3 March 2015
Taylor Wimpey plc
Full year results for the year ended 31 December 2014

Pete Redfern, Chief Executive, commented:

"2014 was an excellent year for Taylor Wimpey, delivering a 54% increase in operating profit* whilst contributing £300m to communities via planning obligations, providing key infrastructure, education and affordable housing.

The beginning of spring selling season has seen trading at the better end of expectations. Customer confidence is high with good levels of employment and an affordable mortgage environment. The UK housing market remains healthy and we are very confident in our ability to maximise returns on our investments whilst continuing to invest in the underlying quality of the business. We believe that the current strong performance can be sustained and improved and therefore we have proposed a doubling of the 2014 maintenance dividend pay-out to the top end of our dividend policy range."

Highlights

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

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

- Continued to focus on maximising future strength:
  - Optimum landbank scale at c.75k plots with over 50% sourced from the strategic land pipeline
    - Acquired 8,315 high-quality plots in the UK short term land market
    - Worked with communities, planners and landowners to convert a record 10,779 plots from the strategic pipeline

- Excellent year end order book representing 6,601 homes (31 December 2013: 6,627) and a total value of £1,397 million (31 December 2013: £1,246 million)

- Contributed £300 million to local communities in which we build across the UK via planning obligations, providing local infrastructure, affordable homes, public transport and education

Continuing Group	2014	2013	Change
Revenue £m	2,686.1	2,295.5	17.0%
Operating profit* £m	480.7	312.9	53.6%
Profit before tax and exceptional items £m	450.1	268.4	67.7%
Profit for the period before exceptional items £m	359.7	214.7	67.5%
Adjusted basic earnings per share pence††	11.2	6.7	67.2%
Basic earnings per share pence	11.6	7.5	54.7%
Net asset value per share pence†	77.9	69.6	11.9%
Net cash £m	112.8	5.4	1,988.9%
Total maintenance dividends per share pence (subject to shareholder approval)	1.56	0.69	126.1%

Current trading and outlook

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

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

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

* Operating profit is defined as profit on ordinary activities before net finance costs and exceptional items and tax, after share of results of joint ventures.
** Return on net operating assets is defined as 12 month rolling operating profit divided by the average of the opening and closing net operating assets, which is defined as net assets less net cash less deferred tax balances.
*** Operating cash flow is defined as cash generated by operations before taxation and interest paid.
† Tangible net assets per share is defined as net assets before any accrued dividends excluding goodwill and intangible assets divided by the number of shares in issue at the period end.
†† Adjusted basic earnings per share represents earnings from continuing operations, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares in issue during the period

- Ends -

A presentation to analysts will be hosted by Chief Executive Pete Redfern at 9am on Tuesday 3 March 2015. This presentation will be broadcast live through our website:

www.taylorwimpey.co.uk/corporate

An archived version of the webcast will be available on our website in the afternoon of 3 March 2015.

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Notes to editors:

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.

For further information, please visit the Group's website:

www.taylorwimpey.co.uk

Follow us on Twitter @TaylorWimpeyplc

Group strategy and returns

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

1. We have invested in new land in a disciplined way, at the right time and in the right locations. This has been supported by record conversions in the last few years from our strategic pipeline, adding to the scale, quality and future profitability of the landbank.

2. We have a clear view on the right size of our business and our focus is on delivering sustainable growth and value generation in a balanced, consistent way through the housing cycle.

3. We believe that the underlying quality of the business is very important and is worth investing in. This includes our non-negotiable approach to health and safety and our focus on people and customer service.

Following a period of strong investment, we are now at our optimum size of landbank at c.75k plots, equating to c.six years of supply at current completion levels. We have therefore moved to a land replacement position in the short term land market and, together with the increasing profitability of the business, are becoming increasingly cash generative. This has enabled us to move to a phase focused on delivery, maximising the returns from our investments, and continuing to ensure that the business is optimally positioned to deliver those returns on a sustainable basis. In May 2014 we announced a set of stretching financial targets for the period 2015 to 2017, to challenge the business to deliver even more over the medium term.

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

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

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

Dividend and cash return policy

In 2014 we set out the principles and policy of returning surplus cash to shareholders at the appropriate times in the cycle, in addition to our regular maintenance dividend. Reflecting both our confidence in our performance and the underlying resilience of the market, today we have announced the doubling of the maintenance dividend pay-out to 2% of net assets, which is at the top end of previous guidance, subject to shareholder approval. This will give a proposed 2014 final maintenance dividend of 1.32 pence per share to be paid on 20 May

2015 to shareholders on the register at the close of business on 10 April 2015 (2013 final dividend: 0.47 pence per share). In combination with the interim dividend of 0.24 pence per share (2013 interim dividend: 0.22 pence per share), this gives a total maintenance dividend for the year of 1.56 pence per share (2013 total maintenance: 0.69 pence per share).

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

Operational review

Taylor Wimpey plc is a UK-focused residential developer, with a small operation in Spain. Our operational review is UK only as the majority of metrics do not apply to the Spanish business. A short summary of the Spanish business follows. The financial analysis is presented at Group level which includes Spain.

Our key performance metrics

UK	2014	2013	Change
Contribution per legal completion £k	49.6	38.8	27.8%
Forward order book as a % of completions (as at 31 December)	53.7%	57.4%	(370)bps
Owned and controlled plots with planning or resolution to grant	75,136	70,628	6.4%
Strategic land pipeline conversion plots	10,779	9,210	17.0%
% of completions from strategically sourced land	39%	29%	1000 bps
Customer satisfaction %	87%	90%	(300) bps
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)	209	207	1.0%
Employee turnover % (voluntary)	7.1%	7.5%	(40) bps

Sales, completions and pricing

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

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

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

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

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

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

We ended the year with 305 outlets (31 December 2013: 314), with the decrease due to faster outlet closings in a healthier market and the time required to meet additional planning permission requirements to start working on site. We expect the total number of outlets to increase in 2015, reflecting our success in the land market and our continued focus to get newly acquired sites and phases opened properly and efficiently.

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

Land and planning

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

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

Our success and expertise in sourcing and converting land which does not have residential planning consent at the time we take a commercial interest (our strategic pipeline) is a key part of our strategy and underpins our confidence in delivering sustainable margins through the cycle. We have one of the largest strategic pipelines in the sector which stands at c.110k potential plots (31 December 2013: c.110k potential plots). A large strategic pipeline enables us to manage our cash flows and underpins our profitability, by providing a source of land supply at enhanced margins. This also protects the quality of the short term landbank, decreasing the pressure on the teams across the business to compete in the short term land market. We worked with local authorities and communities to convert a further 10,779 plots from the strategic pipeline to the short term landbank in 2014, a record for Taylor Wimpey (2013: 9,210 plots). This is well in excess of our medium term conversion target of c.6,000 plots per annum. This provides us with increased choices and opportunities and we will pursue land disposals on larger sites where we can achieve the best value. We continue to invest in new opportunities and in 2014 we added a net 10.4k new potential plots to the strategic pipeline. In 2014 a record 39% of our completions were sourced from the strategic pipeline (2013: 29%). Our aim is to increase completions from the strategic pipeline to over 40% per annum in the medium term. With over 50% of our landbank now comprising strategically sourced land (2013: 50%), we are well placed to deliver strong strategic pipeline performance and generate value from this part of our landbank.

