Delivering quality

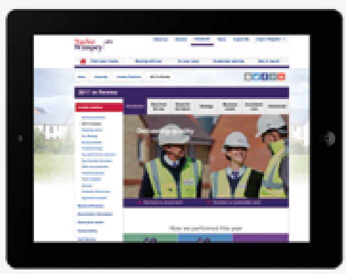
Annual Report and Accounts 2017

Taylor Wimpey plc

Contents

We are one of the UK's largest residential developers. We do much more than build homes – we add social, economic and environmental value to the wider communities in which we operate. We are first and foremost a local business and an important contributor to local communities.

Our mission is to create great places to live and deliver excellent service which inspires and delights our customers, our people and our shareholders.



Connect with us

There are several ways you can get in touch with us or follow our news:

www.taylorwimpey.co.uk/corporate

www.twitter.com/taylorwimpeyplc

www.linkedin.com/company/taylor-wimpey

Navigating this report

The icons below help to signpost where you can find more information.

Read more

Key Performance Indicators

Question and answers

Link to Remuneration

Working Together to Build Your Dreams

At Taylor Wimpey we are defined not just by who we are today, but by what we want to be in the future. Our vision is to work together to build your dreams. This extends and applies to all of our stakeholders.

We believe that our strategy differentiates us as a company to invest in, work for, engage and partner with and buy a home from.

We are a value-driven business with a long term, sustainable focus:

- Demonstrating excellence through improved operational efficiency and discipline

  Read more on pages 14 and 28 to 31.

- Developing and nurturing stakeholder relationships which play a key role in our business success

  Read more on pages 15 and 51.

- Driving financial performance in the right way to deliver sustainable shareholder returns

  Read more on pages 42 to 45.

Read more about our vision, mission and values on page 20.

A strong performance for 2017

Revenue (£m)
3,965.2

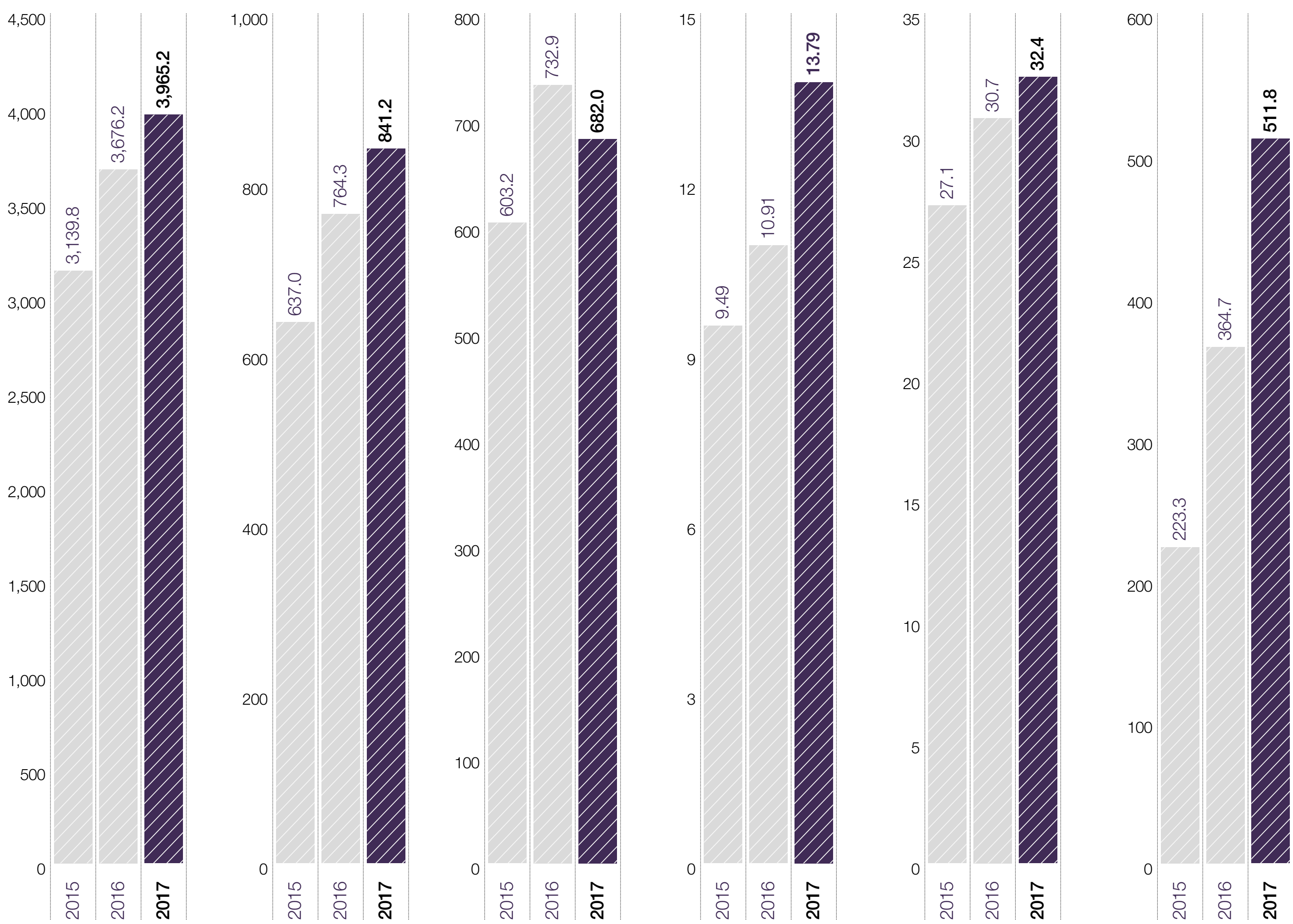
£ **Adjusted operating profit* (£m)**
841.2

