Taylor Wimpey plc

26 February 2014
Taylor Wimpey plc
Results for the year ended 31 December 2013

Delivering quality returns through the cycle

Highlights

Significant improvement against all of our key financial objectives:

- Group operating profit* margin increased 240 basis points to 13.6% (2012: 11.2%**)

- Group return on net operating assets*** increased 350 basis points to 16.8% (2012: 13.3%**)

- Tangible net asset value per share[†] increased 13.2% to 69.6p (2012: 61.5p)

- Cash return to shareholders:
    - Initial c.£250 million: £50 million in 2014 and £200 million in 2015
    - Strategy expected to lead to further significant annual payments from 2016

- Final maintenance dividend proposed 0.47p (2012: 0.43p), giving total for year of 0.69p (2012: 0.62p)

Strong UK operational performance

- 39.1% increase in operating profit* to £312.8 million (2012: £224.8 million**)

- Completed 11,696 homes at an average selling price of £191k (2012: 10,886 homes at £181k)

- 31.4% increase in total order book value to £1,246 million at 31 December 2013 (2012: £948 million)

- Reaching the optimal landbank size for our business with c.9.2k plots converted from the strategic land pipeline

- Invested £227.0 million in local communities (2012: £180.8 million)

- 33% fall in the accident rate on site

Pete Redfern, Chief Executive, commented:

“In a housing market showing significant recovery for the first time in five years, we have strongly improved our operating performance, increasing operating profits by 39%. Most importantly, we have continued to make significant investment for the future, adding to our short term landbank and strategic land pipeline and increasing the level of training and development of staff, at all levels, from site trades to office technical roles. This strong platform and our clear operating and financial strategy leave the Group well positioned to continue to make further progress in the years ahead.”

Group Financial Summary

Continuing operations £ million	**FY 2013**	**FY 2012****	**Change**
Revenue	2,295.5	2,019.0	13.7%
Operating profit*	312.9	226.1	38.4%
Profit before tax and exceptional items	268.4	181.8	47.6%
Exceptional profit before tax	37.8	22.4	68.8%
Profit for the year before exceptional items	214.7	146.6	46.5%
Profit for the year	239.8	228.6	4.9%
Net cash /(debt)	5.4	(59.0)	N/A

Continuing operations – pence per share	**FY 2013**	**FY 2012**	**Change**
Adjusted basic earnings	6.7	4.6	45.7%
Basic earnings	7.5	7.2	4.2%
Final dividend	0.47	0.43	9.3%

* Operating profit is defined as profit on ordinary activities from continuing operations before finance costs and exceptional items, after share of results of joint ventures.
** 2012 has been restated following the adoption of IAS19 ‘Employee Benefits’ (amended 2011), with changes in the presentation of certain costs relating to the defined benefit schemes.
*** Return on net operating assets is defined as operating profit divided by the average of the opening and closing net operating assets, which is defined as capital employed plus intangibles less tax balances.
† Tangible net assets per share is defined as net assets excluding goodwill and intangible assets divided by the number of shares in issue at the period end.
†† Group asset turn is total revenue divided by the average of opening and closing net operating assets.

[ends]

A presentation to analysts will be made at 9.00am on 26 February 2014. To register for the webcast please go to our website www.taylorwimpey.co.uk. A playback facility will be available on our website from 12pm on 26 February 2014.

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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

Group overview of continuing operations

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

Group revenue in 2013 increased by £276.5 million to £2,295.5 million (2012: £2,019.0 million) from Group completions of 11,814 (2012: 11,042), including joint ventures. The gross profit in the year has increased by 26.1% to £449.3 million (2012: £356.3 million). The gross profit for the year includes £45.4 million (2012: £85.1 million) of positive contribution, on completions from sites with previously impaired inventory. Group operating profit* increased significantly by £86.8 million, or 38.4%, to £312.9 million (2012: £226.1 million**) resulting in a Group operating margin* of 13.6% (2012: 11.2%**). Net operating assets grew by 15.7% percent and as at 31 December 2013 stood at £1,999.6 million (2012: £1,727.9 million). Group asset turn[††] increased to 1.23 times in 2013 (2012: 1.19 times**), with both faster sales rates and our focus on capital efficiency contributing to the positive performance and offsetting the impact of a lower pension liability. These improvements resulted in Group return on net operating assets*** increasing substantially by 350 basis points to 16.8% (2012: 13.3%**).

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

On 31 December 2013, at the first call date, we redeemed and cancelled the £250 million 10.375% Senior Notes due 2015, of which £149.4 million remained outstanding. This is the final step in achieving an efficient but appropriate debt structure for our business going forward and this will reduce our interest costs in 2014 by up to £15 million. As a result of the redemption, our £100 million term loan has been extended to mature in 2020 with amortisation beginning in 2017.

Land creditors stood at £349.0 million at 31 December 2013 (31 December 2012: £375.0 million), with adjusted gearing, including land creditors, at 15.3% (2012: 21.8%). When we consider our appropriate capital and debt structure, we view land creditors as a useful tool for financing large sites, but we are disciplined and consider this liability together with debt in the context of overall balance sheet strength. Total net land spend including land creditors was £574.7 million (2012: £433.8 million).

Strategy and capital allocation

We are operating today in a significantly improved housing market. The business is starting to earn a healthy level of returns as the investments we have made from 2009 onwards are starting to deliver. We have the right organisational structure in place for the long term with 24 regional businesses across the country, including a growing London presence, all of which are in areas in which people want to live and which are supported by strong economic fundamentals. Whilst short term conditions have improved, our strategy remains unchanged and our focus is clearly set on the long term health and sustainability of the business.

