11,569	8,300
Subtotal	50,614	14,795	1,555	66,964	66,999
Allocated strategic	3,759	5,867	36	9,662	9,349
Non-allocated strategic	28,506	60,527	1,645	90,678	76,887
Total	82,879	81,189	3,236	167,304	153,235

Managing the planning and community engagement process



Barnard Castle, County Durham

Our site at Barnard Castle demonstrates how effective consultation and engagement can ensure our planning applications have the support and buy-in of the local community and local council.

Our North East regional Land and Planning team initially met with the local Parish Council and it was agreed to publish adverts in the local paper and undertake letter drops to publicise the consultation and encourage as many local residents as possible to give their views. The reaction was overwhelmingly positive. Our planning application, which had the full support of Barnard Castle Town Council, was approved at committee.

We hope to start on site shortly.

The short term landbank only tells part of the story. The ongoing quality of the short term landbank is protected by the strength of our strategic landbank that stood at 100,340 plots as at 31 December 2012 (including pipeline plots), an increase of 16% (31 December 2011: 86,236). Throughout 2012, we have continued to add to our strategic land portfolio, both by the promotion of existing sites through the planning process and by the targeted addition of new potential plots. Our short term landbank comprises 43% of strategically sourced land (2011: 41%) and 24% of our 2012 completions (2011: 17%) were on strategically sourced land. We aim to increase this percentage to 30% of completions from strategically sourced land over the next three years, which underpins our confidence in future margin progression.

Managing the planning and community engagement process

A year on from 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. A key element of our strategy is to become the industry leader in managing the planning process across our business, recognising the value this adds both to our local communities and Taylor Wimpey. We aim to engage with communities and all interested stakeholders 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.

We have made significant strides during 2012 and are further encouraged by the success that we have achieved to date, which we believe has resulted from being very early to adapt our approach. We were also pleased to receive external recognition of our progress by being ranked in joint first place in the 'Impact on Society and Economy' section of the 2012 NextGeneration benchmark.

Getting the homebuilding basics right

In order to achieve our objectives and maximise our returns, consistency and efficiency of process in everything that we do is key, from health and safety through to build cost control.

Health and safety

Health and safety at Taylor Wimpey is a 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 management programme in place across our business.

We continue to compare favourably with the UK construction industry in terms of site safety, but remain committed to reducing our incident rates further. In 2012, the UK Health and Safety Executive (HSE) changed the definition of reportable injuries from a three day period of absence from work to a seven day period. Given the timing of the industry collection, 2011/12 industry figures are reported using the previous three day classification where we recorded an Annual Injury Incidence Rate (AIIR) of 389 in the UK (2011: 378). This is significantly below the 2011/12 'All Home Builder Rate' of 493 declared by the

2012 highlights

Completions

10,886

Average selling price

£181k

Average sales outlets (sites)

311

Order book as at
31 December 2012

£948m

Home Builders Federation and the 'Construction Sector Rate' 2011/12 of 589 declared by the HSE. Taylor Wimpey's AIIR on the new basis is 311 (2011: 222). We recorded 44 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) injuries against 30 in 2011, using the new basis of definition. During 2012 we had one case of enforcement action (2011: nil), where we received one Abatement Notice in respect of dust nuisance, which was quickly rectified.

The health and safety of our customers is of paramount importance to us and we were made aware of an incident of suspected exposure to carbon monoxide at our Grand Union Village (GUV) development in Northwest London which occurred in January 2012. The apartment had a type of boiler system which uses what is known as an extended gas flue (EGF), where the pipes transporting exhaust gases from the boiler pass through and are concealed within a void in order to reach the outside wall. Such systems have been widely used by the gas industry since around 2000 and are installed and certified by independent Gas Safe registered engineers.

We responded with a prioritised programme of flue inspections of properties with EGFs at the development and extended our existing nationwide programme of EGF inspections, which we had instigated in line with revised gas industry safety guidance issued in June 2007. We also took the decision to write to around 150,000 homes built since 2000 in order to highlight the risks of carbon monoxide, the importance of regular boiler servicing and to offer to supply audible carbon monoxide alarms free of charge. Audible carbon monoxide alarms are now fitted as standard in all new Taylor Wimpey properties with a gas appliance.

We also believe we should play our part in educating our site teams about how to stay safe on site and during 2012 we ran a very successful campaign to improve heavy machinery awareness on site.

Our commitment to health and safety is reflected by the fact that it continues to form part of all senior managers' business objectives.

Build costs and efficiency

We have made significant targeted savings in the last four years. During 2012, 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 easily 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. As at January 2013, these housetypes were plotted on approximately 150 sites. This will continue to have a positive impact on build efficiencies, and costs, mitigating build cost inflation.

We also take steps to ensure our supply chain is efficient. 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.

Getting the homebuilding basics right



Nightingale Gardens, Salford

The former Pendlebury Children's Hospital site is of great significance to the local community as it is home to a well known local landmark. We carried out an extensive community engagement process to ensure that our proposals for its redevelopment were sensitive to the requirements of local people and the heritage of the hospital buildings.

Taylor Wimpey purchased the site on a 'subject to planning permission' basis and then worked alongside the Central Manchester University Hospitals NHS Foundation Trust, and their planning consultants, in order to secure planning consent for 234 homes (we also agreed the sale of half of the site to another developer). We attended meetings with the planning authority and their urban design team, as well as local councillors, prior to submitting our planning application.

One of the unique features of the site is the locally listed main administration building and associated single storey gatehouse, both of which date back to 1872. As part of our proposals for the site we agreed to retain these buildings and convert the main administration building into 12 apartments and the gatehouse into a children's nursery that will serve both new and neighbouring residents. We are also incorporating a number of other heritage features, ensuring that the history of the site is reflected through its redevelopment.

Caring about our customers



In 2012, we were awarded the maximum five star rating for customer satisfaction in an independent survey by the Home Builders Federation (HBF).

The UK-wide survey is sent to all new home purchasers eight weeks after their moving in date, and asks them to rate their homebuilder on the service they received and the quality of their new home.

We have been officially ranked as a five star builder, with nine out of 10 of our customers saying they were satisfied with the quality of their new home and would recommend Taylor Wimpey to a friend.

We take great pride in putting our customers first and ensuring that their whole move goes as smoothly as possible, and this award is extra assurance of our continued commitment to customer service and the quality of the homes we build.

Product range

We continue to offer a wide range of homes from apartments to five bedroom houses, with prices ranging from under £100k to above £750k.

In 2012, the proportion of apartments in our private completions was 24% (2011: 26%).

The average square footage of our private completions also remained broadly the same at 1,013 square feet (2011: 1,012 square feet).

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 continue to work with the Waste Resources and Action Programme (WRAP) and have achieved a 74% reduction in construction waste to landfill per home completed since 2007 under WRAP's 'Halving Waste to Landfill' commitment. We further reduced the construction waste produced as a result of our activities to 3.36 tonnes in 2012 per 1,000 square feet built (2011: 3.44 tonnes). This has been achieved by careful planning of operations and giving due consideration to eliminating, reducing or reusing all potential waste wherever possible. In 2012, our ReUSE programme was 'Highly Commended' in the waste category of the Constructing Excellence National Awards 2012. ReUSE is designed to share suitable surplus soil and recycled aggregates between sites and between Taylor Wimpey regional business units.

We are committed to improving the water efficiency of the homes that we build, for example, using water-efficient fittings and appliances as standard. In 2012, we started to measure the water use of our sites, offices and home plots before sale in order to monitor and identify ways to further increase water efficiency. We will start to publish water use data from 2013.

We are changing our emissions measurement and methodology to ensure compliance with the UK Government mandatory carbon reporting requirements ahead of its introduction in 2013.

Quality

We are committed to delivering high-quality homes for all of our customers. During 2012, Taylor Wimpey won a number of awards, recognising excellence across various areas of the business, including 'Housebuilder of the Year' and 'Best Product' for our innovative PresRoof at the Housebuilder Awards in November. We were particularly pleased to win 66 NHBC Pride in the Job Quality Awards (2011: 65), representing 21% of our active sites, 16 Seals of Excellence (2011: 18) and a further two (2011: two) Regional Awards, which are based on build quality and site management excellence.

Caring about our customers

Regardless of the size or price, every home we build is aspirational to our customer. We have been pleased that our efforts have not gone unnoticed and our customer satisfaction has continued to improve. During 2012, we achieved 93.2% on the externally measured customer service scale (2011: 92.1%) and were awarded the HBF five star rating in March 2012, the highest rating 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 us to a friend.

Buying a home is a significant financial and emotional investment for our customers. In everything we do, we try to make the process as easy as possible. We have a dedicated customer service Web site, which aims to make reporting problems easier and quicker. Our customer charter can be found on our Web site www.taylorwimpey.co.uk while our Customer Journey is a special set of procedures that we have designed to guide our customers through the process and is consistently applied on each site development.

Sales and marketing

Our approach to sales and marketing, like every other area of our business, is to drive value. Our prices are set locally and we use targeted customer incentives, on a site by site basis, knowing that our customers' circumstances vary.

First time buyers account for 32% of our sales (2011: 30%). We continue to offer a wide range of products to assist first time buyers. Our Mortgage Myths and First Time Buyer Guide won the 'Highly Commended' award at the Housebuilder Awards 2012.

Our customers' communication preferences have changed over the last few years, resulting in a greater use of the internet. We work to harness technology to make it easier for our customers and to allow us to communicate more effectively. In 2012, 16,196 appointments were made on our on-line booking system (2011: 13,064). In 2012, we developed our social media presence through Facebook and Twitter. We have created a blog to which our senior management team regularly contribute. Throughout 2012, we have been developing our new Web site and anticipate a launch in late 2013. This will provide a more user friendly experience for our customers, investors and other stakeholders.

Optimising value

We have the expertise to buy a good piece of land and make it great. Our ability to constantly increase efficiency and tightly control costs is part of the Taylor Wimpey culture and remains central to delivering enhanced returns.

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.

Our primary goal with new outlets continues to be to optimise planning consents and value-engineer sites prior to opening and we will not compromise on this. We continue to deliver enhanced returns on newly acquired sites as we open them for home sales.

In 2012, we migrated 15 of our business units over to our COINS based Enterprise Resource Planning (ERP) system. We anticipate that we will complete this by the second half of 2013, by which time all 24 business units will be using the same system. This new IT system is expected to deliver significant savings through the retirement of a number of legacy systems, as well as supporting our focus on value improvement through improved management information, reporting and analysis.

Simply the best people

Our employees are critical to our success and provide us with a sustainable competitive advantage that can neither be easily, nor quickly, replicated. During 2012, we conducted our first employee survey for a number of years. We were particularly pleased to note that 99% of our employees agree we take health and safety seriously and 94% of our employees are proud to work for Taylor Wimpey. Following the roll out of our strategy to all employees in 2011, the survey also highlighted that 98% of employees understand how their work fits into Taylor Wimpey and 97% understand what Taylor Wimpey wanted to achieve in 2012. Importantly, this survey also highlighted areas for improvement and we intend to focus on these during 2013.

Optimising value



Frampton View, Rushall

We achieved planning consent on this five acre site, which we bought jointly with another homebuilder, in 2007. The development comprised 106 homes, of which 65% were apartments, and 25% designated as affordable housing.

When the market deteriorated in 2008, it became apparent that the high volumes of apartments meant the product mix was inappropriate and, ultimately, not viable.

We embarked on a value engineering programme to replan the site, look for cost savings, and to maximise value. The replan changed the mix from predominately apartments to two storey homes, a product that was more in demand in the local area and which helped to maintain the required price per square foot. We renegotiated the Section 106 agreement on the grounds of viability and had the full support of the Local Planning Authority. We benchmarked build costs in detail and carried out a thorough review of all specifications, notably this resulted in a change in the types of foundations used. We retained soil on site, and adjusted levels where appropriate, producing savings against budget.

The result of the value engineering process was completions for 2011 and 2012 at improved margin.

This value engineering process is embedded in our culture and is a process we go through on each and every site, both existing and new.

Simply the best people



Buckinghamshire UTC

We are one of four lead partners supporting the new Buckinghamshire University Technical College (UTC) in Aylesbury. The Government funded college will specialise in IT and construction and will offer full-time technically orientated courses for students aged 14-19. The curriculum includes a blend of core academic and technical qualifications and is heavily influenced by local and national employers.

We are working with BUTC to develop the construction course curriculum, which aims to prepare young people for a career in the construction industry. Senior Taylor Wimpey employees, including members of our Group Management Team and Regional Directors, will ensure the programmes of study are relevant, current and progressive.

The greater part of the learning will revolve around real life work projects and case studies that we have put forward. Talks and lectures will be delivered by members of our regional teams and Taylor Wimpey employees will support students as they progress through the course. We will provide apprenticeships and work placements to a number of the students.

During 2012 97% of our salaried employees received training. We believe strongly in internal succession and believe that internal candidates make valuable business leaders because they understand our culture and approach. Our employee turnover rate for 2012 remained at 10% (2011: 10%).

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. This has been highly successful and, as such, we will look to introduce similar programmes for other disciplines in the future, prioritising the skills that are important for our future business.

Throughout the downturn, we maintained our graduate programme, believing firmly in the importance of investing for the future. During 2012, we recruited seven individuals for our graduate programme, 13 management trainees and 34 apprentices. From 2013, each of our regional business units will be required to take on at least three apprentices per year. These groups are monitored throughout their career progression.

We continue to support the UK construction industry's Construction Skills Certification Scheme (CSCS) which was set up to improve quality, reduce accidents and provide evidence of workers' occupational competence. A total of 91.8% of our workforce, including sub-contractors, were CSCS carded at the end of December 2012 (December 2011: 98.2%).

In 2012, we went one step further and Taylor Wimpey entered into an innovative partnership with Buckinghamshire University Technical College (BUTC), a Government funded college for students aged 14 to 19 due to launch in 2013. For more information, please see our case study to the left.

Current trading and outlook

We have continued to build on our excellent order book position, which stood at over £1,076 million as at 24 February 2013 (26 February 2012: £982 million). We are around 50% forward sold for 2013 completions. Sales rates and visitor trends have improved in recent weeks, particularly in the South and Midlands, and we have seen a noticeable increase in the number of NewBuy reservations in the first eight weeks of the year.

Our proactive approach to managing the cycle and optimising our UK residential development business will stand us in good stead for the year ahead. We anticipate a natural growth in completions as our strong order book, recent land acquisitions and planning approvals on strategic sites will organically increase our outlet numbers during 2013 and will deliver further growth in completions, subject to ongoing stable market conditions.

Spain Housing

“In tough conditions and wider economic uncertainty, our Spanish business has made a profit and contributed cash to the Group.”

Javier Ballester
Managing Director, Spain

	2012	2011
Order book volume as a percentage of completions	33.9%	46.8%
Total landbank plots	1,815	1,668
Customer satisfaction	100%	100%
Health and safety	915	749

Key market drivers

- Wider macro uncertainty remains key challenge.
- Local demand and consumer confidence affected.
- Surplus of homes in mainland Spain.
- Mortgage availability remains restricted.

Financial and operational performance

The wider macro economic uncertainty has contributed to the challenging market conditions in Spain. Mortgage availability has remained restricted and there remains a surplus of homes in mainland Spain. Against this backdrop, we have been pleased to deliver an increase in homes completed to 156 homes (2011: 109) at an average selling price of €245k (2011: €275k). The reduction in average selling price is primarily the result of mix changes, however with higher volumes, 2012 revenue increased to £32.0 million (2011: £28.6 million).

We achieved an operating profit* of £1.3 million (2011: £0.2 million) in spite of the challenging market conditions, which is a testament to the

strength of the operating team we have in Spain. Our Spanish housing business has also continued to contribute operational cash flow before land spend to the Group.

Our total landbank in Spain stands at 1,815 plots (2011: 1,668).

We are pleased to report that in 2012, 100% of our customers in Spain said they would recommend us to friends and family (2011: 100%).

Current trading and outlook

Conditions continue to be challenging, with the wider macro environment impacting on consumer confidence.



Lagunas Del Sol, a development of three bedroom townhouses on the Costa Blanca with communal swimming pool and landscaping.

* 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.

Group financial review

Strong operational performance and underlying strength of our balance sheet drives improvement across each of our strategic objectives.



“Continued strong operational performance and balance sheet strength has driven an increase of 124% in adjusted basic earnings per share.”

Ryan Mangold
Group Finance Director

Group summary

The Group has continued to make good progress in line with the strategic goals with all key financial measures improving during 2012, reflecting the strong operational performance.

The strong operational results have been used to reduce our net debt and invest in new land opportunities, as well as refocus the capital structure with the repurchase of £15.2 million of the 10.375% Senior Notes in 2012 (2011: £85.4 million).

UK Housing

2012 has been a year of strong growth and operational performance. Revenue has increased by 11.7% to £1,987.0 million (2011: £1,779.4 million), primarily driven by an improved mix and quality of locations resulting in higher sales prices and an increase in home completions. It is therefore very pleasing to report growth of 43.6% in operating profit* to £228.8 million (2011: £159.3 million**) as we continue to prioritise margin performance from new and old land. This value focus resulted in an increase in operating margin* to 11.5% for the full year (2011: 9.0%**).

Net operating assets in the UK were £1,667.2 million (2011: £1,607.2 million) with a strong increase in our return on net operating assets*** for the year to 14.0% (2011: 10.2%**).

Spain Housing

We achieved an operating profit* of £1.3 million (2011: £0.2 million) in spite of the challenging market conditions, which is a testament to the strength of the operating team we have in Spain. Our Spanish Housing business has also continued to contribute operational cash flow before land spend to the Group.

Group financial review of continuing operations

We have delivered a significant improvement in profit before exceptional items and tax, which has more than doubled to £185.3 million (2011: £89.9 million) driven by improved underlying operating performance and lower net debt finance costs.

Financial highlights

Adjusted basic earnings per share – continuing Group

4.7p

for 2012 (2.1p for 2011)

Tangible net assets per share†

61.5p

at 31 December 2012
(57.3p at 31 December 2011)

Net debt

£59.0m

at 31 December 2012
(£116.9m at 31 December 2011)

Return on net operating assets***

13.6%

for 2012
(9.8% for 2011)

- 44% increase in Group operating profit* to £230.1 million
- 124% increase in adjusted basic earnings per share to 4.7p
- Balance sheet strength with adjusted gearing, including land creditors, of 21.8% (2011: 23.1%)
- Agreed with the trustees to merge the two pension schemes as part of ongoing pension exposure management
- Agreed option to extend maturity of £100 million term loan facility to 2020
- Positive cash generated by operations in the period

* 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.

** 2011 comparatives have been restated to consolidate the UK Housing and Corporate segment, as the Group now only reports two operating segments.

*** 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.

Group revenue in 2012 increased by £211.0 million to £2,019.0 million (2011: £1,808.0 million) from Group completions of 10,944 (2011: 10,232), excluding joint ventures, against a backdrop of a stable housing market.

Gross profit of £356.3 million (2011: £287.7 million) is up by 23.8% and reflects our strategy of maximising the value achieved from each home completion. The gross profit for the year includes £85.1 million (2011: £99.6 million) of positive contribution on completions from sites with previously impaired inventory. The positive contribution is the estimation difference between the realised value on completions compared to the value assumed in the net realisable value review. These amounts are stated before the allocation of overheads that are excluded from the Group's net realisable value exercise. In the year, 46% (2011: 63%) of the Group's completions in the UK were from sites that had been previously impaired. As at 31 December 2012, 26% (2011: 39%) of our short term UK owned and controlled land is impaired. Only 120 plots (2011: 89) were sold in Spain that had previously been impaired. This gross profit improvement was due to the combination of cost improvements through replans and cost reduction initiatives and higher mix driven selling prices. Gross profit is stated after a cost of £12.3 million in respect of our proactive programme of Extended Gas Flue inspections, rectification work where required and supply of audible carbon monoxide alarms.

In the UK, contribution per completion increased to £33.9k (2011: £28.6k), benefiting from lower build cost and direct selling expenses, as well as selling from better quality locations and newly acquired sites.

Group operating profit* increased by £70.6 million, or 44.3%, to £230.1 million (2011: £159.5 million) and Group operating margin* rose to 11.4% (2011: 8.8%) as a result of the improved trading performance with gross margins increasing from 15.9% to 17.6%. Group overheads have remained static year on year and, excluding the impact of inflation, overheads are, in real terms, £11.1 million below 2010 levels. We remain on track to deliver a further £10 million overhead saving by 2014 relative to 2010.

Group asset turn^{††} increased to 1.19 times in 2012 (2011: 1.11 times), benefiting from our investment in higher quality locations. This results in an increase in the Group's return on net operating assets*** of 3.8 percentage points to 13.6% (2011: 9.8%).

Our year end adjusted gearing, including land creditors, at 21.8% (31 December 2011: 23.1%), 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 £44.8 million (2011: £69.6 million), net of £1.2 million of interest receivable (2011: £3.7 million).

Interest on borrowings was £29.3 million (2011: £52.3 million) with the reduction in interest reflecting the lower average net debt level of the Group during 2012 of £228.3 million (2011: £540.9 million) and increased net debt efficiency following the repurchase of a further £15.2 million of the 10.375% Senior Notes due 2015 in 2012, reducing the amount outstanding to £149.4 million.

Other items included in finance costs are a net pension interest charge of £9.9 million (2011: £14.1 million), which is lower due to the impact of lower discount rates, a mark-to-market and foreign exchange loss on derivatives of £0.3 million (2011: £1.0 million gain), a premium of £1.7 million for the repurchase of £15.2 million of 10.375% Senior Loan Notes due 2015 and a total imputed interest charge for land creditors and other payables of £4.1 million (2011: £7.9 million).

Exceptional items

The 2012 exceptional credit relates to the release of tax associated accruals and provisions following the favourable resolution of an historic liability with HMRC. This is reflected in the pre-tax exceptional credit of £22.4 million (2011: charge £11.3 million) for an interest accrual release and £59.6 million (2011: £1.5 million) for the UK tax in respect of the historic potential tax liability. Further details of these exceptional items are set out in Notes 7 and 8 to the consolidated financial statements.

Tax

The Group incurred a pre-exceptional tax charge of £36.0 million (2011: £24.2 million) which equates to an underlying tax rate of 19.4% (2011: 26.9%). This differed from the average tax rate for the year of 24.5%, mainly due to the recognition of additional deferred tax assets of £16.5 million (2011: £22.1 million) relating to previously unrecognised temporary differences in the UK following another year of profitability and utilisation of brought forward unrecognised losses of £11.7 million (2011: £nil) offsetting the impact of the UK Government reducing the corporation tax rate by 2%, which resulted in a deferred tax asset write-off of £21.1 million (2011: £22.2 million).

2012 Group results

	UK Housing	Spain Housing	Consolidated
Completions	10,886	156	11,042
Revenue (£m)	1,987.0	32.0	2,019.0
Operating profit* (£m)	228.8	1.3	230.1
Operating margin* (%)	11.5	4.1	11.4
Profit before tax and before exceptional items (£m)			185.3
Exceptional items (£m)			22.4
Profit before tax (£m)			207.7
Tax, including exceptional credit (£m)			23.6
Profit for the year (£m)			231.3
Adjusted earnings per share (p)			4.7
Dividends per share (p)			0.62

Our priorities for 2013

- Further drive operational improvement
- Continue to improve balance sheet capacity, strength and debt efficiency
- Merge pension scheme as part of ongoing pension exposure management using £100 million Pension Funding Partnership backed by market value show homes
- Complete the roll out of our new integrated IT system

Earnings per share

The pre-exceptional basic earnings per share increased 124% to 4.7p (2011: 2.1p). The basic earnings per share after exceptional items are 7.3p (2011: 3.1p).

Dividend

A key element of our strategy is the ongoing management of the Group's capital structure, operating structure and level of land investment to maximise performance across the housing market cycle.

We are committed to our strategy of actively managing the housing market cycle, in particular with respect to the Group's capital structure. This approach to managing capital during the housing market cycle is intended to balance the capital requirements of the business and returning excess capital to shareholders, whilst at all times maintaining balance sheet strength and flexibility.

Our dividend policy remains unchanged with our intention that shareholder returns will be in the form of both regular maintenance dividend payments through the cycle and additional returns where appropriate. The regular maintenance dividend payments will be calculated with reference to the net asset value of the Group. These dividends are declared at the Half Year Results and the Full Year Results in an approximate one-third/two-thirds split respectively. It is our intention to make additional returns to shareholders based on the prevailing market conditions and the returns available on alternative uses of the capital.