Profit before tax (£m)
682.0

Total dividend paid per share (p)
13.79

£ **Return on net operating assets** (%)**
32.4

Year end net cash (£m)
511.8



Alternative Performance Measures

The Group uses Alternative Performance Measures (APMs) as key financial performance indicators (KPIs) to assess underlying performance of the Group. The APMs used are widely used industry measures, form the measurement basis of the key strategic targets (return on net operating assets** and operating profit* margin) and are linked directly to executive remuneration. All references to adjusted operating profit or operating profit throughout this report meet the definition of an APM.

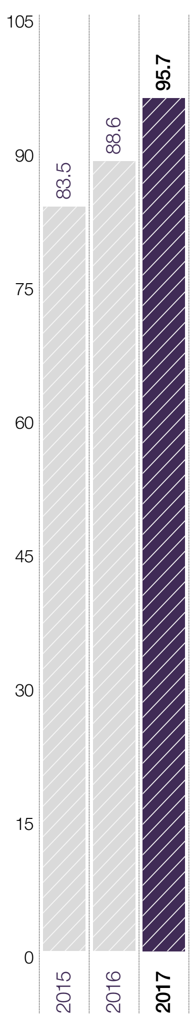
Definitions of the APMs discussed throughout this Annual Report and Accounts, and a reconciliation to the equivalent statutory measure, are detailed on pages 148 to 150.