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

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

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

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

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

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

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

Current trading and outlook

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

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

UK Housing

	2013	2012**	% change
Completions (including joint ventures)	11,696	10,886	7.4%
Average Selling Price £000	191	181	5.5%
Revenue £m	2,271.4	1,987.0	14.3%
Operating profit* £m	312.8	224.8	39.1%
Operating margin* %	13.8%	11.3%	2.5ppts
Return on net operating assets*** %	17.3%	13.7%	3.6ppts
Contribution per legal completion £000	38.8	33.9	14.5%
Forward order book as a % of completions	57.4	55.3	2.1ppts
Owned and controlled plots with planning	70,628	65,409	8.0%
Customer satisfaction %	90.0	92.5	(2.5)ppts

Annual Injury Incidence rate (AIIR) (per 100,000 employees and contractors)	207	311	(33.4)%
Tonnage of construction waste generated per $100m^2$ built	3.59	3.62	(0.8)%

UK financial and operational performance

We have performed at the upper end of our expectations in 2013 and continued to grow our business in the right way. Revenue has increased by 14.3% to £2,271.4 million (2012: £1,987.0 million), primarily driven by an improved mix and quality of location. Operating profit* increased by 39.1% to £312.8 million (2012: £224.8 million**). This value focus resulted in an increase in operating margin to 13.8% for the full year (2012: 11.3%**), including absorbing the impact of approximately 60 basis points from impairment releases at the half year stage.

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

UK operational environment

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

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

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

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

Sales, completions and pricing

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

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

We achieved an increase of 31.4% in the forward order book value, ending the year at £1,246 million (31 December 2012: £948 million), and an increase of 11.1% in volume, ending the year at 6,627 homes (31 December 2012: 5,966 homes). Private average selling price in the order book increased by 19.7% to £243k (31 December 2012: £203k), again primarily the result of better quality locations, and reflecting the increase in general selling price inflation. We are pleased to report further improvement in the margin on sales in the order book, with the growth driven by the strength of the private order book. Our Central London regional business unit has started to impact the order book due to the forward selling nature of the business and as at 31 December 2013 represented 11.7% of the total order book value at an average selling price of £746k.

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

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

Land and planning

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

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

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

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

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

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

We actively review every site, both new and old, through our value improvement meetings which are held quarterly and are tracked centrally. This allows us to benchmark our success and identify opportunities for further improvement, ranging from replanning of sites to redesign and selective enhancements to our specification. We are committed to not only delivering what we set out to do but to delivering more and instilling a discipline of capturing inflation. During 2013, we achieved 1.7% (2012: 1.5%) increase in achieved contribution margin on completions on land we had acquired post-2009.

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

Our approach to engaging with communities and partnerships

We do much more than build homes. We are first and foremost a local business and an important contributor to the local communities in which we build and to the sustainability of those communities and areas. During 2013 we invested £227.0 million in the local communities via Section 106 and Section 75 planning obligations (2012: £180.8 million), including infrastructure, education, public transport and affordable housing. Since 2010 we have invested over £630 million. We also sponsor local sports teams, events and clubs within our communities while providing the housing that is needed.

Despite this, we know that local communities do not always welcome housing developments in their area and so we seek to engage, consult and work in partnership with communities and all interested stakeholders both before we submit a planning application and during the life cycle of the site. In this way we can listen to their concerns and incorporate these within our plans, where possible. During 2013, we organised 188 days of community events and exhibitions and 371 community meetings. Following the release of the National Planning Policy Framework and the enactment of the Localism Act, we have changed our business significantly to embrace the principle of community engagement. We have built a robust and consistent framework to be applied throughout our business, together with a suite of tools to support this approach, and require our regional business units to undertake tailored, development-specific community engagement on all sites. Launched at the end of 2013, our new Taylor Wimpey website provides map references and web pages for our proposed developments in the UK.

We strive to be the residential developer that everyone wants to deal with and through our creative approach to the planning system, focus on localism, and efforts to become the preferred partner, we believe we are becoming the landbuyer of choice. In January 2014, we were delighted to have received detailed planning permission for the first phase of Chobham Manor, the first neighbourhood to be built on the Olympic Park, in partnership with London and Quadrant (L&Q).

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

Build costs and efficiency

Against a backdrop of the improving market conditions in 2013, we started to see some increases in costs in certain key trades and materials, and a shortage of supply in some areas, particularly in the first half of the year. As the market has adjusted, these short term pressures have eased, and we do not see material and labour supply as a major constraint. With improving industry volumes and pricing, we do expect some underlying cost increases in some areas following a number of years of falling or static costs. However, our scale affords us the benefit of strong purchasing power and we achieve significant cost savings across our regional businesses through national agreements with a number of suppliers. Over 90% of the material spend in 2013 was sourced by central procurement, with prices on national deals staying broadly flat. This not only results in lower costs per item but, increasingly as we look forward, security of supply. Therefore, with our scale and processes, we do not believe that these changes will materially impact performance.

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

Quality product range

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

Our mix of homes is informed by the local area and we also continue to offer a wide range of homes from apartments to five bedroom houses, with prices ranging from under £100k to over £3 million.

In 2013, the proportion of apartments in our private completions was 20% (2012: 24%). Strategically we look to maintain this level at between 20% and 25% of our business. The average square footage of our private completions also increased slightly to 1,038 square feet (2012: 1,013 square feet).

We are committed to delivering high-quality homes for all of our customers and we endeavour to continue to improve on this. We were particularly pleased to win 68 National House-Building Council (NHBC) Pride in the Job Quality Awards (2012: 66), representing 22% of our active sites, 17 Seals of Excellence Awards (2012: 16), a further five (2012: two) Regional Awards and one Supreme Award (2012: none). These awards are based on build quality and site management excellence.