Given the current outlook in the UK housing market, and the strength of the Group's asset base, the Directors believe that it is appropriate to continue with dividend payments to shareholders on an unchanged basis of 1% of Net Asset Yield resulting in a final dividend of 0.43 pence per share (2011: 0.38 pence per share). Combined with the interim dividend of 0.19 pence per share, this gives a 2012 total dividend of 0.62 pence per share (2011: 0.38 pence per share).

Balance sheet and cash flow

Net assets at 31 December 2012 were up £154.5 million in the year to £2.0 billion (31 December 2011: £1.8 billion) which equates to a tangible net asset value per share[†] of 61.5p (31 December 2011: 57.3p), driven by profit in the period offset partially by the increased pension deficit, £18.2 million dividend payments and £10.0 million share purchases. Adjusted gearing (including land creditors) at the year end is 21.8% (31 December 2011: 23.1%).

The Group acquired £10.0 million of its own shares for future vesting of share awards (2011: £10.0 million), representing 20.9 million shares.

Land creditors were £375.0 million at 31 December 2012 (31 December 2011: £306.4 million), with the increase due to more land being acquired on deferred terms and the timing of land acquisitions around the year end. 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 £319.6 million (31 December 2011: £342.8 million) of which £248.0 million (31 December 2011: £289.8 million) relate to losses and £56.2 million (31 December 2011: £52.7 million) relate to deferred tax on retirement obligations.

The Group has unrecognised potential deferred tax assets as at 31 December 2012 in the UK of £34.1 million (31 December 2011: £67.6 million) and £28.1 million in other jurisdictions (31 December 2011: £24.7 million).

The work in progress spend is tightly controlled with an average of £2.2 million gross work in progress per outlet (31 December 2011: £2.2 million), resulting in a WIP turnover ratio of 2.8 times (31 December 2011: 2.4 times).

As at 31 December 2012, the Group had mortgage debtors of £91.4 million (2011: £66.5 million), the majority of which relates to shared equity which has increased over 2012 mainly due to the success of the Government backed FirstBuy scheme.

Year end net debt levels reduced from £116.9 million in 2011 to £59.0 million in 2012, a decrease of £57.9 million. This reduction in net debt is a result of the Group generating a cash inflow from operating activities of £78.4 million in 2012 (2011: cash outflow £34.8 million) with the inflow due to improved underlying operations result and working capital efficiency. Total land spend including land creditors was £436.5 million (2011: £403.2 million). £52.4 million (2011: £84.7 million) was paid to our pension funds in the year and £33.3 million (2011: £57.3 million) was paid in finance costs.

Treasury management and funding

The Group operates within policies and procedures approved by the Board. The Group has three sources of committed debt funding: a £600 million syndicated revolving credit facility; a £100 million term loan maturing June 2015; and £149.4 million remains outstanding in respect of 10.375% Senior Notes due 2015. We repurchased £15.2 million of our Senior Notes during the year (2011: £85.4 million). The average maturity across these sources of borrowings is 2.2 years. During the year the Group agreed an option to extend the maturity date of its £100 million term loan by over five years to mature in December 2020 which becomes effective following redemption of the 10.375% Senior Notes due 2015, that are callable on 31 December 2013 at 105.2.

Taking into account term borrowings and committed revolving credit facilities, the Group has access to committed funding of £849.4 million as at 31 December 2012 (31 December 2011: £864.6 million), with the first £600 million of revolving credit facilities maturing in November 2014.

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

Pensions

The IAS19 pension deficit, which appears on the Group's balance sheet, is £242.5 million at 31 December 2012 (31 December 2011: £208.2 million). The Company contributed a total of £52.4 million over the year, including £46.0 million in deficit recovery contributions and the enhanced transfer value exercise completed in April 2012.

The changes in actuarial assumptions resulted in a loss of £156.4 million in the year, due to the decrease in discount rate of 0.60% per annum leading to an increase in the liabilities, offset partially by the decrease in the inflation assumption of 0.15% per annum for both RPI and CPI inflation. In addition, the schemes' assets outperformed expectations by £82.5 million.

Following the completion of the triennial actuarial funding valuations, in February 2011, the Group's deficit reduction payments in respect of the Taylor Woodrow Group Pension & Life Assurance Fund (TWGP&LAF) are £22 million per annum and the deficit reduction payments to the George Wimpey Staff Pension Scheme (GWSPS) are £24 million per annum. Both schemes are now closed to future benefit accrual.

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

During the first quarter of 2012, the Group concluded the Enhanced Transfer Value (ETV) exercise for the GWSPS, which was in the process of being completed as at the previous year end 31 December 2011, with 764 members electing to transfer out.

We have agreement in principle with the Trustees to merge GWSPS and TWGP&LAF into a new scheme, the Taylor Wimpey Pension Scheme, and members have been informed of the merger that is expected to complete in the first half of 2013 subject to regulatory guidance. At the same time we are introducing a £100 million Pension Funding Partnership utilising show homes in a sale and leaseback structure.

This proposal will simplify scheme management, reduce administration costs by circa £0.8 million per annum and provide a way of managing future deficit repair contributions. The new Taylor Wimpey Pension Scheme will benefit from a contingent funding structure, backed principally by show homes, should the Group be unable to meet the cash payments under the funding agreement.

Existing employees of the Company are offered a Defined Contribution (DC) pension called the Taylor Wimpey Personal Choice Plan (PCP). During 2012 this DC scheme was awarded the Pensions Quality

Mark Plus by the NAPF (National Association of Pensions Funds), acknowledging that the PCP contribution levels, governance and communication meet the industry's highest standard.

In response to the Government's decision to change pensions auto-enrolment Staging Dates in the UK for some companies, including Taylor Wimpey, the Group will now auto-enrol its employees from November 2013. All employees not currently in an existing pension provided by the Group will be auto-enrolled into the People's Pension provided by B&CE.

Further details relating to the pension schemes of the Group are presented in Note 20 to the consolidated financial statements.

Going concern

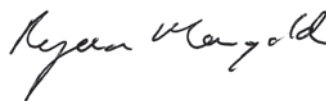
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chief Executive's Review on pages 6 to 14. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in this Group Financial Review. In addition, Note 19 to the financial statements includes details of the Group's financial instruments, hedging activities and its exposure to and management of credit risk and liquidity risk.

The Directors remain of the view that, whilst the economic and market conditions continue to be challenging and not without risk, the Group's financing 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.

Further information on going concern and risks facing the Group is contained in the Audit Committee Report and Note 1 to the consolidated financial statements.

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. The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board. There have been no changes to International Accounting Standards during 2012 that have a material impact on the Group results.



Ryan Mangold
Group Finance Director

“We have continued to improve our debt efficiency in 2012 through the repurchase of £15.2 million of the 10.375% Senior Notes expiring 2015 (2011: £85.4 million).”

Board of Directors

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



Kevin Beeston
Chairman

Appointed to the post of Chairman in July 2010, Kevin chairs the Nomination Committee and is a member of the Remuneration Committee. He was appointed Chairman of Equiniti Group Limited in September 2011. Kevin also chairs two further private businesses: 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. In addition he has full day-to-day operational responsibility for the UK Housing division. 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 director of the Home Builders Federation and a Trustee of the homelessness charity Crisis.



Ryan Mangold
Group Finance Director

Ryan was appointed as a Director and to the post of Group Finance Director in November 2010 having previously held the post of Group Financial Controller since 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 Dean of Thornton-le-Fylde
Independent Non Executive Director

Appointed as a Non Executive Director in July 2007, Brenda is a member of the Remuneration and Nomination Committees. She is a member of the House of Lords and is active in a number of public areas, including the House of Lords Appointments Commission. Brenda is a Partnership Director of National Air Traffic Services. Previously Brenda was Chairman of the New Covent Garden Market Authority, a Non Executive Director of George Wimpey Plc and a Non Executive Director of Dawson Holdings PLC.

Robert 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 Remuneration and Nomination Committees. He was previously a Director of Reuters Plc, Deputy Chairman of Cable and Wireless plc and a Non Executive Director of Prudential plc and Taylor Nelson Sofres plc. He is a Non Executive Director and Chairman of the Audit Committee of both Intu Properties plc (formerly named Capital Shopping Centres Group plc) and Moneysupermarket.com Group PLC.

Anthony 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 was a Non Executive Director of George Wimpey Plc prior to its merger with Taylor Woodrow. He is a Non Executive Director of Laird Plc and e2v Technologies plc.

Top to bottom

Kevin Beeston
Pete Redfern
Ryan Mangold
James Jordan
Baroness Dean of Thornton-le-Fylde

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.

Audit Committee Current members:

Rob Rowley (Committee Chairman), Kate Barker, Mike Hussey and Tony Reading.



For more information see page 35

Nomination Committee Current members:

Kevin Beeston (Committee Chairman), Kate Barker, Brenda Dean, Mike Hussey, Tony Reading, Pete Redfern and Rob Rowley.



For more information see pages 34 and 35

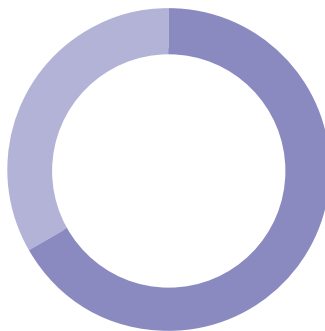
Remuneration Committee Current members:

Tony Reading (Committee Chairman), Kevin Beeston, Brenda Dean and Rob Rowley.



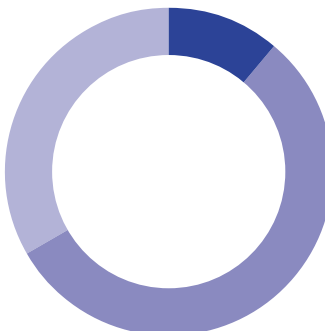
For more information see page 35

Board tenure



■ 1-4 years
■ > 4 years

Board composition



■ Chairman
■ Independent Non Executive Directors
■ Executives



Top to bottom

Robert Rowley
Anthony Reading MBE
Mike Hussey
Kate Barker CBE

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.

Dear shareholder

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 2010 UK Corporate Governance Code (the 'Code') and its predecessor versions.

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 our businesses operate.

In addition, this Report explains what your Board of Directors actually does and describes how it is responsible for setting the 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 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, our financial position and performance, governance and legal matters and our shareholders. 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 its members also undertake visits to our regional businesses and also to their development sites.

During 2012 there were a number of enhancements to good governance, including:

- An update to the Code, published by the Financial Reporting Council ('FRC') in September 2012 (the 'New Code');

- An update to the Stewardship Code, published by the FRC;
- Draft proposals from the Department of Business, Innovation and Skills ('BIS') to clarify and improve the reporting of executive pay; and
- The Kay Review of the performance of the UK equity markets in enhancing company performance and investor returns.

Your Board welcomes these proposals and, in line with best practice and our previous approach to governance, has already adopted or embraced, as appropriate, many of the New Code provisions and BIS proposals in this year's reporting in advance of their formal introduction.

Board evaluation

Following an externally facilitated 2011 Board evaluation carried out by Egon Zehnder International, the 2012 Board evaluation was conducted internally by myself and the Company Secretary. The evaluation confirmed that the Board is effective and continues to work well as a unit, but with good constructive challenge and debate. It has managed Board succession effectively with the appointment of a number of high quality directors over the past two to three years.

The main action items coming out of the 2012 evaluation related to further developing our succession planning and our ambitions relating to diversity. Both of these key areas will remain firmly on the Board's agenda during 2013. More detail, including the ways in which the findings of the 2011 review were addressed during the year, and the process for the 2012 evaluation is set out on pages 33 and 34. The Code requires the evaluation to be carried out via external facilitation once every three years and we will therefore look to do this in 2014.

Diversity

Diversity has continued to be a key item on the overall UK governance agenda during 2012. Within Taylor Wimpey, diversity has remained on the Board's agenda and this will continue to be the case during 2013. Our ambitions and views on diversity are set out in our Diversity Policy which can be found on page 32 and on the Company's Web site: plc.taylorwimpey.co.uk/CorporateResponsibility/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. We recognise that whilst the overall balance of gender is good within the Group, with 32% of employees being female as at December 2012, we recognise that we still have more work to do in order to fulfill our overall diversity ambitions.

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 the recommendations made by Lord Davies of Abersoch's report on Women on Boards in 2011 ('Davies Report').

Appointments and succession

We announced on 1 March 2013 that Baroness Dean of Thornton-le-Fylde (Brenda Dean) would be stepping down from the Board immediately after the 2013 Annual General Meeting on 25 April 2013 ('AGM') broadly coinciding with her third three year term of office. We also announced that Baroness Ford of Cunningshame (Margaret Ford) will be appointed a Non Executive Director on 25 April 2013 at the conclusion of the AGM. Margaret Ford will stand for election by shareholders to the Board at the 2014 Annual General Meeting.

At the AGM, all Directors (with the exception of Brenda Dean) will again be subject to re-election by shareholders in accordance with the Code. Biographical details of each Director can be found on pages 28 to 29.

Board Committees

The Nomination Committee has been involved in not only refreshing the Board but also ensuring that succession plans are in place or being developed for all key positions throughout the Company. Additional reporting on its activities, in line with the Code is set out on page 34.

The Remuneration Committee has reviewed the draft proposals from BIS referred to opposite and has decided to implement a number of them in advance of their scheduled introduction. It has also continued to implement and measure the findings of the successful Remuneration Review, carried out at all levels within the Group during 2011, more details of which are set out on page 45. and to engage with major shareholders and their representative bodies on key remuneration matters.

The Audit Committee has continued to focus closely on the key area of risk management and internal controls so as to monitor closely our exposure to risks which could impact upon the future prospects of the Company and achievement of its strategic objectives. In line with the New Code, the Audit Committee has established processes so as 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.

As ever, I very much look forward to meeting with shareholders at the AGM on 25 April 2013 and as always, along with all of your Directors, remain available to answer or respond to your questions, concerns and suggestions at any time. Overall, I think your Board is effective and working well, and that we are in good shape on our governance, but as always we continually look for ways to learn and improve.

Yours sincerely



Kevin Beeston
Chairman

Statement of compliance

For the year ended 31 December 2012, the Company complied with all the provisions of the Code and with the provisions of the Disclosure and Transparency Rules on Audit Committees and Corporate Governance Statements (DTR 7). The Code is publicly available at www.FRC.org.uk.

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 28 to 29. There have been no changes to the composition of the Board since 1 January 2012.

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 2012. Directors make every effort to attend all Board and applicable Committee meetings, as evidenced by the exceptional 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 32, 34 and 35.

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of 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.

Our Board and Committee structure



Taylor Wimpey plc Board



Kevin Beeston
Chairman

Number of meetings in 2012 **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
Brenda Dean Independent Non Executive Director	8
Mike Hussey Independent Non Executive Director	7
Tony Reading Independent Non Executive Director	8

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 that the Board operates correctly, setting the culture and, by extension, the culture of the Company in its operations and its dealings with all stakeholders.

As also set out in our 2012 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.

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 and the two UK Housing ('UKH') Divisional Chairmen.

The Board also receives regular reports and minutes from the Treasury Committee, under the chairmanship of the Group Finance Director, and which also comprises the Secretary, the Group Treasurer and a UKH Divisional Chairman. The key activities of the Treasury Committee are, broadly, to monitor and keep under review the Group's financial risks, financial policies, financial facilities and covenant compliance.

The following documents are available for review on the Company's Web site plc.taylorwimpey.co.uk/InvestorRelations/CorporateGovernance:

- 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
- Board 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 PricewaterhouseCoopers LLP ('PwC') on the details of an Enhanced Transfer Value offer made to certain members of one of the Company's pension schemes and from Slaughter and May on the proposed merger of the Group's two UK pension funds, described in more detail in Note 20 to the Accounts on page 89.

The Board also took advice during the year on dealing with issues arising from the installation of extended gas flues by registered Gas Safe engineers at certain of its developments following which a number of initiatives were implemented across the business so as to raise awareness and minimise risk.

The Board receives at each meeting a report from J.P. Morgan Cazenove on the sector and the relative performance of the Company's share price. Jefferies Hoare Govett 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 Bribery Act compliance sign off. These policies are available for review on the Company's Web site plc.taylorwimpey.co.uk/InvestorRelations/CorporateGovernance.

Board and Committee balance, diversity, independence and effectiveness

It is the Company's policy, in line with the Code, that the composition of the Board, proposed appointments to the Board, and succession planning, are each based on merit, judged against objective criteria, whilst also having due regard to the benefits of diversity, 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).

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.

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 Board dinners in order to give presentations on specialist topics and project work.

Board and Committee roles and responsibilities

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

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

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

In 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 2012 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.

The Code requires every Director to seek election or re-election, as appropriate, at each year's Annual General Meeting. Accordingly, at the 2013 AGM, every Director, irrespective of the date of his or her appointment and the length of his or her service on the Board, will be submitted for re-election other than Brenda Dean, 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 112 to 119.

As part of the 2012 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. A more rigorous review took place with regard to those directors who had completed more than six years service as a Non Executive Director.

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

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.

Performance evaluation of the Board, its Committees and other functions

The 2011 Board evaluation was externally facilitated by Egon Zehnder International and was reported on in detail in last year's Report. The main action points arising from that exercise are set out below:

- continue to improve the succession planning process;

This continues to be reviewed by the Nomination Committee and the Board and the review includes all senior management and up and coming talent amongst employees as well as Board level roles. During the year the Board had greater exposure to management and employees including at Board dinners so as to facilitate a higher level of engagement and insight into the future pool of talent that exists within the Company.

- the improvement of reporting to the Board in certain defined areas;

These areas included greater external benchmarking of the Company's performance; and more forward-looking data.

Financial reporting to the Board has been further improved and includes additional comparative analysis and evaluation of strategic targets relative to the Company's performance.

- arranging for additional time to be devoted by the Board on strategy and risk related matters;

The Board considers its strategic objectives regularly and has also introduced a post-capital review process. Risk is kept under constant review and in addition is formally reviewed and monitored twice-yearly.

Following the external facilitation of the 2011 evaluation, as described above, the Board determined that the 2012 evaluation process should be conducted in-house. The evaluation process was therefore carried out by the Chairman and the Secretary and consisted of a 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 two Non Executive Directors who had completed more than six years of service (Brenda Dean and Tony Reading) so as to enable the further evaluation of their independence. In calculating the length of service, time served on the board of George Wimpey Plc, prior to the merger with Taylor Woodrow plc in mid-2007, was taken into account.

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 2012 performance evaluation and have either already been implemented or will be implemented during 2013 which include:

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

These action points will be kept under regular review by the Board and progress against them will be reported on in the 2013 Annual Report and Accounts.

As part of the 2012 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, 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 during 2012, in addition to individual visits, the Board visited operations in the Taylor Wimpey Yorkshire region over a three day period during which regional presentations and a formal Board meeting took place, as well as site visits.

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.

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.

Nomination Committee

Reports directly to the Taylor Wimpey plc Board



Kevin Beeston
Chairman

Number of meetings in 2012 **2**

Directors	Attendance
Kevin Beeston	2
Kate Barker	2
Brenda Dean	2
Mike Hussey	2
Tony Reading	1
Pete Redfern	2
Rob Rowley	2

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.

The Chairman, Chief Executive and the 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.

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 33.

The Board has adopted a policy on diversity which is available on the Company's Web site plc.taylorwimpey.co.uk. 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

Audit Committee



Reports directly to the Taylor Wimpey plc Board

Rob Rowley
Chairman

Number of meetings in 2012 **4**

Directors	Attendance
Rob Rowley	4
Kate Barker	4
Tony Reading	4

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.

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 is one woman out of seven on the GMT (14%) and one woman out of 24 Regional Managing Directors (4%). Across the Group the Company employs approximately 1,185 women representing 33% of the workforce. Of the new starters with the Company during 2012, 53% were women. Within the Company's new mentor programme for the development of staff, 48% of the participants are women.

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 pages 32 and 33. Progress is measured and monitored by the Nomination Committee and the Board.

The Committee met on two occasions during the year to consider detailed short and long term succession planning for Directors and key executives, together with appropriate development plans. There were no changes in the composition of the Board during 2012. Details of the attendance of each Director are set out in the table on page 34.

Remuneration Committee



Reports directly to the Taylor Wimpey plc Board

Tony Reading
Chairman

Number of meetings in 2012 **2**

Directors	Attendance
Tony Reading	2
Kevin Beeston	2
Brenda Dean	2
Rob Rowley	2

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.

Audit Committee

The members of the Audit Committee are as set out above. Details of the Committee's activities during 2012 are contained in the Audit Committee Report on page 37.

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 41 to 56. 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 2012 Remuneration Report has adopted a number of the draft BIS proposals in order to help to clarify and improve the reporting of executive pay, which the Committee welcomes.

The Committee is chaired by Tony Reading and consists of three Independent Non Executive Directors and also the Chairman of the Board. During the year the Remuneration Committee met on two occasions and details of the attendance of each Director are set out in the table on this page.

Management

Progress in achieving the Group Strategy is reviewed at each Board meeting and is reported on page 9. 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 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. 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.

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.

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 page 112 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 Web site plc.taylorwimpey.co.uk

This 2012 Annual Report and Accounts

Your Directors have responsibility for preparing this 2012 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 Board also notes Provision C.1.1 of the New Code (which will apply to the 2013 Financial Year) and has been mindful when considering the 2012 Annual Report and Accounts that going forward, the Company's Annual Report and Accounts will be required to be prepared in a fair, balanced and understandable way as a whole to shareholders in order to comply with the New Code.

Audit Committee Report



We continue to focus on strengthening all elements of the Group's governance framework. As a Committee we support 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.

In 2012 the Company has

- Fully embedded a robust risk management framework across all operational businesses and all corporate activities.
- Reviewed the Whistleblowing policy, processes and reporting to ensure best practice across the Group.
- Established a Steering Committee to oversee all aspects of policy and processes governing the review of the Extended Gas Flues issue.
- Reviewed the implementation of the 1B1S ERP system ('One Business One System'), being rolled out across the UK operating business that commenced in 2012, including the review of the effectiveness of the project management and the impact on the overall control environment of the business.
- Reviewed the Internal Audit Planning and Methodology following the implementation of the new 1B1S ERP system that will be operational across all our business units during 2013 and, as a result of the new processes and procedures, will require a new approach to our Internal Audit process and risk management.

Highlights for 2012

- Fully embedded a robust risk management framework across the whole business.
- Review by Internal Audit in relation to the Extended Gas Flues issue including a thorough review of all developments and the close out of all actions identified.

Priorities for 2013

- Ensure common processes are embedded across all businesses in order to support and gain maximum benefits from the completed ERP system.
- Introduce the new Internal Audit approach to auditing in the new ERP environment across all businesses.

Dear shareholder

I am pleased to be able to take this opportunity as Chairman of the Audit Committee to summarise the ongoing objectives and responsibilities of the Committee and the work that has been carried out during 2012.

Following a review in July 2012 it was determined that the terms of reference of the Audit Committee remain valid and no significant changes were considered necessary. A key requirement of the Audit Committee is that it should evaluate its performance against its key objectives on an annual basis. The 2012 performance against objectives was formally assessed at the meeting of 25 February 2013.

During 2012 the Audit Committee met with the management team of the pilot business unit for the new 1B1S ERP system along with the Project Team, to ensure that we were satisfied with the processes and plans in place. As a Plc Board, we visited a business unit that had been using the new system for a period of time to obtain feedback and confirmation that there were no significant issues with utilising the system from an operational point of view. I am pleased to confirm that there are no significant issues and that the rollout of the system continues to plan.

A key priority for 2013 is to ensure that, once the 1B1S ERP system has been completed, as an organisation we can maximise the benefits and ensure 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 in place to ensure that the business is operating in a controlled and managed environment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Rowley', written in a cursive style.

Rob Rowley
Chairman of the Audit Committee

Audit Committee and auditors

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 both Intu Properties plc and 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 Chief Executive, Group Finance Director, Head of Internal Audit and other senior executives attend Committee meetings by invitation. Deloitte LLP, the external auditor, is also invited to attend Committee meetings. The Committee also meets privately with representatives from Deloitte LLP 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 Audit Committee met on four occasions. Details of the attendance of each Director are set out in the table on page 35. The meetings around the full and half year results are typically also full and half attended by the Non Executive Directors who are not members of the Committee.

The Committee's remit includes reviewing the internal control framework, the internal audit process, risk management, the financial reporting practices, the external audit process and recommending to the Board whether to re-appoint the external auditors. It ensures that the Board regularly assesses business risks including their management and mitigation. In doing so, 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, the Full and Half Year financial statements and other statements affecting the Group concerning price sensitive information as necessary. The Committee will also be further considering Provision C.1.1. of the New Code which will require future Annual Reports and Accounts, taken as a whole, to be presented in a fair, balanced and understandable way so as to provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

In addition, the other significant issues considered by the Committee during 2012 and to date were:

1B1S: in November 2011 the Company commenced a programme of updating its business systems. The process, which is due to be completed in June 2013, represented a significant change to the internal control environment. The Audit Committee has received regular briefings on the progress of this project and Internal Audit has undertaken a series of detailed reviews into these revised business practices.

