Taylor Wimpey plc

1 March 2016
Taylor Wimpey plc
Full year results for the year ended 31 December 2015

Pete Redfern, Chief Executive, commented:

"Taylor Wimpey delivered a record performance in 2015, building over 13,000 homes across the UK and contributing over £335 million to local communities. We are focused on creating long term value and are supportive of policy initiatives that promote sustainability and reduce volatility in the housing market.

2016 has continued to be positive across all of our regional markets, with demand strong and good access to mortgages. With a strong order book and high-quality landbank, we continue to work with stakeholders to ensure we open all sites with implementable planning and begin building as quickly and efficiently as possible.

We are focused on continuous improvement in the basics of the business, through our continued investment in our people, product and customer service."

2015 UK operational highlights

- Completed a total of 13,219 homes (excluding joint ventures) across the UK, up 7.5% (2014: 12,294 homes)
- 8.0% increase in total average selling price to £230k (2014: £213k)
- Short term landbank of c.76k plots with 60% sourced from the strategic land pipeline
    - Acquired 6,971 high-quality plots in the short term land market
    - Worked with communities, planners and landowners to convert a further 8,660 plots from the strategic pipeline
- Record year end order book representing 7,484 homes (31 December 2014: 6,601) with a total value of £1,779 million (31 December 2014: £1,397 million), excluding joint ventures

2015 Group financial highlights

- Strong financial performance, delivering on our three year medium term targets in the first year:

	2015	2014	Change
Operating profit* margin	20.3%	17.9%	2.4ppt
Return on net operating assets**	27.1%	22.5%	4.6ppt
Increase in net assets (including returns to shareholders) †††	19.6%	15.8%	3.8ppt
Cash conversion	67.0%	43.1%	23.9ppt

- Total maintenance dividend for 2015 of 1.67 pence per share (2014: 1.56 pence per share)
- Further c.£300 million (9.20 pence per share) surplus cash to be returned in July 2016 as previously announced, subject to shareholder approval

	2015	2014	Change
Revenue £m	3,139.8	2,686.1	16.9%
Operating profit* £m	637.0	480.7	32.5%
Profit before tax and exceptional items £m	603.8	450.1	34.1%
Profit for the period before exceptional items £m	482.3	359.7	34.1%
Adjusted basic earnings per share pence††	14.9	11.2	33.0%
Basic earnings per share pence	15.1	11.6	30.2%
Tangible net asset value per share pence†	83.5	77.9	7.2%
Net cash £m	223.3	112.8	98.0%
Total maintenance dividend per share pence (subject to shareholder approval)	1.67	1.56	7.1%

Current trading and outlook

The UK housing market remained robust during late 2015 and has strengthened into the beginning of 2016. The market continues to show price growth and very good sales rates across most geographies. In central London, the market is stable, with flat prices and sales rates returning to a more normal level.

The net private sales rate for the year to date (w/e 21 February 2016) is 0.77 (2015 equivalent period: 0.68). As at 21 February 2016, we are c.50% forward sold for private completions for 2016 with an excellent total order book of £2,030 million (2015 equivalent period: £1,630 million), excluding joint ventures.

We have been successfully operating to our strategy for five years now, running the business according to our underlying principles. During that time we have invested heavily in land and people development.

In 2015, we delivered record operating results, and returned over £308 million to shareholders by way of total dividend. Today, Taylor Wimpey has one of the largest strategic land pipelines in the sector with c.107k potential plots, together with a high-quality short term landbank of c.76k plots.

The success of our strategy over the last five years, partially helped by a stable and positive market, has given us the opportunity to focus on continuously improving our business processes and systems, including our customer service, ensuring consistency across our 24 business units.

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

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

*** Operating cash flow is defined as cash generated by operations before tax and interest paid on a rolling 12 month basis.

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

†† Adjusted basic earnings per share represents earnings attributed to the shareholders of the parent, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares in issue during the period.

††† Growth in net assets before cash distributions is defined as the percentage change between closing net assets pre accrued and paid returns to shareholders on a rolling 12 month basis and closing net assets on a rolling 12 month basis from the comparative period.

†* Net operating asset turn is defined as total revenue divided by the average of opening and closing net operating assets. Based on rolling 12 months.

- Ends -

A presentation to analysts will be hosted by Chief Executive Pete Redfern and Group Finance Director Ryan Mangold at 9am on Tuesday 1 March 2016. This presentation will be broadcast live via our website:

www.taylorwimpey.co.uk/corporate

An archived version of the webcast will be available on our website in the afternoon of 1 March 2016.

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Faeth Birch
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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

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Group strategy and returns

Our strategy is differentiated by a long term focus on value and on achieving both our financial and quality objectives sustainably in a cyclical environment.

During the five years that we have been operating to our current strategy, we have invested heavily in new land at the right time and in the right locations. This, combined with our strategic focus to drive increased conversions from our strategic pipeline, has grown the scale, quality and future profitability of our landbank. This approach has enabled us to deliver record margins and returns to shareholders, whilst continuing to invest in the future of the business.

We operate in a cyclical market and the positive market conditions have enabled us to make significant progress towards our medium term targets and deliver ahead of our own expectations. We are confident that our strategy will continue to deliver further strong progress and remains, more importantly, an agile framework which can be adapted to market conditions through the cycle, with the consistent underpin of a strong set of simple principles.

This disciplined approach to the implementation of our strategy has been a key factor in ensuring our strong progress against our financial objectives.

In the first year of the medium term targets, which we set out in May 2014, we are pleased to report that we have outperformed our expectations and, against a backdrop of a more positive housing market, we have met or exceeded each of these three year targets. These medium term targets recognise that we operate in a cyclical environment and offer visibility of financial performance. The targets, each of which is applicable for the period of 2015 to 2017, are to achieve on average the following over the three year period:

- An average operating profit* margin of 20%
- 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
- An average conversion of at least 65% of operating profit into operating cash flow***

We are confident that we will continue to make progress against these measures in 2016 and 2017.

We believe that we are currently operating in the growth stages of the housing market, with good accessibility to mortgages for customers and house price growth at sensible levels. We are also operating in a short term land market which has remained benign and disciplined for a number of years. Looking forward, we will continue to develop the existing strategy further and ensure we have the right underlying business for the future, focusing on the basics of the business, and, in particular, investment in our people, product and systems and customer service processes.

Dividend and cash return policy

Our dividend policy is inherently linked to our strategy and reflects the cyclical environment in which we operate. Our policy consists of a regular maintenance dividend, which is currently set at 2% of net assets, the top end of our range of 1-2%, in addition to a return of surplus cash to shareholders at the appropriate times in the cycle. A key part of the rationale of our approach to running the business in a sustainable way is to give investors a significant, consistent and reliable dividend stream.

Our 2015 final maintenance dividend of 1.18 pence per share is to be paid on 20 May 2016 to shareholders on the register at the close of business on 8 April 2016 (2014 final dividend: 1.32 pence per share), subject to shareholder approval at the 2016 AGM. In combination with the interim dividend of 0.49 pence per share (2014 interim dividend: 0.24 pence per share), this gives a total maintenance dividend for the year of 1.67 pence per share (2014 total maintenance dividend: 1.56 pence per share).

On 3 July 2015, we returned £249.6 million to shareholders, by way of a cash return, equating to 7.68 pence per ordinary share. As previously announced on 29 July 2015, we will return c.£300 million on 15 July 2016, equating to 9.20 pence per ordinary share, to shareholders on the register at the close of business on 3 June 2016, subject to shareholder approval at the 2016 AGM.

The Board expects surplus cash returns to continue to form a significant proportion of the annual total return to shareholders. These cash returns will be set on an annual basis, in line with the cash generation of the business.

Operational review

Taylor Wimpey plc is a UK-focused residential developer, which also has operations in Spain. Our operational review is for the 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, unless otherwise indicated.

Joint ventures are excluded from the operational review and Group financial review, unless stated otherwise. For the purpose of clarity, joint ventures are separated out in the Group financial review.