During 2013, we have continued to implement and improve our house type portfolio. These homes are designed to be high quality, extremely energy efficient and straightforward, cost effective and safe to build. They are also extremely flexible with different internal layouts and exteriors that can be varied to complement local landscapes and streetscapes. The housetypes are designed to meet specific space standards and comply with Secured by Design principles, the nationwide initiative intended to reduce crime through home and scheme design. They are also capable of achieving 'Lifetime Homes' standards of accessibility and adaptability for changing lifestyles, where appropriate. We continually review, assess and gain feedback from our customers and partners and this enabled us to further improve our house type portfolio in 2013. As at January 2014, these house types were plotted on approximately 226 sites (January 2013: 150) across the UK which is c.72% of current outlets. This will continue to have a positive impact on build efficiencies, and costs, mitigating build cost inflation.

Health and safety

Health and safety (HSE) at Taylor Wimpey is the non-negotiable top priority. We will not compromise in ensuring that everyone leaves our sites safe and well. We have a formal, comprehensive and fully integrated health, safety and environmental management program in place across our business. We have reduced accidents on sites by 30%, recording 31 RIDDOR injuries (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) against 44 in 2012. Our Annual Injury Incidence Rate (AIIR) for all reportable injuries decreased by 33% to 207 per 100,000 employees and contractors (2012: 311). There was one HSE Prohibition Notice (2012: one) issued on one UK site for inadequate traffic management and we took appropriate measures immediately to improve the traffic management on site.

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

Our customers

We have a strong and sustainable customer base, with over 90% owner occupiers, and first time buyers accounted for 38% of our sales (2012: 32%). We continue to offer a wide range of products to assist first time buyers. Our prices are set locally and we use targeted customer incentives, on a site by site basis, knowing that our customers' circumstances vary.

We understand that each home we build is aspirational to the customer who purchases it, regardless of price, and we want our processes and quality to reflect this. It is critical that as our business grows, we continue to concentrate on maintaining a high level of customer service. During 2013, we achieved 90% on the externally measured customer service scale (2012: 92.5%) and were awarded the maximum HBF five star rating in March 2013, reflecting our commitment to our customers. Nine out of 10 of our customers said they were satisfied with the quality of their new home and would recommend Taylor Wimpey to a friend. However, we were disappointed that our customer service score has slipped. To address this, in 2013 we started a wide scale review of our customer service in all regional business units. Increasing customer satisfaction will be a clear priority for us in 2014.

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

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

Our people

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

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

In autumn 2013, Chief Executive Pete Redfern and senior management presented an update on our business strategy at a series of roadshow sessions available to all our staff across the 24 regional businesses and on site. Over 3,200 of our employees attended the sessions, which provided an update on progress made against the objectives set in 2011 and priorities for the next couple of years. The sessions covered key employee issues such as diversity and employee development and skills.

Diversity continued to be a key area of focus for us in 2013. We believe that embracing diversity will enable us to succeed through a workforce that is inclusive, creative and innovative. Following a review of the diversity of our employees and mapping this against the diversity of the communities in which we operate, we have engaged with employees on this subject and introduced new recruitment practices to help us build an increasingly diverse workforce.

We firmly believe it is important that our employees should have the opportunity to acquire their own personal stake in the business through share ownership. We were delighted that the most recent Sharesave Plan saw a 12% increase in take up with 1,184 employees participating. Currently 1,992 employees participate in one or both of our all-employee share plans, representing 53% of eligible employees.

We believe strongly in the opportunity for internal succession and believe that internal candidates make valuable business leaders because they understand our culture and approach. During 2013, we delivered an average of 2.7 days of training per monthly salaried employee including health and safety training (2012: 2.5 days). Our employee turnover rate for 2013 remained broadly similar at 7.5% (2012: 7.1%).

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

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

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

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

Spain Housing

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

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

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

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

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

Group financial review of continuing operations

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

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

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

Group operating profit* increased by £86.8 million, or 38.4%, to £312.9 million (2012: £226.1 million**) and Group operating margin* rose to 13.6% (2012: 11.2%**) as a result of the improved trading performance, with a 200 basis points increase in gross margins from 17.6% to 19.6%. The approximate impact to the 2013 gross margins following the net realisable value release of £34.1 million at the 2013 half year was 60 basis points, with the underlying gross margin increasing 260 basis points from 2012 to 2013.

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

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

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

Net finance costs

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

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

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

Exceptional items

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

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

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

Discontinued operations

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

Tax

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

Earnings per share

The adjusted basic earnings per share increased by 46% to 6.7p (2012: 4.6p**). The basic earnings per share is 8.5p (2012: 7.2p*).

Balance sheet and cash flow

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

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

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

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

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

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

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

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

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

Dividend

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

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

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

Treasury management and funding

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

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

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

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

Pensions

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

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

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

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

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

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

Going concern

The Directors remain of the view that, whilst the economic and market conditions continue to be volatile on the whole, the Group's financing arrangements and balance sheet strength provides both the necessary facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Corporate responsibility

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

We continue to focus on waste management and the reduction of waste produced from our sites. This is not only the right thing to do, but it also makes a positive contribution to site efficiency and reduced build costs. We further reduced the construction waste produced as a result of our activities to 3.59 tonnes per 100 square metres built in 2013 (2012: 3.62). This has been achieved by careful planning of operations and giving due consideration to eliminating, reducing or reusing all potential waste wherever possible.

The new homes we build are considerably more energy-efficient than older housing. Our 'fabric first' approach concentrates on highly insulated walls and windows, which helps owners effortlessly save energy and money. We are committed to building increasingly energy-efficient homes. During 2013, we have gone one step further and introduced a direct carbon emissions reduction target of 25% by 2018, which equates to a 5% reduction per year.