Extended Gas Flues: as noted on page 19, an issue was identified during the year which related to the previous installation by independent Gas Safe registered engineers of extended gas flues ('EGFs') at certain

of the Company's developments. In order to support the Company's response to the issue, across all businesses, Internal Audit undertook a comprehensive review so as to ensure compliance with a number of instructions relating to EGFs. The Audit Committee received regular updates throughout the period.

External auditor

Deloitte LLP is the Company's external auditor and will be proposed for re-appointment at the 2013 AGM. Their performance is kept under regular review by the Board and the Audit Committee.

Deloitte was the external auditor of Taylor Woodrow plc at the time of the merger with George Wimpey Plc in 2007. Shortly following the merger, a formal competitive tender process was carried out with regard to the appointment for the 2008 audit, following which Deloitte was selected as external auditor to the Company. The Company notes that one of the provisions of the New Code states 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 since 2000 (i.e. in 2007/2008) the Company intends to defer tendering until completion of the next partner's rotation in 2019 but will of course keep the matter under regular review taking into account performance 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 an approved 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 2012 and 2011 predominantly relate 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. The services in 2011 included necessary work related to certain attest services in relation to the interested party offers for the North American business. The work was either the subject of a competitive tender or was best performed by the Group's auditors because of their knowledge of the Group. 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. It is satisfied that the carrying out of the above work would not impair the independence of the external auditor and 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 of a reduction in the overall level of major strategic corporate level project work, the level of non-audit services work significantly reduced from £1.2m in 2011 to £0.3m in 2012.

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 2012 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 for ongoing appropriateness. Following this assessment of control and process risk and how that assessment influences Internal Audit review priorities was updated and enhanced to ensure alignment with the Group's risk management framework and to allow for the impact of the implementation of the integrated ERP system which is in progress.

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.

During the first half of 2012 the Internal Audit team supported the work being carried out to establish which developments in each Region should be addressed and ensuring that all processes were correctly followed and closed out.

Risk Management and Internal Control

The Group has established an ongoing process of risk management and internal control applying principle C2 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 Group (UK) this is achieved through an established Operating Framework supported by functional manuals covering the main disciplines. Compliance with policies, processes and procedures is required to ensure business effectiveness and efficiency (see Management on page 36). Every employee is required to comply with Group policies and specific responsibilities and accountabilities are identified at each process level, yet the governance framework 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 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 12 to 13) 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 page 38). Throughout 2012 and into 2013 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 2013 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 2012. 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 Business Review: See Principal Risks and Uncertainties on pages 12 to 13.

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. During the year a number of initiatives took place to raise the profile of the whistleblowing service. These initiatives included a full review of the process and related reporting by both the Group Management Team and the Audit Committee to ensure ongoing appropriateness and effectiveness.

Going concern

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated in the Notes to the Consolidated Financial Statements on pages 67 to 101.

The Taylor Wimpey plc Group's (the 'Group') business performance and position, along with the significant factors that are likely to influence its future activities are set out in the Chief Executive's Review on pages 6 to 14.

The Group has recorded profits in the current year and has maintained its drawn debt facilities at the reduced level achieved following the disposal of the North America business in 2011. During 2012 we signed an agreement with Prudential/M&G UK Companies Financing Fund LP to extend our existing £100 million term loan, giving us the option to extend the loan for a further 5.5 years to mature in November 2020. This extension is subject to redemption of the 10.375% Senior Notes due 2015, prior to 30 June 2015 of which £149.4 million currently remains outstanding.

The Group is still reliant on external debt financing and has to meet all the covenant measures included in its debt facilities. The Group has also prepared forecasts, with certain sensitivities, for a period of at least 12 months from the date of signing these financial statements, and as such, whilst market conditions have stabilised, there continues to be certain risks, including mortgage availability and weakened demand due to market environment. However, the Directors are satisfied that the Group will be able to continue to operate within the available financing facilities 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 leaders who are focused and adequately incentivised to deliver outstanding business results.

Dear shareholder

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 2012.

The Government's Business, Innovation and Skills Department (BIS) has confirmed that there will be a number of changes designed to clarify and improve the reporting of remuneration by public limited companies. We are currently awaiting the final details which are likely to apply to the 2013 reporting year. The Remuneration Committee notes these proposals and has therefore decided to incorporate a number of them in advance of their formal implementation in this Remuneration Report for 2012.

With regard to this year's Remuneration Report, the most obvious change for shareholders has been that it has been divided into two parts, the first dealing with the Company's strategy and framework for future years on executive pay entitled "Remuneration Policy" and, the second dealing with the implementation of the current remuneration strategy during the reporting year entitled "Remuneration Implementation".

Many of the anticipated BIS proposals will expand our existing reporting and I believe that they will assist shareholders' understanding of how our remuneration strategy supports the delivery of the Company's overall strategy and how reward during the year directly relates to our performance.

From and including the 2014 AGM it is expected under the BIS proposals that shareholders will be invited to vote on each separate part of the Report with the vote on the Policy section 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 Implementation section where there will be a non-binding vote.

The Committee has continued its 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, very grateful for the constructive engagement and feedback.

Following a review of the share ownership guidelines in place for Executive Directors the target shareholding has been increased from 100% of base salary to 200%. Further details are set out on page 48. The Committee firmly believes in the alignment of its Executive Directors with shareholders and this increase will only help to enhance this objective.

At the 2013 AGM we are proposing to renew for a further period of ten years our two "all employee share plans", namely, the Taylor Wimpey Savings-Related Share Option Scheme and the Taylor Wimpey Share Incentive Plan, on similar terms, amended only to take account of changes recommended or required by HM Revenue and Customs.

The above two plans have proved to be an effective way of enabling share ownership by our employees throughout the business, which we very much encourage. Full details of the proposals are set out in the Notes to the Notice of Meeting on page 118.

With regard to salaries, the general increase throughout the Company to take effect from 1 April 2013 will be 2.5%. This will also apply to the Executive Directors except that Ryan Mangold's salary will be increased by 9.5% which now brings him more into line with a mid market level which we have previously highlighted as the Committee's objective subject to performance.

In 2009 we capped the maximum level of our short term incentive for Executive Directors at 75% by reducing the maximum from 150% of base salary to 112.5%. For 2011 and 2012, based on the improved performance of the Company we increased the maximum opportunity to 130% of base salary. In light of the continued improvement in performance and following consultation with our shareholders and advice from the Committee's advisers, the Committee has decided to increase the maximum back to 150% for 2013. Executive Directors will still be required to defer an element of their annual bonus into shares for three years and this will be increased from 25% to 33% with no matching element as before.

With regard to the payment to Executive Directors and our senior management of the short term incentive (cash bonus), I confirm that this will be paid in March 2013 at the usual time and in the usual way and will not be deferred to take into account the reduction in the higher rate of tax scheduled to take place in April 2013.

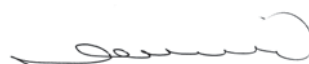
Following several years of the Company's long term incentive plans (LTIP) not vesting at all, I am pleased to confirm that the 2009 LTIP will vest in part for participants. This clearly reflects an improvement of performance against key targets such as total shareholder return and return on capital employed. Further details of the 2009 LTIP together with an update on the first tranche of the 2010 LTIP award are set out on page 46.

The Committee continues to believe that the remuneration policy set out in the first section of the 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 2012 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 2012 and the Committee's policy for the future, at this year's Annual General Meeting.

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 strategy business priorities within a remuneration framework which is aligned with the interests of our shareholders.

The Committee has adopted the principles of good governance relating to Directors' remuneration as set out in the Code (as defined earlier in this Corporate Governance Report). The Company also complied with the Listing Rules of the Financial Services Authority, and with the relevant provisions of the Companies Act 2006 and regulations thereunder (the "Regulations"). It has also elected to follow a number of the BIS proposals, which are expected to apply to the Company with effect from 2014.

The 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 Regulations. The Remuneration Policy section of the Report (Part 1) contains unaudited information and elements of the Remuneration Implementation section (Part 2) contains audited information.

A resolution to approve both Part 1 and Part 2 of this Report collectively will be proposed at the Annual General Meeting of the Company on 25 April 2013 ('AGM'). Details of the resolution and its status as an advisory vote are set out in the Notes to the Notice of Meeting on page 118.

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

The Company's remuneration strategy and its implementation are kept under regular review by the Committee which consults with the Company's major shareholders and their representative bodies as appropriate.

Detailed information on the Company's remuneration strategy, and its implementation during 2012 and during 2013 to the date of this Report, is set out below.

Part 1: Remuneration Policy: Unaudited information Remuneration Committee

The Remuneration Committee has clearly defined terms of reference which are available on the Company's Web site plc.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.

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, Brenda Dean and Rob Rowley. Membership of the Committee did not change during 2012 and is in line with the Code.

As announced on 1 March 2013, when Brenda Dean retires from the Board at the conclusion of the 2013 AGM, Margaret Ford will join the Remuneration Committee as an independent Non Executive Director with effect from the conclusion of the AGM.

Details of attendance at Remuneration Committee meetings held during 2012 are set out in the table on page 35.

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 provides no other services to the Company. The wider Aon plc group of companies provides insurance broking and pension administration support services to the Company and the Committee is satisfied that the provision of such services does not create any conflicts of interest. New Bridge Street were appointed in February 2009 following a comprehensive tendering process.

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

The fees paid to the Committee's advisers in 2012 were: New Bridge Street £43,000 (2011: £137,000) representing a full year's appointment. The fees were higher in 2011 as a result of the detailed remuneration review which took place during that year.

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

How shareholder views are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. Shareholder views were key inputs when shaping 2013 remuneration policy.

During the year the Committee engaged with its largest shareholders regarding the policy for 2012, including the long-term incentive performance metrics for awards made in 2012 and changes to the Company's share ownership guidelines which it has again increased for 2013 and for future years with regard to the requirement for Executive Directors. The Committee has also engaged with its shareholders with regard to 2013 remuneration and has taken into account such feedback.

The Committee has followed the principles of good governance relating to Directors' remuneration as set out in the Main Principles, Supporting principles and Code Provisions of the Code relating to remuneration. The Committee has reviewed and taken into account a number of governance related developments and guidance issued during the year including the remuneration guidelines and guidance issued by the Association of British Insurers ('ABI') and RREV, and as stated earlier, certain of the BIS proposals.

Remuneration strategy

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 as set out earlier in this Remuneration Report. 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 a deferral into shares of a percentage of the short term incentive arrangements for Executive Directors' shareholding requirements (which have been revised and increased for 2013 (33% for any payment made in respect of 2013)) and also via retention requirements which apply to shares that vest under long term incentive plans – details of these requirements are set out later in this Remuneration Report on page 48.

The performance criteria used to measure vesting of awards under the long term incentive plan and awards under the short term incentive arrangements are directly linked to the Company's strategic aims. For 2012 these covered Operating Margin, Return On Capital Employed (ROCE) and Total Shareholder Return for the long term incentive plan; and Profit Before Interest and Tax, Cash generation, ROCE, Order book, Customer Service metrics, Relative Margin compared to other housebuilders, and Waste for the short term incentive scheme.

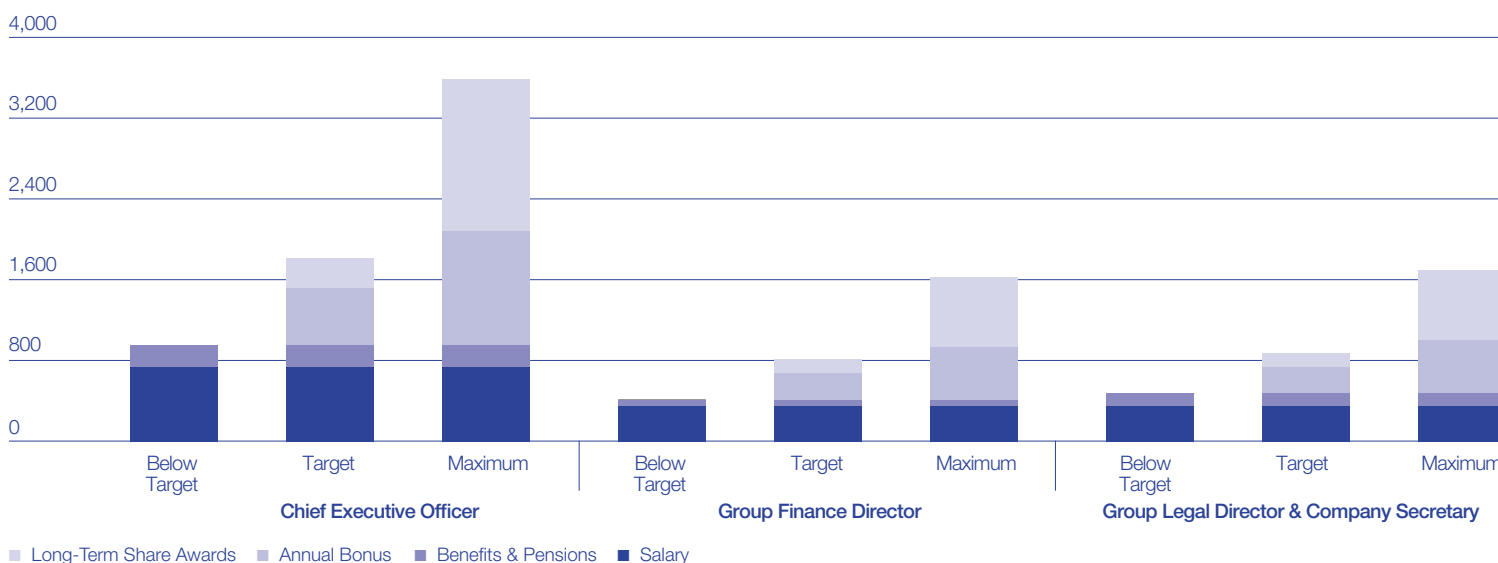
The Committee's remuneration strategy continues to ensure that a significant percentage of the overall package of Executive Directors and senior management remains at risk.

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. The chart below illustrates the level and mix of remuneration for 2013 depending on the achievement of threshold, target and maximum for the Executive Directors.

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 will encourage inappropriate risk taking or behaviour by any executive.

Performance criteria pay chart – 2013

(£000's)



Notes:

- For the annual Short Term Incentive Arrangement the target and maximum vesting is 75% and 150% of salary respectively.
- For performance share awards under the long term incentive plan the target (assumed for these purposes to be at threshold performance) and maximum vesting is 40% and 200% of salary respectively.

Change in Company performance relative to change in remuneration

	2012	2011	Change %
Profit before tax & exceptional items	£185.3m	£89.9m	+ 106%
Dividends paid per ordinary share			
– interim 2011 / interim 2012 0p / 0.19p)			
– final 2011 / final 2012 0.38p / 0.43p)	0.62p	0.38p	+ 63%
Employee pay in aggregate	£172.1m	£170.4m	+ 1%
Employee pay average per employee	£48,795	£48,286	+ 1%

Remuneration Report continued

Table of pay elements

Element	Purpose and Link to Strategy	Operation	Maximum	Performance targets	Change from prior policy
Salary	To recruit and reward executives of a suitable calibre for the role and duties required	<p>Reviewed annually to ensure that they 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).</p> <p>Other than when an executive changes role or where benchmarking indicates individual salaries require realignment, salary increases will not exceed the general level of increases for the Group's employees.</p> <p>Takes into account the following:</p> <ul style="list-style-type: none"> – 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. 	–	–	–
Short term ('STIA')	<p>Rewards the achievement of stretching objectives that support the Company's annual and strategic goals.</p> <p>Compulsory deferral is designed to further align the interests of Directors with shareholders.</p>	<p>Targets are set at the beginning of each year.</p> <p>Bonus level is determined by the Committee after the year end, based on performance against targets.</p> <p>One-third of any bonus paid is deferred into shares for three years.</p> <p>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.</p> <p>No element of any STIA is pensionable.</p>	The maximum STIA opportunity for Executive Directors is set at 150% of base salary but was capped at 130% of salary in 2010 and 2011.	The measures for 2013 are based on a scorecard of key financial, operational and environmental measures and are described in the table below.	<p>In view of the increase in profit for 2011 and 2012, and the resumption of dividend payments to shareholders the Committee has decided that it is appropriate to amend the cap and return to a maximum of 150% of salary.</p> <p>The proportion of bonus deferred will also be increased from 25% to 33% of any bonus paid.</p>
Long term incentives	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 TSR as a measure and the use of shares, driving further UK operating margin progression; improving return on net operating assets through the cycle.	<p>Executive Directors and members of the Group Management Team currently receive annual awards of performance shares.</p> <p>Awards of performance shares provide alignment with shareholders as they deliver the full value of the shares, which can increase and decrease over the performance period.</p>	Normally 200% of base salary.	<p>Measures based on ROCE, (RONA), relative TSR measured against the FTSE 250 and industry peers and margin.</p> <p>Vesting of awards is also subject to the achievement of an underpin.</p> <p>The 2013 targets and weightings as well as those for previous awards are described below.</p>	–
Pension	The Company aims to provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders.	Pension benefits for Executive Directors are provided through one or more of the following arrangements: Personal Choice Plan; George Wimpey Staff Pension Scheme; or as cash allowances.	<p>Pete Redfern: cash allowance of 20% of salary up to the HMRC earnings cap ('the cap') and 25% of salary above the cap.</p> <p>James Jordan: cash allowance of 20% of salary up to the cap and 28% of salary above the cap.</p> <p>Ryan Mangold: cash allowance of 20% of salary.</p>	–	–

Table of pay elements continued

Element	Purpose and Link to Strategy	Operation	Maximum	Performance targets	Change from prior policy
Other Benefits, including benefits in kind	Provides a competitive package of benefits to assist with recruitment and retention of staff.	Expensed Company-provided car or a cash allowance in lieu, life assurance and private medical insurance. 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.	–	–
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 SIP.	The Sharesave plan and SIP have standard terms under which all UK employees with at least three months service can participate. The rules for these plans are to be submitted to shareholders for renewal at the 2013 AGM.	Sharesave: Employees can elect for a savings contract of either three or five years, with a maximum saving of £250 per month. Options can be exercised during the six months following the end of the contract. SIP: Employees can elect to contribute up to £125 per month or up to £1,500 per tax year by one or more lump sums.	–	–
Share Ownership Guidelines	The guidelines are intended to demonstrate the Committee's commitment to aligning the interests of its Executive Directors and management with those of its shareholders.	The guidelines cover the Board and a larger number of executives who participate in share schemes, with all participating executives required to build up shareholdings through the retention of shares vesting under the Company's share plans. 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.	200% of salary for Executive Directors to be achieved pursuant to a personal plan agreed with the Company. In addition Executive Directors are required to retain at least 50% of their net of taxes gain arising from any shares vesting or acquired under the long term incentive share plans, until such time as the upper limit of their share ownership target has been met. Lower shareholding requirements apply for other members of the management team.	–	–
Non Executive Director fees	Non Executive Director remuneration should be in line with recognised best practice and sufficient to attract and retain high-calibre non-executives.	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. Fees are taken by way of cash fees paid monthly. Non Executive Directors do not participate in share plans operated by the Group or receive any benefits in kind. Fees are reviewed annually in conjunction with New Bridge Street. There has been no increase since 2007.	–	–	–

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), 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. During 2012 and up to the date of this Report, no Executive Director held any non executive positions with other public limited companies.

Remuneration policy for the wider workforce

The Company has continued to implement the recommendations from its comprehensive review of remuneration across the Group and for all levels of employee, undertaken during 2011.

These include: the ability for many employees not participating in the executive short term incentive arrangements to elect to take their performance payment in shares rather than cash (further enhancing the link between shareholder value and employee reward throughout the Company); the introduction of the Land Value Plan for certain senior executives below Executive Director level; improvements to the company car scheme; and a number of new flexible and voluntary benefits.

The exercise was considered very useful and the Committee intends to undertake a similar review on a three yearly basis, as previously reported.

Base salary

The Remuneration Committee reviews the base salaries of Executive Directors annually in order to ensure that they remain competitively aligned with external market practices and are competitive when measured against listed peers.

As explained in Part 2 of this Report (Implementation), at the time of his appointment as Finance Director in 2011, Ryan Mangold's salary was positioned below the mid-market level for his role, with the intention of increasing his salary progressively to a mid-market level as he gained experience in the role. In 2012 he received an increase of 8.5%. In the light of his continued strong performance during the past twelve months, the Committee has decided to make a further increase in April 2013, of 9.5% which it believes will then bring his salary more in line with an appropriate mid market base salary position.

Having reviewed the performance of the Executive Directors during the past twelve months, the Committee has decided to award increases of 2.5% for Pete Redfern and James Jordan, with effect from 1 April 2013, in line with the equivalent general increase made to all employees (subject to a very small number of exceptions).

Reflecting the above increases of 2.5% for Pete Redfern and James Jordan and 9.5% for Ryan Mangold, the salaries of the Executive Directors effective from 1 April 2013 will be as follows:

Name	Amount
Pete Redfern	£753,823
James Jordan	£349,989
Ryan Mangold	£347,067

Other benefits, including benefits-in-kind

The Executive Directors receive additional benefits which include an expensed Company-provided car (or a cash allowance in lieu), life assurance and private medical insurance. Benefits-in-kind are not pensionable.

Details of the pension arrangements in place for Executive Directors are set out later in this report.

Short term incentive arrangements ('STIA')

Challenging and specific targets for 2013 have been put in place for the Executive Directors by the Committee and these are detailed above right. The Committee has made the targets more challenging to achieve and also decided to make some changes to the performance measures including replacing the Relative Margin and Build Cost measures with an increased focus on Return On Capital Employed ('ROCE'). In addition, although there will continue to be a strong ongoing focus on waste reduction, the Committee decided to replace the environmental related performance measure (waste) with one based on energy reduction:

Measure	Strategic Objective	Weighting
Profit Before Interest and Tax	To increase profit	40%
ROCE	Delivering an average 15% return on net operating assets through the cycle	25%
Cash generated (before land spend)	Growing net assets by 10% per annum on average	15%
Order book	Driving further UK operating margin progression	10%
Energy reduction		5%
Customer service	Caring about our customers	5%

Long Term Incentive Plans

Current plans

The Company has two long term incentive plans: the Taylor Wimpey Performance Share Plan ('TWSP') and the Taylor Wimpey Share Option Plan ('TWSOP'), both of which were approved by shareholders at the 2008 Annual General Meeting.

Other than in exceptional circumstances, the combined value of awards made under the two plans may not exceed that of an expected value of a TWSP award with a face value of 200% of base salary, in the case of Executive Directors, or 300% of base salary in the case of other employees. The Committee has not made any exceptional awards in excess of these limits since the plans were introduced. In calculating the value of awards, one TWSP award is deemed to have the same expected value as two options granted under the TWSOP.

The Committee's policy continues to be to make awards under the TWSP only. Awards of performance shares provide better alignment with shareholders than awards of share options, as they deliver the full value of the shares, which can increase and decrease over the performance period.

Long term incentive targets for existing awards

Name	2009	2010	2011	2012
TWSOP	Absolute ROCE (50%)	-	-	-
		Absolute ROCE (40%)	Absolute ROCE (30%)	Absolute ROCE* (30%)
TWSP	TSR vs FTSE 250 (25%)	TSR vs FTSE 250 (30%)	TSR vs FTSE 250 (20%)	TSR vs FTSE 250 (20%)
	TSR vs industry peer group (25%)	TSR vs industry peer group (30%)	TSR vs industry peer group (20%)	TSR vs housebuilders index (20%)
			- Margin (30%)	Margin (30%)

* Defined as Return on Net Operating Assets

Full details of the performance conditions for each award are provided on pages 46 and 47.

Details of awards held by Executive Directors under the above plans appear on page 54.

Vesting of long term incentive awards in 2013

Details of the partial vesting of the 2009 Awards and an update on the first tranche of 2010 Awards appear on page 53. Details of Awards held by Executive Directors appear on page 54.

Long term incentive targets for 2013 PSP Awards

The performance targets governing the vesting of the 2013 PSP awards are set out in the tables below and are substantially based on the targets put in place with regard to the 2012 awards namely, Margin (30% weighting), Total Shareholder Return ('TSR') versus the FTSE 250 (20% weighting), TSR versus the housebuilders index (20% weighting) and RONA (30% weighting).