Our key performance metrics

UK	2015	2014	Change
Contribution per legal completion £k	59.4	49.6	19.8%
Forward order book as a % of completions (as at 31 December) excluding JVs	56.6%	53.7%	2.9ppt
Owned and controlled plots with planning or resolution to grant	75,710	75,136	0.8%
Strategic land pipeline conversion plots	8,660	10,779	(19.7)%
% of completions from strategically sourced land	47%	39%	8ppt
Customer satisfaction %	86%	87%	(1)ppt
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)	175	209	(16.3)%
Employee turnover % (voluntary, restated)	13.3%	13.6%	(0.3)ppt

Sales, completions and pricing

During 2015, the UK housing market was positive, with high levels of customer confidence and demand converting into increased sales and healthy sales price growth. Despite the uncertainty in the lead up to the General Election, we saw a very stable and solid housing market in the first half of the year, with resilient sales rates and small incremental increases in house prices. Following the outcome of the General Election, there was a more significant improvement in consumer confidence, and mortgage availability and cost, which continued into the traditionally slower summer period. During the year, we were pleased to see that the tighter lending requirements, introduced in 2014, continued to help ensure that monthly payments remained affordable, aiding the stability of the market. Overall, we estimate that market led house price growth was c.6% during 2015.

Whilst there were some regional variations, we saw a generally positive and steady market across all geographies. Approximately 6% of our outlets are located inside the M25 which continues to have strong underlying fundamentals, particularly at the mid-range level.

In 2015, home completions increased by 7.5% to 13,219 (2014: 12,294). During 2015, we delivered 2,509 affordable homes (2014: 2,178), equating to 19% of total completions (2014: 18%). Our net private reservation rate for 2015 was 0.73 homes per outlet per week (2014: 0.64). Cancellation rates remained low at 12% (2014: 14%). Average selling prices on private completions increased by 8.5% to £254k (2014: £234k), benefiting from our focus on better quality locations. Our overall average selling price increased by 8.0% to £230k (2014: £213k).

The Government's Help to Buy equity loan scheme remains popular with our customers. During 2015, approximately 37% of total sales used the scheme, and we worked with c.5,200 households to take the first step to home ownership or to move up the housing ladder (2014: 35% and c.4,400). Approximately 77% of sales through Help to Buy in 2015 were to first time buyers (2014: 73%).

We ended the year with a record year end order book, which increased in value by 27% to £1,779 million as at 31 December 2015 (31 December 2014: £1,397 million), excluding joint ventures. The increase in the order book value also benefitted from a stronger presence in Central London which has now reached broadly optimal scale. This order book represents 7,484 homes (31 December 2014: 6,601 homes).

We ended 2015 with 297 outlets (31 December 2014: 305) located in high-quality locations which are supported by strong demographics. We continue to open all sites with implementable planning as efficiently as possible.

We continue to monitor and await the full details of the new Starter Homes initiative, in order to assess the investment required in skills and resources to deliver this scheme. In addition, we will continue to monitor the debate around the upcoming European Union referendum. As a business whose customer base and supply chain is principally in the UK, we believe the only material risk is around economic confidence and transition in the event of an exit.

Customers

During 2015, we achieved a customer satisfaction score of 86% (2014: 87%). We are disappointed that this has slipped. Whilst we operate in a cyclical market, we strongly believe that a customer centric approach is needed throughout the cycle. During 2015 we completed 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. Throughout the review, our focus has been on understanding our customers' priorities to enable us to deliver at and ahead of expectations. We have also commenced the process of rolling out our new customer approach across the business with a focus on three main areas: our culture, management structure and process. This is to ensure that going forward we deliver the right product, supported by excellent customer service to all our customers at every stage of their journey with Taylor Wimpey.

As part of this new approach, we have developed a customer mindset focused on delivering proactive, positive and professional service, which we want to ingrain in our behaviour with customers. We have also developed and will be embedding four customer commitments in the business, focused on getting it right first time, communicating well, keeping promises and finding solutions.

In addition, during 2015, we have enhanced the capability and size of our customer service teams across the regional businesses, with the introduction of a number of key new roles. In 2015 we developed and started to implement a training programme to equip those employees interacting with our customers with the right skills to deliver a consistently great service.

We are pleased to see a positive trend in customer satisfaction in the monthly survey scores in the second half of 2015. Customer service will remain a key priority for Taylor Wimpey in 2016 and on an ongoing basis.

Land and planning

Good quality land with planning is the critical raw material for our business: investing at the right time in the right location and enhancing and realising the value of our investments through effective planning is key, in all market environments. We believe that the strength and quality of our landbank is one of the key differentiators for Taylor Wimpey.

The changes to planning policy over the last five years have resulted in an improved environment, however we recognise that we have not seen the full benefits flow through into the planning system yet.

We are within the optimum range of our short term landbank at c.76k plots. This equates to c.5.7 years of supply at current completion levels and is broadly spread across the country in targeted high-quality locations, supported by strong demographics and economics. We therefore have an extremely selective and targeted approach to further land investment, which is broadly at replacement level in the short term land market. This is focused on where we can add value and seek to maximise the returns from our investments, while continuing to ensure that the business is optimally positioned to deliver those returns on a sustainable basis. The average selling price in the UK short term owned landbank in 2015 increased by 10.4% to £245k (2014: £222k), driven by the quality of additions and the improvement in the housing market.

The average life cycle of a site is approximately five years, which makes it critically important that we continue to assess the capital lock-up on a regional and Group basis. The short term land market remained disciplined throughout 2015, enabling us to continue to source and invest in short term value-creating land opportunities at investment operating profit* margins of around 20% and a return on capital employed in excess of 27%. In 2015 we acquired 6,971 plots in the short term land market (2014: 8,315 plots).

The quality of our short term landbank is supported by the strategic pipeline and is realised as we convert potential plots with no residential planning into the short term landbank with planning. The strategic pipeline enables us to optimise our cash flows and underpins our profitability, providing a source of land supply at enhanced margins. In order to enhance the value of our strategic land pipeline, our regional businesses and strategic land teams work together to achieve planning consents on our strategic land sites that align with the detailed design and delivery requirements of the local area and business. We have one of the largest strategic pipelines in the sector which stands at c.107k potential plots (31 December 2014: c.110k potential plots), enhanced by our strong reputation and long history of working with land vendors and local communities to progress land through the planning system. During 2015, we converted a further 8,660 plots from the strategic pipeline to the short term landbank (2014: 10,779 plots), significantly in excess of our medium term conversion target of c.6,000 plots per annum. This provides us with increased choices and opportunities. We continue to invest in new opportunities, and in 2015 we added a net 5.8k new potential plots to the strategic pipeline (2014: 10.4k). In 2015, a record 47% of our completions were sourced from the strategic pipeline (2014: 39%). Our aim is to sustain completions from the strategic pipeline of over 40% per annum in the medium term.

Our investment and scale is based on our view of land quality and capital risk in a cyclical market. As previously announced, we have established a dedicated team, Major Developments, to evaluate the increasing number of land opportunities, which have a high return potential and a lower land and capital risk funding structure. The Major Developments team also enables us to control and enhance large scale land opportunities. The team seeks acquisition structures that require low upfront capital investment, offering reduced land risk and, therefore, reduced exposure to longer term market changes. We currently have c.20 sites within our land portfolio which also broadly have these characteristics and continue to see these structures as an attractive route to creating additional value through enhanced returns on capital employed and, importantly, as a means to further reduce future cyclical risk.

Build costs and efficiency

During 2015, the improved market resulted in underlying build cost increases (excluding house type mix impact) of c.5% (2014: c.5%). This was weighted towards labour, with materials largely keeping pace with the growth of the industry. Looking forward, material pricing remains broadly flat and we have seen a reduced rate of inflation on labour pricing. We anticipate underlying build costs will increase by 3-4% in 2016.

Taylor Wimpey Logistics plays an important part in our supply chain management, particularly in the current environment, providing us with an alternative route to delivery and aiding efficiency with the preparation of 'just in time' build packs for each stage of the building process.

We have improved our UK net operating asset turn[†]* to 1.34 times (2014: 1.29 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.