Build costs and efficiency

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

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

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

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

Health and safety

The health and safety of individuals on our sites is our non-negotiable top priority. We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live. This was reflected in our 2014 employee survey which found that 99% of staff believe that Taylor Wimpey is committed to health and safety and keeping people safe. We have continued to keep our Annual Injury Incidence Rate for reportable injuries low at 209 per 100,000 employees and contractors in 2014 (2013: 207). We reduced our AIIR for major injuries from 60 in 2013 to 26 in 2014.

People and skills

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

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

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

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

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

Customers

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

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

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

Local communities

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

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

Charitable initiatives

We support charities at both a national and regional level with housing and homelessness remaining key areas of focus. Our Chief Executive Pete Redfern is on the Board of Trustees for Crisis, the national charity for single homeless people. Taylor Wimpey is also a patron of CRASH, the construction and property industry's charity for homeless people.

During 2014, we continued our partnership with Centrepoint and our network of six regional homelessness charities across the UK, raising c.£466k since the partnership began in 2012. In addition to helping to tackle homelessness and housing issues, in 2014 we supported a range of other charitable causes at a national as well as regional level. We continued our partnership with Macmillan Cancer Support, sponsoring its flagship Parliamentary Tug of War for the 27th consecutive year. In addition 200 of our colleagues, across 80% of our regional businesses, scaled the highest peaks in the Brecon Beacons raising £141k in one challenge for the Youth Adventure Trust. In 2014 we also started a partnership with the Mayor's Fund for London and 21st Century Legacy to deliver an aspirational programme to build on the Olympic legacy to help young Londoners from some of London's most disadvantaged communities achieve their potential and escape the threat of poverty. The programme will target 250 schools across all London boroughs and aims to reach 50,000 young Londoners. In total during 2014 we raised over £539k (2013: £415k) for registered charities through donations and fundraising. More information about our efforts including local sponsorships and partnerships can be found within our Sustainability Report. This will be available from 27 March 2015 at www.taylorwimpey.co.uk/corporate/sustainability

Spain

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

Group financial review of continuing operations

Income statement

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

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

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

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

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

In 2014, 14% (2013: 32%) of the Group's UK completions were from sites that had been previously impaired. In Spain, 50 plots (2013: 95) were completed that had previously been impaired. The Group anticipates that c.7% of short term owned and controlled impaired plots will complete in 2015.

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

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

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

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

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

During 2014, in line with improved market conditions, the Group recorded a net reversal of £18.7 million of inventory write-downs (2013: £45.4 million). The net reversal in the year consisted of a release of previous impairments (£27.0 million) and additional write-downs to the lower of cost and net realisable value (£8.3 million).

Balance sheet

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

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

Relative to our medium term targets of adding 15% to net assets before any cash distributions to shareholders, net assets at 31 December 2014 increased by 15.8% before cash distributions and 12.6% overall year on year to £2,535 million (31 December 2013: £2,252 million). The net asset increase was driven by profitability in the period offset by the £23.0 million maintenance dividend and the £49.7 million cash return.

As at 31 December 2014, the Group held inventory that had been written down to net realisable value of £296.6 million (31 December 2013: £490.1 million) of which the balance in the UK was £269.6 million (31 December 2013: £459.9 million). As at 31 December 2014, the associated write-downs were £206.2 million (31 December 2013: £265.1 million) of which the balance in the UK was £158.1 million and principally related to 15 locations.

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

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

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

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

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

Cash flow

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

Pensions

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

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

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

Financing structure

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

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

Dividend and cash return

Subject to shareholder approval at the AGM, to be held on 23 April 2015, the 2014 final maintenance dividend of 1.32 pence per share will be paid on 20 May 2015 to shareholders on the register at the close of business on 10 April 2015 (2013 final dividend: 0.47 pence per share). In combination with the interim dividend of 0.24 pence (2013 interim dividend: 0.22 pence per share) this gives a total maintenance dividend for the year of 1.56 pence (2013 total maintenance: 0.69 pence per share).

This dividend will be paid as a conventional cash dividend, and shareholders are once again being offered the opportunity to reinvest all of their dividend under the Dividend Re-Investment Plan (DRIP), details of which are available from our Registrar and will appear on our website. Elections to join the Plan must reach the Registrar by 25 April 2015 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk

In addition, on 3 July 2014 we returned cash of £49.7 million by way of a special cash return, equating to 1.54 pence per share, to shareholders on the register at the close of business on 6 June 2014. As announced on 30 July 2014 we will return c.£250 million to shareholders in

July 2015 by way of a cash return, equating to 7.68 pence per ordinary share subject to shareholder approval. This is proposed to be paid on 3 July 2015 as a cash dividend to all shareholders on the register at close of business on 22 May 2015. Following a change in the law, with effect from April 2015, companies are unable to offer a B/C share scheme which provided choice over the tax treatment of the cash return. Shareholders will however be offered the opportunity to reinvest all of their 2015 cash dividend under the DRIP, for which elections to join the Plan must reach the Registrar by 8 June 2015.

Future cash returns to shareholders will be announced on an annual basis at the half year results and will be paid the following July subject to shareholder approval. The next update will therefore be at our 2015 half year results, on 29 July 2015, for the 2016 cash return, which will be paid in July 2016. The Board intends to keep the mechanics of how the Company will pay its special dividends under regular review.

Going concern

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

Shareholder information

The Company's 2015 Annual General Meeting (AGM) will be held at 11am on 23 April 2015 at the British Medical Association, BMA House, Tavistock Square, London WC1H 9JP.

Copies of the 2014 Annual Report and Accounts will be available from 20 March 2015 on the Company's website www.taylorwimpey.co.uk. Hard copy documents will be posted to shareholders who have elected to receive them on 20 March and will also be available from our registered office at Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR from that date.

A copy of the 2014 Annual Report and Accounts will be submitted to the National Storage Mechanism and will be available for inspection at: www.Hemscott.com/nsm.do

Directors' responsibilities

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2014. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, 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 Strategic Report and 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 they face.

This responsibility statement was approved by the Board of Directors on 2 March 2015 and is signed on its behalf by:

Kevin Beeston, Chairman

Pete Redfern, Chief Executive

Principal risks and uncertainties

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 the Company is able to deliver on its strategic objectives of improving operating margin, return on net operating assets and net asset value across the cycle.

The table below summarises the Group's principal risks and uncertainties in no order of importance. Further detail on the relevance of these risks to our strategy, the potential impact on key performance indicators, mitigation and responsibilities are provided on pages 26-29 of our 2014 Annual Report and Accounts, which will be available from www.taylorwimpey.co.uk from 20 March 2015.