Margin: margin achieved on new homes by the UK business was introduced as a measure in 2011. The Committee regards margin as a key measure for the Company and the housebuilding industry and the inclusion of margin improvement is consistent with the strategy that has been presented to shareholders.

Challenging targets have again been put in place by the Committee requiring the achievement of double digit margins in the 2015 financial year and these have been increased significantly compared to the 2012 awards. The Margin targets for the 2013 awards are as follows:

	% of this element of the award vesting	Margin in 2015
Below threshold	0%	Less than 11.5%
Threshold	20%	11.5%
Maximum	100%	16%
Between threshold and maximum	20%-100%	11.5%-16%

TSR performance will continue to be measured against two TSR peer groups as in 2012 being a FTSE 250 peer group and an unweighted sector index comprising Barratt Developments, Bellway, Berkeley Homes, Bovis Homes Group, Galliford Try, Persimmon and Redrow.

	% of this element of the award vesting	Performance vs FTSE 250 peer group	Performance vs sector index
Below threshold	0%	Below median	Below index
Threshold	20%	Median%	Equal to index
Maximum	100%	Upper quartile	Index + 8% p.a.
Between threshold and maximum	20%-100%	Between median and upper quartile	Between index and index + 8% p.a.

The Committee considers that TSR performance remains appropriate as it rewards management for delivering superior returns to shareholders than its peers. The Committee will keep the choice and composition of the peer groups under review.

The performance period for TSR has, in the past, been linked to the third anniversary of the award date. This represented a disconnect to the equivalent performance period for both Margin and RONA, which is three reporting years. The Committee has decided to further align reward with performance in a reporting year, by bringing these performance periods into line. Awards for 2013 and beyond will have a TSR performance period of three years from end of the reporting year (31 December) preceding the year in which the award is made.

ROCE is also considered an appropriate measure, as it directly measures the efficient use of capital. It applies to the 2012 and 2013 awards by way of an alignment to the Company's RONA which 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'. The ROCE targets for the 2013 awards, which will be measured for the 2015 financial year, are as follows:

	% of this element of the award vesting	Absolute ROCE in 2015
Below threshold	0%	Less than 10%
Threshold	20%	10%
Maximum	100%	20%
Between threshold and maximum	20%-100%	10%-20%

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 volumes (i.e. the number of homes sold) have not been satisfactory during the relevant performance period.

Consistent with awards made in 2012, the Committee has determined award levels for Executive Directors will be maintained at 200% of salary.

On 6 March 2013 and as announced, awards under the TWSP were made to the Executive Directors as set out below:

Pete Redfern	1,784,608 shares
James Jordan	828,568 shares
Ryan Mangold	769,123 shares

Taylor Wimpey Share Option Plan

Awards under this plan may be income tax-approved 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 were made under the TWSOP for the period 2010 to 2012 and no awards will be made under the TWSOP in 2013. Details of the vesting of the 2009 awards appear on page 53 and details of awards held by Executive Directors appear on page 54.

Land Value Plan

Arising out of the 2011 remuneration review, the Company introduced during 2012 the Taylor Wimpey Land Value Plan ('LVP'). 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 be retained for 12 months. In time, the Committee may consider linking the vesting of 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.

All employee share plans

The Company encourages share ownership by employees in order to help to align employee interest with that of the Company and its shareholders. Accordingly, it operates two all employee share plans, a Sharesave Plan and a Share Incentive Plan ('UK Share Purchase Plan'). Both Schemes are HMRC approved and have standard terms under which all UK employees with at least three months' service can participate.

Both Plans were approved by shareholders at the 2004 Annual General Meeting for a period of 10 years. Renewed approval will be sought at the 2013 AGM and resolutions adopting both Plans for a further period of 10 years, are set out in the Notice of Annual General Meeting on page 113. We are also proposing certain amendments to the Rules of each Plan and the Trust Deed of the UK Share Purchase Plan, details of which are set out and explained on page 118. These amendments reflect current guidance from HM Revenue & Customs ('HMRC') and the amended Rules and Trust Deed, if approved at the AGM, are subject to approval by HMRC.

During 2012, 620 employees (2011: 800) applied to join the Sharesave Plan. Options were granted over 4,565,514 shares (2011: 15,030,026) at an option price of 46.4 pence per share (2011 24.04 pence per share). A total of 744 participants (2011: 663) contributed to the UK Share Purchase Plan and purchased 1,306,895 partnership shares (2011: 1,408,537). Such shares are eligible for a 1:1 match if held for three years. Details of awards held during the year by Executive Directors appear on page 54.

Other share plan information

In accordance with International Financial Reporting Standards, details of the sources of shares issued or transferred during the year to meet maturing or vesting rights under the Company's share-based reward schemes, and the potential further requirement for shares to satisfy options and awards outstanding at the end of the year, are shown in Note 22 to the consolidated financial statements. Share plans are also compliant with the ABI's dilution guidelines and meet investor guidelines.

The Company's present intention is to meet the requirement for shares in respect of share plans by a mix of market purchases and utilising the remaining balance of shares in the appropriate Employee Share Trust, wherever it is possible to do so. Where there are relatively small requirements for shares from time to time, these may continue to be met for administrative convenience from other sources, including new issue.

Share ownership guidelines

These 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 believes is very important. The guidelines cover the Board and a number of executives who participate in long term incentive plans namely, the TWSP, 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 Committee has decided to increase the level of shareholding for Executive Directors under the guidelines from one times base salary to two times base salary from 2013. Executive Directors will however still be expected to achieve a holding equivalent to one times base salary within five years of their appointment with this increased requirement. There will be no set time limit for achieving a two times salary holding and each Executive Director will be required to agree a personal plan with the Chairman. Executive Directors will also be 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. The net amount of shares held on trust by way of deferral under the STIA will continue to count towards the target shareholding for each Executive Director, as will shares held on trust under the UK Share Purchase Plan. 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.

Pension arrangements

Details of the Group's principal UK pension schemes are given in Note 20 on page 89 to the consolidated financial statements.

Taylor Wimpey Pension Schemes

The Group has three principal UK pension schemes: Taylor Wimpey Personal Choice Plan; The George Wimpey Staff Pension Scheme; Taylor Woodrow Group Pension and Life Assurance Fund. The latter was closed to new entrants in 2002 and no Director is a participant in it. Details of the other two schemes are set out below:

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 defined benefit arrangements were invited to join the PCP when those arrangements closed to future accrual.

Pete Redfern and James Jordan each have a pension allowance of 20% of the earnings cap, in lieu of pension membership, due to legislative changes introduced in 2009. For 2012 a total of £27,090 (2011: £25,920) was paid to Pete Redfern and a total of £27,090 (2011: £10,800) was paid to James Jordan.

The payment is made in addition to their respective existing pension allowance of 25% of salary (Pete Redfern) and 28% of salary (James Jordan) above the earnings cap as described below – details of these payments are set out below under The George Wimpey Staff Pension Scheme section.

The George Wimpey Staff Pension Scheme

Pete Redfern and James Jordan are members of the Executive section of The George Wimpey Staff Pension Scheme ('the Scheme'). They have a Normal Retirement Age under this Scheme of 62. The Scheme was closed to new members on 1 January 2002 and was closed to future accrual on 31 August 2010. All active members were invited to join the PCP from 1 September 2010, referred to above and to which members and the Company contribute.

In addition, as mentioned above, Pete Redfern receives a pension allowance amounting to 25% of the difference between his basic salary and the notional pension scheme earnings cap. For 2012 a total of £148,876 (2011: £171,876) was paid in respect of Pete Redfern. James Jordan also receives a pension allowance amounting to 28% of the difference between his basic salary and the pension scheme earnings cap. For 2012 a total of £57,098 (2011: £36,996) was paid in respect of James Jordan.

Pension allowances do not count towards the calculation of any bonus awards which are based only on base salary. Details of the pension arrangements for Ryan Mangold are set out on page 56.

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
Brenda Dean	3 July 2007	21 November 2007	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

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 2013 Annual General Meeting on page 112.

Details of the Executive Directors' service contracts are summarised in the table below:

Name	Date of contract	Unexpired term (months)	Notice period by Company (months)	Notice period by Director (months)	Normal retirement age	Current age
Pete Redfern	13 October 2004	12	12	12	62	42
Ryan Mangold	16 November 2010	12	12	12	Note 1	41
James Jordan	20 September 2005	12	12	12	62	51

Note 1: Ryan Mangold is a member of the Taylor Wimpey Personal Choice Plan, a stakeholder pension scheme described earlier, which can be taken any time after reaching age 55, the Minimum Pension Age.

Each of the Executive Directors' service contracts provides for:

- the payment of a base salary (details of which are set out on page 45);
- 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 pages 46 and 51);
- employer's contribution to a pension scheme (details of which are set out on pages 48 and 56);
- a notice period by the Company of 12 months;
- a provision requiring a Director to mitigate losses on termination (details of which are set out on page 50).

Remuneration Report continued

The service contract for each of Pete Redfern and James Jordan additionally provides for a pension allowance (details of which are set out on pages 49 and 51).

Each service contract contains the following performance-related provisions:

- participation in the STIA (details of which are set out on pages 46 and 51);
- participation in the Long Term Incentive Plans (the SOP and PSP, details of which are set out on pages 46 and 54);

It is the Company's policy that liquidated damages should not automatically apply on the termination of an Executive Director's contract. 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 of the Executive Directors, 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, bonus 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.

The Chairman receives an annual fee of £250,000 which is paid monthly. The Chairman's fees were fixed by the Board prior to his appointment as Chairman following independent advice provided by New Bridge Street.

Brenda Dean and Tony Reading were independent non executive directors of George Wimpey Plc ('GW') until the merger with Taylor Woodrow plc on 3 July 2007. Their respective dates of appointment were 7 October 2003 and 15 April 2005 and, as set out in the Corporate Governance Report, time spent as a director of GW is deemed to count towards each Director's overall term of office as a Director of the Company from a Code perspective. As reported on page 31, Brenda Dean will not be seeking re-election to the Board at the 2013 AGM and will down from the Board at the conclusion of the meeting. Margaret Ford will be appointed as an Independent Non Executive Director upon the conclusion of the AGM and will, on appointment, have terms of engagement in line with those set out above for the other Non Executive Directors.

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

of similar sized companies and the sector-based peer group. Non Executive Director fees are subject to the aggregate annual limit of £1,000,000 imposed by the Articles of Association and are reviewed annually.

The basic fee paid to each Non Executive Director is £50,000 per annum and has been at this level since July 2007. The Senior Independent Director receives an additional payment of £10,000 per annum in respect of the performance of this role. The standard fee for chairing a Board Committee is £10,000 per annum. The Chairman does not receive any additional fee for chairing the Nomination Committee.

Neither the Chairman nor the Non Executive Directors participate in any of the Company's share plans or bonus plans and are not eligible to join the Company's pension scheme.

All Directors (except Brenda Dean) will submit themselves for re-election at the AGM in accordance with the Code.

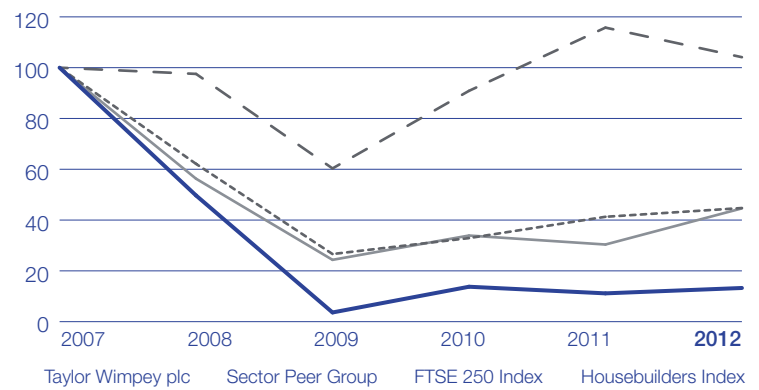
Part 2: Implementation of the Remuneration Policy During 2012: Audited information

Performance graph

The graph below shows the Company's performance, measured by TSR, for the five year period to 31 December 2012, compared with the performance of the FTSE 250 index and the Housebuilders index used for TWSPSP awards.

Total shareholder return

Source: Thomson Reuters



Part 2: Implementation of the Remuneration Strategy During 2012: Audited information continued

Directors' emoluments

	Basic salary/fee £000	Pension allowance £000	Benefits-in-kind £000 ^(a)	STIA in respect of 2012 £000	Other benefits/payments £000 ^(a)	2012 total £000	2011 total £000	Gains on options and awards exercised/vested in 2012	Pension entitlements	Non-Group pension arrangements	Total Remuneration for 2012	Total Remuneration for 2011
	See page 45	See page 49	See page 46	See page 46	See page 48			See page 54	See page 56	See page 56		
Executive												
Pete Redfern	731	176	27	903	–	1,837	1,674	–	–	–	1,837	1,771
Ryan Mangold ^{(c)(d)}	311	43	1	389	61	805	649	–	–	51	856	674
James Jordan (Appointed 21 July 2011)	339	84	34	419	–	876	556	–	5	–	881	654
Sheryl Palmer (Resigned 21 July 2011)	–	–	–	–	–	–	218	–	–	–	–	218

Chairman and Non Executive Directors

	Basic salary/fee £000	Pension allowance £000	Benefits-in-kind £000 ^(a)	STIA in respect of 2012 £000	Other benefits/payments £000 ^(a)	2012 total £000	2011 total £000	Gains on options and awards exercised/vested in 2012	Pension entitlements	Non-Group pension arrangements	Total Fees For 2012	Total Fees 2011
Kevin Beeston ^(b)	250	–	–	–	–	250	250	–	–	–	250	250
Kate Barker (Appointed 21 April 2011)	50	–	–	–	–	50	35	–	–	–	50	35
Brenda Dean	50	–	–	–	–	50	50	–	–	–	50	50
Mike Hussey (Appointed 1 July 2011)	50	–	–	–	–	50	25	–	–	–	50	25
Tony Reading	60	–	–	–	–	60	60	–	–	–	60	60
Rob Rowley	70	–	–	–	–	70	70	–	–	–	70	70
Andrew Dougal (Resigned 21 April 2011)	–	–	–	–	–	–	15	–	–	–	–	15
Katherine Innes Ker (Resigned 21 April 2011)	–	–	–	–	–	–	15	–	–	–	–	15
Aggregate emoluments	1,911	303	62	1,711	61	4,048	–	–	5	51	4,104	–
2011	–	–	–	–	–	–	3,617	5	190	25	–	3,837

(a) Benefits-in-kind includes non-cash payments such as health insurance, company car provision and fuel allowances. Other benefits include car allowance and employer's contribution to a pension scheme.

(b) The Company also paid £25,000 (2011: £25,000) at the rate of £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 £250,000 per annum.

(c) Ryan Mangold is a member of the Flexible Pension Arrangement (salary exchange) operated by the Company and the amount exchanged during the year was £32,000 (2011: £2,138). 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 £51,000 (2011: £25,600) company contribution in lieu of salary to Ryan Mangold's non-Group pension arrangements described on page 56.

Aggregate emoluments of the Group Management Team (excluding Executive Directors)

	Basic salary/fee £000 ^(a)	Pension allowance £000	Benefits-in-kind £000 ^(a)	STIA in respect of 2012 £000	Other benefits/payments £000	2012 total £000	2011 total £000
4 members ^(c)	859	81	55	1,168	165	2,328	2,265

(a) Includes a long-service award to one member of £2,000 (2011: £0).

(b) Includes non-cash payments.

(c) There were four members who were not Executive Directors (2011 five members until 21 July 2011 and thereafter four).

In addition, a charge of £494,000 (2011: £281,000) was booked in respect of share-based payments.

Salary increases for these four Group Management Team members were in line with the general level of increase awarded to employees, at 2.5%. With effect from 1 April 2013 their aggregate basic salary will be £884,000.

Remuneration Report continued

Short term incentive arrangements ('STIA') in respect of 2012

For 2012, 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		Entry £176m Target £210m				
		40%	Stretch £225m	£230.2m	100%	40%	13%
Order book	Driving further UK operating margin progression		Entry £558m target 600m				
		15%	Stretch £650m	£655.3m	100%	15%	5%
Relative margin (compared to other housebuilders)	To increase margin and outperform peers		Ranking Award % 1st 10% 2nd 8% 3rd 6% 4th 2%				
		10%	5th or 6th 0%	3rd	60%	5%	2%
Waste tonnage reduction	Getting the homebuilding basics right		Entry 3.35 tonnes per sq. ft. Target 3.25 tonnes per sq. ft.	2.75 tonnes			
		5%	Stretch 3.11 tonnes per sq. ft.		100%	5%	2%
Cash generated (before land spend)	Growing net assets by 10% per annum on average		Entry £770m Target £810m				
		15%	Stretch £850m	£896.5m	100%	15%	5%
ROCE	Delivering an average 15% return on net operating assets through the cycle		Entry 8% Target 9.5%				
		10%	Stretch 12%	11.3%	85%	7%	2%
Customer service	Caring about our customers		Entry 87% Target 89%				
		5%	Stretch 90%	91.3%	100%	5%	2%

Performance against these measures has resulted in a payment to the Executive Directors of 94.5% of their maximum STIA potential, of which 25% is required to be deferred into shares for three years, as described above.

The amounts paid to Pete Redfern, Ryan Mangold and James Jordan in respect of 2012 are set out in the remuneration table on page 51.

Vesting of Long-term Incentive awards in 2013

2009 Awards

Performance testing for the 2009 awards (which were made in August of that year) was undertaken after the conclusion of the performance period (31 December 2012). The outcome was as follows:

TWPSP 2009

Measure	Weighting	Vesting scale	Performance achieved	% of this award vesting
TSR vs FTSE 250*	50%	No vesting below median, 25% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	131st out of 204 companies in peer group	0%
TSR vs Peer Group†	50%	No vesting below median, 25% vests at median, 100% vests at upper quartile. Pro-rata vesting between median and upper quartile	7th out of 13 (median)	25%

TWSOP 2009

Measure	Weighting	Vesting scale	Performance achieved	% of this award vesting
ROCE‡	100%	ROCE <10%: 0% vests, ROCE = 10% 25% vests, ROCE => 20%, 100% vests. Pro-rata vesting for ROCE between 10% and 20%	13.6%	51.63%

* As at third anniversary of date of award, on 7 August 2012. There were 204 companies left of the original FTSE 250 used for this award.

† As at third anniversary of date of award, on 7 August 2012. There were 13 companies, including Taylor Wimpey plc, in the Peer Group.

‡ As at 31 December 2012, as reported on page 7.

The aggregate vesting of the 2009 LTIP was 32% and the resultant shares were converted into nil cost options exercisable between 1 March 2013 and 31 August 2013.

2010 Awards

Performance testing for the first tranche of the 2010 awards which were made in March of that year will be 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 is based on the Company's audited results. Based on a ROCE of 13.6% the percentage of the award vesting equates to 48.4%. The TSR measures making up the remaining 60% of the awards will be tested on 22 March 2013 at the end of the applicable three year performance period relating to those measures and details of any awards that vest, following Remuneration Committee consideration will be reported on in the 2013 Remuneration Report.

With regard to the second tranche of the 2010 awards, made in August 2010, performance testing will be 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). Any vesting will only take place after the announcement of the 2013 Half Year results in or around August 2013 and following Remuneration Committee consideration.

In deciding whether, and to what extent, any vesting of awards should take place under the TWPSP and/or TWSOP the Committee considers the overall financial performance of the Company during the period.

2012 Awards

On 5 March 2012, awards were made to 15 executives (2011: 21) over an aggregate of 7,699,454 shares (2011: 11,902,398), based on a share price of 49.37 pence (2011: 41.18 pence). Dependant upon the performance conditions as set out in the table on page 46, the awards will be tested after the conclusion of the performance period at the end of 2014 (for the ROCE element of the award) and 4 March 2015 (for the TSR elements of the award), with any vesting to only take place after the announcement of the 2014 Full Year results in or around March 2015.

Details of awards made to Executive Directors appear on page 54.

Remuneration Report continued

Directors' share-based reward and options

Aggregate emoluments disclosed on page 51 do not include any amounts for the value of options to acquire ordinary shares in the Company and any other share-based reward granted to or held by the Directors. No Director (2011: one) exercised options over ordinary shares during the year.

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

Name of Director	Plan	1 January 2012 ^(a)	Granted/ Awarded in 2012 (number)	Dividend Re-investment shares added during 2012 (number)	Exercised/ vested (number)	31 December 2012	Exercise price (pence)	Date of grant	Date from which exercisable /capable of vesting	Expiry date
Pete Redfern	Deferred Shares (STIA) ^(h)	497,284	–	5,982	–	503,266	–	22.03.10	31.12.12	30.06.13
	Deferred Shares (STIA) ^(h)	409,674	–	4,928	–	414,602	–	04.04.11	31.12.13	30.06.14
	Deferred Shares (STIA) ^(h)	–	377,537 ^(b)	4,541	–	382,078	–	23.03.12	31.12.14	30.06.15
	Performance Share Plan ^(h)	1,601,423	–	–	–	1,601,423	–	07.08.09	01.01.13 ^(d)	01.07.13
	Performance Share Plan ^(h)	1,574,606	–	–	–	1,574,606	–	22.03.10 ^(e)	22.03.13 ^(d)	22.09.13
	Performance Share Plan ^(h)	2,012,779	–	–	–	2,012,779	–	06.08.10 ^(e)	06.08.13 ^(d)	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 ^(c)	–	–	2,906,623	–	05.03.12 ^(f)	05.03.15 ^(d)	05.09.15
	Share Option Plan ^(h)	3,202,846	–	–	–	3,202,846	39.34	07.08.09 ^(g)	01.01.13 ^(d)	07.08.19
	Sharesave Plan	63,331	–	–	–	63,331	24.04	11.10.11	01.12.16	31.05.17
Total		12,846,644	3,284,160	15,451	–	16,146,255				
Ryan Mangold	Deferred Shares (STIA) ^(h)	20,848	–	251	–	21,099	–	04.04.11	31.12.13	30.06.14
	Deferred Shares (STIA) ^(h)	–	153,711 ^(b)	1,848	–	155,559	–	23.03.12	31.12.14	30.06.15
	Performance Share Plan ^(h)	190,645	–	–	–	190,645	–	07.08.09	01.01.13 ^(d)	01.07.13
	Performance Share Plan ^(h)	171,238	–	–	–	171,238	–	22.03.10 ^(e)	22.03.13 ^(d)	22.09.13
	Performance Share Plan ^(h)	218,889	–	–	–	218,889	–	06.08.10 ^(e)	06.08.13 ^(d)	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 ^(c)	–	–	1,183,410	–	05.03.12 ^(f)	05.03.15 ^(d)	05.09.15
	Share Option Plan ^(h)	381,291	–	–	–	381,291	39.34	07.08.09 ^(g)	01.01.13 ^(d)	07.08.19
	Sharesave Plan	39,335	–	–	–	39,335	22.88	06.10.10	01.12.13	31.05.14
	Total		2,441,017	1,337,121	2,099	–	3,780,237			
James Jordan	Deferred Shares (STIA) ^(h)	230,882	–	2,777	–	233,659	–	22.03.10	31.12.12	30.06.13
	Deferred Shares (STIA) ^(h)	190,205	–	2,287	–	192,492	–	04.04.11	31.12.13	30.06.14
	Deferred Shares (STIA) ^(h)	–	175,284 ^(b)	2,109	–	177,393	–	23.03.12	31.12.14	30.06.15
	Performance Share Plan ^(h)	557,638	–	–	–	557,638	–	07.08.09	01.01.13 ^(d)	01.07.13
	Performance Share Plan ^(h)	548,300	–	–	–	548,300	–	22.03.10 ^(e)	22.03.13 ^(d)	22.09.13
	Performance Share Plan ^(h)	700,878	–	–	–	700,878	–	06.08.10 ^(e)	06.08.13 ^(d)	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 ^(c)	–	–	1,349,503	–	05.03.12 ^(f)	05.03.15 ^(d)	05.09.15
	Share Option Plan ^(h)	1,115,277	–	–	–	1,115,277	39.34	07.08.09 ^(g)	01.01.13 ^(d)	07.08.19
	Sharesave Plan	63,331	–	–	–	63,331	24.04	11.10.11	01.12.16	31.05.17
Total		5,024,408	1,524,787	7,173	–	6,556,368				

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

- Or date of appointment.
- Market value per share on date of grant 23 March 2012 was 50.6 pence.
- Market value per share on date of grant 5 March 2012 was 47.39 pence.
- Or later publication of the preliminary full year or half year results announcement on which the associated performance condition will be calculated.
- 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.
- Vesting will be 20% for the 2012 award (2011 and 2010 award for both tranches 20%; 2009 award 25%) for threshold performance (50th percentile for TSR; 10% ROCE; 10% margin (2012 and 2011 awards only)) and 100% (2011 and 2010 award for both tranches and 2009: 100%) for upper quartile performance (75th percentile for TSR; 20% ROCE; 13% margin (2012 and 2011 awards only)) with straight line vesting between these two thresholds.
- Vesting will be 25% for threshold performance (2009: 10% ROCE; 2008: ROCE to exceed Cost of Capital ("CoC")) and 100% for upper quartile performance (2009: 20% ROCE; 2008: ROCE to exceed CoC by 3%) with straight line vesting between these two thresholds.
- In line with current practice the Committee has decided in 2013 to make an administrative change to the rules of the TWSPS (and also to the STIA rules) so as to convert the contingent award structure to a nil-cost option structure with a short term exercise period of six months following which the option will lapse if not exercised. This change applied to all outstanding awards held by current Directors and employees and are expected to apply, in normal circumstances, to all future awards.