Product

Our standard house plan range, which is used on over 70% of our sites, offers many advantages, including efficient procurement opportunities, quality of design, and build and cost control within the regulatory framework.

We continually review our product offering to ensure we are able to reflect our customer lifestyles and expectations. During 2015, we launched a detailed review of our standard product specification across the full range.

Looking longer term, we have commissioned a project where we are working with customers and suppliers to explore and evaluate trends, changes and new innovations in design, architecture, technology, materials and methodology with the aim of shaping, designing and future-proofing our product range.

Health and safety

The health and safety of individuals on our sites is, and will remain, 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, and we will not compromise in ensuring that everyone leaves our sites safe and well. We have a comprehensive Health, Safety and Environmental (HSE) Strategy and a fully integrated HSE Management System in place which is regularly reviewed at all levels. Our commitment to health and safety was reflected in our 2015 employee survey which found that 98% of our staff who took part believe that Taylor Wimpey takes health and safety seriously.

We have continued to keep our Annual Injury Incidence Rate (AIIR) for reportable injuries low at 175 per 100,000 employees and contractors in 2015, a 16.3% reduction on our 2014 AIIR rate (2014: 209). Our AIIR compares favourably with the Home Builders Federation Home Builder Average AIIR of 361 for 2014/15 and the Health and Safety Executive Construction Industry Average AIIR of 421 for 2014/15. We reduced our AIIR for major injuries per 100,000 employees and contractors from 26 in 2014 to 18 in 2015.

People and skills

We aim to be the employer of choice in the housebuilding industry, attracting and retaining the best people to establish a culture that gives individuals the opportunity and support to develop to their full potential, regardless of market conditions. We fundamentally believe that having the right people with the right skills at all levels in our organisation is critical to building a quality, sustainable business and delivering our strategy. During 2015 we directly employed, on average, 4,299 people across the UK. In an increasingly competitive market, we are pleased that our voluntary employee turnover rate remained low, relative to history, at 13.3% during 2015 (2014: 13.6%).

As previously announced, in 2015 we reviewed the operational structure of the business and future operational reporting lines, which resulted in some changes and enhancements in the Group Management Team. Following this, and reflecting the size and scale of the business in the South, we separated the South into two divisions (the Central and South West Division, and the London and South East Division) and we are now operating within this management structure.

During 2015, we continued our review of all aspects of our human resources strategy and engaged extensively with different areas of the business, to ensure our employee proposition is attractive and, therefore, helps to retain our employees whilst at the same time encouraging them to go the extra mile for our customers, now and into the future. This is also particularly important in a competitive climate.

We believe that building a pipeline of talent is key. Through our learning and development initiatives, aimed at growing talent from within, we give our employees the opportunities and skills to become our future business leaders and develop their careers with Taylor Wimpey. During 2015, we recruited 98 apprentices (including 29 site management apprentices), 22 management trainees and 19 graduates, whilst improving our apprenticeship and trainee schemes across a number of areas (2014 total: 168).

Following the continuing success of our Sales Academy model, we have now introduced a Production Academy to give our employees a clear career path to site management through a structured programme that will develop their technical expertise. We plan to expand this Academy model to commercial and land and planning disciplines in the future.

At Taylor Wimpey, we strive to treat our employees fairly and with respect. During 2015 we continued to focus on diversity and inclusion through our senior management working party and, according to our employee survey, 92% of respondents believe that Taylor Wimpey is committed to becoming a more inclusive organisation with a diverse workforce.

We believe that employee share ownership is important. We are pleased that over 50% of all eligible employees participated in the Company's all-employee share schemes or held shares of the Company during 2015 and we plan to extend this eligibility further.

Since its implementation in 2014, 73 employees have taken advantage of our enhanced employee discount scheme of up to 20% subject to certain criteria when buying a Taylor Wimpey home. The scheme aims to reward and encourage long term loyalty of our employees.

Taylor Wimpey once again delivered an excellent performance in the National House-Building Council's (NHBC) Pride in the Job Awards in 2015, with 63 of our site managers achieving Quality Awards (2014: 70), 20 Seals of Excellence (2014: 23) and three being named Regional Winners (2014: five).

Local communities

We aim to be the industry leader in all aspects of planning and to obtain the right planning consents that enable us to respond to a changing market, reflect the desires of our customer base and deliver the quality homes we want to build, whilst meeting our financial objectives.

Whilst we have a national presence, we operate as a very local homebuilder with 24 regional businesses across the country. We are committed to working with local people and stakeholders throughout the planning process and 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, where possible, incorporate these within our plans.

We build much more than homes. We work with communities and our partners to create well designed, sustainable neighbourhoods where our customers want to live, grow and thrive and which are valued by our local communities. We are pleased that 96% of our employees who took part in our employee survey agree that Taylor Wimpey benefits local communities. In 2015, we contributed over £335 million to local communities in which we build across the UK via planning obligations, providing local infrastructure, affordable homes, public transport and education facilities (2014: £300 million).

Sustainability

We believe that sustainability is fundamental to each aspect of our business model and value cycle and, therefore, to the long term success of our business. Operating sustainably is both the right thing to do and makes good business sense. We aim to balance the long term economic stability and growth of the Company with our responsibilities to the environment, society and the economies in which we operate.

We strive to be an open, transparent and responsive company for all our stakeholders and to work with them to understand and address the wider social, economic and environmental impacts resulting from our operations. Based on our employee survey, 97% of respondents believe that Taylor Wimpey is committed to being an ethical and responsible company.

During 2015, we continued our partnership with Centrepoint and our network of six regional homelessness charities across the UK, and remained a patron of CRASH, the construction and property industry's charity for homeless people. Our Chief Executive, Pete Redfern, also continued his work as a Trustee at Crisis, the national charity for single homeless people.

In addition to helping to tackle homelessness and housing issues, in 2015 we supported a range of other charitable causes at a national as well as regional level. In total, during 2015 we donated and fundraised over £746k for registered charities (2014: £539k), in addition to c.£112k for other organisations, such as scout groups and other local community causes. More information about our efforts, including local sponsorships and charity partnerships can be found within our Sustainability Report, which will be published on our website www.taylorwimpey.com/corporate in March 2016.

During 2015 we reviewed our charity policy to ensure that it is fully aligned to our values as a business and that we continue to make a difference to the charities that we work with by actively contributing financially, with our time, energy or through leadership. Going forward we will support selected charities at both a national and regional level with a focus on projects which promote aspiration and education in disadvantaged areas and intervening to help tackle homelessness for seriously economically disadvantaged groups in the UK.

Spain

We have seen a meaningful improvement in the Spanish market in 2015. We completed 251 homes in 2015 (2014: 164) at an average selling price of €315k (2014: €250k). The total order book as at 31 December 2015 stood at 270 homes (31 December 2014: 233 homes).

The Spanish business delivered an improved operating profit* of £10.0 million for 2015 (2014: £4.2 million) and an operating profit* margin of 17.2% (2014: 12.5%). Looking ahead, we remain cautiously optimistic given the significant contribution of newly acquired sites, whilst conscious of the wider macro European economic environment.

Group financial review of operations

Income statement

Group revenue increased by 16.9% to £3,139.8 million in 2015 (2014: £2,686.1 million) from completions of 13,470 (2014: 12,458). The increase was driven by much improved selling prices in the UK, up 8.0% to £230k (2014: £213k), and UK volume growth of 7.5% to 13,219 completions (2014: 12,294). Average selling prices on private completions increased by

8.5% to £254k (2014: £234k) in the UK, with this increase a result of both our underlying shift to better quality locations and capturing market sales price increases.

The UK land cost per unit sold at £42.4k is lower than £45.1k in the prior year, reflecting the increased contribution from sites acquired through the strategic pipeline and trading from a lower number of sites acquired before the economic downturn. Total UK land cost per completion as a percentage of selling prices was 18.4% (2014: 21.2%) reflecting the benefits of conversions from the strategic land pipeline, partially offset by product mix and an increase in volumes from the London market, where land cost is a higher proportion of revenue.