As a business dedicated to building homes and creating communities, we care deeply about housing and homelessness issues. We are proud to be working with our network of homelessness charities, led by our national charity Centrepoint and supported by smaller regional charities across the UK. We donated over £327,000 to charity in 2013 (2012: £247,000), including £210,000 to Centrepoint and our network of homelessness charities in 2013 (2012: £149,000). We are proud of the significant positive impact that our involvement has on these charities. We are also a patron of CRASH, the construction and property industry's homelessness charity and our Chief Executive Pete Redfern is also on the Board of Trustees for Crisis, the national charity for single homeless people.

We value our long standing partnerships with charities and have sponsored the Macmillan's House of Lords versus House of Commons Tug of War event since 1987, helping to raise over £3 million for Macmillan Cancer Support.

We were pleased to be recognised externally for our corporate responsibility efforts when we were honoured with a European Business Award in the Millicom Award for Environmental and Corporate Sustainability. This category acknowledges the work of businesses which place consumer, employee and eco-friendly issues among their core values. In January 2014, we were also awarded a Bronze Class Sustainability Award 2014 from RobeccoSAM, based on our performance in their 2013 Corporate Sustainability Assessment (CSA), and were the highest performing homebuilding company globally in terms of the economic dimension of sustainability and the social dimension, with a particular highlight of 97% for occupational health and safety. Taylor Wimpey achieved joint sixth place in the 2013 NextGeneration benchmark of the sustainability performance of the 25 largest UK homebuilders with a score of 70% (2012: 70%) against an industry average of 39%. We are continually reviewing and seeking to improve our approach and in 2014 will introduce an intensity reduction target for direct carbon emissions (scope 1 and 2) of 25% by 2018, which equates to 5% reduction in carbon intensity per year.

Further information about our corporate responsibility activities can be found within our dedicated Corporate Social Responsibility report and on our website:
www.taylorwimpey.co.uk/corporate/corporate-responsibility

Shareholder information

The Company's 2014 Annual General Meeting (AGM) will be held at 11.00 am on 17 April 2014 at the British Medical Association, BMA House, Tavistock Square, London WC1H 9JP.

Subject to shareholder approval at the AGM, the final dividend of 0.47 pence will be paid on 21 May 2014 to shareholders on the register at the close of business on 11 April 2014 (2012 final dividend: 0.43 pence). In combination with the interim dividend of 0.22 pence (2012 interim dividend: 0.19 pence) this gives a total dividend for the year of 0.69 pence (2012: 0.62 pence).

This dividend will be paid as a conventional cash dividend, but shareholders are once again being offered the opportunity to reinvest all of their dividend under the Dividend Re-Investment Plan (DRIP), details of which will be made available to shareholders in due course.

The 2014 special dividend of c.£50 million (1.54 pence per share) will be paid as a cash dividend on 3 July 2014 to shareholders on the register at the close of business on 6 June 2014 and the 2015 special dividend of £200 million (c.6.16 pence per share), will be paid in July 2015, subject to shareholder approval. The DRIP will not be made available in respect of special dividend payments.

Copies of the 2013 Annual Report and Accounts will be available from 18 March 2014 on the Company's website www.taylorwimpey.co.uk Hard copy documents will be posted to shareholders who have elected to receive them on 18 March and will also be available from our registered office at Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR from that date.

A copy of the 2013 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 2013. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs 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 25 February 2013 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 the day to day operations. It is only by effectively identifying and managing these risks that we are able to deliver on our strategic objectives of improving operating margins, return on net operating assets and net asset value across the cycle.

The table below summarises the Group's principal risks and uncertainties. We also maintain a Sustainability and Climate Change Risk and Opportunity Register to monitor other non-financial issues that could affect the Group. More information will be available in our Corporate Responsibility Report once published on 18 March at www.taylorwimpey.co.uk/corporate/corporate-responsibility