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 Sustainability Report: www.taylorwimpey.co.uk/corporate/sustainability

	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2014
Government policy and planning regulations. The implementation of the National Planning Policy Framework, the Localism Act and the Community Infrastructure Levy (CIL) has had a significant impact on the planning system. A further change in Government Policy, although unlikely, following an election could have a disrupting or destabilising effect on the planning system. **Responsibility** Chief Executive UK Land and Planning Director Other members of our senior management team Regional Managing Directors	Our ability to build our homes and communities is dependent on obtaining planning permissions and other regulatory requirements and permits. Although the new planning system is having a positive effect, it is still a relatively new system with the powers within the processes still being tested. The risk of extended timeframes for gaining consent or legal challenge continues. Any further structural change to the process following an election, although unlikely, could have a slowing effect on planning consent. CIL is currently being taken up slowly by local authorities. There is a risk of planning applications being delayed, refused or challenged post April 2015.	• Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we build. We may be required to fund higher levels of planning obligations or additional costs to meet increased regulatory requirements. • The locally produced CIL charge schedules may increase costs and so impact the viability of current developments. In addition, where local CIL charges are not in place there could be an impact on gaining planning consent or Judicial Review challenge. This could have a detrimental impact on the contribution per plot.	We have responded to the changes in planning policy by introducing a comprehensive community led planning strategy which improves communications with all parties but especially local communities, thereby enhancing our ability to deliver developments that meet local requirements. We consult with Government agencies and opposition parties on housing policy, both directly and indirectly as a member of industry groups, to highlight potential issues and to understand any proposed changes to regulations.	Our customer and community engagement strategy is becoming embedded and having a positive effect. We have been successful in gaining planning consents through the year with particular emphasis on the conversion of the strategic land pipeline. We continued our participation in the local Plans Management Group (PMG), via the HBF, to ensure local plans are robust and CIL charge schedules are appropriate.
Impact of market environment on mortgage availability and demand Mortgage availability is a key constraint on the demand for housing. Following the Mortgage Market Review in April 2014, stricter guidelines were introduced for lenders to assess mortgage affordability. In 2015, the Bank of England's Financial Policy Committee (FPC) gained new powers, including setting loan-to-value and debt-to-income limits for residential mortgages. Also, whilst the Government has extended Phase 1 of the Help to Buy scheme to 2020, there is uncertainty over the impact when the scheme is removed. **Responsibility** Group Management Team UK Sales and Marketing Director Regional Sales and Marketing Directors	The majority of the homes that we build are sold to individual purchasers who take on significant mortgages to finance their purchases. A change in business confidence or employment opportunities can impact on the demand for housing. In particular the ability for first time buyers and investors to purchase homes is impacted by changes in mortgage availability at the higher loan-to-value levels, as it would impact on the level of deposits required. The new FPC policies may lead to a delay in mortgage approvals and restrict the volume of approvals.	• A reduction in effective demand for new homes below normal levels could negatively impact on both profitability and cash generation. This would have an adverse effect on return on net operating assets and net debt.	Our local teams select the locations and home designs that best meet the needs of the local community and customer demand in the present and future. We evaluate new outlet openings on the basis of local market conditions and regularly review the pricing and incentives that we offer. We work closely with the financial services industry to ensure customers receive good advice on the procurement of mortgage products.	We offer the Government-backed Help to Buy scheme and have seen strong interest in the scheme amongst our customers. We launched a new Taylor Wimpey website in 2013 to provide best in industry customer experience and better insight into the Taylor Wimpey products. Throughout 2014 we have continued to develop good working relationships with established main stream lenders and those wishing to increase volume within the new build market.

Material costs and availability of sub-contractors An increase in production following the recovery of the housing market may reduce the availability of materials and subcontractors, resulting in an unexpected increase in costs. It has also put pressure on utility firms to keep up with the pace of installation, leading to build programme and completion delays. **Responsibility** Head of Procurement Regional Commercial Directors	In order to optimise our build cost efficiency, whilst retaining the flexibility to commence work on new sites as planning consents allow, the vast majority of work carried out on site is performed by subcontractors. Without the introduction of new resources into the housing market, labour and material prices could increase.	• If the availability of subcontractors or materials is insufficient to meet demand this could lead to increased build times, increased costs and, thereby reducing profitability. • Lack of skilled subcontractors could also result in higher levels of waste being produced from our sites and lower build quality.	We maintain regular contact with suppliers and negotiate contract volume, pricing and duration as appropriate. In addition, we provide both high level and site specific programme information to aid with demand planning. Competencies are considered as part of our subcontractor selection process, particularly in relation to health and safety, quality, previous performance and financial stability. We work to address the skills shortage through apprenticeship schemes and the Construction Industry Training Board.	During 2014 industry volumes continued to increase the demand for building materials. The Group has agreed product allocations and volumes with key suppliers to mitigate against extended lead times and potential shortages. We have made progress in delivering increased build efficiency by the ongoing review of our standard house types and selective regional cost benchmarking.
Ability to attract and retain high-calibre employees Recruiting employees with inadequate skills or in insufficient numbers, or not being able to retain key staff with the right skills for the future, could have a detrimental impact on our business. **Responsibility** Chief Executive Group HR Director Every employee managing people	Our value cycle requires significant input from skilled people to deliver quality homes and communities for our customers. With the recovery in the housing market, there is a greater incidence of 'poaching' in the housebuilding market. This, together with the recent changes in the planning system, has meant that the demand for high-quality trained employees has increased and is key to achieving our strategic goals.	• Not having the right teams in place could lead to delays in build, quality issues, reduced sales levels, poor customer care and reduced profitability.	We closely monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration to ensure we are competitive within the industry and have succession plans in place for key roles within the Group. We hold regular development reviews to identify training requirements.	During 2014, we increased our intake of .apprentice and trainee schemes. A programme for all senior managers was introduced, to support open dialogue and constructive conversation with employees. The graduate and apprenticeship programmes continued, developing skills at entry level positions. An Assessment and Development Centre was run for employees with potential for Director level roles, to support robust development plans.
Land purchasing The purchase of land of poor quality, at too high a price, or incorrect timing of land purchases in relation to the economic cycle could impact future profitability. **Responsibility** Group Management Team Divisional Managing Directors Regional Managing Directors Regional Land and Planning Directors Strategic Land Managing Directors	Land is the major 'raw material' for the Group and the limited availability of good-quality land at an attractive price throughout the housing cycle leads to significant competition. Purchasing land of the appropriate quality, on attractive terms at the right time and scale in the economic cycle, will enhance the Group's ability to deliver future profit growth as the housing market recovers.	• Purchasing poor quality or mispriced land, or incorrectly timing land purchases would have a detrimental impact on our profitability and returns. • The purchasing of insufficient land would reduce the Group's ability to actively manage its land portfolio, and create value for shareholders.	Our land teams select and appraise each site. Our appraisal process ensures each project is financially viable, consistent with our strategy and appropriately authorised, dependent on the proposed scale of expenditure. We strive to be the developer of choice by adopting a comprehensive approach encompassing land vendors, land agents, local councils and local communities. Our strategic land teams	The short term land market remained balanced and disciplined throughout 2014 enabling us to continue to source and invest in short term value-creating land opportunities at investment margins of around 20% operating margin. Following a period of strong investment, we are now at our optimum size of landbank. In combination with the strong conversion of the strategic pipeline, our reliance on purchasing