Build cost per unit in the UK increased to £121.9k (2014: £112.9k). This reflects both the higher product specification required in better quality areas and the impact of build cost inflation. Other direct costs and selling expenses per unit increased to £6.0k (2014: £5.3k). The improvements in how we engage with potential customers mean that total selling expenses are marginally higher as a percentage of revenue.

We are focused on maximising the contribution per completion as we seek to drive the quality of returns. Contribution per completion increased by 19.8% to £59.4k for 2015, (2014: £49.6k), as a result of better quality locations and improving market conditions, offset partially by build cost increases.

Gross profit before exceptional items, of £788.0 million (2014: £620.9 million), increased by 26.9% and included a positive contribution of £8.9 million (2014: £15.9 million). Positive contribution represents previously written down inventory allocated to a plot which has subsequently 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. Whilst the UK housing market has continued to improve, specific issues on certain impaired sites have resulted in the Group recording a net addition of £0.6 million of inventory write-downs (2014: £18.7 million reversal). The net addition in the year consisted of a release of previous impairments of £6.6 million and additional write-downs to the lower of cost and net realisable value of £7.2 million on previously impaired sites.

In 2015, 6% (2014: 14%) of the Group’s UK completions were from sites that had been previously impaired. In Spain, 53 plots (2014: 50) were completed that had previously been impaired. The Group anticipates that c.4% of UK 2016 completions will come from sites that have been previously impaired.

We continue to monitor our management structures and overhead cost to maximise value and returns. In the short term we expect an increase in overheads as the initiatives implemented for improvements in employee development and customer service are brought on stream.

As previously announced, we now detail separately the trading metrics of joint ventures. During 2015, completions from joint ventures were 122 (2014: 160). The total order book value of joint ventures as at 31 December 2015 was £60 million (31 December 2014: £69 million) representing 118 homes (31 December 2014: 159). Our share of results of joint ventures in 2015 was £4.9 million (2014: £2.6 million).

Operating profit* increased to £637.0 million (2014: £480.7 million), delivering an operating profit* margin of 20.3% (2014: 17.9%), an increase of 240 basis points. The UK operating profit* margin in the second half of the year was 21.1% (H2 2014: 19.3%). 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, as well as delivering operational efficiencies across the business.

Pre-exceptional net finance costs for the period were £33.2 million (2014: £30.6 million). Interest on overdraft, bank and other loans reduced by £2.8 million year on year benefiting from the ‘amend and extend’ agreement with the banks in February 2015. These lower debt finance costs have been offset by higher unwind of discount on land creditors. During 2015, average net borrowings were £94.8 million (2014: £148.7 million).

Pre-exceptional profit before tax for the year from operations increased by 34.1% to £603.8 million (2014: £450.1 million). The pre-exceptional tax charge was £121.5 million (2014: £90.4 million) with an underlying tax rate of 20.1% (2014: 20.1%) that largely reflects the statutory tax rate in the UK.

Given the continued improvement in the profitability in the Spanish business driven by the performance on recently acquired sites and an improvement in several markets we operate in, a deferred tax asset of £8.0 million has been recognised as an exceptional item in the year. £68.4 million of unrecognised Spanish trading losses remain, as at 31 December 2015.

This resulted in a profit, before exceptional items, for 2015 of £482.3 million (2014: £359.7 million), 34.1% up on the prior year.

Basic earnings per share was 15.1 pence (2014: 11.6 pence). The adjusted basic earnings per share†† was 14.9 pence (2014: 11.2 pence), up 33.0%.

Balance sheet

Net operating assets were £2,442.6 million (31 December 2014: £2,265.0 million), reflecting a net investment of £269.1 million (2014: £409.1 million) year on year in land and work in progress, funded mostly by increased profitability. Return on net operating assets** increased by 460 basis points to 27.1% (2014: 22.5%), ahead of our medium term target of 20%, reflecting improved profitability and balance sheet discipline.

Group net operating asset turn†* increased to 1.33 times (2014: 1.26 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 2015 increased by 19.6% before cash distributions and 7.4% overall year on year to £2,723.3 million (31 December 2014: £2,535.3 million). The net asset increase was driven by profitability in the period offset by the £58.8 million maintenance dividend and the £249.6 million cash return.

As at 31 December 2015, the Group held inventory that had been written down to net realisable value of £139.5 million (31 December 2014: £296.6 million) of which the balance in the UK was £115.2 million (31 December 2014: £269.6 million). As at 31 December 2015, the associated write-downs were £167.7 million (31 December 2014: £206.2 million) of which the balance in the UK was £124.2 million and principally related to 14 locations.

As at 31 December 2015, in the UK, 4% of our short term owned and controlled land was impaired (31 December 2014: 7%), with 79% of the short term owned and controlled landbank purchased after 2009, 60% of which was sourced through our strategic pipeline, resulting in a land cost to average selling price in the short term owned landbank of 16.3% (31 December 2014: 17.3%).

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 £629.8 million (2014: £487.7 million) and, combined with net cash, resulted in adjusted gearing of 14.3% (31 December 2014: 14.8%).

The mortgage debtor balance was £94.6 million at 31 December 2015 (31 December 2014: £104.8 million), with the decrease due to net redemptions of £11.3 million, offset by a fair value uplift of £1.1 million.

Our deferred tax asset reduced to £55.7 million (31 December 2014: £157.5 million), due to utilisation against profits in the period. During 2015, the Group fully utilised its deferred tax asset arising from UK trading losses and there are no material unrecognised UK trading tax losses.

Retirement benefit obligations of £178.4 million at 31 December 2015 (31 December 2014: £183.8 million) comprise a defined benefit pension liability of £177.1 million (2014: £182.4 million) and a post-retirement healthcare liability of £1.3 million (2014: £1.4 million). The deficit in the pension scheme has decreased by £5.3 million due to contributions in the period partially offset by actuarial assumptions, most notably discount rates and inflation. In 2015 we contributed £23.1 million in pension contributions (2014: £36.3 million).

Cash flow

Net cash increased substantially to £223.3 million at 31 December 2015 from £112.8 million at 31 December 2014, despite returning £308.4 million to shareholders by way of dividends in the year. This improvement in net cash is largely as a result of strong performance in underlying trading, whilst at the same time continuing to invest in our landbank. Total land spend, including movement in land creditors, was £556.3 million (2014: £795.7 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 £106.8 million as at 31 December 2015 (31 December 2014: £67.0 million). In 2015, we paid £14.5 million in interest costs (2014: £14.6 million), £308.4 million in dividends and purchased £2.0 million of own shares for settlement of future vesting of share schemes. Average net debt for the year was £94.8 million (2014: £148.7 million).

Financing structure

As at 31 December 2015, 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 resulted in an interest saving of c.£2.5 million in 2015. The average maturity of our committed facilities is now four 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. We are currently rated investment grade by two of the three main agencies.

Dividend and cash return

Subject to shareholder approval at the AGM, to be held on 28 April 2016, the 2015 final maintenance dividend of 1.18 pence per share will be paid on 20 May 2016 to shareholders on the register at the close of business on 8 April 2016 (2014 final dividend: 1.32 pence per share). In combination with the interim dividend of 0.49 pence (2014 interim dividend: 0.24 pence per share) this gives a total maintenance dividend for the year of 1.67 pence (2014 total maintenance: 1.56 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 2016 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 2015 we returned cash of £249.6 million by way of a special cash return, equating to 7.68 pence per share, to shareholders on the register at the close of business on 22 May 2015. As announced on 29 July 2015 we will return c.£300 million to shareholders in July 2016 by way of a cash return, equating to 9.20 pence per ordinary share subject to shareholder approval. This is proposed to be paid on 15 July 2016 as a cash dividend to all shareholders on the register at close of business on 3 June 2016. Shareholders will 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 20 June 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.

