

TAYLOR WIMPEY UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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COMPANIES HOUSE

Company number: 1392762

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TAYLOR WIMPEY UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their Strategic Report on the Company for the year ended 31 December 2014.

Principal activities

The Company's principal activities during the year were the construction and sale of private and affordable housing and land sales.

Market conditions

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

The UK housing market continues to grow and we have continued to see positive signs, with prices increasing slowly. This is underpinned by solid consumer confidence and good mortgage availability and affordability.

Strategy

Following a period of strong investment, we are now at our optimum size of landbank at c.75k plots and have therefore moved to a land replacement position in the short term land market and, together with the increasing profitability of the business, are becoming increasingly cash generative. This has enabled us to move to a phase focused on delivery, maximising the returns from our investments, and continuing to ensure that the business is optimally positioned to deliver those returns on a sustainable basis.

We continue to develop and promote our strategic landbank and in 2014 added c.18k new potential plots to the strategic pipeline. In 2014 a record 39% (2013: 29%) of completions were sourced from the strategic pipeline.

| Financial review and key performance indicators | 2014 | 2013 | Increase |
|--|-------------|-------------|-----------------|
| Turnover £m | 2,630.5 | 2,273.3 | 15.7% |
| Operating profit £m | 487.1 | 378.8 | 28.6% |
| Operating margin | 18.5% | 16.7% | 1.8% |
| Pre-tax profit £m | 451.0 | 312.9 | 44.1% |
| Profit for the year £m | 368.1 | 250.5 | 46.9% |
| Owned and controlled plots with planning or a resolution to grant planning | 75,136 | 70,628 | 4,508 |
| Net assets £m | 1,862.1 | 1,782.7 | 4.5% |

During the year the Company paid a dividend of £250.0 million to its parent company Taylor Wimpey Developments Limited. No dividend was paid in the prior year.

The increase in turnover was driven by much improved selling prices, up 11.5% to £213k (2013:£191k) and volume growth of 6.5% to 12,294 completions (2013: 11,547). Operating profit increased to £487.1 million (2013: £378.8 million). These improvements have been driven by the on-going benefits of the quality of our short term land acquisitions and by our conversion of the strategic pipeline. Profitability and increased cash generation have combined to increase net assets by 4.5% in the year.

Outlets and sales

During 2014 the Company's net private reservation rate for the full year was 0.64 homes per outlet per week (2013: 0.62) with cancellation rates still at low levels, at 14% (2013: 13%). We ended the year with 305 outlets (2013: 314).

TAYLOR WIMPEY UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Home completions, excluding joint ventures, increased by 6.5% to 12,294 (2013: 11,547) of which 10,116 were private completions (2013: 9,423) and 2,178 were affordable homes (2013: 2,124).

Prices and costs

Our average selling price increased to £213k (2013: £191k), with an increase in the average selling price of private completions to £234k (2013: £210k).

Our scale affords us the benefit of strong purchasing power and we achieve significant cost benefits across our regional businesses, with national agreements with a number of suppliers offsetting some of the cost inflation in the market. During 2014 the improved market resulted in underlying build cost increases (excluding house type mix impact) of c.5%. This was broadly spread between labour and materials.

During the year, manufacturing of key components of housebuilding such as bricks increased to keep broadly in line with the growth of the industry and, as a result, we are now seeing reduced pricing pressure on materials. We anticipate that build cost inflation should somewhat reduce as the industry adjusts to the increased labour and material demand. It is pleasing to note that capacity for key supplies is increasing following greater certainty on the rate of housebuilding. National deals account for 90% of key materials we purchase and are supplied through our central procurement division which focuses on achieving best supplier value, assessing sustainability credentials and helping to achieve a more secure supply source.

The Company completed a net realisable value assessments of inventory in June and December. Given the improving market conditions supporting increased profitability on a number of our previously impaired sites in the UK, a net reversal of £18.7 million impairment write downs has been recorded in 2014.

In the year the Company recognised £15.9 million (2013: £45.4 million) of positive contribution on completions from previously impaired sites. Positive contribution is the difference between the realised value on completions compared to the value assumed in the net realisable value review in the previous reporting period.

Land bank

We continue to focus on selecting the right land and developing it in a sustainable manner. The short term land market remained balanced in 2014 enabling us to continue to source and invest in short term value-creating land.

Our short term land bank representing owned or controlled land with planning, or a resolution to grant planning, stood at 75,136 plots as at 31 December 2014 (2013: 70,628).

Going concern

The Company has been profitable in 2014 and 2013. The Directors of the Company have made the necessary enquiries, including reviewing forecasts of the business and available resources for a period of at least 12 months from the date of signing the financial statements.

The Directors of the Company are of the view, at the time of approving the financial statements, that there is a reasonable expectation the Company will be able to remain in existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Principal risks and uncertainties

Government policy and planning regulations

The implementation of the National Planning Policy Framework, the Localism Act and the Community Infrastructure Levy (CIL) has had a significant impact on the planning system. A further change in Government Policy, although unlikely, could have a disrupting or destabilising effect on the planning system.

Our ability to build our homes and communities is dependent on obtaining planning permissions and other regulatory requirements and permits. Although the new planning system is having a positive effect, it is still a relatively new system with the powers within the processes still being tested. The risk of extended timeframes for gaining consent or legal challenge continues. Any further structural change to the process, although unlikely, could have a slowing effect on planning consent. CIL is currently being taken up slowly by local authorities.

We have responded to the changes in planning policy by introducing a comprehensive community-led planning strategy which improves communications with all parties but especially local communities, thereby enhancing our ability to deliver developments that meet local requirements. We consult with Government agencies and opposition parties on housing policy, both directly and indirectly as a member of industry groups, to highlight potential issues and to understand any proposed changes to regulations.

Our customer and community engagement strategy is becoming embedded and having a positive effect. We have been successful in gaining planning consents through the year with particular emphasis on the conversion of the strategic land pipeline. We continued our participation in the local Plans Management Group (PMG), via the HBF, to ensure local plans are robust and CIL charge schedules are appropriate.

Impact of market environment on mortgage availability and demand

Mortgage availability is a key constraint on the demand for housing. Following the Mortgage Market Review in April 2014, stricter guidelines were introduced for lenders to assess mortgage affordability. In 2015, the Bank of England's Financial Policy Committee (FPC) gained new powers, including setting loan-to-value and debt-to income limits for residential mortgages. Also, whilst the Government has extended Phase 1 of the Help to Buy scheme to 2020, there is uncertainty over the impact when the scheme is removed.

The majority of the homes that we build are sold to individual purchasers who take on significant mortgages to finance their purchases. A change in business confidence or employment opportunities can impact on the demand for housing. In particular the ability for first time buyers and investors to purchase homes is impacted by changes in mortgage availability at the higher loan-to-value levels, as it would impact on the level of deposits required. The new FPC policies may lead to a delay in mortgage approvals and restrict the volume of approvals.

A reduction in effective demand for new homes below normal levels could negatively impact on both profitability and cash generation. This would have an adverse effect on return on net operating assets and net debt.

Our local teams select the locations and home designs that best meet the needs of the local community and customer demand in the present and future.

TAYLOR WIMPEY UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

We evaluate new outlet openings on the basis of local market conditions and regularly review the pricing and incentives that we offer.

We work closely with the financial services industry to ensure customers receive good advice on the procurement of mortgage products. We offer the Government backed Help to Buy scheme and have seen strong interest in the scheme amongst our customers.

We launched a new Taylor Wimpey website in 2013 to provide best in industry customer experience and better insight into the Taylor Wimpey products. Throughout 2014 we have continued to develop good working relationships with established mainstream lenders and those wishing to increase volume within the new build market.

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.

We require significant input from skilled people to deliver quality homes and communities for our customers. The recovery in the housing market and the recent changes in the planning system have meant that the retention of high-quality trained employees is key to achieving our strategic goals.

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

We closely monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration to ensure we are competitive within the industry and have succession plans in place for key roles within the Group. We hold regular development reviews to identify training requirements.

During 2014, we increased our intake of apprentice and trainee schemes. A programme for all senior managers was introduced, to support open dialogue and constructive conversation with employees. The graduate and apprenticeship programmes continued, developing skills at entry level positions. An Assessment and Development Centre was run for employees with potential for Director level roles, to support robust development plans.