			work alongside regional businesses to identify and secure land with the potential for future development and promote it through the planning system.	short term land therefore has diminished, providing some insulation from an increase in land price.
Site and product safety Building sites are inherently dangerous places. Unsafe practices by our employees or subcontractors have the potential to cause death or serious injury. **Responsibility** Chief Executive Director of Health, Safety and Environment Every employee and sub-contractor	Our operations involve, and interface with, a large number of people. People range from employees and subcontractors, to customers and their families, who live on or visit our sites each day. We want all of these people to go home at the end of the day, safe and uninjured.	• In addition to the potentially tragic personal impact of an accident on site or after customer completion, there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.	We have a comprehensive health, safety and environmental (HSE) management system in place, which is integral to our business. This is supported by our policies and procedures to ensure that we live up to our intention of providing a safe and healthy working environment and build homes that comply with the required regulations. We provide extensive HSE training for our employees. We run HSE induction training, poster campaigns as well as providing regular site toolbox talks for our contractors and operatives. All HSE issues are reviewed by the GMT and, where appropriate, actions put in place to rectify issues or prevent a recurrence.	We continue to compare favourably with the UK housebuilding and construction industry in terms of site safety. We have continued to keep our Annual Injury Incidence Rate low at 209 per 100,000 employees and contractors in 2014 (2013: 207). We reduced our AIIR for major injuries from 60 in 2013 to 26 in 2014. During 2014, we continued our site safety training, extending training to over 2,750 groundworkers' supervisors, each receiving a site safety supervisory qualification. We introduced additional working platform lifts on all our scaffolds, resulting in a significant reduction in the risk of injury from falls or slips, particularly from operatives working at mid-floor or roof level. We introduced specialist equipment on all sites to make ladders safer to use.

Cautionary note concerning forward looking statements

This report contains certain forward looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

Consolidated Income Statement

for the year to 31 December 2014

£ million	Note	**Before exceptional items 2014**	**Exceptional items 2014 (Note 3)**	**Total 2014**	Before exceptional items 2013	Exceptional items 2014 (Note 3 and 4)	Total 2013
Continuing operations							
Revenue		**2,686.1**	**–**	**2,686.1**	2,295.5	–	2,295.5
Cost of sales		**(2,065.2)**	**18.7**	**(2,046.5)**	(1,846.2)	45.6	(1,800.6)
Gross profit before positive contribution		**605.0**	**18.7**	**623.7**	403.9	45.6	449.5
Positive contribution from written down inventory		**15.9**	**–**	**15.9**	45.4	–	45.4
Gross profit		**620.9**	**18.7**	**639.6**	449.3	45.6	494.9
Net operating expenses	3	**(142.8)**	**–**	**(142.8)**	(139.6)	–	(139.6)
Profit on ordinary activities before finance costs		**478.1**	**18.7**	**496.8**	309.7	45.6	355.3
Interest receivable	4	**0.6**	**–**	**0.6**	0.9	–	0.9
Finance costs	4	**(31.2)**	**–**	**(31.2)**	(45.4)	(7.8)	(53.2)
Share of results of joint ventures		**2.6**	**–**	**2.6**	3.2	–	3.2
Profit on ordinary activities before taxation		**450.1**	**18.7**	**468.8**	268.4	37.8	306.2
Taxation charge	5	**(90.4)**	**(4.0)**	**(94.4)**	(53.7)	(12.7)	(66.4)
Profit for the year from continuing operations		**359.7**	**14.7**	**374.4**	214.7	25.1	239.8
Discontinued operations							
Result for the year				**–**			31.3
Profit for the year				**374.4**			271.1
Attributable to:							
Equity holders of the parent				**374.4**			271.4
Non-controlling interests				**–**			(0.3)
				374.4			271.1

	Note	**2014**	2013
Basic earnings per share – total Group	6	**11.6p**	8.5p
Diluted earnings per share – total Group	6	**11.5p**	8.3p
Basic earnings per share – continuing operations	6	**11.6p**	7.5p
Diluted earnings per share – continuing operations	6	**11.5p**	7.3p
Adjusted basic earnings per share – continuing operations	6	**11.2p**	6.7p
Adjusted diluted earnings per share – continuing operations	6	**11.1p**	6.5p
Basic earnings per share – discontinued operations	6	**–**	1.0p
Diluted earnings per share – discontinued operations	6	**–**	1.0p

Consolidated Statement of Comprehensive Income
for the year to 31 December 2014

£ million	Note	**2014**	2013
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1.8)**	1.2
Movement in fair value of hedging derivatives and loans		**1.8**	(1.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	9	**(25.9)**	21.0
Tax credit/(charge) on items taken directly to other comprehensive income	7	**5.2**	(6.6)
Other comprehensive (expense)/income for the year net of tax		**(20.7)**	14.4
Profit for the year		**374.4**	271.1
Total comprehensive income for the year		**353.7**	285.5

Attributable to:		
Equity holders of the parent	**353.7**	285.8
Non-controlling interests	**–**	(0.3)
	353.7	285.5

Consolidated Balance Sheet
at 31 December 2014

£ million	Note	2014	2013
Non-current assets			
Intangible assets		**2.5**	4.2
Property, plant and equipment		**16.8**	8.3
Interests in joint ventures		**38.6**	34.7
Trade and other receivables		**111.1**	110.8
Deferred tax assets	7	**157.5**	246.6
		326.5	404.6
Current assets			
Inventories	8	**3,490.1**	2,928.8
Trade and other receivables		**102.6**	118.5
Tax receivables		**7.8**	7.8
Cash and cash equivalents		**212.8**	105.4
		3,813.3	3,160.5
Total assets		**4,139.8**	3,565.1
Current liabilities			
Trade and other payables		**(910.0)**	(793.9)
Tax payables		**(7.8)**	(7.6)
Provisions		**(40.4)**	(28.3)
		(958.2)	(829.8)
Net current assets		**2,855.1**	2,330.7
Non-current liabilities			
Trade and other payables		**(361.5)**	(193.7)
Bank and other loans		**(100.0)**	(100.0)
Retirement benefit obligations	9	**(183.8)**	(183.8)
Provisions		**(1.0)**	(6.0)
		(646.3)	(483.5)
Total liabilities		**(1,604.5)**	(1,313.3)
Net assets		**2,535.3**	2,251.8
Equity			
Share capital		**288.3**	288.1
Share premium account		**762.9**	760.2
Own shares		**(10.8)**	(18.9)
Other reserves		**41.9**	43.8
Retained earnings		**1,451.9**	1,177.5
Equity attributable to parent		**2,534.2**	2,250.7
Non-controlling interests		**1.1**	1.1
Total equity		**2,535.3**	2,251.8