Viability statement

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted their review for a period of three years, which is in line with the Group's operational planning and risk management review periods. This operational plan includes the financial considerations attached to the principal risks of the business. It includes macroeconomic and industry wide projections as well as matters specific to the Group. To mitigate the risks inherent in forward-looking projections, budgets are subject to sensitivity analysis on a series of realistically possible changes to principal assumptions, such as variations in house prices, build costs, planning environments, the number of completions and margins.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

Shareholder information

The Company's 2015 Annual General Meeting (AGM) will be held at 11am on 28 April 2016 at the British Medical Association, BMA House, Tavistock Square, London WC1H 9JP.

Copies of the 2015 Annual Report and Accounts will be available from 18 March 2016 on the Company's website www.taylorwimpey.co.uk. Hard copy documents will be posted to shareholders who have elected to receive them and will also be available from our registered office at Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR from 18 March.

A copy of the 2015 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 2015. 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 29 February 2016 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. These are not listed by order of importance. Management of these risks and uncertainties is the responsibility of the Chief Executive and the Group Management Team, together with the roles noted below. 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 36 and 37 of our 2015 Annual Report and Accounts, which will be available at www.taylorwimpey.co.uk from 18 March 2016.

We also maintain a Sustainability and Climate Change Risk and Opportunity Register to monitor other sustainability issues that could affect the Group. In addition, our climate change related risks and opportunities are available as part of our 2015 CDP submission. For more information please visit www.taylorwimpey.co.uk/corporate/sustainability

	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2015
Government Policy and planning regulations The National Planning Policy Framework (NPPF) and the Localism Act are becoming established, whilst uptake of the Community Infrastructure Levy (CIL) is increasing, but slowly. The Housing & Planning Bill was presented to Parliament in the Autumn and is closely linked to many of the initiatives announced in the Chancellor's Autumn Statement and Spending Review. These aim to address the disparity between the demand and supply for housing in the UK, by seeking changes to the planning system and signalling potential financial considerations for some sections of our customer base. The position is dynamic as a number of elements, particularly around the Starter Homes initiative, are still to be fully defined which, as they are	Our ability to build homes and communities is dependent upon drawing up site proposals which meet the needs and affordability of our customers, obtaining planning permissions in acceptable timeframes and achieving other regulatory requirements and permits. The NPPF has been positive for housebuilding, although there remains a risk of delayed or refused planning applications, increased timescales to the discharge of planning conditions and greater complexity around s106 since the introduction of CIL. As all elements of the recent announcements are clarified, there could be a change in demand for specific products at our planned sites. In turn, this may lead to changes to site mixes, and to extended timeframes to gaining consent.	• With the introduction of The Housing and Planning Bill, we may be required to meet higher levels of planning obligations and we may incur additional costs to meet increased regulatory requirements. • Unforeseen delays or inability to obtain suitable consents, could impact on the number or type of homes that we build. • The locally produced CIL charge schedules may increases costs, impacting the viability of current developments. Where 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 operate within our comprehensive community-led planning strategy. This 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 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. We have met with Government officials and contributed to the HBF submissions in respect of The Housing and Planning Bill and the Starter Homes initiative in particular.

clarified and embedded, could have a disruptive effect on the planning system, sales rates, site mixes and customer behaviour. **Responsibility** • Land Director • Regional Managing Directors				
Impact of market environment on mortgage availability and demand Mortgage availability and affordability constrain the demand for housing. Following the Mortgage Market Review in 2014, stricter guidelines were introduced for lenders to assess mortgage affordability. In 2015, the Bank of England's Financial Policy Committee gained new powers, to set loan-to-value and debt-to-income limits for residential mortgages. The Government has extended the Help to Buy equity loan to 2021, although there is uncertainty over the impact when the scheme ends. **Responsibility** • 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 mortgages to finance their purchases. A change in business confidence, employment opportunities or significant changes in the base rate may 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.	• A reduction in demand for new homes below normal levels could negatively impact on both profit 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. Throughout 2015 we have continued to develop good working relationships with established mainstream lenders and those wishing to increase volume within the new build market.
Material costs and availability of subcontractors A continued increase in housing production may further reduce the availability of materials and subcontractors, and put pressure on utility firms to keep up with the pace of installation. This results in build programme and completion delays and an unexpected increase in	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	• If the availability of subcontractors or materials is insufficient to meet demand, this could lead to increased build times and costs, 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. We provide both high-level and site specific programme information to aid with demand planning. Competencies are considered as part of our subcontractor selection	Following the recent growth in housebuilding, availability and cost of materials has stabilised and meets current demand. The supply of quality subcontractors remains challenging. The Group has agreed product lines and volumes with key suppliers to mitigate long lead times and

costs. **Responsibility** • Head of Procurement • Regional Commercial Directors	increase.		process, particularly in relation to health and safety, quality, previous performance and financial stability. We work to address the skills shortage with apprenticeship schemes and the Construction Industry Training Board.	shortages.
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** • 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. There remains an increasing incidence of 'poaching' in the housebuilding market. The demand for high-quality trained and experienced employees has increased and is key to achieving our strategic goals.	• Not having the right teams in place could lead to delays in build, quality issues, reduced sales levels, poor customer service and reduced profitability.	We closely monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration to ensure we are competitive within the industry. Clear succession plans are in place for key roles within the Group. We hold regular development reviews to identify training requirements.	During 2015, we increased the number of employees on apprentice, management and graduate training schemes. We broadened our recruitment channels, encouraging a diverse candidate base. Our renewed approach to succession planning enabled more internal candidates to be promoted to senior roles. Finally, the benefits package has been refined and aligned across weekly and monthly paid employees.
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** • Divisional Managing Directors • Regional Managing Directors • Regional Land and Planning Directors • Strategic Land Managing Directors	Land is the major 'raw material' for the Group. The limited availability of good-quality land at an attractive price throughout the housing cycle, leads to significant competition. The disciplined purchasing of 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 sustainable margins through the cycle.	• Purchasing poor-quality or mispriced land, or incorrectly timing land purchases would have a detrimental impact on our profitability and returns. • Acquiring insufficient land would reduce our ability to actively manage the land portfolio, and create value for shareholders.	Our land teams select and appraise each site, with the appraisal process ensuring that each project is financially viable, consistent with our strategy and appropriately authorised. We strive to be the developer of choice, through a comprehensive approach encompassing land vendors, land agents, local councils and local communities. Our strategic land teams work alongside regional businesses, to identify and secure land with the potential for future development and to promote it through the planning system.	The short term land market remained benign throughout 2015 enabling us to continue to invest in value-creating land opportunities at investment margins of around 20%. The landbank is now at the optimal size to deliver our strategy. Together with the strong conversion of the strategic pipeline, our reliance on purchasing short term land has diminished, which provides some insulation from an increase in land price.
Site and product safety Building sites are inherently dangerous places. Unsafe practices by our employees	Our operations involve, and interface with, a large number of people. People range from employees and subcontractors, to	• In addition to the potentially tragic personal impact of an accident on site or after customer completion,	We have a comprehensive health, safety and environmental (HSE) management system in place, which is	We continue to compare favourably with the UK housebuilding and construction industry in terms of site safety. We

or subcontractors have the potential to cause death or serious injury. **Responsibility** • Director of Health, Safety and Environment • Every employee and subcontractor	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.	there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.	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, running HSE induction training, poster campaigns as well as providing regular site toolbox talks for our contractors and operatives. In 2014, we launched 'The Operatives Journey', a major new initiative to improve communications to our supply chain and site work force, to create partnering contractors to share ownership for maintaining a safe site. All HSE issues are reviewed by the GMT and, where appropriate, actions put in place to rectify issues or prevent a recurrence.	have continued to keep our Annual Injury Incidence Rate (AIIR) low at 175 per 100,000 employees and contractors in 2015 (2014: 209). We reduced our AIIR for major injuries from 26 in 2014 to 18 in 2015. During 2015, we continued our site safety training, extending training to over 3,135 groundworkers' supervisors, each receiving a site safety supervisory qualification. We also introduced stages 2 and 3 of 'The Operatives Journey' which aims to foster shared ownership with our supply chain and operatives, for maintaining a safe site. We continually monitor procedures and implement improvements to the work undertaken on site.

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 such forward looking information.