There have been no variations to the terms and conditions or performance criteria for outstanding share awards during the financial year. The performance criteria relating to the Performance Share Plans and Share Option Plans appear earlier in this Directors' Remuneration Report.

The market price of the ordinary shares on 31 December 2012 was 65.8 pence and the range during the year was 36.93 pence to 66.65 pence. Details of any share awards made to Executive Directors during 2013 will be included in the 2013 Remuneration Report.

Directors' interests in shares of the Company

Directors' interests in 1p ordinary shares held (fully paid) ('ordinary shares'):

	at 01.01.12 ordinary shares ^(a)	at 31.12.12 ordinary shares	Deferred Shares held on trust under the STIA ^(b)	Executive Directors' share interests (including Deferred Shares) at 31.12.12 valued at 31.12.12 share price and expressed as a percentage of base salary at 31.12.12 ^(c)	Executive Directors' share interests (including Deferred Shares) at 31.12.12 valued at 28.02.13 share price and expressed as a percentage of base salary at 01.04.13 ^(d)
Kevin Beeston	1,055,562	1,155,562			
Pete Redfern ^(e)	832,239	897,196	1,299,946	197%	236%
Ryan Mangold ^(e)	56,370	154,410	176,658	69%	77%
James Jordan ^(e)	220,825	259,310	603,544	166%	200%
Kate Barker	20,000	40,000			
Brenda Dean	59,704	59,848			
Mike Hussey	75,000	125,000			
Tony Reading	400,000	400,000			
Rob Rowley	200,000	200,000			

(a) Or date of appointment.

(b) Shares conditionally held as deferral of Company bonus count towards the achievement of the share retention targets described on page 45. Accordingly, only the net amount of shares has been included in this column and in the percentages set out in the fifth and sixth columns.

(c) Percentage of shareholding achieved at 31 December 2012 towards the targets described on page 45 calculated on 2012 salary and at 31 December 2012 share price. Salaries as at 31 December 2012 for Pete Redfern, Ryan Mangold and James Jordan were £735,437, £316,956 and £341,453 respectively.

(d) Percentage of shareholding achieved at 31 December 2012 towards the targets described on page 45 calculated on 1 April 2013 salary and at 28 February 2013 share price. Salaries as at 1 April 2013 for Pete Redfern, Ryan Mangold and James Jordan will be £753,823, £347,067 and £349,989 respectively.

(e) Including partnership and matching shares held under the Share Purchase Plan described on page 48.

Note: The Share price on 31 December 2012 and used in the above calculation was 65.8 pence per share and on 28 February 2013 was 81.1 pence per share.

Note: The above table does not include the deferral into shares of 25% of the 2012 STIA for any Executive Director.

Remuneration Report continued

Directors' pension entitlements

Defined benefit schemes

The George Wimpey Staff Pension Scheme

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

	Accrued pension as at 31 December 2011 £	Increase in accrued pension from 31 December 2011 to 31 December 2012 £	Accrued pension as at 31 December 2012 ^(a) £	Transfer value gross of Director's contributions at 31 December 2012 ^(b) £	Transfer value gross of Director's contributions at 31 December 2011 ^(b) £	Increase in transfer value from 31 December 2011 to 31 December 2012 less Director's contributions ^(c) £	Increase in accrued pension from 31 December 2011 to 31 December 2012 less inflation £	Transfer value of accrued pension increase less Director's contributions ^(d) £
Pete Redfern	27,932	615	28,547	366,650	366,600	50	0	0
James Jordan	24,802	546	25,348	430,500	425,300	5,200	0	0

(a) The GWSPS closed to future accrual on 31 August 2010 so pension accrual ceased on that date. Pension accrual shown above is the amount which would be paid annually on retirement based on service to 31 August 2010. Pension benefits include a two thirds spouse's pension. Pensions accrued up to 5 April 2006 are guaranteed to increase in payment in line with inflation limited each year to 5%. Pensions accrued after 5 April 2006 are guaranteed to increase in payment in line with inflation limited each year to 2.5%. Pensions accrued up to 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 5% per annum. Pensions accrued after 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 2.5% per annum. We have only taken into account defined benefits accrued over the period to 31 August 2010 and have not included any Defined Contribution pension benefits accrued after this date.

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

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

(d) The 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 thus 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:

	2012 £	2011 £
Ryan Mangold ^(a)	51,194 ^(b)	24,861

(a) Ryan Mangold also received a pension allowance of £43,224 in 2012 (2011: £33,928) in lieu of Company pension contributions over the Annual Allowance limit introduced in April 2011 of £50,000.

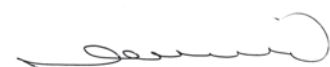
(b) Ryan Mangold elected to have £30,000 of the non-deferred portion of his STIA cash bonus, earned for 2011 performance and paid in 2012, paid as additional pension contribution.

Statement of shareholder voting

At the 2012 Annual general meeting, 93.22% of our shareholders who voted, voted in favour of the Company's 2011 Remuneration Report and, as stated earlier, we have consulted further with our shareholders on remuneration matters during the year. Whilst we are in no way complacent about the need to ensure that remuneration continues to reflect the achievement of the Company's strategic objectives and the level of return being delivered to shareholders, in view of the enhanced reporting recommended by BIS noted earlier (most of which is reflected in this year's reporting), we believe the current situation is satisfactorily explained and we hope that shareholders will, again, support the Remuneration Report at the AGM on 25 April 2013.

Approval

This Remuneration Report was approved by the Board of Directors on 28 February 2013 and signed on its behalf by the Remuneration Committee Chairman:



Tony Reading

28 February 2013

Statutory, regulatory and other formal 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:

- 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 110;
- changes in asset values are set out in the consolidated balance sheet on page 64 and in the Notes to the accounts on pages 67 to 109;
- the Group's profit before taxation and the profit after taxation and minority interests appear in the consolidated income statement on page 62 and in the Notes to the accounts on pages 67 to 109; and
- a detailed statement of the Group's treasury management and funding is set out in Note 19 on page 86.

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 CBE, Independent Non Executive Director;

Brenda Dean, Independent Non Executive Director;

Mike Hussey, Independent Non Executive Director;

Tony Reading MBE, Independent Non Executive Director;

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

The Directors together with their biographical information are shown on pages 28 and 29.

Retirement, election and re-election

The Company has determined that in accordance with the UK Corporate Governance Code, all Directors should seek re-election at this year's AGM as explained in the Notes to the Notice of Meeting and on page 33 of the Corporate Governance Report.

Each of the Directors proposed for re-election at the AGM is being unanimously recommended by all of the other members of the Board. This recommendation follows the completion of the annual performance evaluation process, which included a detailed appraisal of the Board, its Committees and in respect of each Director. Further information relating to the evaluation is set out below and in the Corporate Governance Report on page 33.

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 and a resolution to re-appoint them 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 Corporate Governance Report, details of which are set out in Note 5 on page 75.

Annual General Meeting

The AGM will be held at 11:00 am on 25 April 2013 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 page 112 and on the Company's Web site plc.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 Web site; 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 2012 Annual Report and Accounts) are available electronically through the Company's Web site.

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 Registrars. Their details, together with information on facilities available to shareholders, are set out in the Shareholder Facilities section on page 120.

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 22 on page 94.

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 1% 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 33,877,396 new Ordinary Shares of 1p each.

The authority given by shareholders at the AGM held on 26 April 2012 for the Company to purchase a maximum of 321.5 million of its own shares remained valid at 31 December 2012. The authority was not exercised during 2012 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 41. 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 28 February 2013, 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 28 February 2013

Name	Number of shares held (millions)	Percentage of issued voting share capital
Schroders plc	353.2	10.93
BlackRock Inc	181.0	5.62
J.P. Morgan Asset Management Holdings Inc	159.6	4.99
Third Avenue Management LLC	125.9	3.91
Legal & General Group Plc	103.4	3.20
Standard Life Investments Limited	96.4	3.02

Dividend

Information relating to the recommended 2012 final dividend is set out in the Chairman's Statement on page 4 and in the notes to resolution 2 on page 116 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 116 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 37,581,131 shares.

Research and development

During 2012 the Company began to build the new standard house type range in significant numbers. This enabled us to validate the work that been undertaken in developing them. Already we can see delivery of the customer offering, urban design, cost and process benefits that had been targeted. Feedback from customers and the Company's regional business units will allow us to continue to refine the range and 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.

With the 2013 changes to the building regulations still not finalised, we have continued to evaluate the options available to us when, and if further increases in energy efficiency are announced. To this end 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), and have provided time and a letter of support for a proposal for funding from the University of Newcastle entitled 'Urban Carbon Capture: Engineering Soils for Climate Change'.

Through CIRIA (Construction Industry Research Information Association) Taylor Wimpey personnel have contributed 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.

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. One of the findings from our review during 2011 of the reward structure across the business was that many employees would value the opportunity to exchange part of any cash bonus for exceptional performance, into shares of the Company. This scheme was introduced, for those not already participating in the STIA, for the 2012 cash bonus, payable for exceptional performance during 2011, offering a 20% enhancement to the value if taken entirely in shares with a holding period of 12 months. This first offer of the scheme resulted in 934,516 shares (2011: Nil) being acquired by 255 employees (2011: Nil).

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. Almost half of our eligible employees (48.5%) participate in one or both plans.

Each all-employee plan is nearing the end of the ten year period for which it was approved by shareholders at the 2004 AGM, and the rules of each have been updated to take advantage of recent changes in HM Revenue & Customs requirements for such plans. Details of the proposed new rules for each plan and the associated trust deed for the SIP are set out in the notes to resolutions 18 and 19 on pages 118 to 119 in the Notes to the Notice of Annual General Meeting, together with details of the changes proposed. Each is again proposed to be approved for a further ten years.

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.

Our Diversity Policy which can be found on the Company's Web site: plc.taylorwimpey.co.uk/CorporateResponsibility/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 Investor Relations Manager and Group Financial Controller. The Company and the Committee encourage non-financial contributions also and for employees to participate in charitable causes.

During the year, Group companies donated £247,000 (2011: £211,000) and an additional 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 2012 Corporate Responsibility Report which is available on the Company's Web site: plc.taylorwimpey.co.uk/CorporateResponsibility

Political donations

The Company does not make donations to political parties 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 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 prudence.

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.

Statutory, regulatory and other formal information continued

Trade creditor days for the Group for the year ended 31 December 2012 were 36 days (2011: 32 days). This is based on the ratio of year end Group trade creditors (excluding sub-contract retentions and unagreed claims of £38.9 million (2011: £31.2 million) and land creditors, see Note 18 to the Consolidated Financial Statements) to amounts invoiced during the year by trade creditors. The Company had no significant trade creditors at 31 December 2012.

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 2012.

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 Web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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; and
- the management report, which is incorporated into the Directors' 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.

This Report of the Directors was approved by the Board of Directors on 28 February 2013.



James Jordan
Group Legal Director and Company Secretary
Taylor Wimpey plc
28 February 2013

Independent Auditor's Report

We have audited the Group financial statements of Taylor Wimpey plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group 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 Group 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.

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement contained within the Directors' Report on Corporate Governance in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matters

We have reported separately on the parent Company financial statements of Taylor Wimpey plc for the year ended 31 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.



Colin Hudson, FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Registered Auditor
London, United Kingdom
28 February 2013

Consolidated Income Statement

for the year to 31 December 2012

£ million	Note	Before exceptional items 2012	Exceptional items (Note 7 and 8) 2012	Total 2012	Before exceptional items 2011	Exceptional items (Note 5) 2011	Total 2011
Continuing operations							
Revenue	3	2,019.0	–	2,019.0	1,808.0	–	1,808.0
Cost of sales		(1,662.7)	–	(1,662.7)	(1,520.3)	–	(1,520.3)
Gross profit		356.3	–	356.3	287.7	–	287.7
Net operating expenses	5	(128.6)	–	(128.6)	(129.4)	(5.8)	(135.2)
Profit/(loss) on ordinary activities before finance costs		227.7	–	227.7	158.3	(5.8)	152.5
Interest receivable		1.2	–	1.2	3.7	–	3.7
Finance costs	7	(46.0)	22.4	(23.6)	(73.3)	(5.5)	(78.8)
Share of results of joint ventures	12	2.4	–	2.4	1.2	–	1.2
Profit/(loss) on ordinary activities before taxation		185.3	22.4	207.7	89.9	(11.3)	78.6
Taxation (charge)/credit	8	(36.0)	59.6	23.6	(24.2)	1.5	(22.7)
Profit/(loss) for the year from continuing operations		149.3	82.0	231.3	65.7	(9.8)	55.9
Discontinued operations							
Profit for the year		–	–	–	43.1	–	43.1
Profit/(loss) for the year		149.3	82.0	231.3	108.8	(9.8)	99.0
Attributable to:							
Equity holders of the parent				231.3			99.0
Non-controlling interests				–			–
				231.3			99.0
	Note			2012			2011
Basic earnings per share – total Group	9			7.3p			3.1p
Diluted earnings per share – total Group	9			7.1p			3.0p
Basic earnings per share – continuing operations	9			7.3p			1.8p
Diluted earnings per share – continuing operations	9			7.1p			1.7p
Adjusted basic earnings per share – continuing operations	9			4.7p			2.1p
Adjusted diluted earnings per share – continuing operations	9			4.6p			2.0p

Consolidated Statement of Comprehensive Income

for the year to 31 December 2012

£ million	Note	2012	2011
Exchange differences on translation of foreign operations	24	0.2	1.8
Movement in fair value of hedging derivatives		–	3.0
Actuarial loss on defined benefit pension schemes	20	(76.8)	(33.2)
Tax credit on items taken directly to equity	13	16.8	4.8
Other comprehensive expense for the year net of tax		(59.8)	(23.6)
Profit for the year		231.3	99.0
Total comprehensive income for the year		171.5	75.4
Attributable to:			
Equity holders of the parent		171.5	75.4
Non-controlling interests		–	–
		171.5	75.4

Directors' Report: Business Review p02-27

Directors' Report: Governance p28-60

Financial Statements p91-111

Shareholder Information p112-121

Consolidated Balance Sheet

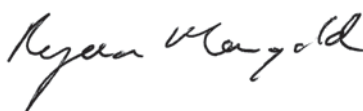
at 31 December 2012

£ million	Note	2012	2011
Non-current assets			
Other intangible assets	10	5.2	5.1
Property, plant and equipment	11	7.1	5.0
Interests in joint ventures	12	31.5	31.9
Trade and other receivables	15	102.0	70.3
Deferred tax assets	13	319.6	342.8
		465.4	455.1
Current assets			
Inventories	14	2,788.8	2,686.6
Trade and other receivables	15	96.0	72.5
Tax receivables		9.7	10.9
Cash and cash equivalents	15	190.4	147.7
		3,084.9	2,917.7
Total assets		3,550.3	3,372.8
Current liabilities			
Trade and other payables	18	(772.6)	(697.8)
Tax payables		(8.7)	(70.4)
Bank loans and overdrafts	16	–	–
Provisions	21	(84.4)	(76.6)
		(865.7)	(844.8)
Net current assets		2,219.2	2,072.9
Non-current liabilities			
Trade and other payables	18	(190.8)	(199.7)
Debenture loans	17	(149.4)	(164.6)
Bank and other loans	16	(100.0)	(100.0)
Retirement benefit obligations	20	(244.2)	(210.2)
Deferred tax liabilities	13	–	–
Provisions	21	(10.7)	(18.5)
		(695.1)	(693.0)
Total liabilities		(1,560.8)	(1,537.8)
Net assets		1,989.5	1,835.0
Equity			
Share capital	22	288.0	287.7
Share premium account	23	758.8	754.4
Own shares	25	(15.9)	(8.4)
Other reserves	24	44.6	46.7
Retained earnings	24	912.6	753.1
Equity attributable to parent		1,988.1	1,833.5
Non-controlling interests		1.4	1.5
Total equity		1,989.5	1,835.0

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 28 February 2013. 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 2012

For the year to 31 December 2012 £ 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	-	-	-	-	(76.8)	(76.8)
Deferred tax credit	-	-	-	-	16.8	16.8
Other comprehensive income/(expense) for the year net of tax	-	-	-	0.2	(60.0)	(59.8)
Profit for the year	-	-	-	-	231.3	231.3
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

For the year to 31 December 2011 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2011	287.7	753.7	(0.6)	101.4	679.4	1,821.6
Exchange differences on translation of foreign operations	-	-	-	1.8	-	1.8
Movement in fair value of hedging derivatives	-	-	-	3.0	-	3.0
Actuarial loss on defined benefit pension schemes	-	-	-	-	(33.2)	(33.2)
Deferred tax credit	-	-	-	-	4.8	4.8
Other comprehensive income/(expense) for the year net of tax	-	-	-	4.8	(28.4)	(23.6)
Profit for the year	-	-	-	-	99.0	99.0
Total comprehensive income for the year	-	-	-	4.8	70.6	72.4
New share capital subscribed	-	0.7	-	-	-	0.7
Own shares acquired	-	-	(10.0)	-	-	(10.0)
Utilisation of own shares	-	-	2.2	-	-	2.2
Share-based payment credit	-	-	-	-	3.9	3.9
Cash cost of satisfying share options	-	-	-	-	(1.2)	(1.2)
Transfer to retained earnings	-	-	-	(0.4)	0.4	-
Recycling of translation reserve on disposal of subsidiaries	-	-	-	(59.1)	-	(59.1)
Equity attributable to parent	287.7	754.4	(8.4)	46.7	753.1	1,833.5
Non-controlling interests	-	-	-	-	-	1.5
Total equity						1,835.0

Consolidated Cash Flow Statement

for the year to 31 December 2012

£ million	Note	2012	2011
Net cash from/(used in) operating activities	27	78.4	(34.8)
Investing activities			
Interest received		0.9	6.3
Dividends received from joint ventures		0.4	10.9
Proceeds on disposal of property, plant and investments		0.7	0.8
Purchases of property, plant and investments	11	(3.5)	(1.7)
Purchases of software	10	(0.8)	(4.1)
Amounts invested in joint ventures		–	–
Amounts repaid from joint ventures		2.1	2.5
Disposal of subsidiaries	26	–	562.3
Net cash (used in)/from investing activities		(0.2)	577.0
Financing activities			
Proceeds from sale of own shares		4.7	0.7
Cash cost of satisfying share options		(0.7)	(1.2)
Purchase of own shares		(7.7)	(7.9)
Repayment of debenture loans		(15.2)	(85.4)
Increase in debenture loans		–	–
Repayment of overdrafts, bank and other loans		–	(487.1)
Dividends paid		(18.2)	–
Net cash used in financing activities		(37.1)	(580.9)
Net increase/(decrease) in cash and cash equivalents		41.1	(38.7)
Cash and cash equivalents at beginning of year		147.7	183.9
Effect of foreign exchange rate changes		1.6	2.5
Cash and cash equivalents at end of year	27	190.4	147.7

Notes to the Consolidated Financial Statements

for the year to 31 December 2012

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 significantly strengthened its balance sheet by reducing debt through the year. Following the preparation of forecasts for a period greater than 12 months, the Group is expected to have sufficient financial capacity to continue trading for 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 2012.

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.

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 results of this business in 2011 have been presented as discontinued operations.

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 construction 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.

Where the outcome of a construction 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.

(e) 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.

1. Significant accounting policies continued

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'.

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 has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as assets and liabilities denominated in the functional currency of the company in which they arose.

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

The Group as lessee

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.

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. Depreciation is charged, where material, on buildings over the expected useful life of the asset. Other assets are depreciated using the straight-line method, on the following bases:

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

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 relate to sales incentives including shared equity. 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 using the average movement 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. 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.

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

1. Significant accounting policies continued

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 taxation 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.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

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'. In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Payments to defined contribution schemes are charged as an expense as they fall due.

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 will 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.

Whilst market conditions have stabilised in the United Kingdom, the Spanish market has not materially changed in the year and continues to be challenging. The Group has not recorded any additional write-downs or reversals of previous write-downs to net realisable value as there is no clear evidence of a sustained change in the economic circumstances at the balance sheet date. The Chief Executive's Review on page 6 includes a summary of our view of the outlook of the wider economic conditions and the impact on the UK housing market.

In the year 46% (2011: 63%) of the Group's completions in the UK were from sites that had been previously impaired. As at 31 December 2012, 26% (2011: 39%) of our UK short term owned and controlled land is impaired. Only 120 plots (2011: 89) were sold in Spain that had previously been impaired.

The gross profit for the year includes £85.1 million (2011: £99.6 million) of positive contribution, on completions from sites with previously impaired inventory. The positive contribution is the estimation difference between the realised value on completions compared to the value assumed in the net realisable value review. These amounts are stated before the allocation of overheads that are excluded from the Group's net realisable value exercise.

This is due to the actual selling prices and or costs on these completions being favourable to the estimates and market assumptions used in the net realisable value review. This estimation difference is due to a combination of actions taken by the Group including cost reductions through replans, the implementation of standard house types and slightly higher selling prices.

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 current trading conditions significantly improve, the impairment provision relating to other intangible assets 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, salary 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 20 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 Group continues to be profitable and has significantly reduced debt and has a strengthened balance sheet. The markets which the Group operates in have remained stable, although certain risks remain. The Group has prepared detailed forecasts with certain sensitivities, taking into account the principal risks identified on pages 12 to 13.

Based on these forecasts the Directors are satisfied that the Group will be able to continue trading 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.

Amendment to IFRS 7 'Disclosure – Transfer of Financial Assets'. IFRS 7 has been amended such that enhanced disclosures are required for transactions involving the transfer of financial assets. The Group has not transferred any financial assets during the current year and accordingly no additional disclosures have been included in these financial statements.

Amendments to IAS 12 'Income taxes'. The amendment provides a practical solution to the application of these requirements in relation to

investment property under IAS 40 'Investment Property', introducing a presumption that recovery of the carrying amount of an investment property will normally be through sale.

Standards and Interpretations in issue but not yet effective

At the date of publishing these financial statements the following new and revised standards and interpretations were in issue but were not yet effective (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'
- IFRS 13 'Fair Value Measurement'
- IAS 1 (amended) 'Presentation of Items of Other Comprehensive Income'
- IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'
- IAS 19 (revised) 'Employee Benefits'
- 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, except as follows:

IFRS 11 will impact both the measurement and disclosure of joint arrangements.

IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

IAS 19 (revised) will impact the measurement of the various components representing movements in the defined benefit pension obligation and associated disclosures, but not the Group's total obligation.

2. 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 121. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Review on pages 6 to 14.

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 68.

3. Revenue

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

£ million	2012	2011
Housing	2,002.8	1,783.1
Land sales	16.2	24.9
Consolidated revenue	2,019.0	1,808.0
Interest receivable	1.2	3.7
Total revenue for the year	2,020.2	1,811.7

Housing revenue includes £139.3 million (2011: £143.9 million) in respect of the value of properties accepted in part exchange by the Group.

4. 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.

Previously the Group reported a Corporate segment which has been consolidated into the Housing United Kingdom segment. The 2011 results and position have been restated to reflect the two segments.