Consolidated Statement of Changes in Equity
for the year to 31 December 2014

For the year to 31 December 2014 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2014	**288.1**	**760.2**	**(18.9)**	**43.8**	**1,177.5**	**2,250.7**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(1.8)**	**–**	**(1.8)**
Movement in fair value of hedging derivatives and loans	**–**	**–**	**–**	**1.8**	**–**	**1.8**
Actuarial loss on defined benefit pension schemes	**–**	**–**	**–**	**–**	**(25.9)**	**(25.9)**
Deferred tax credit	**–**	**–**	**–**	**–**	**5.2**	**5.2**
Other comprehensive expense for the year net of tax	**–**	**–**	**–**	**–**	**(20.7)**	**(20.7)**
Profit for the year	**–**	**–**	**–**	**–**	**374.4**	**374.4**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**353.7**	**353.7**
New share capital subscribed	**0.2**	**2.7**	**–**	**–**	**–**	**2.9**
Own shares acquired	**–**	**–**	**(10.0)**	**–**	**–**	**(10.0)**
Utilisation of own shares	**–**	**–**	**18.1**	**–**	**–**	**18.1**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**(14.7)**	**(14.7)**
Share-based payment credit	**–**	**–**	**–**	**–**	**6.2**	**6.2**
Transfer to retained earnings	**–**	**–**	**–**	**(1.9)**	**1.9**	**–**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(72.7)**	**(72.7)**
Equity attributable to parent	**288.3**	**762.9**	**(10.8)**	**41.9**	**1,451.9**	**2,534.2**
Non-controlling interests						**1.1**
Total equity						**2,535.3**

For the year to 31 December 2013 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2013	288.0	758.8	(15.9)	44.6	912.6	1,988.1
Exchange differences on translation of foreign operations	–	–	–	1.2	–	1.2
Movement in fair value of hedging derivatives and loans	–	–	–	(1.2)	–	(1.2)
Actuarial gain on defined benefit pension schemes	–	–	–	–	21.0	21.0
Deferred tax charge	–	–	–	–	(6.6)	(6.6)
Other comprehensive income for the year net of tax	–	–	–	–	14.4	14.4
Profit for the year	–	–	–	–	271.4	271.4
Total comprehensive income for the year	–	–	–	–	285.8	285.8
New share capital subscribed	0.1	1.4	–	–	–	1.5
Own shares acquired	–	–	(15.1)	–	–	(15.1)
Utilisation of own shares	–	–	12.1	–	–	12.1
Share-based payment credit	–	–	–	–	6.4	6.4
Cash cost of satisfying share options	–	–	–	–	(7.3)	(7.3)
Transfer to retained earnings	–	–	–	(0.8)	0.8	–
Dividends approved and paid	–	–	–	–	(20.8)	(20.8)
Equity attributable to parent	288.1	760.2	(18.9)	43.8	1,177.5	2,250.7
Non-controlling interests						1.1
Total equity						2,251.8

Consolidated Cash Flow Statement

for the year to 31 December 2014

£ million	Note	**2014**	2013
Net cash from operating activities	10	**192.7**	98.1
Investing activities			
Interest received		**0.4**	0.6
Dividends received from joint ventures		**2.5**	1.5
Proceeds on disposal of property, plant and investments		**0.4**	0.1
Purchases of property, plant and investments		**(9.7)**	(2.5)
Purchases of software		**–**	(0.6)
Amounts invested in joint ventures		**(3.8)**	(1.5)
Net cash used in investing activities		**(10.2)**	(2.4)
Financing activities			
Proceeds from sale of own shares		**2.9**	1.5
Cash received on exercise of share options		**3.4**	4.8
Purchase of own shares		**(10.0)**	(15.1)
Repayment of debenture loans		**–**	(149.4)
Dividends paid		**(72.7)**	(20.8)
Net cash used in financing activities		**(76.4)**	(179.0)
Net increase/(decrease) in cash and cash equivalents		**106.1**	(83.3)
Cash and cash equivalents at beginning of year		**105.4**	190.4
Effect of foreign exchange rate changes		**1.3**	(1.7)
Cash and cash equivalents at end of year		**212.8**	105.4

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2014

1. Basis of preparation

The financial information set out herein does not constitute the Group's statutory accounts for the years ended 31 December 2014 and 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's annual general meeting to be held on 23 April 2015. The external auditor has reported on those accounts; its reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

The statutory accounts have been prepared on the basis of the accounting policies as set out in the previous annual financial statements, with the exception of the adoption of the following new and revised statements and interpretations, none of which have had any significant impact on amounts reported but may impact the accounting for future transactions and arrangements.

IFRS 10 'Consolidated financial statements' – this standard establishes a single, control-based model for assessing control and determining the scope of consolidated entities. It replaced the corresponding requirements of both IAS 27 'Consolidated and Separate Financial Statements' and SIC – 12 'Consolidation – Special Purpose Entities'. IFRS 10 does not alter the basic principles of consolidation; however it does introduce a new concept of how control should be assessed, focussing on the ability to direct the activities that most affect returns. IFRS 10 also provides clarity on areas which were previously unclear under IAS 27 and SIC-12.

IFRS 11 'Joint Arrangements' – this standard has replaced IAS 31 'Interests in Joint Ventures'. The most significant change to accounting for joint arrangements will be as a result of the change to the definition of control required by IFRS 10 meaning entities may require accounting for in line with IFRS 11 which were previously outside of the scope.

IFRS 12 'Disclosure of Interests in Other Entities' – the objective of this standard is to enable users of the financial statements to evaluate an entity's interest in other entities through requiring the disclosure of the nature and risks associated with the interests in other entities and how those interests affect the entity's financial position, financial performance and cash flows.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements on 20 March 2015, that comply with both IFRS as adopted for use in the European Union and IFRS as compliant with the Companies Act 2006 and Article 4 of the EU IAS Regulations.

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2014

Going concern

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

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

2. 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 view the businesses on a geographic basis when making strategic decisions for the Group and as such the Group is organised into two operating divisions – Housing United Kingdom and Housing Spain.