Consolidated Income Statement

for the year to 31 December 2015

£ million	Note	**Before exceptional items 2015**	**Exceptional items 2015 (Note 3 and 4)**	**Total 2015**	Before exceptional items 2014	Exceptional items 2014 (Note 3)	Total 2014
Revenue		**3,139.8**	**–**	**3,139.8**	2,686.1	–	2,686.1
Cost of sales		**(2,351.8)**	**(0.6)**	**(2,352.4)**	(2,065.2)	18.7	(2,046.5)
Gross profit before positive contribution		**779.1**	**(0.6)**	**778.5**	605.0	18.7	623.7
Positive contribution from written down inventory		**8.9**	**–**	**8.9**	15.9	–	15.9
Gross profit		**788.0**	**(0.6)**	**787.4**	620.9	18.7	639.6
Net operating expenses	3	**(155.9)**	**–**	**(155.9)**	(142.8)	–	(142.8)
Profit on ordinary activities before finance costs		**632.1**	**(0.6)**	**631.5**	478.1	18.7	496.8
Interest receivable	4	**0.7**	**–**	**0.7**	0.6	–	0.6
Finance costs	4	**(33.9)**	**–**	**(33.9)**	(31.2)	–	(31.2)
Share of results of joint ventures		**4.9**	**–**	**4.9**	2.6	–	2.6
Profit on ordinary activities before taxation		**603.8**	**(0.6)**	**603.2**	450.1	18.7	468.8
Taxation charge	5	**(121.5)**	**8.1**	**(113.4)**	(90.4)	(4.0)	(94.4)
Profit for the year		**482.3**	**7.5**	**489.8**	359.7	14.7	374.4

Attributable to:							
Equity holders of the parent				**490.1**			374.4
Non-controlling interests				**(0.3)**			**–**
				489.8			374.4

	Note	**2015**	2014
Basic earnings per share	6	**15.1p**	11.6p
Diluted earnings per share	6	**14.9p**	11.5p
Adjusted basic earnings per share	6	**14.9p**	11.2p
Adjusted diluted earnings per share	6	**14.7p**	11.1p

Consolidated Statement of Comprehensive Income

for the year to 31 December 2015

£ million	Note	**2015**	2014
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1.5)**	(1.8)
Movement in fair value of hedging derivatives and loans		**1.5**	1.8
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension schemes	9	**(8.6)**	(25.9)
Tax (charge)/credit on items taken directly to other comprehensive income	7	**(0.7)**	5.2
Other comprehensive expense for the year net of tax		**(9.3)**	(20.7)
Profit for the year		**489.8**	374.4
Total comprehensive income for the year		**480.5**	353.7

Attributable to:		
Equity holders of the parent	**480.8**	353.7
Non-controlling interests	**(0.3)**	–
	480.5	353.7

Consolidated Balance Sheet

at 31 December 2015

£ million	Note	**2015**	2014
Non-current assets			
Intangible assets		**2.7**	2.5
Property, plant and equipment		**20.0**	16.8
Interests in joint ventures		**27.1**	38.6
Trade and other receivables		**95.4**	111.1
Deferred tax assets	7	**55.7**	157.5
		200.9	326.5
Current assets			
Inventories	8	**3,891.2**	3,490.1
Trade and other receivables		**114.0**	102.6
Tax receivables		**1.7**	7.8
Cash and cash equivalents		**323.3**	212.8
		4,330.2	3,813.3
Total assets		**4,531.1**	4,139.8
Current liabilities			
Trade and other payables		**(1,093.4)**	(910.0)
Tax payables		**–**	(7.8)
Provisions		**(31.1)**	(40.4)
		(1,124.5)	(958.2)
Net current assets		**3,205.7**	2,855.1
Non-current liabilities			
Trade and other payables		**(402.0)**	(361.5)
Bank and other loans		**(100.0)**	(100.0)
Retirement benefit obligations	9	**(178.4)**	(183.8)
Provisions		**(2.9)**	(1.0)
		(683.3)	(646.3)
Total liabilities		**(1,807.8)**	(1,604.5)
Net assets		**2,723.3**	2,535.3
Equity			
Share capital		**288.3**	288.3
Share premium account		**762.9**	762.9
Own shares		**(3.2)**	(10.8)
Other reserves		**41.9**	41.9
Retained earnings		**1,632.7**	1,451.9
Equity attributable to parent		**2,722.6**	2,534.2
Non-controlling interests		**0.7**	1.1
Total equity		**2,723.3**	2,535.3

Consolidated Statement of Changes in Equity

for the year to 31 December 2015

For the year to 31 December 2015 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2015	**288.3**	**762.9**	**(10.8)**	**41.9**	**1,451.9**	**2,534.2**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Movement in fair value of hedging derivatives and loans	**–**	**–**	**–**	**1.5**	**–**	**1.5**
Actuarial loss on defined benefit pension schemes	**–**	**–**	**–**	**–**	**(8.6)**	**(8.6)**
Deferred tax charge	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Other comprehensive expense for the year net of tax	**–**	**–**	**–**	**–**	**(9.3)**	**(9.3)**
Profit for the year	**–**	**–**	**–**	**–**	**490.1**	**490.1**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**480.8**	**480.8**
New share capital subscribed	**–**	**–**	**–**	**–**	**–**	**–**
Own shares acquired	**–**	**–**	**(2.0)**	**–**	**–**	**(2.0)**
Utilisation of own shares	**–**	**–**	**9.6**	**–**	**–**	**9.6**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**(7.2)**	**(7.2)**
Share-based payment credit	**–**	**–**	**–**	**–**	**7.3**	**7.3**
Tax credit on items taken directly to Statement of Changes in Equity	**–**	**–**	**–**	**–**	**8.3**	**8.3**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(308.4)**	**(308.4)**
Equity attributable to parent	**288.3**	**762.9**	**(3.2)**	**41.9**	**1,632.7**	**2,722.6**
Non-controlling interests						**0.7**
Total equity						**2,723.3**

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 income 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

Consolidated Cash Flow Statement

for the year to 31 December 2015

£ million	Note	**2015**	2014
Net cash from operating activities	10	**406.9**	192.7
Investing activities			
Interest received		**0.6**	0.4
Dividends received from joint ventures		**0.8**	2.5
Proceeds on disposal of property, plant and investments		**0.7**	0.4
Purchases of property, plant and investments		**(5.6)**	(9.7)
Purchases of software		**(1.5)**	–
Amounts repaid by/(invested in) joint ventures		**15.6**	(3.8)
Net cash generated from/(used in) investing activities		**10.6**	(10.2)
Financing activities			
Proceeds from sale of own shares		**–**	2.9
Cash received on exercise of share options		**2.4**	3.4
Purchase of own shares		**(2.0)**	(10.0)
Dividends paid		**(308.4)**	(72.7)
Net cash used in financing activities		**(308.0)**	(76.4)
Net increase in cash and cash equivalents		**109.5**	106.1
Cash and cash equivalents at beginning of year		**212.8**	105.4
Effect of foreign exchange rate changes		**1.0**	1.3
Cash and cash equivalents at end of year		**323.3**	212.8

Notes to the Condensed Consolidated Financial Statements

for the year to 31 December 2015

1. Basis of preparation

The financial information set out herein does not constitute the Group's statutory accounts for the years ended 31 December 2015 and 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting to be held on 28 April 2016. 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.

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 18 March 2016 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.

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 operates in two countries, being the United Kingdom and Spain, both of which were previously reported as operating segments. During 2015, following a review of the operational structure of the business, the previous South Division of the UK Housing business was separated into two divisions (the Central and South West Division, and the London and South East Division) while the North Division remained unchanged. The Chairmen of the two new Divisions joined the Group Management Team alongside the Chairman of the North Division as well as the Managing Director of the Central London regional business (which sits within the London and South East Division), who also has responsibility for the Group's integrated London strategy. The information on segment performance presented to the Group's chief operating decision maker was also revised to reflect the new operating structure.