	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2013
Government policy and planning regulations. The implementation of recent legislation (the Localism Act, National Planning Policy Framework and the Community Infrastructure Levy (CIL) are having a significant impact on the planning system and with the recovering housing market it could lead to a change in government policy. **Responsibility** Chief Executive UK Land and Planning Director Other members of our senior management team Managing Directors of our regional businesses	Our ability to build homes is dependent on obtaining the necessary planning permissions to develop communities which in turn is dependent on our ability to meet the relevant regulatory and planning requirements. Although the new planning system is in place it is still a relatively new system with the powers within processes still being tested. This could result in extended timescales for gaining planning consents or increased legal challenges. These factors increase uncertainty and increase the commercial risk of projects.	Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we are able to build. We could also be required to fund higher than anticipated levels of planning obligations, or incur additional costs to meet increased regulatory requirements. The locally produced CIL charge schedules could increase costs and therefore impact on the viability of current developments. All of these would have a detrimental impact on the contribution per plot.	We have responded to the changes in planning policy by introducing a comprehensive community led planning strategy which improves communications with all parties but especially with local communities therefore enhancing our ability to deliver developments that meet local requirements. We consult with government agencies and opposition parties on housing policy, both directly and indirectly as a member of industry groups, to highlight potential issues and to understand any proposed changes to regulations.	We continue to make significant strides in the implementation of our customer and community engagement planning strategy and have been encouraged by the feedback and successes that we have achieved. We are participating in the local Plans Management Group (PMG) via the HBF to ensure local plans are robust and CIL charge schedules are appropriate.
Impact of market environment on mortgage availability and demand Mortgage availability is a key constraint on demand in the UK housing market. In 2013 mortgage availability has improved with the return of high loan to value mortgages initially via the Government backed Help to Buy initiative and latterly by general mortgage products. However there is still uncertainty in how and what the impact will be when the Help To Buy initiative for new build homes is removed by the Government, . **Responsibility** Group Management Team UK Sales and Marketing Director Regional Sales and Marketing Directors	The majority of the homes that we build are sold to individual purchasers who take on significant mortgages to finance their purchases. A change in business confidence or employment opportunities can therefore impact on their demand for housing. In particular the ability of first time buyers and investors to purchase homes is impacted by any change in the mortgage availability at the higher loan to value levels as it would impact on the level of deposits required.	A reduction in effective demand for new homes below normal levels could negatively impact on both profitability and cash generation. This would have an adverse effect on return on net operating assets and net debt.	Our local teams select the locations and home designs that best meet the needs of the local community and customer demand in the present and future. We evaluate new outlet openings on the basis of local market conditions and regularly review the pricing and incentives that we offer. We work closely with the financial services industry to ensure customers receive good advice on the procurement of mortgage products.	We were amongst the first in the industry to offer the Government-backed Help to Buy scheme when it launched in March 2013 and we have seen strong interest in the scheme amongst our customers. . We launched a new Taylor Wimpey website to provide best in industry customer experience and better insight into the Taylor Wimpey products.
Ability to attract and retain high-calibre employees Recruiting employees with inadequate skills or in insufficient numbers, or not being able to retain key staff with the right skills for the future, could have a detrimental impact on our business. **Responsibility** Chief Executive Group HR Director Every employee managing people	Our value cycle requires significant input from skilled people to deliver quality homes and communities for our customers. The recovery in the housing market and the recent changes in the planning system have meant that the retention of high-quality trained employees is key to achieving our strategic goals.	Not having the right teams in place could lead to delays in build, quality issues, reduced sales levels, poor customer service and reduced profitability.	We closely monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration to ensure we are competitive within the industry and have succession plans in place for key roles within the Group. We hold regular development reviews to identify training requirements.	During 2013, we have committed to delivering 1.5 days of training per salaried employee and extended our development initiatives to improve key skills. This included the introduction of a mentoring programme for key staff and the development of a modular training programme for production and technical employees. We have also extended our apprentice and graduate training programmes.

Material costs and availability of sub-contractors The recovery of the housing market with an increase in production could reduce the availability of materials and subcontractors resulting in the increase in costs above expectations. **Responsibility** Head of Procurement Regional Commercial Directors	In order to optimise our build cost efficiency, whilst retaining the flexibility to commence work on new sites as planning consents allow, the vast majority of work carried out on site is performed by sub-contractors. As production increases demand for subcontractors and materials will increase therefore without the introduction of new resources into the housing market labour and material prices could also increase.	If the availability of sub-contractors or materials is insufficient to meet demand this could lead to increased build times, increased costs and, therefore, reduced profitability. Lack of skilled sub-contractors could also result in higher levels of waste being produced from our sites and lower build quality.	We maintain regular contact with suppliers regarding volume requirements and negotiate contract pricing and duration as appropriate. As part of our sub-contractor selection process key competencies are considered, particularly in relation to health and safety, quality, previous site performance and financial stability. We also work to address the skills shortage in the industry through apprenticeship schemes and the Construction Industry Training Board.	During 2013 industry volumes have increased and with the wider recovery in the UK economy demand for building materials have also increased. An example was the shortage of bricks which drove up cost and lead times for delivery during 2013. We have made further progress in delivering increased build efficiency by the on-going review of our standard house types and selective regional cost benchmarking.
Land purchasing The purchase of land of poor quality, at too high a price, or incorrect timing of land purchases in relation to the economic cycle could impact future profitability. **Responsibility** Group Management Team Divisional Managing Directors Regional Managing Directors Regional Land and Planning Directors Strategic Land Managing Directors	Land is the major 'raw material' for the Group and the limited availability of good-quality land at an attractive price throughout the housing cycle leads to significant competition. Purchasing land of the appropriate quality on attractive terms at the right time in the economic cycle will enhance the Group's ability to deliver future profit growth as the housing markets recover	Purchasing poor-quality or mispriced land, or incorrectly timing land purchases would have a detrimental impact on our profitability and returns. The purchasing of insufficient land would reduce the Group's ability to actively manage its land portfolio, and create value for shareholders.	Our local land teams select and appraise each site. Our appraisal process ensures each project is financially viable, consistent with our strategy and appropriately authorised, dependent on the proposed scale of expenditure. We strive to be the developer of choice by adopting a comprehensive approach encompassing landholders, land agents, local councils and local communities. Our strategic land teams work alongside regional businesses to identify and secure land with the potential for future development and promote it through the planning system.	During 2013 we continued to see attractive opportunities in the land market and secured land with higher than normal returns. However as the market recovers, we expect to see in the land market an increase in competition, so increasing the demand and cost of land.
Site and product safety Building sites are inherently dangerous places. Unsafe practices by our employees or sub-contractors have the potential to cause death or serious injury. **Responsibility** Chief Executive Director of Health, Safety and Environment Every employee and sub-contractor	The success of our operations requires a large number of people, ranging from employees and sub-contractors to customers and their families who visit our sites each day. We want all of these people to go home at the end of the day safe and uninjured.	In addition to the potentially tragic personal impact of an accident on site or after customer completion, there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.	We have a comprehensive health, safety and environmental management system in place, which is integral to our business. This is supported by our policies and procedures to ensure that we live up to our intention of providing a safe and healthy working environment and build homes that comply with the required regulations. We provide extensive training for our subcontractors. We run HSE induction training and poster campaigns as well as providing regular site toolbox talks for operatives on site All health and safety issues are reviewed by the Group Management Team and, where appropriate, action plans are put in place to rectify any issues.	We continue to compare favourably to the UK construction industry in terms of site safety. During 2013, we continued our site safety supervisor training for groundworkers' supervisors. By the end of 2013 over 2,000 groundworks supervisors had received training and a site safety supervisory qualification since the initiative began in 2012. We ran a series of poster and safety campaigns in 2013 including our Safe Working at Height campaign. We also introduced our zero tolerance policy on safe delivery and vehicle offloading and this has now been integrated into our site procedures and inspection process