The results of the North American business have been presented as discontinued operations in 2011, in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

Segment information about these businesses is presented below:

For the year to 31 December 2012 £ 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	226.4	1.3	227.7
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	228.8	1.3	230.1
Exceptional items	22.4	–	22.4
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	251.2	1.3	252.5
Finance costs, net (including exceptional finance costs)			(44.8)
Profit on ordinary activities before taxation			207.7
Taxation (including exceptional tax)			23.6
Profit for the year – total Group			231.3

4. Operating segments continued

At 31 December 2012 £ million	Housing United Kingdom	Housing Spain	Consolidated
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

2012 £ million	Housing United Kingdom	Housing Spain	Consolidated
Other information – continuing operations:			
Property, plant and equipment additions	3.0	0.1	3.1
Software development costs	0.8	–	0.8
Depreciation – plant and equipment	1.2	0.1	1.3

For the year to 31 December 2011 (restated) £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue:			
External sales	1,779.4	28.6	1,808.0
Result:			
Profit on ordinary activities before joint ventures, finance costs and exceptional items	158.1	0.2	158.3
Share of results of joint ventures	1.2	–	1.2
Profit on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	159.3	0.2	159.5
Exceptional items	(5.8)	–	(5.8)
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	153.5	0.2	153.7
Finance costs, net (including exceptional finance costs)			(75.1)
Profit on ordinary activities before taxation			78.6
Taxation (including exceptional tax)			(22.7)
Profit from continuing operations:			55.9
Profit from discontinued operations:			
Profit for the year from discontinued operations			43.1
Profit for the year – total Group			99.0

4. Operating segments continued

At 31 December 2011 (restated) £ million	Housing United Kingdom	Housing Spain	Consolidated
Assets and liabilities – continuing operations:			
Segment operating assets	2,763.4	76.1	2,839.5
Joint ventures	31.7	0.2	31.9
Segment operating liabilities	(1,187.9)	(14.9)	(1,202.8)
Net operating assets	1,607.2	61.4	1,668.6
Net current taxation			(59.5)
Net deferred taxation			342.8
Net debt			(116.9)
Net assets			1,835.0

2011 £ million	Housing United Kingdom	Housing Spain	Consolidated
Other information – continuing operations:			
Property, plant and equipment additions	0.8	0.1	0.9
Software development costs	4.1	–	4.1
Depreciation – plant and equipment	0.6	0.2	0.8

5. Net operating expenses and profit on ordinary activities before finance costs

£ million	2012	2011
Administration expenses	138.1	136.4
Net other income	(9.5)	(7.0)
Exceptional items	–	5.8
	128.6	135.2

Net other income includes profits on the sale of property, plant and equipment, VAT refunds and ground rents receivable.

Exceptional items: £ million	2012	2011
Refinancing expenses	–	–
Pension enhanced transfer value offer	–	5.8
Exceptional items	–	5.8

Market conditions in the United Kingdom continue to remain stable, however mortgage finance availability and unemployment continue to impact wider economic confidence. The Spanish market has not materially changed in the year and continues to be challenging. The Group has completed its assessment of the carrying value of inventory which has not resulted in further inventory write-downs (2011: £nil million) to the lower of cost and net realisable value, nor any reversals of previous write-downs (2011: £nil million) as there is no clear evidence of a sustained change in the economic circumstances at the balance sheet date.

In the year the Group released £22.4 million of accrued interest relating to a historic potential tax liability for which favourable resolution was reached. In the prior year the Group paid a premium over nominal value of £5.5 million following the repurchase of £85.4 million of Senior Notes 10.375% due 2015. These items are presented as exceptional finance charges (Note 7).

The prior year exceptional charge of £5.8 million was for the enhanced transfer value exercise for the George Wimpey Staff Pension Scheme.

5. Net operating expenses and profit on ordinary activities before finance costs continued

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

£ million	2012	2011
Cost of inventories recognised as expense in cost of sales, before write-downs of inventories	1,589.9	1,454.4
Depreciation – plant and equipment	1.2	0.8
Minimum lease payments under operating leases recognised in income for the year	6.4	6.6

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

£ million	2012	2011
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	0.5
Corporate finance services	–	0.2
Other assurance services	0.1	0.4
Total non-audit fees	0.3	1.2
Total fees	0.7	1.6

Non-audit services in 2012 and 2011 predominantly relate to work undertaken as a result of Deloitte LLP's role as auditors, or work resultant from knowledge and experience gained as part of the role. Other assurance services relate to advisory services relating to pension liability management consultation. The services in the prior year included necessary work related to certain attest services in relation to the interested party offers for the North American business. The work was either the subject of a competitive tender or was best performed by the Group's auditors because of their knowledge of the Group.

Tax services include advisory services for Taylor Wimpey plc and subsidiaries. See page 38 for details of the Group's policies in respect of non-audit services and approval by the Audit Committee.

6. Staff costs

Continuing Group	2012 Number	2011 Number
Average number employed		
Housing United Kingdom including corporate office	3,465	3,464
Housing Spain	62	65
	3,527	3,529
United Kingdom	3,465	3,464
Overseas	62	65
	3,527	3,529
Discontinued operations	–	337

£ million	2012	2011
Remuneration		
Wages and salaries	145.0	143.9
Redundancy costs	0.6	1.8
Social security costs	17.5	18.1
Other pension costs	9.0	6.6
	172.1	170.4
Discontinued operations	–	33.2

The information required by the Companies Act 2006 and the Listing Rules of the Financial Services Authority is contained on pages 41 to 56 in the Directors' Remuneration Report.

Notes to the Consolidated Financial Statements continued

7. Finance costs

Finance costs from continuing operations are analysed as follows:

£ million	2012	2011
Interest on overdrafts, bank and other loans	13.6	29.1
Interest on debenture loans	18.1	23.2
Movement on interest rate derivatives and foreign exchange movements	0.3	(1.0)
	32.0	51.3
Unwinding of discount on land creditors and other payables	4.1	7.9
Notional net interest on pension liability (Note 20)	9.9	14.1
	46.0	73.3
Exceptional finance items:		
Tax liability interest credit	(22.4)	–
Senior Note 10.375% due 2015 on repurchase	–	5.5
	23.6	78.8

In 2012 interest on debenture loans includes a £1.7 million premium paid on the repurchase of £15.2 million of Senior Notes 10.375% due 2015. In the prior year the Group reported an exceptional charge of £5.5 million premium on repurchase of £85.4 million of Senior Notes 10.375% due 2015.

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

8. Tax

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

£ million	2012	2011
Current tax:		
UK corporation tax:		
Current year	–	–
Prior years	63.6	6.0
Foreign tax:		
Current year	–	–
Prior years	–	(0.2)
	63.6	5.8
Deferred tax:		
UK:		
Current year	(39.7)	(28.5)
Prior year	(0.3)	–
	(40.0)	(28.5)
	23.6	(22.7)

Corporation tax is calculated at 24.5% (2011: 26.5%) 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 credit in respect of exceptional items of £59.6 million (2011: £1.5 million credit) in respect of UK tax. The 2012 exceptional tax credit of £59.6 million relates to the favourable resolution of a historic potential tax liability. No tax charge has arisen on the associated exceptional interest release due to the utilisation of unrecognised losses.

8. Tax continued

The credit for the year includes a charge of £21.1 million (2011: £22.2 million) relating to the impact on the deferred tax asset of the 2% reduction in UK corporation tax from 25% to 23% (2011: 27% to 25%).

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

£ million	2012	2011
Profit before tax	207.7	78.6
Tax at the UK corporation tax rate of 24.5% (2011: 26.5%)	(50.9)	(20.8)
Net over provision in respect of prior years	63.3	5.8
Tax effect of expenses that are not deductible in determining taxable profit	(1.4)	(0.3)
Unrecognised temporary differences utilised	17.2	–
Losses not recognised	–	(7.3)
Recognition of deferred tax asset relating to trading losses	16.5	22.1
Impact of 2% rate reduction on deferred tax	(21.1)	(22.2)
Tax credit/(charge) for the year	23.6	(22.7)

9. Earnings per share

	2012	2011
Basic earnings per share	7.3p	3.1p
Diluted earnings per share	7.1p	3.0p
Basic earnings per share – continuing operations	7.3p	1.8p
Diluted earnings per share – continuing operations	7.1p	1.7p
Basic earnings per share – discontinued operations	–	1.4p
Diluted earnings per share – discontinued operations	–	1.3p
Adjusted basic earnings per share – continuing operations	4.7p	2.1p
Adjusted diluted earnings per share – continuing operations	4.6p	2.0p
Weighted average number of shares for basic/adjusted earnings per share – million	3,186.4	3,190.1
Weighted average number of shares for diluted basic/adjusted earnings per share – million	3,262.4	3,282.3

Adjusted basic and adjusted diluted earnings per share, which exclude the impact of exceptional items and any associated net tax charges, are shown to provide clarity 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	2012	2011
Earnings from continuing operations for basic profit per share and diluted earnings per share	231.3	55.9
Adjust for exceptional items (Note 7)	(22.4)	11.3
Adjust for exceptional tax items (Note 8)	(59.6)	(1.5)
Earnings from continuing operations for adjusted basic and adjusted diluted earnings per share	149.3	65.7

10. Other intangible assets

£ million	Brands	Software development costs	Total
Cost			
At 1 January 2011	140.2	19.7	159.9
Additions	–	4.1	4.1
Disposals	–	(18.7)	(18.7)
At 31 December 2011	140.2	5.1	145.3
Additions	–	0.8	0.8
At 31 December 2012	140.2	5.9	146.1
Amortisation/impairment			
At 1 January 2011	(140.2)	(18.7)	(158.9)
Charge for the year	–	–	–
Disposals	–	18.7	18.7
At 31 December 2011	(140.2)	–	(140.2)
Charge for the year	–	(0.7)	(0.7)
At 31 December 2012	(140.2)	(0.7)	(140.9)
Carrying amount			
31 December 2012	–	5.2	5.2
31 December 2011	–	5.1	5.1

The Group has evaluated its performance in the current year and concluded that it would not be appropriate to reverse any of the previously recognised impairment charges on brands.

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.

In the prior year the Group disposed of software development costs which were previously held at nil book value.

11. Property, plant and equipment

£ million	Freehold land and buildings	Plant and equipment	Total
Cost			
At 1 January 2011	1.0	25.5	26.5
Additions	0.5	1.2	1.7
Disposals	–	(4.3)	(4.3)
Disposal of subsidiaries	–	(7.8)	(7.8)
Changes in exchange rates	–	(0.1)	(0.1)
At 31 December 2011	1.5	14.5	16.0
Additions	0.4	3.1	3.5
Disposals	–	–	–
Changes in exchange rates	–	(0.1)	(0.1)
At 31 December 2012	1.9	17.5	19.4
Accumulated depreciation			
At 1 January 2011	–	(18.9)	(18.9)
Disposals	–	3.7	3.7
Disposal of subsidiaries	–	5.8	5.8
Charge for the year	–	(1.7)	(1.7)
Changes in exchange rates	–	0.1	0.1
At 31 December 2011	–	(11.0)	(11.0)
Disposals	–	–	–
Charge for the year	(0.1)	(1.2)	(1.3)
At 31 December 2012	(0.1)	(12.2)	(12.3)
Carrying amount			
£ million	Freehold land and buildings	Plant and equipment	Total
At 31 December 2012	1.8	5.3	7.1
At 31 December 2011	1.5	3.5	5.0

12. Interests in joint ventures

£ million	2012	2011
Aggregated amounts relating to share of joint ventures		
Current assets	38.0	40.8
Total assets	38.0	40.8
Current liabilities	(2.1)	(2.6)
Non-current liabilities	(27.9)	(32.2)
Total liabilities	(30.0)	(34.8)
Carrying amount	8.0	6.0
Loans to joint ventures	23.5	25.9
Total interests in joint ventures	31.5	31.9

£ million	2012	2011
Share of post-tax profits from joint ventures		
Revenue	16.4	10.0
Cost of sales	(13.0)	(7.7)
Gross profit	3.4	2.3
Net operating expenses	(0.7)	(0.8)
Profit on ordinary activities before finance costs	2.7	1.5
Finance costs	(0.2)	(0.2)
Profit on ordinary activities before tax	2.5	1.3
Taxation	(0.1)	(0.1)
Share of joint ventures' post-tax results for the year	2.4	1.2

The Group has three (2011: two) 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
Great Britain	Strada Developments Limited ^(a)	50%
Great Britain	Greenwich Millennium Village Limited ^(a)	50%
Great Britain	Academy Central Limited Liability Partnership ^(a)	50%

(a) Interest held by subsidiary undertakings.

13. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

£ million	Share-based payments	Capital Allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2011	–	–	300.0	68.3	3.3	371.6
Credit/(charge) to income	–	–	(10.2)	(18.6)	0.3	(28.5)
Credit to equity	–	–	–	4.8	–	4.8
Disposal of subsidiaries	–	–	–	(1.8)	(3.3)	(5.1)
At 31 December 2011	–	–	289.8	52.7	0.3	342.8
Credit/(charge) to income	2.4	8.1	(41.8)	(10.8)	2.1	(40.0)
Credit to equity	2.5	–	–	14.3	–	16.8
At 31 December 2012	4.9	8.1	248.0	56.2	2.4	319.6

Closing deferred tax on UK temporary differences has been calculated at the enacted rate of 23% (2011: 25%). The effect of the reduction in the UK corporation tax rate from 25% to 23% is a reduction in the net deferred tax asset at the end of 2012 of an amount of £26.0 million. Of this £26.0 million, £4.9 million has been charged directly to the Statement of Comprehensive Income.

The proposed reduction in the main rate of corporation tax by 2% by 2014 is expected to be enacted in Finance Act 2013. Based on the level of deferred tax recognised at the balance sheet date a charge of £13.9 million for each 1% reduction would arise.

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

£ million	2012	2011
Deferred tax assets	319.6	342.8
Deferred tax liabilities	–	–
	319.6	342.8

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £148.3 million (2011: £270.3 million) in the UK and £93.8 million (2011: £82.2 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 £252.8 million (2011: £252.4 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 2012 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

14. Inventories

£ million	2012	2011
Raw materials and consumables	0.8	1.2
Finished goods and goods for resale	29.2	17.9
Residential developments:		
Land ^(a)	2,051.0	2,018.9
Development and construction costs	704.9	643.8
Commercial, industrial and mixed development properties	2.9	4.8
	2,788.8	2,686.6

(a) Details of land creditors are in Note 18.

The Directors consider all inventories to be current in nature. The operational cycle is such that the majority of inventory will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

In the year 46% (2011: 63%) of the Group's completions in the UK were from sites that had been previously impaired. As at 31 December 2012, 26% (2011: 39%) of our UK short term owned and controlled land is impaired. Only 120 plots (2011: 89) were sold in Spain that had previously been impaired.

The gross profit for the year includes £85.1 million (2011: £99.6 million) of positive contribution, on completions from sites with previously impaired inventory. The positive contribution is the estimation difference between the realised value on completions compared to the value assumed in the net realisable value review. These amounts are stated before the allocation of overheads that are excluded from the Group's net realisable value exercise.

14. Inventories continued

This is due to the actual selling prices and or costs on these completions being favourable to the estimates and market assumptions used in the net realisable value review. This estimation difference is due to a combination of actions taken by the Group including cost reductions through replans, the implementation of standard house types and slightly higher selling prices.

Whilst market conditions have stabilised in the United Kingdom the Group has not recorded any additional write-downs or reversals of previous write-downs to net realisable value as there is no clear evidence of a sustained change in the housing market and wider economic circumstances at the balance sheet date. The Spanish market has not materially changed in the year and continues to be challenging.

At the balance sheet date the Group had inventory that had been written down to net realisable value of £834.4 million (2011: £1,129.2 million).

15. Other financial assets**Trade and other receivables**

£ million	Current		Non-current	
	2012	2011	2012	2011
Trade receivables	57.0	44.8	97.4	68.2
Other receivables	39.0	27.7	4.6	2.1
	96.0	72.5	102.0	70.3

The average credit period taken on sales is 12 days (2011: 8 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £5.4 million (2011: £5.5 million). This allowance has been determined by reference to past default experience.

Shared equity loans are provided to certain customers. These are separated into a host contract representing 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.

Cash and cash equivalents

£ million	2012	2011
Cash and cash equivalents (see Note 19)	190.4	147.7

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.

16. Overdrafts, bank and other loans

£ million	2012	2011
Bank overdrafts repayable on demand	–	–
Bank loans	–	–
Other loans	100.0	100.0
	100.0	100.0
Amount due for settlement within one year	–	–
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 2012 and 31 December 2011		
Sterling	–	100.0
	–	100.0

Bank borrowings and other loans were borrowed at variable rates of interest, from 2.8% to 5.8% (2011: 3.0% to 6.0%) during the year.

Other loans comprise a £100.0 million (2011: £100.0 million) variable rate term loan with an investment fund.

17. Debenture loans

£ million	2012	2011
Unsecured		
£250m Senior Note 10.375% due 2015	149.4	164.6
Carrying value	149.4	164.6
Fair value	165.2	175.4

The fair value for all debenture loans has been derived from inputs that are observable for the liability either directly or indirectly, relevant for the term and currency.

During the year the Group has repurchased £15.2 million (2011: £85.4 million) of Senior Notes 10.375% due 2015.

£ million	2012	2011
Repayable		
Total falling due in more than one year	149.4	164.6
	149.4	164.6

Interest rates and currencies of debenture loans:

	Fixed rate £ million	Weighted average interest rate %	Weighted average time until maturity years
31 December 2012			
Sterling	149.4	10.4	3.0
31 December 2011			
Sterling	164.6	10.4	4.0

As part of the Group's £250.0 million Senior Notes issued on 14 December 2010, disclosures of certain metrics are required to be annually presented, including the following:

- 'Net financial expense', considered to be the Group's interest expense on overdrafts, bank and other loans and interest expense on debenture loans less bank interest received was £31.5 million (2011: £52.3 million).
- 'Interest coverage ratio', defined as profit on ordinary activities before finance costs and exceptional items over the net financial expense. In the year this ratio was 7.2 (2011: 3.0).
- 'Net debt/EBITDA' defined as the Group's overdrafts, debenture, bank and other loans less cash and cash equivalents over profit/(loss) on ordinary activities before finance costs, exceptional items, depreciation and amortisation and after share of results of joint ventures. At 31 December 2012 the ratio was 0.3 (2011: 0.7).

18. Trade and other payables

£ million	Current		Non-current	
	2012	2011	2012	2011
Trade payables	401.0	322.2	136.7	144.4
Currency and interest rate derivatives	–	1.4	–	–
Other payables	371.6	374.2	54.1	55.3
	772.6	697.8	190.8	199.7

Trade payable days were 36 days (2011: 32 days), based on the ratio of year end trade payables (excluding sub-contract retentions and unagreed claims of £38.9 million (2011: £31.2 million) and land creditors) to amounts invoiced during the year by trade creditors.

Other payables include customer deposits for reserving plots of £25.3 million (2011: £17.0 million) and £142.1 million (2011: £136.4 million) relating to certain accruals associated with completed sites.

Land creditors (included within trade payables) are due as follows:

£ million	2012	2011
Due within one year	240.1	163.5
Due in more than one year	134.9	142.9
	375.0	306.4

Land creditors are denominated as follows:

£ million	2012	2011
Sterling	371.7	303.9
Euros	3.3	2.5
	375.0	306.4

Land creditors of £243.9 million (2011: £197.3 million) are secured against land acquired for development, or supported by bond or guarantee.

19. Financial instruments

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	Note	2012 Carrying value	2011 Carrying value
Cash and cash equivalents	(b)	190.4	147.7
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	–	–
Held for trading	(a)	–	–
Loans and receivables:			
Land receivables	(b)	24.0	9.9
Trade and other receivables	(b)	46.2	41.9
Mortgage receivables	(b)	91.4	66.5
		352.0	266.0

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 15, include £36.4 million (2011: £24.5 million) of non-financial assets.

19. Financial instruments continued

Financial liabilities £ million	Note	2012 Carrying value	2011 Carrying value
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	–	–
Held for trading	(a)	–	1.4
Amortised cost:			
Overdrafts, bank and other loans		100.0	100.0
Land creditors	(b)	375.0	306.4
Trade and other payables	(b)	519.4	501.6
Debenture loans	(c)	149.4	164.6
		1,143.8	1,074.0

(a) Derivative financial instruments are carried at fair value. The fair values are derived from inputs that are observable for the asset or liability either directly or indirectly and relevant for the term, currency and instrument.

(b) The Directors consider that the carrying amount of other financial assets and liabilities recorded in the financial statements approximates their fair values.

(c) Details of fair values of debenture loans are provided in Note 17.

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 18, include £69.0 million (2011: £88.1 million) of non-financial liabilities.

The Group has the following types of derivatives:

	2012 Notional amount	2012 Weighted average fixed	2011 Notional amount	2011 Weighted average fixed
Designated as held for trading:				
Floating £ to fixed £ interest	–	–	£35.0m	5.80%
Designated as hedging instruments:				
Currency forward contract to sell € against £	€55.0m	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: €23.5 million and C\$(0.8) million (2011: €24.5 million and C\$(0.9) million). The fair values of the forward contracts are not material as they were entered into on or near 31 December in each year and mature not more than one month later.

Profit/(loss) before tax has been arrived at after charging/(crediting) the following gains and losses:

£ million	2012	2011
Change in fair value of financial liabilities designated as effective hedged items	–	–
Change in fair value of derivatives designated as effective hedging instruments	–	–
Change in fair value of derivatives classified as held for trading	–	1.5
	–	1.5

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. The policy has been updated since 2011 year end as a result of the continued low level of borrowings in relation to net assets of the Group.

19. Financial instruments continued

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 £149.4 million (2011: £200.0 million) of fixed rate exposure.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with Group policy. The Group had one interest rate swap which matured during the year and there are no swaps outstanding at the year end. In 2011 the swap did not satisfy the strict requirements for hedge accounting and was therefore designated as held for trading.

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 and in accordance with IFRS 7 does not attempt, for example, to include the effects of any resultant change in exchange rates.

1% increase in interest rates £ million	Sensitivity income 2012	Sensitivity equity 2012	Sensitivity income 2011	Sensitivity equity 2011
Derivatives	–	–	0.3	0.3
Non-derivatives	0.9	0.9	0.4	0.4
	0.9	0.9	0.7	0.7

1% decrease in interest rates £ million	Sensitivity income 2012	Sensitivity equity 2012	Sensitivity income 2011	Sensitivity equity 2011
Derivatives	–	–	(0.3)	(0.3)
Non-derivatives	(0.9)	(0.9)	(0.4)	(0.4)
	(0.9)	(0.9)	(0.7)	(0.7)

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates. The Group completed the sale of its North American business in July 2011 and Spain is the only remaining overseas business.

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 €55.0 million (2011: €55.0 million) foreign currency forward contracts 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.

19. Financial instruments continued

Foreign currency sensitivity

Following the disposal of the North American business in 2011, 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 15% increase (2011: 15%) in the respective currencies against Sterling and in accordance with IFRS 7, all other variables remaining constant.

The 15% (2011: 15%) change represents a reasonably possible change in the specified Euro exchange rates in relation to Sterling.

£ million	Income sensitivity 2012	Equity sensitivity 2012	Income sensitivity 2011	Equity sensitivity 2011
Euro 15% increase	0.9	(5.8)	1.0	(5.9)
Euro 15% decrease	(0.9)	5.8	(1.0)	5.9

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 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 debtors 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 debtors 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, 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 carrying 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 term cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities for a minimum of 12 months from 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 2.2 years (2011: 3.2 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 (2011: £600.0 million) and cash and cash equivalents were £190.4 million (2011: £147.7 million).

During 2012 the Group negotiated an option to extend the £100.0 million fixed term loan, for a further 5.5 years to mature November 2020. This loan was originally due to mature in June 2015. This extension is subject to redemption of the 10.375% Senior Notes due 2015, prior to 30 June 2015 of which £149.4 million currently remains outstanding.

19. Financial instruments continued

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	5.2	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	17.2	164.9	347.3
In more than five years	–	23.4	1.1	–	24.5
31 December 2012	113.0	395.9	519.3	195.9	1,224.1

* Excludes land creditors.

Financial liabilities £ million	Bank loans and overdraft	Land creditors	Trade and other payables*	Debenture loans	Total
On demand	–	–	–	–	–
Within one year	5.8	169.5	456.7	17.1	649.1
More than one year and less than two years	5.8	84.6	28.3	17.1	135.8
More than two years and less than five years	108.8	57.2	15.0	198.7	379.7
In more than five years	–	16.8	1.6	–	18.4
31 December 2011	120.4	328.1	501.6	232.9	1,183.0

* Excludes land creditors.

The following table represents the undiscounted cash flow profile of the Group's derivative financial instruments and has been calculated using implied interest rates and exchange rates derived from the respective yield curves. Interest rate swaps are settled net and foreign currency swaps and forward contracts are settled gross, except in the case of a default by either party where the amounts may be settled net. As at 31 December 2012 the Group had no outstanding derivative instruments.