In response to these changes management has updated its identification of the Group's operating segments, determining that in the United Kingdom for management reporting and control purposes there are now four geographical operating segments, as well as an additional operating segment covering the corporate functions, Major Developments and Strategic Land. However it has determined that it is appropriate for the London and South East Division and the Central London regional business to be aggregated as one operating segment due to the fact that they share similar economic characteristics. In making this judgement management has taken into consideration the fact that the Group's developments within the Greater London area are undertaken by several regional businesses within the London and

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

2. Operating segments (continued)

South East Division as well as the Central London regional business and as such the Group's exposure to the London market extends beyond the Central London regional business. Management has also assessed that both segments have similar long term financial performance, as demonstrated by similar average gross margins, production processes, types of customers, sales channels and regulatory environments.

Segment information about these businesses is presented below:

For the year to 31 December 2015 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	**1,093.8**	**1,075.4**	**911.6**	**0.9**	**58.1**	**3,139.8**
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	**251.1**	**243.2**	**198.2**	**(70.4)**	**10.0**	**632.1**
Share of results of joint ventures	**(0.1)**	–	**5.0**	–	–	**4.9**
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	**251.0**	**243.2**	**203.2**	**(70.4)**	**10.0**	**637.0**
Exceptional items						**(0.6)**
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items						**636.4**
Net finance costs						**(33.2)**
Profit on ordinary activities before taxation						**603.2**
Taxation (including exceptional tax)						**(113.4)**
Profit						**489.8**
Assets and liabilities At 31 December 2015						
Segment operating assets	**1,198.0**	**1,273.8**	**1,417.0**	**148.0**	**86.5**	**4,123.3**
Joint ventures	**2.2**	**3.0**	**21.4**	**0.3**	**0.2**	**27.1**
Segment operating liabilities	**(387.2)**	**(571.7)**	**(444.2)**	**(260.6)**	**(44.1)**	**(1,707.8)**
Group net operating assets	**813.0**	**705.1**	**994.2**	**(112.3)**	**42.6**	**2,442.6**
Net current taxation						**1.7**
Net deferred taxation						**55.7**
Net cash						**223.3**
Net assets						**2,723.3**

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

2. Operating segments (continued)

For the year to 31 December 2015 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	**0.1**	**2.8**	–	**2.6**	**0.1**	**5.6**
Software development additions	–	–	–	**1.5**	–	**1.5**
Depreciation – property, plant and equipment	**(0.1)**	**(0.5)**	**(0.3)**	**(1.0)**	**(0.1)**	**(2.0)**
Software amortisation	–	–	–	**(1.3)**	–	**(1.3)**

For the year to 31 December 2014 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	**931.8**	**890.4**	**825.7**	**4.5**	**33.7**	**2,686.1**
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	**202.7**	**179.5**	**153.0**	**(61.3)**	**4.2**	**478.1**
Share of results of joint ventures	**0.8**	–	**1.8**	–	–	**2.6**
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	**203.5**	**179.5**	**154.8**	**(61.3)**	**4.2**	**480.7**
Exceptional items						**18.7**
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items						**499.4**
Net finance costs						**(30.6)**
Profit on ordinary activities before taxation						**468.8**
Taxation (including exceptional tax)						**(94.4)**
Profit						**374.4**
Assets and liabilities At 31 December 2014						
Segment operating assets	**1,110.9**	**1,242.4**	**1,124.9**	**158.9**	**86.0**	**3,723.1**
Joint ventures	**2.5**	–	**35.4**	**0.5**	**0.2**	**38.6**
Segment operating liabilities	**(341.7)**	**(515.5)**	**(341.7)**	**(261.3)**	**(36.5)**	**(1,496.7)**
Group net operating assets	**771.7**	**726.9**	**818.6**	**(101.9)**	**49.7**	**2,265.0**
Net current taxation						**-**
Net deferred taxation						**157.5**
Net cash						**112.8**
Net assets						**2,535.3**

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

2. Operating segments (continued)

For the year to 31 December 2014 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	**2.3**	**6.1**	**0.8**	**0.4**	**0.1**	**9.7**
Software development additions	–	–	–	–	–	–
Depreciation – property, plant and equipment	**(0.2)**	**(0.2)**	**(0.1)**	**(0.6)**	**(0.1)**	**(1.2)**
Software amortisation	–	–	–	**(1.7)**	–	**(1.7)**

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

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

£ million	**2015**	2014
Administration expenses	**172.1**	158.6
Net other income	**(16.2)**	(15.8)
Exceptional items	**0.6**	(18.7)

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	**2015**	2014
Net addition/(reversal) of inventory write-downs	**0.6**	(18.7)
Exceptional items debited/(credited) to operating expenses	**0.6**	(18.7)

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.

Whilst the UK housing market has continued to improve, specific factors on certain impaired sites have resulted in a net addition of £0.6 million to the provisions (2014: £18.7 million reversal). This consisted of £6.6 million (2014: £27.0 million) of releases and £7.2 million (2014: £8.3 million) of additional NRV impairments in the UK. No further write downs have been booked in Spain (2014: £nil).

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

£ million	**2015**	2014
Cost of inventories recognised as expense in cost of sales, before write-downs	**2,261.8**	1,985.0
Write-down of inventories	**7.2**	8.3
Reversal of write-downs of inventories	**(6.6)**	(27.0)
Depreciation – plant and equipment	**2.0**	1.2
Payments under operating leases recognised in income for the year	**2.0**	3.8

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

4. Finance costs

Interest receivable

£ million	**2015**	2014
External interest receivable	**0.7**	0.6
	0.7	0.6

Finance costs are analysed as follows:

£ million	**2015**	2014
Interest on overdrafts, bank and other loans	**11.6**	14.4
Movement on interest rate derivatives and foreign exchange movements	**0.7**	0.2
	12.3	14.6
Unwinding of discount on land creditors and other items	**15.6**	9.1
Notional net interest on pension liability (Note 9)	**6.0**	7.5
	33.9	31.2

5. Taxation

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

£ million		**2015**	2014
Current tax:			
UK corporation tax:	Current year	**(11.2)**	(1.0)
	Prior years	**(0.8)**	0.1
Foreign tax:	Current year	**(0.7)**	(0.2)
	Prior years	**–**	–
		(12.7)	(1.1)
Deferred tax:			
UK:	Current year	**(107.8)**	(91.4)
	Prior year	**(0.9)**	(1.9)
Foreign tax:	Current year	**8.0**	–
	Prior years	**–**	–
		(100.7)	(93.3)
		(113.4)	(94.4)

Corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year includes a credit in respect of exceptional items of £8.1 million (2014: £4.0 million charge). £8.0 million of this amount relates to the recognition of Spanish temporary differences (2014:£nil), with the balance related to the exceptional impairment provision (2014: £4.0 million).

The income statement charge for 2015 includes a charge of £0.6 million relating to the impact on the deferred tax asset of the 2% reduction in UK corporation tax from 20% to 18%.

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

5. Taxation (continued)

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

£ million	**2015**	2014
Profit before tax	**603.2**	468.8
Tax at the UK corporation tax rate of 20.25% (2014: 21.5%)	**(122.1)**	(100.8)
Net over/(under) provision in respect of prior years	**0.5**	(1.8)
Tax effect of expenses that are not deductible in determining taxable profit	**0.3**	4.0
Unrecognised temporary differences utilised	**2.0**	1.0
Recognition of deferred tax asset relating to non-trading losses	**–**	3.3
Impact of 2% rate reduction on deferred tax	**(0.6)**	–
Recognition of deferred tax asset relating to Spanish business	**8.0**	–
Other rate impacting adjustments	**(1.5)**	(0.1)
Tax charge for the year	**(113.4)**	(94.4)

6. Earnings per share

	2015	2014
Basic earnings per share	**15.1p**	11.6p
Diluted earnings per share	**14.9p**	11.5p
Adjusted basic earnings per share	**14.9p**	11.2p
Adjusted diluted earnings per share	**14.7p**	11.1p
Weighted average number of shares for basic/adjusted earnings per share – million	**3,247.3**	3,224.4
Weighted average number of shares for diluted basic/adjusted earnings per share – million	**3,278.8**	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	**2015**	2014
Earnings for basic and diluted earnings per share	**490.1**	374.4
Adjust for exceptional net addition/(reversal) of inventory write-downs (Note 3)	**0.6**	(18.7)
Adjust for tax on exceptional items (Note 5)	**(0.1)**	4.0
Adjust for exceptional deferred tax credit (Note 5)	**(8.0)**	–
Earnings for adjusted basic and adjusted diluted earnings per share	**482.6**	359.7

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

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 2014	8.9	5.8	195.7	36.4	(0.2)	246.6
(Charge)/ Credit 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
(Charge)/ Credit to income	**–**	**(0.5)**	**(98.8)**	**(2.8)**	**1.4**	**(100.7)**
(Charge)/ Credit to equity	**(0.4)**	**–**	**–**	**(0.7)**	**–**	**(1.1)**
At 31 December 2015	**7.2**	**4.0**	**11.4**	**32.0**	**1.1**	**55.7**

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 temporary differences have been calculated at rates between 20% and 18% (2014: 20%). The effect of the reduction in the UK corporation tax rate from 20% to 18% is £0.6 million in the income statement and £2.5 million in the statement of comprehensive income and statement of changes in equity (2014: nil).