Material costs and availability of subcontractors

An increase in production following the recovery of the housing market may reduce the availability of materials and subcontractors, resulting in an unexpected increase in costs. It has also put pressure on utility firms to keep up with the pace of installation, leading to build programme and completion delays.

In order to optimise our build cost efficiency, whilst retaining the flexibility to commence work on new sites as planning consents allow, the vast majority of work carried out on site is performed by subcontractors. Without the introduction of new resources into the housing market, labour and material prices could increase.

TAYLOR WIMPEY UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

If the availability of subcontractors or materials is insufficient to meet demand this could lead to increased build times, increased costs and, thereby reducing profitability. Lack of skilled subcontractors could also result in higher levels of waste being produced from our sites and lower build quality.

We maintain regular contact with suppliers and negotiate contract volume, pricing and duration as appropriate. In addition, we provide both high-level and site specific programme information to aid with demand planning. Competencies are considered as part of our subcontractor selection process, particularly in relation to health and safety, quality, previous performance and financial stability. We work to address the skills shortage through apprenticeship schemes and the Construction Industry Training Board.

During 2014 industry volumes continued to increase the demand for building materials. The Group has agreed product allocations and volumes with key suppliers to mitigate against extended lead times and potential shortages. We have made progress in delivering increased build efficiency by the ongoing review of our standard house types and selective regional cost benchmarking.

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.

Land is the major 'raw material' for the Company 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 Company'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 Company's ability to actively manage its land portfolio, and create value for shareholders.

Our land teams select and appraise each site. Our appraisal process ensures each project is financially viable, consistent with our strategy and appropriately authorised, dependent on the proposed scale of expenditure. We strive to be the developer of choice by adopting a comprehensive approach encompassing land vendors, land agents, local councils and local communities. Our strategic land teams work alongside regional businesses to identify and secure land with the potential for future development and promote it through the planning system.

The short term land market remained balanced and disciplined throughout 2014 enabling us to continue to source and invest in short term value-creating land opportunities at investment margins of around 20% operating margin. Following a period of strong investment, we are now at our optimum size of land bank. In combination with the strong conversion of the strategic pipeline, our reliance on purchasing short term land has diminished, providing some insulation from an increase in land price.

TAYLOR WIMPEY UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Site and product safety

Building sites are inherently dangerous places. Unsafe practices by our employees or subcontractors have the potential to cause death or serious injury.

The success of our operations requires a large number of people, ranging from employees and subcontractors to customers and their families, who visit our sites each day. We want all of these people to go home at the end of the day safe and uninjured.

In addition to the potentially tragic personal impact of an accident on site or after customer completion, there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.

We have a comprehensive health, safety and environmental (HSE) management system in place, which is integral to our business. This is supported by our policies and procedures to ensure that we live up to our intention of providing a safe and healthy working environment and build homes that comply with the required regulations. We provide extensive HSE training for our employees. We run HSE induction training, poster campaigns as well as providing regular site toolbox talks for our contractors and operatives

All health and safety issues are reviewed by management and where appropriate, action plans are put in place to rectify any issues.

We continue to compare favourably with the UK housebuilding and construction industry in terms of site safety. We have continued to keep our Annual Injury Incidence Rate (AIIR) low at 209 per 100,000 employees and contractors in 2014 (2013:207). We reduced our AIIR for major injuries from 60 in 2013 to 26 in 2014. During 2014, we continued our site safety training, extending training to over 2,750 groundworkers' supervisors, each receiving a site safety supervisory qualification.

We introduced additional working platform lifts on all our scaffolds, resulting in a significant reduction in the risk of injury from falls or slips, particularly from operatives working at mid-floor or roof level. We introduced specialist equipment on all sites to make ladders safer to use.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources available to meet its obligations as they fall due. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet with unforeseen events.

The Company obtains its funding from its ultimate parent Taylor Wimpey plc who in turn has access to external facilities and is operating well within its financial covenants and limits of available funding.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations. The carrying amount of financial assets, as detailed in note 15, represent the Company's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

TAYLOR WIMPEY UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Charitable donations

The Company made contributions of £273k (2013: £255k) to charities during the year. The contributions were as follows:

| | £ |
|----------------------------------|----------------|
| Centrepoint | 92,000 |
| Macmillan | 42,708 |
| Mayor's Fund for London | 39,793 |
| Marie Curie Cancer Care | 18,520 |
| The Shakespeare Hospice | 12,000 |
| Watford Community Church | 10,000 |
| CRASH | 8,000 |
| GAYE | 7,688 |
| Crisis | 6,200 |
| Academy Concerts Society | 5,000 |
| Birmingham Children's Hospital | 3,746 |
| Kids Out | 2,110 |
| St Nicholas Hospice | 2,030 |
| Other (none greater than £2,000) | 22,995 |
| | <u>272,790</u> |

Pensions

Defined Contribution Schemes

The Company continues to offer all new and existing employees a defined contribution pension called the Taylor Wimpey Personal Choice Plan (PCP).

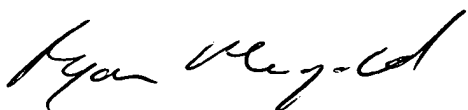
In line with the Government's auto-enrolment legislation, the Company implemented automatic enrolment arrangements at the end of October 2013. All eligible employees who were not in a pension provided by the Company were automatically enrolled into the People's Pension provided by B&CE.

Defined Benefit Schemes

The Company's defined benefit pension scheme is the Taylor Wimpey Pension Scheme (TWPS) which replaced the George Wimpey Staff Pension Scheme in 2013. The TWPS is a funded defined benefit pension scheme which provides benefits to beneficiaries in the form of a guaranteed level of pension payable for life.

Following the completion of the initial valuation for the TWPS as at 31 December 2013, total contributions from the Company have been reduced to £18 million per annum from 2015 versus the £36 million per annum previously committed.

Approved by the Board of Directors and signed on its behalf by:



R. D. Mangold
Director

Date: 23 June 2015

TAYLOR WIMPEY UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2014. The principal activities, future developments and risks for the Company are detailed within the Strategic Report.

Directors

The following Directors held office during the year and subsequently:

P. R. Andrew
K. A. Billson-Ross (appointed 18 November 2014)
L. M. Bishop (appointed 2 January 2015)
J. J. Jordan
R. D. Mangold
F. D. McConnell
M. B. Pilfold (resigned 1 August 2014)
P. T. Redfern
I. R. Skinner
P. M. Truscott

Third party indemnity provisions

Taylor Wimpey plc has granted indemnities in favour of the Directors and officers of its Group subsidiary companies against financial exposure that they may incur in carrying out their duties (including the Directors and officers of this company). These have been granted in accordance with section 234 of the Companies Act 2006.

Employee involvement and communication

The Company is committed to ensuring open and regular communication on both business related issues and issues of general interest. Intranet systems are continually updated which provide a valuable communication tool and an important facility for providing employees with access to a wide range of information. Information is regularly cascaded throughout the business through electronic communication and by management presentations.

Diversity

The Company operates in diverse communities. We believe that embracing this diversity will enable us succeed through a workforce that is inclusive, creative and innovative. Diversity covers many aspects. We have defined diversity to mean that we actively embrace the business and local communities in which we operate and will strive to reflect their richness and character to include such aspects as gender, race and religion but also diversity of thought, background and experience.

Managing diversity is about valuing everyone as an individual, valuing people as our employees, customers and clients. People have different needs, values and beliefs. Our people management practice demands that employment propositions are both consistently fair but also flexible and inclusive in ways that assist our people while supporting our business needs and objectives. We believe that everyone should have the right to equal access to employment and, when in our employ, to equal pay and access to training and career development. We are committed to ensuring that our people are free from any direct or indirect discrimination, harassment or bullying. We will not tolerate any behaviour that detracts from this.

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

TAYLOR WIMPEY UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Employment of disabled persons

It is our policy that people with disabilities should have fair consideration for all vacancies within the Company. The Company is therefore committed, where possible, to ensuring that people with disabilities are supported and encouraged to apply for employment and to achieve progress once employed. They will be treated so that they have an equal opportunity, so far as it is justifiable, to be selected, trained and promoted. In addition, every reasonable effort is made for disabled persons to be retrained in the employment of the Company by investigating the possibility of making reasonable adjustments to the job, workplace or equipment.