Derivatives £ million	Net-settled derivatives net amount	Gross-settled derivatives receivable	Gross-settled derivatives payable	Total
Within one year	–	–	–	–
More than one year and less than two years	–	–	–	–
More than two years and less than five years	–	–	–	–
31 December 2012	–	–	–	–

Derivatives £ million	Net-settled derivatives net amount	Gross-settled derivatives receivable	Gross-settled derivatives payable	Total
Within one year	(1.6)	–	–	(1.6)
More than one year and less than two years	–	–	–	–
More than two years and less than five years	–	–	–	–
31 December 2011	(1.6)	–	–	(1.6)

20. Retirement benefit schemes

Retirement benefit obligation comprises defined benefit pension liability of £242.5 million (2011: £208.2 million) and post-retirement healthcare liability of £1.7 million (2011: £2.0 million).

The Group operates defined benefit and defined contribution pension schemes. In the UK, the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) are funded defined benefit schemes and are managed by boards of Trustees. 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. An alternative defined contribution arrangement, the Taylor Wimpey Personal Choice Plan (TWPCP), is offered to all new and existing monthly paid employees. Future revaluation of deferred member benefits in the UK defined benefit schemes will be based on the Consumer Price Index in line with scheme rules. Pensioner increases will continue to be based on Retail Price Index.

The pension scheme assets of the Group's defined benefit pension schemes, TWGP&LAF and GWSPS, are held in separate trustee-administered funds to meet long term pension liabilities to past and present employees. The Trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees is determined by each scheme's trust documentation. The Group has a policy that at least one-third of all trustees should be nominated by members of the scheme. The Trustees have agreed to hold Joint Trustee Board meetings to manage the schemes jointly, and where appropriate, they have also implemented a Joint Investment Sub Committee to manage the investment of the combined defined benefit scheme assets. The Group and the Trustees have undertaken a review of the schemes' investment strategy. Implementation of the investment changes started during 2011 and monitoring of these changes is ongoing.

The most recent formal triennial valuations of the TWGP&LAF and the GWSPS were carried out as at 31 March 2010. The Group agreed revised funding schedules under which the Group will make annual funding contributions of £22.0 million per annum in respect of the TWGP&LAF over 10 years from the valuation date and £24.0 million per annum in respect of the GWSPS over 10 years from the valuation date. The projected unit method was used in all valuations and assets were taken into account using market values.

The Company has an agreement in principle with the Trustees to merge GWSPS and TWGP&LAF into a new scheme, the Taylor Wimpey Pension Scheme, and members have been informed of the merger that is expected to complete in first half 2013 subject to regulatory guidance. At the same time we are introducing a £100 million Pension Funding Partnership utilising show homes in a sale and leaseback structure.

This proposal will simplify scheme management, reduce administration costs by circa £0.8 million per annum and provide a way of managing future deficit repair contributions. The new Taylor Wimpey Pension Scheme will benefit from a contingent Pension Funding Partnership structure, backed principally by show homes, should the Group be unable to meet the cash payments under the funding agreement.

Contributions of £7.1 million (2011: £6.6 million) were charged to income in respect of defined contribution schemes.

The main financial assumptions, which were used for the triennial funding valuation and are all relative to the inflation assumption, are as set out below:

Assumptions	TWGP&LAF	GWSPS
RPI inflation	3.60%	3.85%
Discount rate – pre/post-retirement	6.85%-5.10%	6.75%-4.75%
General pay inflation	–	–
Real pension increases	0.00%	0.00%
Valuation results		
Market value of assets	£758m	£694m
Past service liabilities	£1,022m	£953m
Scheme funding levels	74%	73%

20. Retirement benefit schemes continued

The results of the March 2010 valuations of the Group's pension schemes have been updated to 31 December 2012. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	United Kingdom	
	2012	2011
As at 31 December		
Discount rate for scheme liabilities	4.30%	4.90%
Expected return on scheme assets	5.13%-5.70%	5.04%-5.43%
General pay inflation	n/a	n/a
Deferred pension increases	1.80%	1.95%
Pension increases	1.90%-3.50%	2.00%-3.55%

The basis for the above assumptions are prescribed by IAS 19 and do not reflect the assumptions that may be used in future funding valuations of the Group's pension schemes.

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

Life expectancy	2012		2011	
	Male	Female	Male	Female
Member currently age 65	87	90	87	90
Member currently age 45	88	92	88	92

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 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.

The fair value of assets and present value of obligations of the Group's defined benefit pension schemes are set out below:

	Expected rate of return % p.a	£ million	Percentage of total plan assets held
31 December 2012			
Assets:			
Equities	7.50%	762.8	43%
Bonds	4.10%	540.9	31%
Gilts	3.00%	653.2	37%
Other assets ^(a)	2.65%-7.50%	(186.4)	(11%)
		1,770.5	
Present value of defined benefit obligations		(2,013.0)	
Deficit in schemes recognised as non-current liability		(242.5)	
31 December 2011			
Assets:			
Equities	7.45%	641.8	38%
Bonds	4.70%	428.3	26%
Gilts	2.95%	459.2	27%
Other assets	2.80%-7.45%	151.3	9%
		1,680.6	100%
Present value of defined benefit obligations		(1,888.8)	
Deficit in schemes recognised as non-current liability		(208.2)	

(a) Includes repurchase agreements and other financial derivatives shown as a negative asset, used as part of a diversified portfolio for hedging purposes and to support other asset classes.

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on investments (particularly government bonds) and the historical level of the risk premium associated with the other asset classes in which the portfolio is invested. The expectations for future returns of each asset class were then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

20. Retirement benefit schemes continued

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold bonds issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered riskier investments. Similarly, the trustees have holdings in 'alternative' investments which are also considered riskier investments but are intended to reduce the overall risk of the portfolio by introducing greater diversification.

It is generally accepted that the yield on equity investments will contain a premium, 'the equity risk premium', to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

A summary of the target asset allocations of the major 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%	–

£ million	2012	2011
Amount charged against income:		
Settlement loss ^(a)	–	(4.0)
Operating loss	–	(4.0)
Expected return on scheme assets	79.0	82.3
Interest cost on scheme liabilities	(88.9)	(96.4)
Finance charges	(9.9)	(14.1)
Total charge	(9.9)	(18.1)

(a) The settlement for 2011 is in relation to an enhanced transfer value exercise.

The actual return on scheme assets was a gain of £161.5 million (2011: £96.1 million).

£ million	2012	2011
Actuarial gains in the Statement of Comprehensive Income:		
Difference between actual and expected return on scheme assets	82.5	13.8
Experience losses arising on scheme liabilities	(2.9)	–
Changes in assumptions	(156.4)	(47.0)
Total loss recognised in the Statement of Comprehensive Income	(76.8)	(33.2)

20. Retirement benefit schemes continued

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income is £278.7 million loss (2011: £201.9 million loss).

£ million	2012	2011
Movement in present value of defined benefit obligations		
1 January	1,888.8	1,852.6
Disposal of subsidiary	–	(24.2)
Settlement loss	–	1.8
Benefits paid and expenses	(124.0)	(84.8)
Interest cost	88.9	96.4
Actuarial losses	159.3	47.0
31 December	2,013.0	1,888.8

£ million	2012	2011
Movement in fair value of scheme assets		
1 January	1,680.6	1,604.1
Disposal of subsidiary	–	(19.7)
Expected return on scheme assets and expenses	79.0	82.3
Contributions	52.4	84.9
Benefits paid	(124.0)	(84.8)
Actuarial gains	82.5	13.8
31 December	1,770.5	1,680.6

£ million	2012	2011	2010	2009	2008
History of experience gains and losses:					
Fair value of scheme assets	1,770.5	1,680.6	1,604.1	1,412.3	1,280.5
Present value of defined benefit obligations	(2,013.0)	(1,888.8)	(1,852.6)	(1,818.7)	(1,557.7)
Deficit in the scheme	(242.5)	(208.2)	(248.5)	(406.4)	(277.2)
Difference between actual and expected return on scheme assets:					
Amount	82.5	13.8	70.8	102.7	(210.4)
Percentage of scheme assets	4.7%	0.8%	4.4%	7.3%	16.4%
Experience adjustments on scheme liabilities:					
Amount	(2.9)	–	(9.7)	29.1	(22.1)
Percentage of scheme liabilities	0.1%	–	0.5%	1.6%	1.4%

The estimated amounts of contributions expected to be paid to the TWGP&LAF during 2013 are £22.0 million and to the GWSPS are £24.0 million, in respect of deficit repair contributions, and £2.7 million in respect of expenses and PPF levies.

The Group liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value of the assets so there is no net effect on the Group liability.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1% p.a.	Decrease by £34.2m
Rate of inflation	Increase by 0.1% p.a.	Increase by £29.7m
Rate of mortality	Members assumed to live 1 year longer	Increase by £69.2m

The projected liabilities of the defined benefit scheme are apportioned between members' past and future service using the projected unit actuarial cost method. The defined benefit obligation makes allowance for future earnings growth.

20. Retirement benefit schemes continued

The post-retirement liability also includes £1.7 million at 31 December 2012 (2011: £2.0 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 (2011: 3.6%) and an increase in medical expenses of 10.6% per annum (2011: 10.0%). The premium cost to the Group in respect of the retired long-service employees for 2012 was £0.2 million (2011: £0.2 million).

21. Provisions

£ million	Housing maintenance	Restructuring	North America disposal	Other	Total
At 1 January 2011	8.6	12.3	–	68.8	89.7
Additional provision in the year	2.4	0.6	–	10.9	13.9
Utilisation of provision	(2.4)	(3.6)	–	(12.5)	(18.5)
Released	(0.1)	(4.9)	–	(2.3)	(7.3)
Disposal of subsidiaries	(8.1)	(2.0)	–	(30.3)	(40.4)
Transfers and reclassifications	–	–	58.4	–	58.4
Changes in exchange rates	–	–	–	(0.7)	(0.7)
At 31 December 2011	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

£ million

Amount due for settlement within one year	84.4
Amount due for settlement after one year	10.7
31 December 2012	95.1

The Group restructuring provision relates to the reorganisation of the business following the merger with George Wimpey plc in 2007 and subsequent restructuring exercises.

The North America disposal provision of £58.4 million was transferred into provisions from current tax liabilities in 2011. It comprises provisions relating to indemnities provided to the buyers of the North American business, including taxation and warranties on residential home sales.

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.

22. Share capital

£ million	2012	2011
Authorised:		
22,200,819,176 (2011: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2011: 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 2011	3,201,359,439	287.7
Share warrants exercised in the year	26,901,161	0.3
31 December 2012	3,228,260,600	288.0

During the year, options were exercised over 4,980,372 ordinary shares (2011: 6,029,714) all of which were met from our holding of shares in our ESOTs at varying prices from 22.88 pence to 39.20 pence per share. Under the Group's executive share option plans, employees held options at 31 December 2012 to purchase up to 10,436,384 shares, subject to achievement of performance tests (2011: 10,496,846) at a price of 39.34 pence per share nominally exercisable up to 7 August 2022.

Under the Group's savings-related share option schemes, employees held options at 31 December 2012 to purchase 39,309,344 shares (2011: 42,841,812) at prices between 22.88 pence and 180.14 pence per share exercisable up to 31 May 2018. Under the Group's performance share plan employees held conditional awards at 31 December 2012 in respect of up to 37,530,685 shares, subject to achievement of performance tests (2011: 29,831,231) at nil pence per share nominally exercisable up to 5 March 2022. Under the Group's share purchase plan employees held conditional awards at 31 December 2012 in respect of 6,800,851 shares (2011: 6,354,976) at nil pence per share.

Under the Override 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 2012 31,013,739 warrants had been exercised.

23. Share premium account

£ million	
Balance at 1 January 2011	753.7
Share warrants exercised	0.7
Balance at 31 December 2011	754.4
Share warrants exercised	4.4
Balance at 31 December 2012	758.8

24. Reserves

£ million	Retained earnings	Capital redemption reserve	Translation reserve	Other	Total other reserves
Balance at 1 January 2011	679.4	31.5	59.6	10.3	101.4
Share-based payment credit	3.9	–	–	–	–
Cash cost of satisfying share options	(1.2)	–	–	–	–
Actuarial loss on defined benefit pension schemes	(33.2)	–	–	–	–
Deferred tax credit	4.8	–	–	–	–
Exchange differences on translation of overseas operations, net of tax	–	–	1.8	–	1.8
Decrease in fair value of hedging derivatives	–	–	3.0	–	3.0
Transfer to retained earnings	0.4	–	–	(0.4)	(0.4)
Recycling of translation reserve on disposal of subsidiaries	–	–	(59.1)	–	(59.1)
Profit for the year	99.0	–	–	–	–
Balance at 31 December 2011	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	(76.8)	–	–	–	–
Deferred tax credit	16.8	–	–	–	–
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	231.3	–	–	–	–
Balance at 31 December 2012	912.6	31.5	5.5	7.6	44.6

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. Following the disposal of the North American business on 13 July 2011, £59.1 million was recycled through the income statement.

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.

25. Own shares

£ million

Balance at 1 January 2011	0.6
Shares acquired	10.0
Disposed of on exercise of options	(2.2)
Balance at 31 December 2011	8.4
Shares acquired	10.0
Disposed of on exercise of options	(2.5)
Balance at 31 December 2012	15.9

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.

	2012 Number	2011 Number
These comprise ordinary shares of the Company:		
Shares held in trust for bonus, option and performance award plans	38.2m	23.8m
	38.2m	23.8m

Employee Share Ownership Trusts (ESOTs) are used to hold the Company's shares (shares) which have been acquired on the market. These shares are used to meet the valid exercise of options and/or vesting of conditional awards and/or award of shares under the Executive Incentive Scheme, Bonus deferral plan, Performance Share Plan, Executive Share Option Scheme, Savings-Related Share Option Scheme and the matching award of shares under the Share Purchase Plan.

During the year, Taylor Wimpey plc purchased £10.0 million of its own shares which are held in the ESOTs (2011: £10.0 million).

The ESOTs' entire holding of shares at 31 December 2012, aggregating 38.2 million shares (2011: 23.8 million), was covered by outstanding options and conditional awards over shares at that date.

26. Discontinued operations

On 13 July 2011, Taylor Wimpey plc disposed of its North American business, the results of which have been presented as discontinued operations. The Group received net proceeds of £731.9 million for the net assets of the North American business. The transaction costs for the disposal were £16.5 million and the Group realised £59.1 million of translation reserves associated with the North American business.

In the prior year North America contributed £8.9 million to the Group's net operating cash flows, received £10.0 million in respect of investing activities and £31.9 million in respect of financing activities.

£ million	2011
Revenue	364.3
Cost of sales	(302.0)
Gross profit	62.3
Net operating expenses	(27.7)
Profit on ordinary activities before finance costs and tax	34.6
Interest receivable	0.7
Finance costs	(3.6)
Share of results of joint ventures	4.6
Profit on ordinary activities before taxation	36.3
Taxation charge	(11.8)
Profit after tax from discontinued operations	24.5
Impairment	(24.0)
Transaction costs	(16.5)
Recycling of translation reserves	59.1
Profit from discontinued operations	43.1

The Group disposed of the net assets of the North American business on 13 July 2011. The net assets were impaired by £24.0 million prior to disposal to reflect their fair value less costs to sell.

£ million	13 July 2011
Goodwill	2.4
Property, plant and equipment	2.0
Interests in joint ventures	11.8
Inventories	753.2
Trade and other receivables	117.4
Cash and cash equivalents	199.3
Trade and other payables	(230.3)
Overdrafts, bank and other loans	(46.2)
Retirement benefit obligation	(4.1)
Provisions	(40.4)
Current taxation liability	(12.6)
Deferred taxation asset	3.4
Impairment	(24.0)
Net assets of discontinued operations	731.9

27. Notes to the cash flow statement

£ million	2012	2011
Profit on ordinary activities before finance costs		
Continuing operations	227.7	152.5
Discontinued operations	–	34.6
Adjustments for:		
Depreciation of buildings, plant and equipment	1.3	1.7
Amortisation of software development	0.7	–
Pensions curtailment	–	1.8
Share-based payment charge	4.8	3.9
Profit on disposal of property and plant	(0.1)	(0.2)
Decrease in provisions	–	(11.9)
Operating cash flows before movements in working capital	234.4	182.4
Increase in inventories	(104.2)	(7.1)
Increase in receivables	(50.7)	(12.9)
Increase/(decrease) in payables	81.6	(38.8)
Pension contributions in excess of charge	(52.4)	(84.7)
Cash generated by operations	108.7	38.9
Income taxes received/(paid)	3.0	(16.4)
Interest paid	(33.3)	(57.3)
Net cash generated from/(used in) operating activities	78.4	(34.8)

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 debt

£ million	Cash and cash equivalents	Overdrafts, banks and other loans	Debenture loans	Total net debt
Balance 1 January 2011	183.9	(588.4)	(250.0)	(654.5)
Cash flow	(38.7)	487.1	85.4	533.8
Foreign exchange	2.5	1.3	–	3.8
Balance 31 December 2011	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)

On 13 July 2011 the Group disposed of its North American business. At the point of disposal the business had cash and cash equivalents of £199.3 million and overdrafts, bank and other loans of £46.2 million.

28. 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 2012 (2011: nil).

29. 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	2012	2011
Within one year	9.1	9.4
In more than one year but not more than five years	21.1	25.3
After five years	6.0	7.6
	36.2	42.3

Operating lease payments principally represent rentals payable by the Group for certain office properties and vehicles.

30. 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 paragraphs on 'Executive share-based reward' in the Directors' Remuneration Report on pages 41 to 56.

	2012		2011	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Schemes requiring consideration from participants:				
Outstanding at beginning of year	49,196,788	0.29	62,621,773	0.45
Granted during the year	4,565,514	0.46	9,171,967	0.24
Lapsed during the year	(2,678,719)	0.38	(15,847,421)	0.74
Exercised during the year	(4,065,993)	0.28	(4,675,629)	0.26
Cancellations during the year	(912,425)	0.31	(2,073,902)	0.29
Outstanding at the end of the year	46,105,165	0.30	49,196,788	0.29
Exercisable at the end of the year	1,571,442	0.53	5,352,607	0.34

The weighted average share price at the date of exercise for share options exercised during the period was £0.28 (2011: £0.26). The options outstanding at 31 December 2012 had a range of exercise prices from £0.23 to £1.89 (2011: £0.11 to £3.10) and a weighted average remaining contractual life of 1.7 years (2011: 2.2 years). Of the outstanding options 99.6% were exercisable at a value of less than £0.50 (2011: 99.3%).

30. Share-based payments continued

	2012		2011	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Schemes not requiring consideration from participants:				
Outstanding at beginning of year	40,328,077	–	28,269,073	–
Granted during the year	9,491,588	–	22,070,038	–
Lapsed during the year	(1,852,596)	–	(9,982,158)	–
Exercised during the year	–	–	(2,159)	–
Cancellations during the year	–	–	(26,717)	–
Outstanding at the end of the year	47,967,069	–	40,328,077	–
Exercisable at the end of the year	3,686,025	–	2,662,813	–

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 2012 had a weighted average remaining contractual life of 2.5 years (2011: 2.8 years).

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:

	2012	2011
Weighted average share price	£0.53	£0.38
Weighted average exercise price	£0.20	£0.16
Expected volatility	70%	93%
Expected life	3/5 years	3/5 years
Risk free rate	0.3%	1.2%
Expected dividend yield	0.6%	0.0%

The weighted average fair value of share awards granted during the year is £0.40 (2011: £0.31).

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:

	2012	2011
Weighted average share price	£0.47	£0.41
Weighted average exercise price	Nil	Nil
Expected volatility	52%	105%
Expected life	3 years	3 years
Risk free rate	0.5%	3.8%
Expected dividend yield	0.8%	0.0%

The weighted average fair value of share options granted during the year is £0.29 (2011: £0.32).

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 £4.8 million related to equity-settled share-based payment transactions in 2012 (2011: £3.9 million).

31. 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. Transactions between the Group and its joint ventures are disclosed below. The Group has loans with joint ventures that are detailed on Note 12. The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in Note 20.

In 2012, the Chief Executive, Pete Redfern, purchased a property on one of the Group's developments under the staff discount scheme for £90,563. The property was sold on the same terms available to all employees.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £nil million (2011: £nil 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 41 to 56 and form part of these financial statements.

32. Dividends

£ million	2012	2011
Amounts recognised as distributions to equity holders		
Paid		
2011 Final: 0.38p per 1p share	12.1	–
2012 Interim: 0.19p per 1p share	6.1	–
	18.2	–
Proposed		
2011 Final: 0.38p per 1p share	–	12.1
2012 Interim: 0.19p per 1p share	6.1	–
2012 Final: 0.43p per 1p share	13.9	–
	20.0	12.1

The Directors are recommending a final dividend for the year ended 31 December 2012 of 0.43 pence per share subject to shareholder approval at the Annual General Meeting, with a resultant final dividend of £13.9 million (2011: £12.1 million).

In accordance with IAS 10 'Events after the balance sheet date' the proposed dividend has not been accrued as a liability as at 31 December 2012. The dividend will be paid on 21 May 2013 to all shareholders registered at the close of business on 19 April 2013.

Independent Auditor's Report

to the members of Taylor Wimpey plc

Directors' Report: Business Review p02-27

Directors' Report: Governance p28-60

Financial Statements p61-111

Shareholder Information p112-121

We have audited the parent Company financial statements of Taylor Wimpey plc for the year ended 31 December 2012 which comprise the Company Balance Sheet, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent Company 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 parent Company 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.

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of Taylor Wimpey plc for the year ended 31 December 2012.



Colin Hudson FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
28 February 2013

Company Balance Sheet

at 31 December 2012

£ million	Note	2012	2011
Fixed assets			
Investment in Group undertakings	4	1,623.0	1,622.0
		1,623.0	1,622.0
Current assets			
Debtors	5	2,669.7	2,212.2
Cash at bank and in hand		179.3	139.3
		2,849.0	2,351.5
Current liabilities			
Creditors: amounts falling due within one year	6	(1,845.7)	(1,375.7)
		(1,845.7)	(1,375.7)
Net current assets			
		1,003.3	975.8
Total assets less current liabilities			
Creditors: amounts falling due after one year	7	(249.4)	(264.6)
Provisions		(0.7)	(2.9)
Net assets			
		2,376.2	2,330.3
Capital and reserves			
Called-up share capital	9	288.0	287.7
Share premium account	10	758.8	754.4
Capital redemption reserve	11	31.5	31.5
Translation reserve	12	-	-
Profit and loss account	13	1,313.8	1,265.1
Own shares	14	(15.9)	(8.4)
Shareholders' funds			
	17	2,376.2	2,330.3

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 28 February 2013. 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 2012

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 19 on pages 84 to 88.

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.

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.

Own shares

The cost of the Company's investment in its own shares, which comprise shares held in treasury by the Company and shares held by employee benefit trusts for the purpose of funding certain of the Company's share option plans, is shown as a reduction in shareholders' funds.

Dividends paid

Dividends are charged to the Company's profit and loss reserve in the period of payment in respect of an interim dividend, and in the period in which shareholders' approval is obtained in respect of the Company's final dividend.

2. Particulars of employees

	2012 No.	2011 No.
Directors	3	3

The Executive Directors received all of their remuneration, as disclosed in the Directors' Remuneration Report on pages 41 to 56, from Taylor Wimpey UK Limited. In the prior year one director was remunerated by Taylor Morrison Incorporated up to the point of the sale of the North American business on 13 July 2011.

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 51 of the Directors' Remuneration Report. The Company was recharged costs of £7.8 million (2011: £4.6 million) in respect of certain payments relating to the disposal of the North American operations and 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 20 to the Taylor Wimpey plc consolidated financial statements. Contributions in respect of the Defined Contribution Scheme for Directors can be found in the Directors' Remuneration Report on page 56. There were no outstanding contributions at the year end.

3. Auditor's remuneration

£ million	2012	2011
Total audit fees	0.1	0.1
Other services	0.2	0.5
Tax services	0.1	0.5
Corporate finance services	–	0.2
Total non-audit fees	0.3	1.2
	0.4	1.3

A description of other services is included in Note 5 on page 75 to the Group financial statements.

4. Investments in Group undertakings

£ million	Shares	Loans	Total
Cost			
31 December 2011	5,247.3	–	5,247.3
Additions	1.0	–	1.0
31 December 2012	5,248.3	–	5,248.3
Provision for impairment			
31 December 2011	3,625.3	–	3,625.3
Charge for the year	–	–	–
31 December 2012	3,625.3	–	3,625.3
Carrying amount			
31 December 2012	1,623.0	–	1,623.0
31 December 2011	1,622.0	–	1,622.0

All of the above investments are unlisted and particulars of principal subsidiary undertakings are listed on page 110, which forms part of these financial statements.