Segment information about these businesses is presented below:

At 31 December 2014 £ million	**Housing United Kingdom**	**Housing Spain**	**Consolidated**
Revenue			
External sales	**2,652.4**	**33.7**	**2,686.1**
Result			
Profit on ordinary activities before joint ventures, finance costs and exceptional items	**473.9**	**4.2**	**478.1**
Share of results of joint ventures	**2.6**	**–**	**2.6**
Profit on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	**476.5**	**4.2**	**480.7**
Exceptional items (Note 3)	**18.7**	**–**	**18.7**
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	**495.2**	**4.2**	**499.4**
Net finance costs			**(30.6)**
Profit on ordinary activities before taxation			**468.8**
Taxation (including exceptional tax)			**(94.4)**
Profit from continuing operations			**374.4**
Discontinued operations			
Result from discontinued operations			**–**
Profit for the year – total Group			**374.4**

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At 31 December 2014 £ million	Housing United Kingdom	Housing Spain	Consolidated
Assets and liabilities:			
Segment operating assets	**3,637.1**	**86.0**	**3,723.1**
Joint ventures	**38.4**	**0.2**	**38.6**
Segment operating liabilities	**(1,460.2)**	**(36.5)**	**(1,496.7)**
Group net operating assets	**2,215.3**	**49.7**	**2,265.0**
Net current taxation			**–**
Net deferred taxation			**157.5**
Net cash			**112.8**
Net assets			**2,535.3**

For the year to 31 December 2013 £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue:			
External sales	2,271.4	24.1	2,295.5
Result:			
Profit on ordinary activities before joint ventures, finance costs and exceptional items	309.6	0.1	309.7
Share of results of joint ventures	3.2	–	3.2
Profit on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	312.8	0.1	312.9
Exceptional items	62.3	(16.7)	45.6
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	375.1	(16.6)	358.5
Finance costs, net (including exceptional finance costs)			(52.3)
Profit on ordinary activities before taxation			306.2
Taxation (including tax on exceptional items)			(66.4)
Profit from continuing operations			239.8
Discontinued operations:			
Result from discontinued operations			31.3
Profit for the year – total Group			271.1

At 31 December 2013 £ million	Housing United Kingdom	Housing Spain	Consolidated
Assets and liabilities:			
Segment operating assets	3,101.1	69.5	3,170.6
Joint ventures	34.5	0.2	34.7
Segment operating liabilities	(1,181.0)	(24.7)	(1,205.7)
Group net operating assets	1,954.6	45.0	1,999.6
Net current taxation			0.2
Net deferred taxation			246.6
Net cash			5.4
Net assets			2,251.8

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

£ million	**2014**	2013
Administration expenses	**158.6**	151.7
Net other income	**(15.8)**	(12.1)
Exceptional items	**(18.7)**	(45.6)

Net other income includes profits on the sale of property, plant and equipment, revaluation of certain shared equity mortgage receivables, and ground rents receivable.

Exceptional items:

£ million	**2014**	2013
Net reversal of inventory write-downs	**(18.7)**	(45.6)
Exceptional items credited to operating expenses	**(18.7)**	(45.6)

The Group has seen a sustained improvement in the UK housing market and improvement in confidence in the wider economy, driven by continued low interest rates, improved mortgage availability and Government incentives, including the ‘Help to Buy’ scheme.

Following the completion of the June and December net realisable value (NRV) exercises the Group has released a net £18.7 million of previous write-downs in the year (2013: £45.6 million). This consisted of £27.0 million of releases and £8.3 million of additional NRV requirements in the UK. No further write downs have been booked in Spain. The NRV balance remaining relates to specific legacy sites.

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

£ million	**2014**	2013
Cost of inventories recognised as expense in cost of sales, before write-downs	**1,985.0**	1,765.8
Write-down of inventories	**8.3**	61.5
Reversal of write-downs of inventories	**(27.0)**	(107.1)
Depreciation – plant and equipment	**1.2**	1.3
Payments under operating leases recognised in income for the year	**3.8**	5.7

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4. Finance costs

Interest receivable from continuing operations

£ million	2014	2013
External interest receivable	**0.6**	0.9
	0.6	0.9

Finance costs from continuing operations are analysed as follows:

£ million	2014	2013
Interest on overdrafts, bank and other loans	**14.4**	12.4
Interest on debenture loans	**–**	15.5
Movement on interest rate derivatives and foreign exchange movements	**0.2**	(0.2)
	14.6	27.7
Unwinding of discount on land creditors and other items	**9.1**	8.0
Notional net interest on pension liability (Note 9)	**7.5**	9.7
	31.2	45.4
Exceptional finance items:		
Tax liability interest credit	**–**	–
Senior Note 10.375% due 2015 prepayment penalty	**–**	7.8
	31.2	53.2

The exceptional finance cost in 2013 relates to the prepayment penalty on the early redemption of the total outstanding (£149.4 million) Senior Notes 10.375% due 2015.

5. Taxation

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

£ million		2014	2013
Current tax:			
UK corporation tax:	Current year	**(1.0)**	–
	Prior years	**0.1**	–
Foreign tax:	Current year	**(0.2)**	–
	Prior years	**–**	–
		(1.1)	–
Deferred tax:			
UK:	Current year	**(91.4)**	(69.8)
	Prior year	**(1.9)**	3.4
		(93.3)	(66.4)
		(94.4)	(66.4)

Corporation tax is calculated at 21.5% (2013: 23.3%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year includes a charge in respect of exceptional items of £4.0 million in respect of UK tax which is associated with the net realisable value of inventory.

The charge for 2013 includes a charge of £21.8 million relating to the impact on the deferred tax asset of the 3% reduction in UK corporation tax from 23% to 20%.

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

£ million	**2014**	2013
Profit before tax	**468.8**	306.2
Tax at the UK corporation tax rate of 21.5% (2013: 23.3%)	**(100.8)**	(71.2)
Net (under) / over provision in respect of prior years	**(1.8)**	3.4
Tax effect of expenses that are not deductible in determining taxable profit	**4.0**	0.8
Unrecognised temporary differences utilised	**1.0**	6.6
Losses not recognised	–	(5.0)
Recognition of deferred tax asset relating to non-trading losses	**3.3**	18.8
Impact of 3% rate reduction on deferred tax	–	(21.8)
Other rate impacting adjustments	**(0.1)**	2.0
Tax charge for the year	**(94.4)**	(66.4)

6. Earnings per share

	2014	2013
Basic earnings per share	**11.6p**	8.5p
Diluted earnings per share	**11.5p**	8.3p
Basic earnings per share – continuing operations	**11.6p**	7.5p
Diluted earnings per share – continuing operations	**11.5p**	7.3p
Adjusted basic earnings per share – continuing operations	**11.2p**	6.7p
Adjusted diluted earnings per share – continuing operations	**11.1p**	6.5p
Basic earnings per share – discontinued operations	–	1.0p
Diluted earnings per share – discontinued operations	–	1.0p
Weighted average number of shares for basic/adjusted earnings per share – million		3,224.4
Weighted average number of shares for diluted basic/adjusted earnings per share – million		3,253.1

Adjusted basic and adjusted diluted earnings per share, which exclude the impact of exceptional items and any associated net tax charges, are presented to provide better measure on the underlying performance of the Group. A reconciliation of earnings attributable to equity shareholders used for basic and diluted earnings per share to that used for adjusted earnings per share is shown below.