Auditor

Each person who is a Director at the date of approval of this report confirms that:

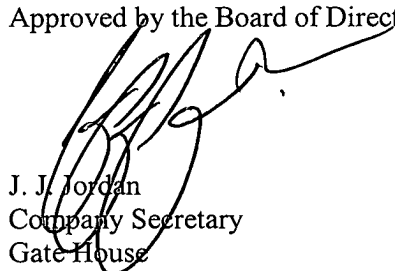
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Re-appointment of Auditor

Deloitte LLP has indicated their willingness to be re-appointed as auditor for another term. Appropriate arrangements have been put in place for them to be deemed re-appointed as auditor in the absence of an annual general meeting.

Approved by the Board of Directors and Signed on its behalf by:



J. J. Jordan
Company Secretary
Gate House
Turnpike Road
High Wycombe
Buckinghamshire
HP12 3NR
United Kingdom

Date: 23 June 2015

TAYLOR WIMPEY UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAYLOR WIMPEY UK LIMITED

We have audited the financial statements of Taylor Wimpey UK Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Edward Hanson

Edward Hanson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date: *25 June 2015*

TAYLOR WIMPEY UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | | 2014 | 2013 |
|---|-------------|-----------------------|-----------------------|
| | | £'000 | £'000 |
| | Note | | |
| Turnover | 2 | 2,630,539 | 2,273,275 |
| Cost of sales | | | |
| Before exceptional items | | (2,011,751) | (1,822,443) |
| Exceptional items | 3 | 18,745 | 62,223 |
| | | (1,993,006) | (1,760,220) |
| Gross profit | | <u>637,533</u> | <u>513,055</u> |
| Administration expenses | | (150,415) | (134,229) |
| Operating profit | 4 | <u>487,118</u> | <u>378,826</u> |
| Dividends receivable | 5 | 2,500 | 1,500 |
| Profit on ordinary activities before interest and taxation | | <u>489,618</u> | <u>380,326</u> |
| Interest receivable and similar income | 6 | 17,579 | 52,903 |
| Interest payable and similar charges | 7 | (56,157) | (120,345) |
| Profit on ordinary activities before taxation | | <u>451,040</u> | <u>312,884</u> |
| Tax on ordinary activities and exceptional items | 3&8 | (82,920) | (62,346) |
| Profit for the financial year | | <u><u>368,120</u></u> | <u><u>250,538</u></u> |

All the results reported above for both the current and prior year relate solely to continuing operations.

TAYLOR WIMPEY UK LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Note | 2014 £'000 | 2013 £'000 |
|---|-------------|-----------------------|-----------------------|
| Profit for the financial year | | 368,120 | 250,538 |
| Actuarial loss on defined benefit pension scheme | 9 | (52,308) | (43,344) |
| Deferred tax credit on defined benefit pension scheme and share based payments | 19 | 8,066 | 10,905 |
| Total recognised gains relating to the year | | <u>323,878</u> | <u>218,099</u> |

TAYLOR WIMPEY UK LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2014**

| | Note | 2014 £'000 | 2013 £'000 |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Intangible assets | 11 | 2,510 | 4,215 |
| Tangible assets | 12 | 16,037 | 7,443 |
| Investments in subsidiary undertakings | 13 | 125,269 | 125,669 |
| Investments in joint venture undertakings | 13 | 6,446 | 6,446 |
| | | <u>150,262</u> | <u>143,773</u> |
| Current assets | | | |
| Stock | 14 | 3,335,278 | 2,786,118 |
| Debtors amounts falling due within one year | 15 | 242,574 | 182,311 |
| Debtors amounts falling due after more than one year | 15 | 144,233 | 290,612 |
| | | <u>3,722,085</u> | <u>3,259,041</u> |
| Creditors: amounts falling due within one year | 16 | (1,476,189) | (1,164,523) |
| Net current assets | | <u>2,245,896</u> | <u>2,094,518</u> |
| Total assets less current liabilities | | <u>2,396,158</u> | <u>2,238,291</u> |
| Creditors: amounts falling due after more than one year | | | |
| Deficit on defined benefit pension scheme | 16 | (450,268) | (382,983) |
| Provisions for liabilities | 9 | (60,157) | (63,067) |
| | 18 | (23,679) | (9,551) |
| Net assets | | <u>1,862,054</u> | <u>1,782,690</u> |
| Capital and reserves | | | |
| Called-up share capital | 20 | 765,000 | 765,000 |
| Share premium account | 21 | 499,189 | 499,189 |
| Profit and loss account | 22 | 597,865 | 518,501 |
| Shareholders' funds | 23 | <u>1,862,054</u> | <u>1,782,690</u> |

The financial statements of Taylor Wimpey UK Limited (registered number 1392762) were approved by the Board of Directors and authorised for issue on 23 June 2015.

They were signed on its behalf by:



R.D. Mangold
Director

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting policies

The following accounting policies have been consistently applied in the current and prior year.

Basis of accounting

The financial statements have been prepared in accordance with applicable law and United Kingdom accounting standards, under the historical cost convention.

Basis of preparation

These financial statements contain information about Taylor Wimpey UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Taylor Wimpey plc, a company registered in England and Wales.

Going concern

The Company has been profitable in 2014 and 2013. The Directors of the Company have made the necessary enquiries, including reviewing forecasts of the business and available resources for a period of at least 12 months from the date of signing the financial statements

The Directors of the Company are of the view, at the time of approving the financial statements, that there is a reasonable expectation the Company will be able to remain in existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Cash flow statement and related party transactions

The Company is a wholly owned subsidiary of Taylor Wimpey plc and its results are included in the consolidated accounts of Taylor Wimpey plc, which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with wholly owned subsidiaries of the Taylor Wimpey plc Group. For details of other related party transactions see note 26.

Turnover

Turnover from private housing sales and land sales is recognised at the consideration received or receivable on legal completion, net of incentives.

Turnover on affordable housing contracts is recognised by reference to the stage of completion of the contract activity where the outcome of the contract can be reasonably estimated.

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

1. Accounting policies (continued)

Profit recognition

Profit arising from the sale of private residential, commercial properties and land sales is taken on legal completion. Residential development profit is calculated based on total expected revenues less total expected costs. Profit on affordable housing is only recognised by reference to the stage of completion when the outcome of the contract can be reasonably estimated. When it is probable that total costs will exceed total turnover the expected loss is recognised immediately.

Part exchange

In certain instances property may be accepted in part consideration for a sale of a residential property. It is recorded at its fair value, established by independent surveyors, less cost to sell. Net proceeds generated from the subsequent sale of part exchange properties are recorded as a reduction to cost of sales.

Exceptional items

Exceptional items are defined as material items which derive from events or transactions that fall within the ordinary activities of the reporting entity which, in the opinion of the Directors, require separate disclosure in the financial statements in accordance with FRS 3 'Reporting Financial Performance'.

Customer deposits

Customer deposits are recorded as a liability and deducted from the construction work in progress on receipt and released to the income statement as revenue upon legal completion.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

Intangible assets

Costs that are directly associated with the production of identifiable and unique software controlled by the Company, and that will generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

1. Accounting policies (continued)

Tangible fixed assets

Fixed assets are stated at cost less depreciation or amortisation. Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write off the cost of each asset to its residual value evenly over its expected useful life as follows:

- Freehold buildings - over 50 years
- Leasehold buildings – over the period of the lease
- Plant and equipment - from 3 to 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Finance income and costs

Interest receivable and payable on bank deposits and borrowings is credited to finance income or charged to finance costs as incurred.

Trade payables on extended terms, particularly in respect of land, are recorded at the fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the deferred payment terms and charged to finance costs.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the Balance Sheet date.

Any liability or credit in respect of group relief in lieu of current tax is also calculated using corporation tax rates that have been enacted or substantively enacted by the balance sheet date unless a different rate (including a nil rate) has been agreed within the Group.

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

The potential liability to tax on surpluses on valuations of properties is not provided for in these financial statements.