Consolidated Income Statement

for the year to 31 December 2013

£ million	Note	**Before exceptional items 2013**	**Exceptional items 2013 (Notes 3 and 4)**	**Total 2013**	Before exceptional items 2012 Restated – Note 1	Exceptional items 2012 (Note 4)	Total 2012 Restated – Note 1
Continuing operations							
Revenue		**2,295.5**	**–**	**2,295.5**	2,019.0	–	2,019.0
Cost of sales		**(1,846.2)**	**45.6**	**(1,800.6)**	(1,662.7)	–	(1,662.7)
Gross profit before positive contribution		**403.9**	**45.6**	**449.5**	271.2	–	271.2
Positive contribution from written down inventory		**45.4**	**–**	**45.4**	85.1	–	85.1
Gross profit		**449.3**	**45.6**	**494.9**	356.3	–	356.3
Net operating expenses	3	**(139.6)**	**–**	**(139.6)**	(132.6)	–	(132.6)
Profit on ordinary activities before finance costs		**309.7**	**45.6**	**355.3**	223.7	–	223.7
Interest receivable		**0.9**	**–**	**0.9**	1.2	–	1.2
Finance costs	4	**(45.4)**	**(7.8)**	**(53.2)**	(45.5)	22.4	(23.1)
Share of results of joint ventures		**3.2**	**–**	**3.2**	2.4	–	2.4
Profit on ordinary activities before taxation		**268.4**	**37.8**	**306.2**	181.8	22.4	204.2
Taxation (charge)/credit	5	**(53.7)**	**(12.7)**	**(66.4)**	(35.2)	59.6	24.4
Profit for the year from continuing operations		**214.7**	**25.1**	**239.8**	146.6	82.0	228.6
Discontinued operations							
Result for the year				**31.3**			–
Profit for the year				**271.1**			228.6
Attributable to:							
Equity holders of the parent				**271.4**			228.6
Non-controlling interests				**(0.3)**			–
				271.1			228.6

	Note	**2013**	2012 Restated – Note 1
Basic earnings per share – total Group	6	**8.5p**	7.2p
Diluted earnings per share – total Group	6	**8.3p**	7.0p
Basic earnings per share – continuing operations	6	**7.5p**	7.2p
Diluted earnings per share – continuing operations	6	**7.3p**	7.0p
Adjusted basic earnings per share – continuing operations	6	**6.7p**	4.6p
Adjusted diluted earnings per share – continuing operations	6	**6.5p**	4.5p
Basic earnings per share – discontinued operations	6	**1.0p**	–
Diluted earnings per share – discontinued operations	6	**1.0p**	–

Consolidated Statement of Comprehensive Income

for the year to 31 December 2013

£ million	Note	2013	2012 Restated – Note 1
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1.2)**	0.2
Movement in fair value of hedging derivatives and loans		**1.2**	–
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain / (loss) on defined benefit pension schemes	9	**21.0**	(73.3)
Tax (charge) / credit on items taken directly to equity	7	**(6.6)**	16.0
Other comprehensive income / (expense) for the year net of tax		**14.4**	(57.1)
Profit for the year		**271.1**	228.6
Total comprehensive income for the year		**285.5**	171.5
Attributable to:			
Equity holders of the parent		**285.8**	171.5
Non-controlling interests		**(0.3)**	–
		285.5	171.5

Consolidated Balance Sheet

at 31 December 2013

£ million	Note	**2013**	2012
Non-current assets			
Other intangible assets		**4.2**	5.2
Property, plant and equipment		**8.3**	7.1
Interests in joint ventures		**34.7**	31.5
Trade and other receivables		**110.8**	102.0
Deferred tax assets	7	**246.6**	319.6
		404.6	465.4
Current assets			
Inventories	8	**2,928.8**	2,788.8
Trade and other receivables		**118.5**	96.0
Tax receivables		**7.8**	9.7
Cash and cash equivalents		**105.4**	190.4
		3,160.5	3,084.9
Total assets		**3,565.1**	3,550.3
Current liabilities			
Trade and other payables		**(793.9)**	(772.6)
Tax payables		**(7.6)**	(8.7)
Provisions		**(28.3)**	(84.4)
		(829.8)	(865.7)
Net current assets		**2,330.7**	2,219.2
Non-current liabilities			
Trade and other payables		**(193.7)**	(190.8)
Debenture loans		**–**	(149.4)
Bank and other loans		**(100.0)**	(100.0)
Retirement benefit obligations	9	**(183.8)**	(244.2)
Provisions		**(6.0)**	(10.7)
		(483.5)	(695.1)
Total liabilities		**(1,313.3)**	(1,560.8)
Net assets		**2,251.8**	1,989.5
Equity			
Share capital		**288.1**	288.0
Share premium account		**760.2**	758.8
Own shares		**(18.9)**	(15.9)
Other reserves		**43.8**	44.6
Retained earnings		**1,177.5**	912.6
Equity attributable to parent		**2,250.7**	1,988.1
Non-controlling interests		**1.1**	1.4
Total equity		**2,251.8**	1,989.5