£ million	**2014**	2013
Earnings from continuing operations for basic profit per share and diluted earnings per share	**374.4**	239.8
Adjust for exceptional net reversal of inventory write-downs (Note 3)	**(18.7)**	(45.6)
Adjust for exceptional interest items (Note 4)	–	7.8
Adjust for exceptional tax items (Note 5)	**4.0**	12.7
Earnings from continuing operations for adjusted basic and adjusted diluted earnings per share	**359.7**	214.7

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7. Deferred tax

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

£ million	Share-based payments	Capital Allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2013	4.9	8.1	248.0	56.2	2.4	319.6
Credit/(charge) to income	0.3	(2.3)	(52.3)	(9.5)	(2.6)	(66.4)
Credit/(charge) to equity	3.7	–	–	(10.3)	–	(6.6)
At 31 December 2013	8.9	5.8	195.7	36.4	(0.2)	246.6
Charge to income	**(0.3)**	**(1.3)**	**(85.5)**	**(6.1)**	**(0.1)**	**(93.3)**
(Charge)/credit to equity	**(1.0)**	**–**	**–**	**5.2**	**–**	**4.2**
At 31 December 2014	**7.6**	**4.5**	**110.2**	**35.5**	**(0.3)**	**157.5**

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the majority of the temporary differences have been calculated at the rate of 20% (2013: 20%), the rate effective from 1 April 2015 and substantively enacted by the end of the reporting period. The effect of the reduction in the UK corporation tax rate from 23% to 20% is nil (2013: £28.3 million reduction in deferred tax asset).

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

£ million	2014	2013
Deferred tax assets	**159.4**	247.6
Deferred tax liabilities	**(1.9)**	(1.0)
	157.5	246.6

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £1.0 million (2013: £17.4 million) in the UK and £104.2 million (2013: £103.9 million) in Spain. The UK losses have not been recognised as they are predominantly non-trading in nature and sufficient uncertainty exists as to their future utilisation. The losses in Spain have not been recognised due to uncertainty of sufficient taxable profits existing in the future against which to utilise the losses.

At the balance sheet date, the Group has unused UK capital losses of £255.4 million (2013: £255.3 million), all of which are agreed as available for offset against future capital profits. No deferred tax asset has been recognised in respect of the capital losses at 31 December 2014 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

8. Inventories

£ million	2014	2013
Raw materials and consumables	**–**	1.3
Finished goods and goods for resale	**22.1**	21.3
Residential developments:		
Land	**2,582.4**	2,180.1
Development and construction costs	**882.7**	724.7
Commercial, industrial and mixed development properties	**2.9**	1.4
	3,490.1	2,928.8

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In 2014 we saw the continued positive benefit of the improved environment in all of our regional markets. This is underpinned by solid consumer confidence and good mortgage availability.

During 2014 we saw a continued trend to a healthier and more balanced market. This has meant that whilst we have seen profitability increase on previously impaired sites this has not been as significant as in the prior year. The stabilising of house prices along with a reduction in the number of actively trading sites which are impaired has resulted in a net reversal of previous write downs in the year of £18.7 million (2013: £62.3 million) in the UK.

The net reversal in the UK consists of a reversal of previous write-downs of £27.0 million (2013: £107.1 million) and additional write-downs to the lower of cost and net realisable value of £8.3 million (2013: £44.8 million) on previously impaired sites.

In the year 14% (2013: 32%) of the Group's UK completions were from sites that had been previously impaired.

At the balance sheet date the Group held inventory in the UK that had been written down to net realisable value of £269.6 million (2013: £459.9 million) with associated impairments of £158.1 million (2013: £206.8 million).

The UK net realisable value assessment of inventory is highly sensitive to small changes in judgements and the table below provides an indication of the impact to the inventory held on the balance sheet of 1% movements in selling prices and build costs.

As at £ million	+1% selling price	-1% selling price	+1% build cost	-1% build costs
31 December 2014	12.4	(14.2)	(12.9)	10.9
31 December 2013	18.3	(6.9)	(6.6)	11.7

There has been some improvement in the Spanish housing market during the year however, this improvement has been on newer sites which have been acquired in better locations. Sales rates and prices on sites which have been previously impaired remain low. In the year 50 plots (2013: 95) were completed in Spain that had previously been impaired. In Spain there was inventory written down to net realisable value of £27.0 million as at 31 December 2014 (2013: £30.2 million).

The table below details the movements recorded on the write-downs on impaired inventory recorded through the income statement in the year.

Inventory Write-downs £ million	**2014**	2013
1 January	**265.1**	396.1
Utilised	**(36.0)**	(86.4)
Net reversal	**(18.7)**	(45.6)
Forex exchange	**(4.2)**	1.0
31 December	**206.2**	265.1

9. Retirement benefit obligations

Retirement benefit obligations comprise a defined benefit pension liability of £182.4 million (2013: £182.2 million) and a post-retirement healthcare liability of £1.4 million (2013: £1.6 million).

The Group operates the Taylor Wimpey Pension Scheme (TWPS), a defined benefit pension scheme, which is closed to new members and future accrual. The Group also operates defined contribution pension arrangements in the UK, which are available to new and existing UK employees.

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Defined benefit pension schemes
The Group's defined benefit pension scheme in the UK is the TWPS which replaced the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) in 2013. The TWPS is a funded defined benefit pension scheme which provides benefits to beneficiaries in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. Pensions payments are generally increased in line with inflation.

The Group operates the TWPS under the UK regulatory framework. Benefits are paid to members from a Trustee-administered fund and the Trustees are responsible for ensuring that the scheme is sufficiently funded to meet current and future benefit payments. Scheme assets are held in trust.

The TWPS Trustees' other duties include managing the investment of scheme assets, administration of scheme benefits and exercising of discretionary powers. The Group works closely with the Trustees to manage the TWPS. The Trustees of the TWPS are required to act in the best interests of the TWPS' beneficiaries. The appointment of the Trustees is determined by the TWPS trust documentation.

The Trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out using prudent assumptions. The first funding valuation of the TWPS was performed during 2014, with a reference date of 31 December 2013. Subsequently, the Group agreed to make contributions of £18.0 million in 2015. This includes £2.0 million in respect of administrative costs of the scheme.

In 2013, the Group introduced a £100.0 million Pension Funding Partnership utilising show homes, as well as three offices that are owned, in a sale and leaseback structure. This will provide an additional £5.1 million of annual funding for the TWPS. The assets held within this scheme do not affect the IAS 19 figures as they remain assets of the Group, and are not assets of the TWPS. As at 31 December 2014 there was £93.8 million of property and £17.2 million of cash held within the structure (2013: £92.9 million of property and £18.1 million of cash).

On 8 December 2014, the Trustee completed a medically underwritten buy-in covering around 10% of the liability exposure for £206.2 million. This medically underwritten buy-in significantly derisks the pension scheme and hence further volatility.