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

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

1. Accounting policies (continued)

Current and deferred tax are charged or credited in the Profit and Loss Account, except when they relate to items charged or credited through the Statement of Total Recognised Gains and Losses when they are charged or credited there.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are accounted for at cost less any provision for impairment.

Investments in joint venture undertakings

Joint venture undertakings are incorporated entities and unlisted undertakings, other than subsidiary undertakings, held as long-term investments in which the reporting entity holds an interest on a long-term basis and is jointly controlled by the reporting entity and one or more other ventures under a contractual arrangement. Investments in joint venture undertakings are held at cost less any provisions for impairment.

Investment in associated undertakings

Associated undertakings are incorporated entities and unlisted undertakings, other than subsidiary undertakings and joint ventures, held as long-term investments in which the Company has an investment representing not less than 20% of the voting rights and over which it exerts significant influence but not control or joint control. Investments in associated undertakings are held at cost less any provisions for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads which have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

Land stock is recognised in stock when the significant risks and rewards of ownership have been transferred to the Company. Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is probable that they will not be exercised.

Pensions

The Company accounts for pensions and similar benefits under FRS 17 'Retirement Benefits'. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at market value. The operating and financing costs of such plans are recognised separately in the Profit and Loss Account; service costs are spread systematically over the lives of the employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in full through the Statement of Total Recognised Gains and Losses.

Payments to defined contribution schemes are charged to the Profit and Loss Account as they become due.

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

1. Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the Profit and Loss Account in equal amounts over the lease term. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Finance leases

The Company leases show homes from a subsidiary, Taylor Wimpey SH Capital Limited. The show homes are sold to Taylor Wimpey SH Capital Limited at book value and interest is charged at 5.1% per annum. This is charged to the profit and loss account in equal amounts over the lease term. The amount of this rental charge is determined by the amount of show home assets leased with interest calculated on a daily basis.

Grants debtors

Grants due are matched against development costs as related expenditure is incurred. Any amounts not received at the year-end are included within debtors.

Trade debtors

Trade debtors on normal terms do not carry interest and are stated at their initial value reduced by appropriate allowances for estimated irrecoverable amounts. Trade debtors on extended terms, particularly in respect of land, are recorded at their fair value at the date of sale of the asset to which they relate. The imputed interest receivable is amortised over the period of the deferred payment terms and credited to interest receivable.

Trade debtors include amounts due from customers, secured on mortgages, which have arisen on certain houses being sold to customers under an equity-sharing arrangement with the Company.

Trade creditors

Trade creditors on normal terms are not interest bearing and are stated at their nominal value. Trade creditors on extended terms, particularly in respect of land purchases, are recorded at their fair value. The imputed interest payable is amortised over the period of the deferred payment terms and charged to interest payable.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

2. Turnover

Turnover in the year arose solely in the United Kingdom.

| | 2014 | 2013 |
|--------------------|------------------|------------------|
| | £'000 | £'000 |
| Private housing | 2,356,509 | 1,985,515 |
| Affordable housing | 249,802 | 244,720 |
| Land sales | 18,615 | 28,467 |
| Property | 5,331 | 14,190 |
| Other | 282 | 383 |
| | <u>2,630,539</u> | <u>2,273,275</u> |

3. Exceptional items

Net realisable value

| | 2014 | 2013 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Reversal of write down of land and work in progress | <u>18,745</u> | <u>62,223</u> |
| | <u>18,745</u> | <u>62,223</u> |

Due to continued improving market conditions supporting increased profitability on a number of our previously impaired sites in the UK, a net reversal of impairment write-downs has been recorded in 2014. The net reversal consists of a reversal of previous write downs of £27.0 million (2013: £107.1 million) and additional write-downs to the lower of cost and net realisable value of £8.3 million (2013: £44.9 million) on previously impaired sites.

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

The 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 | +1% selling price £m | -1% selling price £m | +1% build cost £m | -1% build cost £m |
|------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| 31 December 2014 | <u>12.4</u> | <u>(14.2)</u> | <u>(12.9)</u> | <u>10.9</u> |
| 31 December 2013 | <u>18.3</u> | <u>(6.9)</u> | <u>(6.6)</u> | <u>11.7</u> |

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

3. Exceptional items (continued)

Exceptional tax charge

| | 2014 | 2013 |
|---------------------------|----------------|-----------------|
| | £'000 | £'000 |
| Utilisation of tax losses | <u>(3,749)</u> | <u>(14,311)</u> |
| | <u>(3,749)</u> | <u>(14,311)</u> |

The current year exceptional charge of £3.7 million (2013: £14.3 million) is utilisation of tax losses following the reversal of historic net realisable value write downs of land and work in progress.

4. Operating profit

| | 2014 | 2013 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Operating profit is stated after crediting: | | |
| Grants receivable | 144 | 311 |
| Exceptional items (note 3) | 18,745 | 62,223 |
| Operating profit is stated after charging: | | |
| Staff costs (note 10) | 198,314 | 186,649 |
| Hire of plant and equipment | 9,685 | 10,923 |
| Other operating lease rentals | 3,823 | 5,673 |
| Depreciation and amortisation (note 11 & 12) | <u>2,599</u> | <u>2,688</u> |
| Fee payable to the Company's auditor for the audit of the Company's annual financial statements | <u>251</u> | <u>236</u> |

Fees paid to the Company's auditor for other services were £0.2 million (2013: £0.1 million). The majority the fees in the prior year were in relation to the sale and leaseback structure set up as part of the pension scheme merger (note 9).

5. Dividends receivable

| | 2014 | 2013 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Dividends received from joint ventures | <u>2,500</u> | <u>1,500</u> |

The Company received a dividend of £2.5 million (2013: £1.5 million) from its principal joint venture Strada Developments Limited.

6. Interest receivable and similar income

| | 2014 | 2013 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Bank interest receivable | 48 | 28 |
| Interest credited on land debtors | 169 | 350 |
| Interest received on loans with Group companies | - | 50,325 |
| Net interest charge on pension scheme (note 9) | 17,245 | 2,200 |
| Other external interest | 117 | - |
| | <u>17,579</u> | <u>52,903</u> |

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

7. Interest payable and similar charges

| | 2014 | 2013 |
|--|---------------|----------------|
| | £'000 | £'000 |
| Interest charged on loans with Group companies | 42,669 | 111,444 |
| Interest charge on finance lease creditor with Group companies | 4,663 | 842 |
| Bank overdrafts | 1,447 | 284 |
| Interest unwound on provisions and creditors | 7,378 | 7,775 |
| | <u>56,157</u> | <u>120,345</u> |

8. Taxation on ordinary activities

| | 2014 | 2013 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Current tax charge | | |
| UK corporation tax on profits of the period | - | - |
| Adjustments in respect of prior periods | - | - |
| Deferred tax charge | | |
| Ordinary deferred tax | 88,656 | 48,301 |
| Adjustments in respect of prior periods | (9,485) | (266) |
| Exceptional deferred tax (note 3) | 3,749 | 14,311 |
| Tax on profit on ordinary activities | <u>82,920</u> | <u>62,346</u> |

The current year tax charge includes an exceptional deferred tax charge of £3.7 million (2013: £14.3 million) relating to the utilisation of tax losses arising from the reversal of write down of land and work in progress.

The standard rate of current tax for the year, based on the weighted average of the UK standard rate of corporation tax is 21.5% (2013: 23.25%).

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

8. Taxation on ordinary activities (continued)

The current tax charge for the period can be reconciled as follows:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | 451,040 | 312,884 |
| Standard rate of corporation tax of 21.5% (2013: 23.25%) | 96,974 | 72,746 |
| Effects of: | | |
| Share scheme costs | (1,476) | (484) |
| Depreciation in excess of capital allowances | (1,019) | (1,381) |
| Other timing differences | 761 | (44) |
| Disallowable items | 718 | 1,793 |
| Non-taxable dividend | (538) | (349) |
| Pension scheme charges | (11,233) | (14,091) |
| Transfer pricing adjustment | (2) | (4) |
| Worldwide debt cap adjustment | 4,604 | - |
| Group relief surrendered for no payment | (575) | (823) |
| Research and development claim | - | (47) |
| Land remediation relief | (1,380) | (1,443) |
| Utilisation of brought forward losses | (86,834) | (55,873) |
| Total current tax charge | - | - |

9. Pension arrangements

The Company participates in defined contribution pension arrangements in the UK, which are available to new and existing employees.