Consolidated Statement of Changes in Equity

for the year to 31 December 2013

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

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

Consolidated Cash Flow Statement
for the year to 31 December 2013

£ million	**2013**	2012
Net cash from operating activities (Note 10)	**98.1**	78.4
Investing activities		
Interest received	**0.6**	0.9
Dividends received from joint ventures	**1.5**	0.4
Proceeds on disposal of property, plant and investments	**0.1**	0.7
Purchases of property, plant and investments	**(2.5)**	(3.5)
Purchases of software	**(0.6)**	(0.8)
Amounts invested in joint ventures	**(1.5)**	–
Amounts repaid from joint ventures	–	2.1
Net cash used in investing activities	**(2.4)**	(0.2)
Financing activities		
Proceeds from sale of own shares	**1.5**	4.7
Cash cost of satisfying share options	**(7.3)**	(0.7)
Purchase of own shares	**(3.0)**	(7.7)
Repayment of debenture loans	**(149.4)**	(15.2)
Dividends paid	**(20.8)**	(18.2)
Net cash used in financing activities	**(179.0)**	(37.1)
Net (decrease)/increase in cash and cash equivalents	**(83.3)**	41.1
Cash and cash equivalents at beginning of year	**190.4**	147.7
Effect of foreign exchange rate changes	**(1.7)**	1.6
Cash and cash equivalents at end of year	**105.4**	190.4

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

1. Basis of preparation

The financial information set out herein does not constitute the Group's statutory accounts for the years ended 31 December 2013 and 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's annual general meeting to be held on 17 April 2014. The external auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

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

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

IAS 19 'Employee Benefits' (amended 2011) outlines the accounting requirements for employee benefits. The Standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits is measured, providing detailed guidance in particular about post-employment benefits. This impacts the measurement of various components representing movements in the defined benefit pension obligation and associated disclosures, but not the Group' s total obligation.

The application of IAS 19 'Employee Benefits' (amended 2011) has resulted in the interest cost and expected return on assets being replaced by a net interest charge on the net defined benefit pension liability. Certain costs previously recorded as part of finance costs or other comprehensive income have now been presented within administrative expenses.

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

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 (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements on 21 March 2014, that comply with both IFRS as adopted for use in the European Union and IFRS as compliant with the Companies Act 2006 and Article 4 of the EU IAS Regulations.

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

Going concern

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

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

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

2. Operating segments

IFRS 8 'Operating segments' requires information to be presented in the same basis as it is reviewed internally. The Group's Board of Directors view the businesses on a geographic basis when making strategic decisions for the Group and as such the Group is organised into two operating divisions – Housing United Kingdom and Housing Spain.

Segment information about these businesses is presented below:

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

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

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

For the year to 31 December 2012 Restated – Note 1 £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue:			
External sales	1,987.0	32.0	2,019.0
Result:			
Profit on ordinary activities before joint ventures, finance costs and exceptional items	222.4	1.3	223.7
Share of results of joint ventures	2.4	–	2.4
Profit on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	224.8	1.3	226.1
Finance costs, net (including exceptional finance costs)			(21.9)
Profit on ordinary activities before taxation			204.2
Taxation (including exceptional tax)			24.4
Profit for the year – total Group			228.6

At 31 December 2012 £ million	Housing United Kingdom	Housing Spain	Consolidated
Assets and liabilities:			
Segment operating assets	2,922.6	76.5	2,999.1
Joint ventures	31.3	0.2	31.5
Segment operating liabilities	(1,286.7)	(16.0)	(1,302.7)
Continuing Group net operating assets	1,667.2	60.7	1,727.9
Net current taxation			1.0
Net deferred taxation			319.6
Net debt			(59.0)
Net assets			1,989.5

Notes to the Condensed Consolidated Financial Statements

for the year to 31 December 2013

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

£ million	**2013**	2012 Restated – Note 1
Administration expenses	**151.7**	142.1
Net other income	**(12.1)**	(9.5)
Exceptional items	**(45.6)**	–

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

Exceptional items:

£ million	**2013**	2012
Net reversal of inventory write-downs	**(45.6)**	–
Exceptional items	**(45.6)**	–

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

Following the completion of the June and December net realisable value (NRV) exercises the Group has released a net £45.6 million of previous write-downs in the year (2012: £nil). This consisted of £107.1 million of releases and £44.8 million of additional NRV requirements in the UK. A further £16.7 million of additional NRV write-downs have been recorded in Spain. These relate to specific legacy sites where local management has completed a strategic review to sell the associated inventory.

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

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

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

4. Finance costs

Interest receivable from continuing operations

£ million	**2013**	2012
External interest receivable	**0.9**	1.2
	0.9	1.2

Finance costs from continuing operations are analysed as follows:

£ million	**2013**	2012 Restated – Note 1
Interest on overdrafts, bank and other loans	**12.4**	13.6
Interest on debenture loans	**15.5**	18.1
Movement on interest rate derivatives and foreign exchange movements	**(0.2)**	0.3
	27.7	32.0
Unwinding of discount on land creditors and other payables	**8.0**	4.1
Notional net interest on pension liability (Note 9)	**9.7**	9.4
	45.4	45.5
Exceptional finance items:		
Tax liability interest credit	**–**	(22.4)
Senior Note 10.375% due 2015 prepayment penalty	**7.8**	–
	53.2	23.1

The exceptional finance cost in 2013 relates to the prepayment penalty on the early redemption of the total outstanding (£149.4 million) Senior Notes 10.375% due 2015. In the prior year £1.7 million of premium paid on the repurchase of £15.2 million Senior Notes 10.375% due 2015 was included in interest on debenture loans.

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

5. Tax

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

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

Corporation tax is calculated at 23.3% (2012: 24.5%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year includes a charge in respect of exceptional items of £12.7 million in respect of UK tax. This consists of £14.5 million associated with the net realisable value of inventory and a credit of £1.8 million related to the premium paid on the redemption of the Senior Notes 10.375% due 2015.