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

£ million	**2015**	2014
Deferred tax assets	**57.1**	159.4
Deferred tax liabilities	**(1.4)**	(1.9)
	55.7	157.5

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £3.5 million (2014: £1.0 million) in the UK and £68.4 million (2014: £104.2 million) in Spain. The UK losses have not been recognised as they are predominantly non-trading in nature and insufficient certainty 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 £264.3 million (2014: £255.4 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2015 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

8. Inventories

£ million	**2015**	2014
Raw materials and consumables	**–**	–
Finished goods and goods for resale	**17.1**	22.1
Residential developments:		
Land	**2,743.7**	2,582.4
Development and construction costs	**1,128.3**	882.7
Commercial, industrial and mixed development properties	**2.1**	2.9
	3,891.2	3,490.1

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

8. Inventories (continued)

In 2015 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.

Whilst the UK housing market has continued to improved, specific issues on certain impaired sites have resulted in the Group recording a net addition of £0.6 million to the impairment provision (2014: £18.7 million reversal).

The net addition in the UK consists of a reversal of previous write-downs of £6.6 million (2014: £27.0 million) and additional write-downs to the lower of cost and net realisable value of £7.2 million (2014: £8.3 million) on previously impaired sites.

In the year 6% (2014: 14%) of the Group's UK completions were from pre-2009 impaired sites.

At the balance sheet date the Group held inventory in the UK that had been written down to net realisable value of £115.2 million (2014: £269.6 million) with associated impairments of £124.2 million (2014: £158.1 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 2015	10.9	(11.4)	(11.1)	9.2
31 December 2014	12.4	(14.2)	(12.9)	10.9

There has been continued 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 with 53 completions (2014: 50) on sites that had previously been impaired. In Spain there was inventory written down to net realisable value of £24.3 million as at 31 December 2015 (2014: £27.0 million), with associated impairments of £43.5 million (2014: £48.0 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	**2015**	2014
1 January	**206.2**	265.1
Utilised	**(35.6)**	(36.0)
Net reversal	**0.6**	(18.7)
Forex exchange	**(3.5)**	(4.2)
31 December	**167.7**	206.2

9. Retirement benefit obligations

Retirement benefit obligations comprise a defined benefit pension liability of £177.1 million (2014: £182.4 million) and a post-retirement healthcare liability of £1.3 million (2014: £1.4 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.

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

9. Retirement benefit obligations (continued)

Defined benefit pension schemes

The Group's defined benefit pension scheme in the UK is the TWPS. 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. Pension 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 owe fiduciary duties to 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, including £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 five offices which are owned, in a sale and leaseback structure. This provides 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 2015, there was £91.1 million of property and £19.9 million of cash held within the structure (2014: £93.8 million of property and £17.2 million of cash).

The Group continues to work closely with the Trustees 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	
	2015	2014
As at 31 December		
Discount rate for scheme liabilities	**3.70%**	3.50%
General pay inflation	**n/a**	n/a
Deferred pension increases	**1.95%**	1.70%
Pension increases	**2.05%-3.55%**	2.05%-3.55%

Notes to the Condensed Consolidated Financial Statements

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9. Retirement benefit obligations (continued)

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 £32m	1.5
Rate of inflation*	Increase by 0.1% p.a.	Increase by £28m	1.4
Life expectancy	Members live 1 year longer	Increase by £63m	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 2015	**(2,186.2)**	**2,003.8**	**(182.4)**
Current service cost	**–**	**–**	**–**
Administration expenses	**–**	**(3.2)**	**(3.2)**
Past service cost / settlements	**–**	**–**	**–**
Interest (expense) / income	**(74.3)**	**68.3**	**(6.0)**
Total amount recognised in income statement	**(74.3)**	**65.1**	**(9.2)**
Return on scheme assets not included in income statement	**–**	**(72.5)**	**(72.5)**
Change in demographic assumptions	**–**	**–**	**–**
Change in financial assumptions	**49.2**	**–**	**49.2**
Experience gains	**14.7**	**–**	**14.7**
Total re-measurements in other comprehensive income	**63.9**	**(72.5)**	**(8.6)**
Employer contributions	**–**	**23.1**	**23.1**
Employee contributions	**–**	**–**	**–**
Benefit payments	**130.4**	**(130.4)**	**–**
At 31 December 2015	**(2,066.2)**	**1,889.1**	**(177.1)**

Notes to the Condensed Consolidated Financial Statements
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9. Retirement benefit obligations (continued)

	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) / losses	5.2	–	5.2
Total re-measurements 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)

10. Notes to the cash flow statement

Reconciliation from operating profit to net cash generated from operating activities

£ million	**2015**	2014
Profit on ordinary activities before finance costs	**631.5**	496.8
Adjustments for:		
Depreciation of buildings, plant and equipment	**2.0**	1.2
Net reversal of inventory write-downs	**0.6**	(18.7)
Amortisation of software development	**1.3**	1.7
Pension contributions in excess of charge to the income statement	**(19.9)**	(33.2)
Share-based payment charge	**7.3**	6.2
Profit on disposal of property and plant	**(0.5)**	(0.4)
(Decrease)/increase in provisions	**(7.4)**	7.1
Operating cash flows before movements in working capital	**614.9**	460.7
Increase in inventories	**(269.1)**	(409.1)
Decrease in receivables	**13.0**	20.6
Increase in payables	**68.1**	135.0
Cash generated by operations	**426.9**	207.2
Income taxes received	**(5.5)**	0.1
Interest paid	**(14.5)**	(14.6)
Net cash generated from operating activities	**406.9**	192.7

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2015

10. Notes to the cash flow statement (continued)

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 2014	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
Cash flow	109.5	–	–	109.5
Foreign exchange	1.0	–	–	1.0
Balance 31 December 2015	323.3	(100.0)	–	223.3

11. Dividends

£ million	**2015**	2014
Proposed		
Interim dividend 2015 0.49p (2014: 0.24p) per ordinary share of 1p each	**15.9**	7.8
Final dividend 2015 1.18p (2014: 1.32p) per ordinary share of 1p each	**38.6**	42.9
	54.5	50.7
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2014 1.32p (2013: 0.47p) per ordinary share of 1p each	**42.9**	15.2
Interim dividend 2015 0.49p (2014: 0.24p) per ordinary share of 1p each	**15.9**	7.8
Special dividend 2015 7.68p (2014: 1.54p) per ordinary share of 1p each	**249.6**	49.7
	308.4	72.7

The Directors recommend a final dividend for the year ended 31 December 2015 of 1.18 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of £38.6 million (2014: £42.9 million). The final dividend will be paid on 20 May 2016 to all shareholders registered at the close of business on 8 April 2016.

The Directors additionally recommend a special dividend of c.£300 million (2014: £250 million). The special dividend will be paid on 15 July 2016 to all shareholders registered at the close of business on 3 June 2016.

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 2015.