The Company also participates in the Taylor Wimpey Pension Scheme (TWPS), a defined benefit pension scheme which replaced the George Wimpey Staff Pension Scheme (GWSPS) in October 2013. The GWSPS was closed to future accrual with effect from 31 August 2010 and consequently the TWPS is also closed to future accrual.

Defined contribution pension plans

The Company operates the Taylor Wimpey Personal Choice Plan (TWPCP) defined contribution benefit scheme for all qualifying employees of Taylor Wimpey UK Limited. The assets of the schemes are held separately from those of the Company in funds under the control of the trustees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

9. Pension arrangements (continued)

The People's Pension is used for auto enrolment purposes for weekly and monthly employees not participating in the TWPCP. The People's Pension is provided by BC&E, one of the UKs largest providers of Financial Benefits to construction industry employers and individuals.

Defined benefit pension schemes

The member benefits provided by the TWPS are consistent with the legacy scheme 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 member's length of service and their salary in the final years leading up to retirement date or date of ceasing active accrual if earlier. Pension payments are generally increased in line with inflation.

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 first funding valuation of the TWPS was performed during 2014, with a reference date of 31 December 2013. This valuation resulted in reduced contributions to the scheme being paid from 2015 of £18.0 million including £2.0 million of administrative costs of the scheme compared to £36 million in 2014.

The statutory funding objective is that the scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principle adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

The table below sets out the details of the funding valuations for the TWPS, carried out in September 2014, with a reference to the position at 31 December 2013.

Assumptions

| | |
|-------------------------------------|-------------|
| RPI Inflation | 3.40% |
| Discount rate - pre/post retirement | 6.05%/4.05% |
| Real pension increases | 0% p.a. |

Valuation results

| | |
|--------------------------|---------|
| Market value of assets | £1,921m |
| Past service liabilities | £2,112m |
| Scheme funding levels | 91% |

The assumptions used in calculating the accounting costs and obligations of the TWPS are set by the Directors after consultation with independent, professionally qualified actuaries.

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

9. Pension arrangements (continued)

The principal assumptions made at 31 December were as follows:

| | 2014 | 2013 |
|---|-------------|--------------|
| Discount rate | 3.5% | 4.60% |
| Rate of increase in salaries | N/A | N/A |
| Rate of increase of deferred pensions | 1.7% | 2.30% |
| Rate of increase of pensions in payment | 2.05%-3.55% | 2.15% -3.70% |

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

| | 2014 | 2013 |
|--------------------------|-------------|-------------|
| Male currently aged 65 | 88 | 87 |
| Male currently aged 45 | 89 | 89 |
| Female currently aged 65 | 90 | 90 |
| Female currently aged 45 | 92 | 92 |

The fair value of assets and present value of obligations in the Scheme are set out below. Prior year comparatives show the combined position of the TWPS and the legacy GWSPS scheme. The current year shows the position of the TWPS only.

| TWPS | Expected rate of return % pa | Value £'000 | Percentage of total plan Assets held |
|---|---|------------------------|---|
| 31 December 2014 | | | |
| Equities | 6.5% | 793,644 | 38% |
| Bonds/Gilts | 2.5%/3.3% | 1,293,656 | 62% |
| Partnership interest** | 5.1% | 85,700 | 4% |
| Other assets/Insured pensioners * | 3.0% | <u>(83,483)</u> | <u>(4)%</u> |
| Fair value of assets | | 2,089,517 | |
| Present value of defined benefit obligations | | (2,186,156) | |
| Deferred tax asset (note 19) | | <u>36,482</u> | |
| Deficit in the scheme recognised as non-current liability | | <u><u>60,157</u></u> | |

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

** Represents the investment in a company leasing show homes.

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

9. Pension arrangements (continued)

| TWPS / GWSPS | Expected rate of return % pa | Value £'000 | Percentage of total plan Assets held |
|--|---|------------------------|---|
| 31 December 2013 | | | |
| Equities | 7.6% | 843,039 | 44% |
| Bonds/Gilts | 3.6%/4.4% | 1,339,842 | 69% |
| Partnership interest** | 5.1% | 85,700 | 4% |
| Other assets/Insured pensioners * | 3.3% | (334,273) | (17)% |
| Fair value of assets | | <u>1,934,308</u> | <u>100%</u> |
| Present value of defined benefit obligations | | (2,034,584) | |
| Deferred tax asset (note 19) | | <u>37,209</u> | |
| Non current liability | | <u><u>63,067</u></u> | |

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on investments. The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered riskier.

The amounts charged against income in the year were as follows:

| | TWPS 2014 £'000 | TWPS/ GWSPS 2013 £'000 |
|-------------------------------------|--------------------------------|---|
| Settlement gain | <u>-</u> | <u>(2,094)</u> |
| | <u><u>-</u></u> | <u><u>(2,094)</u></u> |
| Expected return on Scheme assets | 108,246 | 62,843 |
| Interest cost on Scheme liabilities | <u>(91,001)</u> | <u>(60,643)</u> |
| Net gain | <u><u>17,245</u></u> | <u><u>2,200</u></u> |

During the last quarter of 2013, in conjunction with the transfer of assets and obligations into the newly formed TWPS, a trivial commutation exercise was conducted, offering lump sums to deferred and pensioner members with total benefits small enough for this to be permitted by pension legislation. This resulted in a settlement gain of £2.1 million which was recognised in the profit and loss account.

The actual return on scheme assets was a gain of £228.9 million (2013: £105.4 million).

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

9. Pension arrangements (continued)

| | TWPS 2014 £'000 | TWPS/ GWSPS 2013 £'000 |
|---|--------------------------------|---|
| Actuarial gains in the Statement of Total Recognised Gains and Losses: | | |
| Difference between actual and expected return on scheme assets | 120,628 | 42,508 |
| Experience gains arising on scheme liabilities | - | - |
| Changes in assumptions | <u>(172,936)</u> | <u>(85,852)</u> |
| Total gains recognised in the Statement of Total Recognised Gains and Losses | <u>(52,308)</u> | <u>(43,344)</u> |

| | TWPS 2014 £'000 | TWPS/ GWSPS 2013 £'000 |
|---|--------------------------------|---|
| Movement in present value of defined benefit obligations | | |
| 1 January | (2,034,584) | (875,176) |
| Benefits paid and expenses | 112,365 | 70,111 |
| Settlements | - | 14,757 |
| Interest cost | (91,001) | (60,643) |
| Actuarial losses | (172,936) | (85,852) |
| Transfer in due to scheme merger | - | (1,097,781) |
| 31 December | <u>(2,186,156)</u> | <u>(2,034,584)</u> |

| | TWPS 2014 £'000 | TWPS/ GWSPS 2013 £'000 |
|---|--------------------------------|---|
| Movement in fair value of scheme assets | | |
| 1 January | 1,934,308 | 841,434 |
| Expected return on scheme assets and expenses | 108,246 | 62,843 |
| Employer contributions | 35,000 | 48,071 |
| Employer contributions as a result of asset backed funding | - | 85,700 |
| Benefits paid | (112,365) | (70,111) |
| Settlements | - | (12,663) |
| Actuarial gains | 120,628 | 42,508 |
| Transfer in due to scheme merger | 3,700 | 936,526 |
| 31 December | <u>2,089,517</u> | <u>1,934,308</u> |

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

9. Pension arrangements (continued)

The five year history of experience adjustments is as follows:

| | TWPS 2014 £'000 | TWPS/ GWSPS 2013 £'000 | GWSPS 2012 £'000 | GWSPS 2011 £'000 | GWSPS 2010 £'000 |
|---|--------------------------------|---|---------------------------------|---------------------------------|---------------------------------|
| Present value of Scheme obligations | (2,186,156) | (2,034,584) | (875,176) | (852,332) | (834,300) |
| Fair value of Scheme assets | 2,089,517 | 1,934,308 | 841,434 | 821,500 | 762,900 |
| Deferred tax asset (note 19) | 36,482 | 37,209 | 7,760 | 7,700 | 19,282 |
| Deficit in the Scheme | (60,157) | (63,067) | (25,982) | (23,132) | (52,118) |
| Experience adjustment on Scheme liabilities (£'000) | 2,620 | - | (2,900) | - | 27,300 |
| Percentage of Scheme liabilities (%) | - | - | - | - | 3.3% |
| Experience adjustment on Scheme assets (£'000) | 120,628 | 42,508 | 35,327 | 21,200 | 33,700 |
| Percentage of Scheme assets (%) | 5.8% | 2.2% | 4.2% | 2.6% | 4.4% |