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

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

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

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

6. Earnings per share

	2013	2012 Restated – Note 1
Basic earnings per share	**8.5p**	7.2p
Diluted earnings per share	**8.3p**	7.0p
Basic earnings per share – continuing operations	**7.5p**	7.2p
Diluted earnings per share – continuing operations	**7.3p**	7.0p
Adjusted basic earnings per share – continuing operations	**6.7p**	4.6p
Adjusted diluted earnings per share – continuing operations	**6.5p**	4.5p
Basic earnings per share – discontinued operations	**1.0p**	–
Diluted earnings per share – discontinued operations	**1.0p**	–
Weighted average number of shares for basic/adjusted earnings per share – million	**3,201.4**	3,186.4
Weighted average number of shares for diluted basic/adjusted earnings per share – million	**3,280.4**	3,262.4

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

£ million	2013	2012 Restated – Note 1
Earnings from continuing operations for basic profit per share and diluted earnings per share	**239.8**	228.6
Adjust for exceptional net reversal of inventory write-downs (Note 3)	**(45.6)**	–
Adjust for exceptional interest items (Note 4)	**7.8**	(22.4)
Adjust for exceptional tax items (Note 5)	**12.7**	(59.6)
Earnings from continuing operations for adjusted basic and adjusted diluted earnings per share	**214.7**	146.6

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

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 Restated – Note 1
At 1 January 2012	–	–	289.8	52.7	0.3	342.8
Credit/(charge) to income	2.4	8.1	(41.8)	(10.0)	2.1	(39.2)
Credit to equity	2.5	–	–	13.5	–	16.0
At 31 December 2012	4.9	8.1	248.0	56.2	2.4	319.6
Credit/(charge) to income	0.3	(2.3)	(52.3)	(9.5)	(2.6)	(66.4)
Credit/(charge) to equity	3.7	–	–	(10.3)	–	(6.6)
At 31 December 2013	**8.9**	**5.8**	**195.7**	**36.4**	**(0.2)**	**246.6**

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the majority of the temporary differences have been calculated at the rate of 20% (2012: 23%), the rate effective from 1 April 2015 but substantively enacted by the end of the reporting period. The effect of the reduction in the UK corporation tax rate from 23% to 20% is a reduction in the net deferred tax asset at the end of 2013 of £28.3 million. Of this £28.3 million, £6.5 million has been charged directly to the Statement of Comprehensive Income.

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

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

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

At the balance sheet date, the Group has unused UK capital losses of £255.3 million (2012: £252.8 million), all of which are agreed as available for offset against future capital profits. No deferred tax asset has been recognised in respect of the remaining capital losses at 31 December 2013 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

8. Inventories

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

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

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

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

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

In the year 32% (31 December 2012: 46%) of the Group's UK completions were from sites that had been previously impaired.

At the balance sheet date the Group held inventory in the UK that had been written down to net realisable value of £459.9 million (31 December 2012: £784.4 million) with associated impairments of £206.8 million (31 December 2012: £351.5 million).

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

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

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

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

Inventory Write-downs £ million	2013	2012
1 January	396.1	532.5
Utilised	(86.4)	(135.1)
Net reversal	(45.6)	–
Forex exchange	1.0	(1.3)
31 December	265.1	396.1

9. Retirement benefit schemes

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

The Group merged the Taylor Woodrow Group Pension and Life Assurance Fund and the George Wimpey Staff Pension Scheme, creating the Taylor Wimpey Pension Scheme in 2013. This scheme is closed to new members and future accrual. The two legacy schemes are due to complete their winding-up in 2014. The Group also operates defined contribution pension arrangements in the UK, which are available to new and existing UK employees.

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Defined benefit pension schemes
The Group's defined benefit pension scheme in the UK is the Taylor Wimpey Pension Scheme (TWPS) which was formed on 7 March 2013. On the 1 October 2013, the transfer of assets and obligations from the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) took place. The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006 and the GWSPS was closed to future accrual with effect from 31 August 2010. Consequently, the TWPS is closed to future accrual. The member benefits provided by the TWPS are consistent with the two legacy schemes and as such it is a funded defined benefit pension scheme which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. Pensions in payment are generally increased in line with inflation.

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

The 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 with pension schemes' obligations measured using prudent assumptions.

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

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

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	Increase by 0.1% p.a.	Decrease by £35.9	(1.7)
Rate of inflation*	Increase by 0.1% p.a.	Increase by £29.0	1.4
Life expectancy	Members assumed to live 1 year longer	Increase by £71.2	3.5

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

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

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

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10. Notes to the cash flow statement

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

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

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

Movement in net cash / (debt)

£ million	Cash and cash equivalents	Overdrafts, banks and other loans	Debenture loans	Total net cash /(debt)
Balance 1 January 2012	147.7	(100.0)	(164.6)	(116.9)
Cash flow	41.1	–	15.2	56.3
Foreign exchange	1.6	–	–	1.6
Balance 31 December 2012	190.4	(100.0)	(149.4)	(59.0)
Cash flow	(83.3)	–	149.4	66.1
Foreign exchange	(1.7)	–	–	(1.7)
Balance 31 December 2013	105.4	(100.0)	–	5.4

Notes to the Condensed Consolidated Financial Statements

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11. Discontinued operations

In 2011 the Group sold the North American division. As part of the disposal the Group provided certain indemnities to the buyers with a related provision of £58.4 million. A number of these indemnities have either been settled or expired and as such the Group has released £31.3 million through discontinued operations in the year (2012:£ nil).

12. Dividends

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

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

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

In accordance with IAS 10 ‘Events after the balance sheet date’ the proposed final or special dividends have not been accrued as a liability as at 31 December 2013.