In the prior year the Company recognised an impairment charge of £262.8 million against the value of its investment in subsidiary undertakings and reversed impairments of £74.2 million reflect the permanent increase in value of assets in the underlying subsidiaries following the disposal of the Group's North American business.

Notes to the Company Financial Statements continued
for the year to 31 December 2012

5. Debtors

£ million	2012	2011
Amounts falling due within one year:		
Due from Group undertakings	2,666.7	2,206.1
Other debtors	0.5	0.7
Corporation tax debtor	2.5	5.4
	2,669.7	2,212.2

6. Creditors: amounts falling due within one year

£ million	2012	2011
Due to Group undertakings	1,842.1	1,369.2
Other creditors	2.0	4.9
Corporation tax creditor	1.6	1.6
	1,845.7	1,375.7

7. Creditors: amounts falling due after one year

£ million	2012	2011
Debenture loans	149.4	164.6
Bank loans	–	–
Other loans	100.0	100.0
	249.4	264.6
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 variable rate fixed loan with an investment fund.

During 2012 the Group negotiated an option to extend the £100.0 million fixed term loan, for a further 5.5 years to mature November 2020. This loan was originally due to mature in June 2015. This extension is subject to redemption of the 10.375% Senior Notes due 2015, prior to 30 June 2015 of which £149.4 million currently remains outstanding.

8. Debenture loans

£ million	2012	2011
Unsecured Senior Notes 10.375% due 2015	149.4	164.6
Repayable		
In more than five years	–	–
In more than one year but less than five years	149.4	164.6
Within one year or on demand	–	–
	149.4	164.6

During the current year the Company has repurchased £15.2 million of Senior Notes 10.375% due 2015.

9. Share capital

£ million	2012	2011
Authorised:		
22,200,819,176 (2011: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2011: 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 2011	3,201,359,439	287.7
Share warrants exercised	26,901,161	0.3
31 December 2012	3,228,260,600	288.0

10. Share premium

£ million	2012	2011
1 January	754.4	753.7
Share warrants exercised	4.4	0.7
31 December	758.8	754.4

During the year, options were exercised over 4,980,372 ordinary shares (2011: 6,029,714) all of which were met from our holding of shares in our ESOTs at varying prices from 22.88 pence to 39.20 pence per share. Under the Group's executive share option plans, employees held options at 31 December 2012 to purchase up to 10,436,384 shares, subject to achievement of performance tests (2011: 10,496,846) at a price of 39.34 pence per share nominally exercisable up to 7 August 2022.

Under the Group's savings-related share option schemes, employees held options at 31 December 2012 to purchase 39,309,344 shares (2011: 42,841,812) at prices between 22.88 pence and 180.14 pence per share exercisable up to 31 May 2018. Under the Group's performance share plan employees held conditional awards at 31 December 2012 in respect of up to 37,530,685 shares, subject to achievement of performance tests (2011: 29,831,231) at nil pence per share nominally exercisable up to 5 March 2022. Under the Group's share purchase plan employees held conditional awards at 31 December 2012 in respect of 6,800,851 shares (2011: 6,354,976) at nil pence per share.

Under the Override 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 17.45p per share by the holder within five years of the date of issue and as at 31 December 2012 31,013,739 warrants had been exercised.

11. Capital redemption reserve

£ million	2012	2011
31 December	31.5	31.5

12. Translation reserve

£ million	2012	2011
1 January	–	50.1
Transfer to profit and loss account	–	(50.1)
31 December	–	–

Notes to the Company Financial Statements continued
for the year to 31 December 2012

13. Profit and loss account

£ million	2012	2011
1 January	1,265.1	694.5
Profit for the financial year	67.2	521.2
Dividends paid	(18.2)	–
Transfer from translation reserve	–	50.1
Cash cost of satisfying share options	(0.3)	(0.7)
31 December	1,313.8	1,265.1

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 £67.2 million (2011: profit of £521.2 million).

Included in the Company profit and loss account is £346.3 million (2011: £256.6 million) which is not distributable.

14. Own shares

£ million	2012	2011
Own shares	15.9	8.4

These comprise ordinary shares of the Company:	Number	Number
Treasury shares	–	–
Shares held in trust for bonus, options and performance award plans	38.2m	23.8m

The market value of the shares at 31 December 2012 was £25.1 million (2011: £8.9 million) and their nominal value was £0.38 million (2011: £0.24 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 (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 £10.0 million of its own shares which are held in the ESOTs (2011: £10.0 million).

The ESOTs' entire holding of shares at 31 December 2012, aggregating 38.2 million shares (2011: 23.8 million), was covered by outstanding options and conditional awards over shares at that date.

15. 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 30 to the Taylor Wimpey plc consolidated financial statements. The Company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

16. 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.

In 2008, the Company issued a guarantee in respect of the Taylor Woodrow Group Pension and Life Assurance Fund, a defined benefit pension scheme in which a number of its subsidiary companies participate, and which had a deficit under IAS 19 of £208.7 million at 31 December 2012 (2011: £177.4 million). 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 £22.0 million per annum for 10 years from valuation date.

17. Reconciliation of movement in shareholders' funds

£ million	2012	2011
Opening shareholders' funds	2,330.3	1,817.0
Profit for the financial year	67.2	521.2
Dividends paid	(18.2)	–
New share capital subscribed	4.7	0.7
Purchase of own shares	(10.0)	(10.0)
Utilisation of own shares	2.5	1.4
Closing shareholders' funds	2,376.5	2,330.3

18. Dividend

£ million	2012	2011
Amounts recognised as distributions to equity holders		
Paid		
2011 Final: 0.38p per 1p share	12.1	–
2012 Interim: 0.19p per 1p share	6.1	–
	18.2	–
Proposed		
2011 Final: 0.38p per 1p share	–	12.1
2012 Interim: 0.19p per 1p share	6.1	–
2012 Final: 0.43p per 1p share	13.9	–
	20.0	12.1

The Directors are recommending a final dividend for the year ended 31 December 2012 of 0.43 pence per share subject to shareholder approval at the Annual General Meeting, with a resultant final dividend of £13.9 million (2011: £12.1 million).

In accordance with IAS 10 'Events after the balance sheet date' the proposed dividend has not been accrued as a liability as at 31 December 2012. The dividend will be paid on 21 May 2013 to all shareholders registered at the close of business on 19 April 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
	George Wimpey Limited	Holding company
	Taylor Wimpey UK Limited ^(a)	United Kingdom housebuilder
	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	2012	2011	2010 ^(a)	2009	2008 ^(a)
Revenue – continuing	2,019.0	1,808.0	1,767.7	2,595.6	3,467.7
Profit on ordinary activities before exceptional items, finance costs and tax	227.7	158.3	100.6	37.7	86.3
Share of results of joint ventures	2.4	1.2	(0.3)	5.6	7.6
Exceptional items	–	(5.8)	(55.5)	(580.7)	(1,884.5)
Net finance costs, including exceptional finance costs	(22.4)	(75.1)	(199.6)	(162.5)	(179.1)
Profit/(loss) for the financial year	207.7	78.6	(154.8)	(699.9)	(1,969.7)
Taxation, including exceptional taxation	23.6	(22.7)	329.5	59.3	76.6
Profit for the year from discontinued operations	–	43.1	84.6	–	53.1
Profit/(loss) for the financial year	231.3	99.0	259.3	(640.6)	(1,840.0)
Profit/(loss) for the financial year before tax and exceptional items	185.3	89.9	(15.9)	(96.1)	(74.7)
Balance sheet					
Goodwill and Intangibles	5.2	5.1	1.0	2.4	–
Other fixed assets	7.1	5.0	5.4	8.2	15.5
Interests in joint ventures	31.5	31.9	33.9	51.9	67.7
Non-current loans and receivables	102.0	70.3	50.7	65.0	47.9
Non-current assets (excluding tax)	145.8	112.3	91.0	127.5	131.1
Inventories	2,788.8	2,686.6	2,680.6	3,603.3	4,890.6
Other current assets (excluding cash and debt)	96.0	72.5	74.7	130.5	181.3
Trade and other payables	(772.6)	(697.8)	(705.1)	(760.0)	(1,170.7)
Provisions	(84.4)	(76.6)	–	(47.8)	(56.1)
Net-current assets (excluding cash and debt)	2,027.8	1,984.7	2,050.2	2,926.0	3,845.1
Trade and other payables	(190.8)	(199.7)	(215.9)	(278.6)	(343.4)
Retirement obligations	(244.2)	(210.2)	(246.0)	(409.3)	(279.8)
Provisions	(10.7)	(18.5)	(103.3)	(51.8)	(51.0)
Non-current creditors (excluding debt) and provisions	(445.7)	(428.4)	(565.2)	(739.7)	(674.2)
Net assets held for sale	–	–	699.5	–	–
Net debt	(59.0)	(116.9)	(751.3)	(750.9)	(1,529.3)
Tax balances	320.6	283.3	298.9	(62.0)	(99.5)
Net assets	1,989.5	1,835.0	1,823.1	1,500.9	1,673.2
Capital employed excluding assets held for sale	2,043.3	1,946.8	1,873.9	2,249.4	3,202.5
Add back intangibles	5.2	5.1	1.0	–	–
Less tax balances	(320.6)	(283.3)	(298.9)	62.0	99.5
Net operating assets excluding assets held for sale	1,727.9	1,668.6	1,576.0	2,311.4	3,302.0
Statistics					
Adjusted earnings/(loss) per share – continuing Group	4.7p	2.1p	(1.5)p	(4.3)p	(7.2)p
Tangible net assets per share ^(b)	61.5p	57.3p	56.9p	46.9p	119.8p
Number of shares in issue at year end (millions) ^(b)	3,228.3	3,201.4	3,197.2	3,196.9	1,526.0
Return on capital employed ^(c)	11.5%	8.3%	4.9%	1.5%	2.6%
Operating margin	11.4%	8.8%	5.7%	1.7%	2.6%
Net gearing ratio ^(d)	3.0%	6.4%	41.2%	50.0%	91.4%
Return on net operating assets	13.6%	9.8%	5.3%	1.6%	2.5%
UK short term landbank (plots) ^(e)	65,409	65,264	63,566	66,089	74,917
ASP UK £'000	181	171	171	160	171
Completions UK (homes)	10,886	10,180	9,962	10,186	13,394
Total inventory/net debt	47.2	23.0	3.6	4.8	3.2

(a) The results of the construction business which was disposed of on 9 September 2008 are included within profit for the year from discontinued operations for 2008.

(b) 2008 has been restated to reflect the increase in shares related to the open offer as part of the equity raise on 1 June 2009.

(c) 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. In 2008 the results of the Construction division, of £2.1 million was also included.

(d) Net gearing ratio is net debt divided by net assets.

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

(f) 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.

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 eighth Annual General Meeting of the Company to be held on 25 April 2013 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 Reports of the Directors and the Auditors and the Financial Statements for the year ended 31 December 2012.
2. To declare due and payable on 21 May 2013 a final dividend of 0.43 pence per ordinary share of the Company for the year ended 31 December 2012 to shareholders on the register at close of business on 19 April 2013.
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, Anthony Reading MBE.
10. To re-elect as a Director, Robert Rowley.
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 £10,768,587 (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 £10,768,587); and
 - (B) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £21,537,174 (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 2014 (or, if earlier, until the close of business on 24 July 2014) 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 £1,615,288,

such power to apply until the end of the Annual General Meeting of the Company in 2014 (or, if earlier, until the close of business on 24 July 2014), 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 323,057,621;
 - (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 2014 and 24 October 2014 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 Report for the year ended 31 December 2012.
17. 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 ending at the conclusion of the Annual General Meeting of the Company in 2014.

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.

18. That the amendments to the Taylor Wimpey Savings-Related Share Option Plan (the 'Sharesave Plan'), as summarised in the Notes to the Notice of Meeting including to extend the term for operation of the Sharesave Plan be and are hereby approved and adopted and the Board be and is hereby authorised to do all acts and things as it may consider necessary or desirable to implement the same.
19. That the amendments to the Taylor Wimpey Share Incentive Plan (the "SIP"), as summarised in the Notes to the Notice of Meeting including to extend the term for operation of the SIP be and are hereby approved and adopted and the Board be and is hereby authorised to do all acts and things as it may consider necessary or desirable to implement the same.
20. That the sale of an apartment and parking space at The Mill Apartments, West Hampstead, London by Taylor Wimpey UK Limited for the sum of £709,599 to Mr Pete Redfern, a Director of the Company, be hereby approved.

Special Resolution:

21. 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 116 to 119.

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 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. 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, 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 fill in the proxy form sent to you with this notice and return it to our registrar as soon as possible. They must receive it by no later than 11:00 am on 23 April 2013. 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 his or her own beneficial shareholding.

Notice of Annual General Meeting continued

Inspection of documents

The following documents will be available for inspection at the Company's registered office, Gate House, Turnpike Road, High Wycombe, Buckinghamshire HP12 3NR, during normal business hours from the date of this notice of meeting until the date of the Annual General Meeting and at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP from 15 minutes before the Annual General Meeting until it ends:

- copies of the Executive Directors' service contracts;
- copies of the letters of appointment of the Chairman and the Independent Non Executive Directors;
- rules of the proposed new Taylor Wimpey Savings-Related Share Option Plan, as amended as proposed; and
- rules of the proposed new Taylor Wimpey Share Incentive Plan, as amended as proposed, and incorporating the amended Taylor Wimpey Share Incentive Plan Trust Deed.

The rules of the proposed new Taylor Wimpey Savings-Related Share Option Plan, established 6 August 2004, and the rules of the proposed new Taylor Wimpey Share Incentive Plan incorporating the amended Taylor Wimpey Share Incentive Plan Trust Deed, both rules amended as proposed, will also be available for inspection at the office of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours from the date of this notice of meeting until the date of the Annual General Meeting.

A copy of the full Annual Report and Financial Statements of the Company for the year ended 31 December 2012, including the Directors' Remuneration Report referred to in resolution 16, is also available on our Web site plc.taylorwimpey.co.uk

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)

28 February 2013

Notes to the Notice of Meeting

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 23 April 2013 (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 28 February 2013 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 3,230,576,218 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 28 February 2013 were 3,230,576,218.
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 Registrars 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).
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 Registrars, 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 23 April 2013. 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 23 April 2013. 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 service 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 Web site 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 Web site 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 Web site 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 Web site. 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 Web site.
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 Web site 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 plc.taylorwimpey.co.uk.
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 News Service and made available at plc.taylorwimpey.co.uk as soon as practicable after the Annual General Meeting.

Explanatory notes to the resolutions

Ordinary Business

Ordinary Resolutions

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 2012 and the reports of the Directors and Auditors before a general meeting of the Company.

Resolution 2: To declare a final dividend

The Directors recommend the payment of a final dividend of 0.43 pence per share in respect of the year ended 31 December 2012. If approved at the Annual General Meeting, the dividend will be paid on 21 May 2013 to shareholders who are on the Register of Members at the close of business on 19 April 2013.

Dividend Re-Investment Plan

Subject to shareholders approving the dividend as set out in Resolution 2 at the Annual General Meeting scheduled for 25 April 2013, the Company will be offering a Dividend Re-Investment Plan (the 'DRI Plan'). For 2013 and in future years, the DRI Plan will be provided and administered by the DRI Plan administrator, Capita IRG Trustees Limited, which is authorised and regulated by the Financial Services Authority ('FSA'). The DRI Plan will offer 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 DRI Plan and the actions required to participate in it are available on the Company's Web site: plc.taylorwimpey.co.uk or on request from the registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, e-mail: ssd@capitaregistrars.com 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 (save for Brenda Dean, who retires at the conclusion of the AGM) will retire and, being eligible, offer themselves for re-election by shareholders at the Annual General Meeting.

Details of the Directors' service contracts, remuneration and interests in the Company's shares and other securities are given in the Directors' Remuneration Report to shareholders on pages 41 to 56 of the Report and Accounts. Full biographical information concerning each Director is on pages 28 and 29 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 28.

[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 28.

[Ryan Mangold – offers himself for re-election.](#)

Ryan has been Group Finance Director since November 2010. His biography appears on page 28.

[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 28.

[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 29.

[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 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 29.

[Anthony Reading MBE – offers himself for re-election.](#)

Tony has been an Independent Non Executive Director since July 2007. He has been subjected to a rigorous annual appraisal, having served for seven years in that capacity including previously for George Wimpey Plc and will have completed eight years by the time of the Annual General Meeting. 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 Remuneration Committee (which he Chairs) and 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 29.

[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 29.

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, 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](#)

In accordance with English company law, 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 2013 Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before shareholders. 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 2012 are given in Note 5 on page 75 of the Report and Accounts.

[Resolution 13: Authority to allot shares](#)

Your 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 26 April 2012 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 £10,768,587 (representing 1,076,858,739 ordinary shares). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 14 March 2013, 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 £21,537,174 (representing 2,153,717,478 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 14 March 2013, 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 24 July 2014 and the conclusion of the Annual General Meeting of the Company to be held in 2014.

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](#)

[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 £1,615,288 (representing 161,528,810 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 14 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 24 July 2014 and the conclusion of the Annual General Meeting of the Company held in 2014.

Resolution 15: Authority to make market purchases of shares

This resolution will be proposed as a special resolution and therefore requires a 75% majority of votes to be cast in favour.

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 14 March 2013.

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 14 March 2013 was 110,699,895, representing approximately 3.4% of the issued ordinary share capital of the Company as at that date and approximately 3.8% 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 24,037,392 ordinary shares, representing 0.7% of the Company's ordinary issued share capital as at close of business on 14 March 2013. If the authority given by Resolution 15 were to be fully used, these would represent 0.8% of the Company's ordinary issued share capital at that date.

This authority will last until the earlier of 24 October 2014 and the conclusion of the Company's Annual General Meeting in 2014.

Special Business

Ordinary Resolutions

Resolution 16: Approval of the Directors' Remuneration Report for the year ended 31 December 2012

The Directors' Remuneration Report for the year ended 31 December 2012 has been prepared in accordance with Sections 420 and 421 of the Companies Act 2006. Section 439 of said Act requires the Company to give shareholders notice of an ordinary resolution approving the Directors' Remuneration Report. The Directors' Remuneration Report is on pages 41 to 56 of the Report and Accounts. The Board considers that appropriate executive remuneration plays a vital part in helping to achieve the Company's overall objectives. The vote on the Remuneration Report has advisory status in respect of the remuneration policy and overall remuneration packages and is not specific to individual levels of remuneration.

Resolution 17: 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 17 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 17) 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 17 extends approval to all of the Company's subsidiaries.

This authority will last until the conclusion of the Annual General Meeting of the Company in 2014, 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 59 of the Report and Accounts.

Resolution 18: Taylor Wimpey Savings-Related Share Option Plan

The Taylor Wimpey Savings-Related Share Option Plan ("Sharesave Plan") was last adopted by shareholders at the Company's AGM in 2004, for a period not exceeding ten years. The Company is now seeking approval to extend the life of the Sharesave Plan for a further ten years.

The existing Sharesave Plan, which is approved by HM Revenue & Customs ('HMRC'), is open to all employees and offers the benefits set out on page 48 of this Annual Report. The Company first offered a Sharesave Plan in 1982 and it has proved extremely popular with employees. Almost half of our UK employees currently participate in either the Sharesave Plan, or the Taylor Wimpey Share Incentive Plan ("SIP") described in Resolution 19, or in both. Both plans encourage employees to take an interest in the Company's share price performance, and help to align their interests with those of other shareholders.

Shareholder approval is being sought to extend the life of the Sharesave Plan until 20 April 2024 (the twentieth anniversary of its adoption) to enable the Company to continue to operate the Sharesave Plan and to reduce the retirement age under the Sharesave Plan from 65 to 60. The Remuneration Committee has also taken the opportunity to update the Rules of the Sharesave Plan in some respects, taking into account modern practice.

Resolution 18 seeks approval for the amendment of the Sharesave Plan.

Resolution 19: Taylor Wimpey Share Incentive Plan

The Taylor Wimpey Share Incentive Plan ('SIP') was last adopted by shareholders at the Company's AGM in 2004, for a period not exceeding ten years. The Company is now seeking approval to extend the life of the SIP for a further ten years.

The existing SIP, which is approved by HMRC, is open to all employees and offers the benefits set out on page 48 of this Annual Report. The Company first offered a SIP in 2004 and it has proved extremely popular with employees, as described in the notes to the preceding Resolution.

Shareholder approval is being sought to extend the life of the SIP until 20 April 2024 (the twentieth anniversary of its adoption) to enable the Company to continue to operate the SIP and for the retirement age under the SIP to be reduced from 65 to 50. In addition, a de minimis payment threshold of £2.50 is to be introduced to reduce the administrative burden of paying very small amounts to employees which result from a corporate action or rights issue and wording is to be added to clarify that the SIP trustees have a 12-month period in which to notify employees of their shareholdings. Provisions allowing the SIP trustees to insure against loss and breach of trust, except where such loss or breach of trust is due to the Trustees' wilful wrongdoing or (for loss only) negligence, are also to be included in the SIP trust deed. The Remuneration Committee has also taken the opportunity to update the Rules of the SIP in some respects, taking into account modern practice.

Resolution 19 seeks approval for the amendment of the SIP.

Resolution 20: Substantial Property Transaction

Mr Pete Redfern, a Director of the Company, intends to enter into a contract to purchase an apartment at The Mill Apartments, West Hampstead, London once approval has been obtained for the transaction from the shareholders of the Company, from Taylor Wimpey UK Limited, a wholly owned subsidiary of the Company. Pete Redfern is also a Director of Taylor Wimpey UK Limited.

As the transaction is in excess of £100,000, it constitutes a substantial property transaction with a Director of the Company under sections 190 and 191 of the Companies Act 2006 and therefore requires the prior approval of shareholders, which is being sought at this Annual General Meeting.

The Mill Apartments development comprises a residential scheme built by Taylor Wimpey UK Limited. The purchase price being paid by Pete Redfern is £709,599 for an apartment including one parking space. The purchase price was fixed following a rigorous review of the prices already obtained in the open market for apartments at The Mill Apartments adjusted for differentiating factors, less a discount of five per cent. pursuant to the Company's employee purchase scheme. Otherwise, the price being paid by Pete Redfern assumes that the transaction is an arm's length sale.

The agreement between Taylor Wimpey UK Limited and Pete Redfern will be a standard form sale and purchase agreement used by Taylor Wimpey UK Limited for The Mill Apartments development. Pete Redfern has paid a standard reservation fee to Taylor Wimpey UK Limited prior to the Annual General Meeting, but the transaction shall be subject to obtaining shareholder approval.

The Board believes the terms of the proposed agreement are fair and reasonable and that the price being paid by Pete Redfern will be the market value of the apartment and parking space (less the discount of five per cent. as described above) as at the date of exchange of contracts.

Special Resolution

Resolution 21: 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 25 April 2013 at:

The British Medical Association, BMA House,
Tavistock Square, London WC1H 9JP

Latest date for receipt of proxy instructions for the 2013 Annual General Meeting: 11:00 am on 23 April 2012.

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 Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
E-mail: ssd@capitaregistrars.com
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 (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 Web site, 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 Web site;
- 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 Web site url is plc.taylorwimpey.co.uk and shareholder documentation made available electronically is generally accessible at plc.taylorwimpey.co.uk/InvestorRelations.

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 Web site at plc.taylorwimpey.co.uk.

On-line facilities for shareholders

You can access our Annual and Interim Reports and copies of recent shareholder communications on-line at: plc.taylorwimpey.co.uk/InvestorRelations.

To register for on-line access, go to plc.taylorwimpey.co.uk/ShareholderInformation, 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 Registrars.

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 Registrars.

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 Registrars who will be pleased to carry out your instructions in this regard.

Principal Operating Addresses

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 Registrars. 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 Web site plc.taylorwimpey.co.uk. It appears on BBC Text and other digital television interactive services. It may also be obtained by telephoning the FT Cityline service, 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 into 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 Registrars or approach ShareGift directly on www.sharegift.org or telephone them on +44 (0)20 7930 3737.

Unsolicited approaches to shareholders

We have received reports from a number of 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 Services Authority ('FSA'). You can check whether an enquirer is properly authorised and report scam approaches by contacting the FSA on www.fsa.gov.uk/Pages/Doing/Regulated/Law/Alerts/form.shtml or by calling 0845 606 1234 and you can contact the Taylor Wimpey Investor Relations Department at twplc@taylorwimpey.com.

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Details of all our operating locations are available on our Web site plc.taylorwimpey.co.uk



plc.taylorwimpey.co.uk



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