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

| Assumption | Change in assumption | Impact on scheme liabilities |
|-------------------|---------------------------------------|-------------------------------------|
| Discount Rate | Decrease by 0.1% p.a. | Increase by £35m |
| Rate of inflation | Increase by 0.1% p.a. | Increase by £22m |
| Rate of mortality | Members assumed to live 1 year longer | Increase by £66m |

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

10. Employees and Directors

| | 2014 | 2013 |
|-----------------------------|----------------|----------------|
| | £'000 | £'000 |
| Employee information | | |
| Salaries and wages | 161,191 | 153,598 |
| Redundancy | 483 | 949 |
| Social security costs | 21,557 | 18,997 |
| Post-retirement benefits | 8,895 | 6,723 |
| Share based payment charge | 6,188 | 6,382 |
| | <u>198,314</u> | <u>186,649</u> |

Number of Employees

| | 2014 | 2013 |
|---|-------------|-------------|
| | No. | No. |
| The average monthly number of persons (including executive Directors) employed by the Company during the year was:- | 3,727 | 3,455 |

Directors' emoluments comprise:

| | 2014 | 2013 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Aggregate emoluments | 6,633 | 6,164 |
| Contributions to money purchase schemes | 249 | 206 |
| Termination benefits | 153 | - |

| | 2014 | 2013 |
|---|-------------|-------------|
| | No. | No. |
| Directors exercising share options during the year | 8 | 7 |
| Directors who are members of a defined benefit pension scheme | 6 | 6 |
| Directors who are members of a money purchase pension scheme | 4 | 5 |

During the year £153,000 was paid for loss of office (2013: nil).

Highest Paid Director

| | 2014 | 2013 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Total amount of emoluments (excluding shares receivable under long term incentive schemes) | 2,039 | 1,977 |
| Defined benefit pension scheme - accrued pension at end of year | <u>14</u> | <u>14</u> |

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

10. Employees and Directors (continued)

During the current and prior years the highest paid Director received shares under long term incentive plans.

Share-based payments

The Company's employees participate in a number of Taylor Wimpey plc share-based incentive plans, including the Taylor Wimpey Performance Share Plan, the Taylor Wimpey Share Option Plan, the Taylor Wimpey Sharesave Plan and the Taylor Wimpey Share Purchase Plan.

Under the Taylor Wimpey Performance Share Plan, senior executives may be granted annually a conditional award of shares with a value, at the date of grant of up to 200% of base salary, but in exceptional circumstances this can be increased to 300% of base salary. Such awards vest after three years provided, and to the extent that the associated performance conditions have then been achieved. The performance targets are based on growth in Return on Capital Employed ("ROCE") (2010 to 2014 awards) ; Taylor Wimpey plc's Total Shareholder Return performance (2009 to 2014 awards); and Margin (2011 to 2014 awards).

During 2014 awards were granted to 39 employees (2013: 15) over an aggregate of 4,293,782 shares (2013: 4,677,791 shares).

Under the Taylor Wimpey Share Option Plan senior executives may be granted annually an option over shares with a value, at the date of grant of up to 200% base salary, but in exceptional circumstances this can be increased to 300% of base salary. Such awards, which may be income tax-approved up to HMRC aggregate limit of £30,000, vest up to 100% after three years provided, and to the extent that, the associated performance condition of the Group's level of absolute ROCE (2009 awards) has been met. During 2014 no options were granted (2013: nil).

Under the Sharesave Plan, employees with at least three months' service can save up to £500 per month (increased from £250 per month with effect from 6 April 2014) and receive three or five year options to acquire Taylor Wimpey plc shares priced at a discount of up to 20% on market value. During 2014 1,065 employees (2013: 1,184) joined this plan. Options were granted over 7,174,394 shares (2013: 6,226,852) at an option price of 90.00 pence (2013: 84.72 pence).

Under the Taylor Wimpey Share Purchase Plan employees with at least three months' service are permitted to invest up to £1,800 (increased from £1,500 with effect from 6 April 2014) per tax year of their pre-tax income in the purchase of partnership shares of Taylor Wimpey plc. Such shares, if held for a period of three years attract an award of free matching shares. Currently participants receive one matching share for each partnership share purchased. During 2014 1,014 employees (2013: 793) contributed to this plan and purchased 932,592 partnership shares (2013: 747,197).

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

10. Employees and Directors (continued)

The charge included in the profit and loss account for the year was £6.2 million (2013: £6.4 million).

| Schemes requiring consideration from participants: | 2014 | | 2013 | |
|---|-------------------------|--|-------------------------|--|
| | Options (000's) | Weighted average exercise price (pence) | Options (000's) | Weighted average exercise price (pence) |
| Outstanding at beginning of period | 41,048 | 38 | 48,270 | 30 |
| Granted during the period | 8,107 | - | 6,086 | - |
| Lapsed during the period | (1,604) | 53 | (1,386) | 49 |
| Exercised during the period | (13,425) | 23 | (11,615) | 30 |
| Cancellations in the period | - | - | (307) | 34 |
| Outstanding at the end of the period | <u>34,126</u> | | <u>41,048</u> | 38 |
| Exercisable at the end of the period | <u>6,309</u> | | <u>13,626</u> | |

The weighted average exercise price at the date of exercise for share options exercised during the period was £0.23 (2013: £0.30). The options outstanding at 31 December 2014 had a range of exercise prices from £0.23 to £0.90 (2013: £0.23 to £0.85) and a weighted average remaining contractual life of 1.3 years (2013: 1.25 years).

The Performance Share Plan does not require consideration from participants. The George Wimpey Long Term Incentive Plan has all lapsed and all other plans require contributions from the participants.

| Schemes not requiring consideration from participants: | 2014 | | 2013 | |
|---|-------------------------|--|-------------------------|--|
| | Options (000's) | Weighted average Exercise price (pence) | Options (000's) | Weighted average exercise price (pence) |
| Outstanding at beginning of period | 39,818 | - | 43,125 | - |
| Granted during the period | 4,329 | - | 5,377 | - |
| Lapsed during the period | (16,403) | - | (5,743) | - |
| Exercised during the period | (11,038) | - | (2,941) | - |
| Outstanding at the end of the period | <u>16,706</u> | | <u>39,818</u> | |
| Exercisable at the end of the period | <u>-</u> | | <u>12,961</u> | |

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 1.5 years (2013: 1.7 years).

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

10. Employees and Directors (continued)

For share options with non-market conditions granted during the current and preceding year the fair value of the options at grant date was determined using the Binomial model. The inputs into that model were as follows:

| | 2014 | 2013 |
|---------------------------------|-------------|-------------|
| Weighted average share price | £1.17 | £0.94 |
| Weighted average exercise price | £0.67 | £0.58 |
| Expected volatility | 34% | 39% |
| Expected life | 3/5 years | 3/5 years |
| Risk-free rate | 1.5% | 1.1% |
| Expected dividend yield | 5.7% | 0.80% |

The weighted average fair value of share options granted during the year is £0.52 (2013: £0.49). Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

For share options with market conditions granted during the current year, the fair value of the options was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

| | 2014 | 2013 |
|---------------------------------|-------------|-------------|
| Weighted average share price | £1.25 | £0.83 |
| Weighted average exercise price | £nil | £nil |
| Expected volatility | 34% | 40% |
| Expected life | 3 years | 3 years |
| Risk-free rate | 0.8% | 0.5% |
| Expected dividend yield | 0.0% | 0.90% |

The weighted average fair value of share options granted during the year is £0.79 (2013: £0.54).