Furthermore in conjunction with the Trustee, the Group completed a flexible retirement offer for deferred members. Approximately £25.0 million of future liability has been transferred from the scheme.

The Group continues to work closely with the Trustee in managing the pension exposure.

Accounting assumptions:
The assumptions used in calculating the accounting costs and obligations of the TWPS, as detailed below, are set by the Directors after consultation with independent, professionally qualified actuaries. The basis for these assumptions is prescribed by IAS 19 and they do not reflect the assumptions that may be used in future funding valuations of the TWPS.

	TWPS	
	2014	2013
As at 31 December		
Discount rate for scheme liabilities	**3.50%**	4.60%
General pay inflation	**n/a**	n/a
Deferred pension increases	**1.70%**	2.30%
Pension increases	**2.05%-3.55%**	2.15%-3.70%

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The table below shows the sensitivity of the key assumptions to 0.1% movements.

Assumption	Change in assumption	Impact on defined benefit obligation (£ million)	Impact on defined benefit obligation (%)
Discount rate	Decrease by 0.1% p.a.	Increase by £35m	1.6
Rate of inflation*	Increase by 0.1% p.a.	Increase by £22m	1.0
Life expectancy	Members live 1 year longer	Increase by £66m	3.0

* Assumed to affect deferred revaluation and pensioner increases in payment.

The table below details the movements in the pension liability and assets recorded through the income statement and other comprehensive income.

	Present value of obligation	Fair value of scheme assets	Asset/ (liability) recognised on balance sheet
At 1 January 2014	**(2,035.2)**	**1,853.0**	**(182.2)**
Current service cost	**–**	**–**	**–**
Administration expenses	**–**	**(3.1)**	**(3.1)**
Past service cost / settlements	**–**	**–**	**–**
Interest (expense) / income	**(91.1)**	**83.6**	**(7.5)**
Total amount recognised in income statement	**(91.1)**	**80.5**	**(10.6)**
Return on scheme assets not included in income statement	**–**	**144.4**	**144.4**
Change in demographic assumptions	**75.7**	**–**	**75.7**
Change in financial assumptions	**(251.2)**	**–**	**(251.2)**
Experience gains	**5.2**	**–**	**5.2**
Total remeasurements in other comprehensive income	**(170.3)**	**144.4**	**(25.9)**
Employer contributions	**–**	**36.3**	**36.3**
Employee contributions	**–**	**–**	**–**
Benefit payments	**110.4**	**(110.4)**	**–**
At 31 December 2014	**(2,186.2)**	**2,003.8**	**(182.4)**

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	Present value of obligation	Fair value of scheme assets	Asset/ (liability) recognised on balance sheet
At 1 January 2013	(2,013.0)	1,770.5	(242.5)
Current service cost	–	–	–
Administration expenses	–	(3.2)	(3.2)
Past service cost / settlements	21.6	(17.5)	4.1
Interest (expense) / income	(84.6)	74.9	(9.7)
Total amount recognised in income statement	(63.0)	54.2	(8.8)
Return on scheme assets not included in income statement	–	70.9	70.9
Change in demographic assumptions	–	–	–
Change in financial assumptions	(49.9)	–	(49.9)
Experience (gains) / losses	–	–	–
Total remeasurements in other comprehensive income	(49.9)	70.9	21.0
Employer contributions	–	48.1	48.1
Employee contributions	–	–	–
Benefit payments	90.7	(90.7)	–
At 31 December 2013	(2,035.2)	1,853.0	(182.2)

10. Notes to the cash flow statement

Reconciliation from operating profit to net cash generated from operating activities

£ million	**2014**	2013
Profit on ordinary activities before finance costs		
Continuing operations	**496.8**	355.3
Discontinued operations	**–**	31.3
Adjustments for:		
Depreciation of buildings, plant and equipment	**1.2**	1.3
Net reversal of inventory write-downs	**(18.7)**	(45.6)
Amortisation of software development	**1.7**	1.6
Pensions settlement gain	**–**	(4.1)
Pension overhead expense	**3.1**	3.2
Pension contributions in excess of charge*	**(36.3)**	(48.1)
Share-based payment charge	**6.2**	6.4
Profit on disposal of property and plant	**(0.4)**	(0.1)
Increase / (decrease) in provisions	**7.1**	(60.7)
Operating cash flows before movements in working capital	**460.7**	240.5
Increase in inventories	**(409.1)**	(92.8)
Increase / (decrease) in receivables	**20.6**	(27.3)
Increase in payables	**135.0**	12.0
Cash generated by operations	**207.2**	132.4
Income taxes received	**0.1**	0.9
Interest paid	**(14.6)**	(35.2)
Net cash generated from operating activities	**192.7**	98.1

‘Pension contributions in excess of charge’ has been re-presented to be before movements in Working Capital. In respect of 2013, ‘Cash received on exercise of share options’ and ‘Purchase of own shares’ as presented on the Consolidated Cash Flow Statement have been re-presented to aid comparison to the current year figures.

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Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less.

Movement in net cash / (debt)

£ million	Cash and cash equivalents	Overdrafts, banks and other loans	Debenture loans	Total net (debt)/ cash
Balance 1 January 2013	190.4	(100.0)	(149.4)	(59.0)
Cash flow	(83.3)	–	149.4	66.1
Foreign exchange	(1.7)	–	–	(1.7)
Balance 31 December 2013	105.4	(100.0)	–	5.4
Cash flow	106.1	–	–	106.1
Foreign exchange	1.3	–	–	1.3
Balance 31 December 2014	212.8	(100.0)	–	112.8

11. Discontinued operations

In 2011 the Group sold the North American division. As part of the disposal the Group provided certain indemnities to the buyers. No provision was released during the year as the outstanding indemnities remained valid (2013: £31.3 million).

12. Dividends

£ million	**2014**	2013
Proposed		
Interim dividend 2014 0.24p (2013: 0.22p) per ordinary share of 1p each	**7.8**	6.9
Final dividend 2014 1.32p (2013: 0.47p) per ordinary share of 1p each	**42.9**	15.2
	50.7	22.1
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2013 0.47p (2012: 0.43p) per ordinary share of 1p each	**15.2**	13.9
Interim dividend 2014 0.24p (2013: 0.22p) per ordinary share of 1p each	**7.8**	6.9
Special dividend 2014 1.54p (2013: nil) per ordinary share of 1p each	**49.7**	–
	72.7	20.8

The Directors recommend a final dividend for the year ended 31 December 2014 of 1.32 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of £42.9 million (2013: £15.2 million). The final dividend will be paid on 20 May 2015 to all shareholders registered at the close of business on 10 April 2015.

The Directors additionally recommend a special dividend of £250.0 million. The special dividend payable July 2015 will be paid on 3 July 2015 to all shareholders registered at the close of business on 22 May 2015.

In accordance with IAS 10 ‘Events after the balance sheet date’ the proposed final or special dividends have not been accrued as a liability as at 31 December 2014.