11. Intangible assets

Software development costs

| Cost | Total £'000 |
|--|------------------------|
| At 1 January 2014 | 6,480 |
| Additions | - |
| At 31 December 2014 | <u>6,480</u> |
| Amortisation | |
| At 1 January 2014 | (2,265) |
| Provided during the year | (1,705) |
| At 31 December 2014 | <u>(3,970)</u> |
| Net book value 31 December 2014 | <u>2,510</u> |
| Net book value 31 December 2013 | <u>4,215</u> |

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

12. Tangible assets

| | Land & Buildings £'000 | Long leaseholds £'000 | Plant & Equipment £'000 | Total £'000 |
|---|---|--------------------------------------|--|------------------------|
| Cost | | | | |
| At 1 January 2014 | 3,277 | 2,574 | 6,676 | 12,527 |
| Additions | 7,583 | 1,457 | 448 | 9,488 |
| Disposals | - | - | (204) | (204) |
| At 31 December 2014 | <u>10,860</u> | <u>4,031</u> | <u>6,920</u> | <u>21,811</u> |
| Accumulated depreciation | | | | |
| At 1 January 2014 | (130) | (1,174) | (3,780) | (5,084) |
| Provided during the year | (109) | (293) | (492) | (894) |
| Disposals | - | - | 204 | 204 |
| At 31 December 2014 | <u>(239)</u> | <u>(1,467)</u> | <u>(4,068)</u> | <u>(5,774)</u> |
| Net book value at 31 December 2014 | <u>10,621</u> | <u>2,564</u> | <u>2,852</u> | <u>16,037</u> |
| Net book value at 31 December 2013 | <u>3,147</u> | <u>1,400</u> | <u>2,896</u> | <u>7,443</u> |

13. Investments

| Investments in Subsidiary undertakings | £'000 |
|---|----------------|
| Cost | |
| At 1 January 2014 | 134,985 |
| Disposals | (2,262) |
| At 31 December 2014 | <u>132,723</u> |
| Provision for impairment | |
| At 1 January 2014 | (9,316) |
| Disposals | 1,862 |
| At 31 December 2014 | <u>(7,454)</u> |
| Net book value 31 December 2014 | <u>125,269</u> |
| Net book value 31 December 2013 | <u>125,669</u> |

In the opinion of the Directors the value of the Company's investments in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

The Company has investments in the following subsidiary undertakings which principally affected the profits or net assets of the Company. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

13. Investments (continued)

| Name of Company | Country of Incorporation | Description of shares held | Business |
|---|---------------------------------|-----------------------------------|------------------|
| Pangbourne Developments Limited | United Kingdom | Ordinary | House building |
| South Bristol (Ashton Park) Limited | United Kingdom | Ordinary | House building |
| Taylor Wimpey SH Capital Limited | United Kingdom | Ordinary | Property Leasing |
| Taylor Wimpey (General Partner) Limited | United Kingdom | Ordinary | Management |
| Taylor Wimpey (Initial LP) Limited | United Kingdom | Ordinary | Management |

| Cost of investment in joint ventures | 2014 £'000 | 2013 £'000 |
|---|-----------------------|-----------------------|
| At 1 January and 31 December | <u>6,446</u> | <u>6,446</u> |

Details of investments in joint ventures in which the Company holds more than 20% of the nominal value of any class of share capital are given below:-

The Company has nine (2013: nine) principal joint ventures.

Particulars of principal joint ventures, all of whom are house builders are as follows:

| Name of Company | Country of Incorporation | Description of shares held | Proportion Held |
|--|---------------------------------|-----------------------------------|------------------------|
| GN Tower Limited | United Kingdom | Ordinary | 50% |
| Falcon Wharf Limited | United Kingdom | Ordinary | 50% |
| Academy Central Limited Liability Partnership* | United Kingdom | Ordinary | 62% |
| Strada Developments Limited | United Kingdom | Ordinary | 50% |
| Bromley Park (Holdings) Limited | United Kingdom | Ordinary | 50% |
| Gallagher Bathgate Limited | United Kingdom | Ordinary | 50% |
| Paycause Limited* | United Kingdom | Ordinary | 33.33% |
| Phoenix Birmingham Latitude Limited | United Kingdom | Ordinary | 50% |
| Chobham Manor Limited Liability Partnership | United Kingdom | Ordinary | 50% |

Other joint ventures

| Name of Company | Country of Incorporation | Description of shares held | Proportion Held |
|----------------------------------|---------------------------------|-----------------------------------|------------------------|
| Quedgeley Urban Village Limited* | United Kingdom | Ordinary | 25% |

Quedgeley Urban Village operates to promote the management and redevelopment of the former RAF base at Quedgeley. It is considered to be a joint venture as the shareholders agreement states that control is not based on percentage holding but structure of management team, which is 50:50.

*Academy Central Limited Liability Partnership, Paycause Limited and Quedgeley Urban Village Limited are considered joint ventures as the Company has no overall control due to shareholders agreements or other shareholdings within Taylor Wimpey plc.

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

14. Stock

| | 2014 | 2013 |
|-------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Land held for development | 2,489,373 | 2,087,140 |
| Construction work in progress | 780,783 | 640,450 |
| Part exchange properties | 22,086 | 21,291 |
| Other stock | 61,243 | 53,846 |
| Payments on account | (18,207) | (16,609) |
| | <u>3,335,278</u> | <u>2,786,118</u> |

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

15. Debtors

| | 2014 | 2014 | 2013 | 2013 |
|---|-------------------|------------------|-------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 |
| | Due within | Due after | Due within | Due after |
| | 1 Year | 1 Year | 1 Year | 1 Year |
| Trade debtors | 85,583 | 100,681 | 94,901 | 103,984 |
| Amounts owed by fellow subsidiary undertakings & Group undertakings | 59,127 | - | 63,547 | - |
| Amounts owed by Joint Ventures | 22,599 | - | 18,788 | - |
| Prepayments and accrued income | 6,316 | 525 | 5,075 | 525 |
| Deferred tax (note 19) | 68,949 | 43,027 | - | 186,103 |
| | <u>242,574</u> | <u>144,233</u> | <u>182,311</u> | <u>290,612</u> |

Amounts owed by fellow subsidiaries and Group undertakings are unsecured and have no fixed repayment dates.

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

16. Creditors

| | 2014 £'000 | 2014 £'000 | 2013 £'000 | 2013 £'000 |
|--|----------------------|---------------------|----------------------|---------------------|
| | Due within 1 Year | Due after 1 Year | Due within 1 Year | Due after 1 Year |
| Bank Overdrafts | 5,059 | - | 6,577 | - |
| Trade creditors** | 655,144 | 353,853 | 577,249 | 193,698 |
| Amounts owed to parent undertaking | 1,915 | - | - | - |
| Amounts owed to subsidiary and Group undertakings | 523,897 | 96,415 | 415,039 | 96,415 |
| Amounts owed to subsidiary undertaking in respect of finance leases (note 17)* | 93,785 | - | - | 92,870 |
| Other taxation and social security | 5,945 | - | 5,427 | - |
| Accruals and deferred income | 190,444 | - | 160,231 | - |
| | <u>1,476,189</u> | <u>450,268</u> | <u>1,164,523</u> | <u>382,983</u> |

* Finance leases have been reclassified in the current year as due within one year as this more accurately represents the terms of the sale and leaseback agreement.

**Include amounts payable of £1.1 million (2013: £1.1 million) due in respect of defined benefit contributions which had not been paid over to the schemes at the end of the reporting period.

Amounts due to the parent undertaking is non-interest-bearing, unsecured and is repayable on demand. Amounts owed to subsidiary and Group undertakings are unsecured and have no fixed repayment dates. The majority of the balance is due to Taylor Wimpey plc which is interest bearing at rates between 3.0% and 6.0%.

17. Amounts owed to subsidiary undertakings in respect of finance leases

| | 2014 £'000 | 2013 £'000 |
|----------------|---------------|---------------|
| Finance leases | <u>93,785</u> | <u>92,870</u> |

The properties to which these finance leases relate can be purchased back by Taylor Wimpey UK Limited on demand and therefore are considered to be current liabilities.

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

18. Provisions for liabilities

| | Rental Guarantees £'000 | Restructuring £'000 | Other £'000 | Total £'000 |
|----------------------------|-------------------------------|------------------------|----------------|----------------|
| At 1 January 2014 | 2,926 | 443 | 6,182 | 9,551 |
| Charged to P&L account | 213 | - | 16,220 | 16,433 |
| Released | - | - | (250) | (250) |
| Utilisation of provision | (918) | (137) | (1,000) | (2,055) |
| At 31 December 2014 | <u>2,221</u> | <u>306</u> | <u>21,152</u> | <u>23,679</u> |

| | Rental Guarantees £'000 | Restructuring £'000 | Other £'000 | Total £'000 |
|----------------------------|-------------------------------|------------------------|----------------|----------------|
| At 1 January 2013 | 10,953 | 887 | 14,593 | 26,433 |
| Charged to P&L account | 75 | - | - | 75 |
| Released | (2,442) | (248) | (4,130) | (6,820) |
| Utilisation of provision | (5,660) | (196) | (4,281) | (10,137) |
| At 31 December 2013 | <u>2,926</u> | <u>443</u> | <u>6,182</u> | <u>9,551</u> |

The rental guarantees provision covers shortfalls anticipated under leasehold commitments

The restructuring provision was created for costs resulting from the restructuring of the Company following the closure of regions and will be used over a period of one to three years.

Other provisions consist of certain remedial work provisions, provisions for legal claims, onerous leases and other contract-related costs. Included in remedial work provisions are various provisions including aftercare at Springfield Environmental Limited and our Oxley Woods development. Other provisions will be used over a period of one to five years.

19. Deferred taxation

| | 2014 £'000 | 2013 £'000 |
|--|----------------|----------------|
| The deferred tax asset is made up of:- | | |
| Deferred tax on defined benefit pension scheme liability (note 9) | 36,482 | 37,209 |
| Deferred tax on retired health care provision | 282 | 308 |
| Deferred tax on trading losses carried forward | 99,811 | 170,726 |
| Deferred tax on share based payments | 5,896 | 8,927 |
| Deferred tax on tangible fixed assets in respect of capital allowances | 4,642 | 5,672 |
| Deferred tax on other short term timing differences | 1,345 | 470 |
| | <u>148,458</u> | <u>223,312</u> |
| Asset at 1 January | 223,312 | 274,753 |
| Statement of Total Recognised Gains and Losses charge | 8,066 | 10,905 |
| Deferred tax charge in the Profit and Loss Account | (82,920) | (62,346) |
| Asset at 31 December | <u>148,458</u> | <u>223,312</u> |

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

19. Deferred taxation (continued)

As at 31 December 2014 the recognised pension deferred tax asset is £36.5 million (2013: £37.2 million). During the year ended 31 December 2013 the deferred tax asset increased in recognition of £161.3 million of net pension liabilities transferred from the TWGP&LAF as part of the pension scheme merger (note 9). The deferred tax asset relating to the pension deficit is recognised on the basis that the deficit is a long term liability that will be satisfied from future profitability.

In accordance with FRS 17, the defined benefit scheme deficit is recognised on the balance sheet net of the related deferred tax asset.

As at 31 December 2014, there is a recognised deferred tax asset of £99.8 million (2013: £170.7 million) relating to trading losses carried forward. This has been recognised on the basis that the losses will be offset against future profitability.

All other deferred tax assets have been recognised on the basis of the expectation of suitable taxable profits arising from which the underlying timing differences can be deducted.

The deferred tax asset is calculated at a corporation tax rate of 20% (2013: 20%) which was the rate enacted at the balance sheet date effective from 1 April 2015.

At the balance sheet date, the Company also has unused capital losses of £11.4 million (2013: £9.2 million) available for offset against future capital profits. No deferred tax asset has been recognised in respect of these losses as the Company does not believe that it is probable that they will be utilised in the foreseeable future.

20. Called-up share capital

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Authorised: 820,000,000 (2013: 820,000,000) ordinary shares of £1 each | 820,000 | 820,000 |
| Allotted, called-up and fully paid: 765,000,000 (2013: 765,000,000) ordinary shares of £1 each | 765,000 | 765,000 |

21. Share premium account

| | 2014 £'000 | 2013 £'000 |
|------------------------------|---------------|---------------|
| At 1 January and 31 December | 499,189 | 499,189 |

TAYLOR WIMPEY UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

22. Profit and loss account

| | 2014 £'000 | 2013 £'000 |
|---|----------------|----------------|
| At 1 January | 518,501 | (555,267) |
| Profit for the financial year | 368,120 | 250,538 |
| Actuarial loss on pension scheme deficit (net of tax) | (44,242) | (32,439) |
| Share based payments credit | 6,188 | 6,382 |
| Cash cost of share options | (702) | (713) |
| Dividends paid | (250,000) | - |
| Capital contribution | - | 850,000 |
| At 31 December | <u>597,865</u> | <u>518,501</u> |

During the year the Company paid a dividend of £250.0 million to its parent company Taylor Wimpey Developments Limited. No dividend was paid in the prior year.

23. Reconciliation of movements in shareholders' funds

| | 2014 £'000 | 2013 £'000 |
|---|------------------|------------------|
| At 1 January | 1,782,690 | 708,922 |
| Profit for the financial year | 368,120 | 250,538 |
| Actuarial loss on pension scheme deficit (net of tax) | (44,242) | (32,439) |
| Share based payments credit | 6,188 | 6,382 |
| Expense of share option issue | (702) | (713) |
| Capital contribution | - | 850,000 |
| Dividend paid | (250,000) | - |
| Net increase in shareholders' funds | <u>79,364</u> | <u>1,073,768</u> |
| Shareholders' funds at 31 December | <u>1,862,054</u> | <u>1,782,690</u> |

24. Contingent liabilities and guarantees

The Company does not have any material contingent liabilities at the year end.

The Company obtains its funding from its ultimate parent Taylor Wimpey plc and has entered into guarantees to the lenders in respect of its borrowing facilities comprising £550 million syndicated revolving credit facility and a £100 million term loan facility.

The Company has entered into guarantees and indemnities in respect of various bond and guarantee facilities with financial institutions and other sureties, which are issued in the ordinary course of business.

The Company is also a party to various undertakings on a joint and several basis with other parties, such as planning obligations, to local authorities in the ordinary course of business.

TAYLOR WIMPEY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

25. Commitments

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Operating leases – land and buildings | | |
| Annual commitments under operating leases expiring: | | |
| within one year | 297 | 331 |
| within two to five years | 3,179 | 2,754 |
| after five years | 1,141 | 394 |
| | <u>4,617</u> | <u>3,479</u> |
| | 2014 | 2013 |
| | £'000 | £'000 |
| Operating leases – Motor vehicles and equipment | | |
| Annual commitments under operating leases expiring: | | |
| within one year | 774 | 1,009 |
| within two to five years | 3,067 | 4,157 |
| | <u>3,841</u> | <u>5,166</u> |

26. Related party transactions

The Company has loans with joint ventures that are included in Note 15.

During the year the Company charged construction costs to Academy Central LLP of £12.2 million (2013: £14.8 million). The Company also charged fees for management services of £1.6 million (2013: £1.4 million) and £1.4 million (2013: £1.6 million) to Academy Central LLP and Chobham Manor LLP respectively.

The Company is part of an arrangement with the Pension Scheme Trustee to address an element of the current Scheme deficit. Full details of this arrangement are set out in Note 9 Pension arrangements.

On 1 November 2014, Peter Redfern, Director, was appointed as a non executive Director of Travis Perkins Plc. During the year, the Company directly purchased from Travis Perkins Plc goods to the value of £14.7 million. In addition, indirect purchases through sub-contractors amounted to £10.4 million. Any residual purchases made at a local level are not material to either party. All transactions were completed on an arms-length basis.

27. Post balance sheet event

There are no significant changes to the operations of the business or its financial position since the balance sheet date.

28. Parent Company

The immediate parent undertaking is Taylor Wimpey Developments Limited.

The largest and smallest group in which the results of the Company are consolidated is Taylor Wimpey plc, the Company's ultimate parent company and controlling party and a company incorporated in the United Kingdom. A copy of Taylor Wimpey plc's financial statements may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.