KPIs

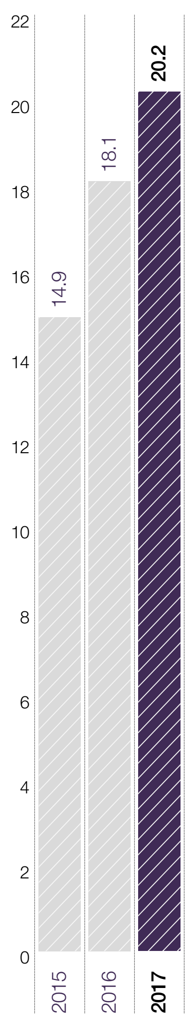
Read more

Link to Remuneration

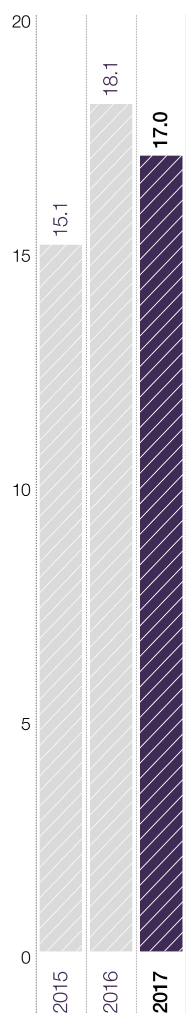
Tangible net asset value per share† (p)
95.7



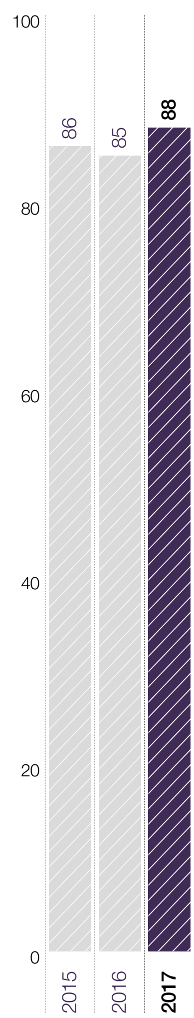
Adjusted basic earnings per share†† (p)
20.2



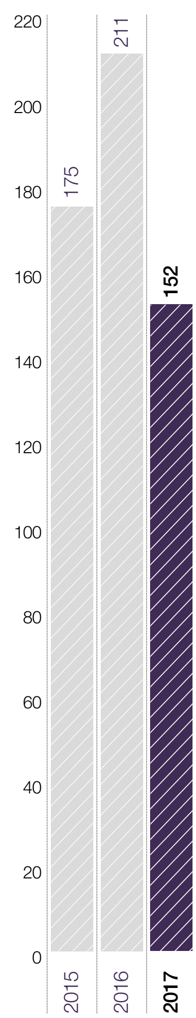
Basic earnings per share (p)
17.0



Customer satisfaction (%)
88



Annual Injury Incidence Rate (per 100,000 employees and contractors)
152



Definitions can be found in the Group Financial Review on page 43.

NB Customer satisfaction and Annual Injury Incidence Rate are UK only measures.

We strive to be the homebuilder of choice

We operate at a local level from 24 regional businesses across the UK, and we also have operations in Spain.

North Division

Our North Division covers our East and West Scotland, North East, North Yorkshire, Yorkshire, North West, Manchester, North Midlands, Midlands and West Midlands regional businesses.

Central and South West Division

Our Central and South West Division covers our East Midlands, South Midlands, East Anglia, Oxfordshire, South Wales, Bristol, Southern Counties and Exeter regional businesses.

London and South East Division including Central London

Our London and South East Division includes Central London and covers our East London, North Thames, South East, South Thames and West London regional businesses.

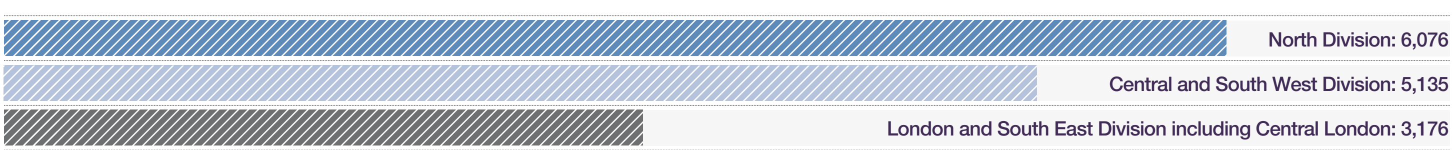
Spain

We build high-quality homes in the popular locations of Costa Blanca, Costa del Sol and the islands of Mallorca and Ibiza.

UK map key

- Head office
- London market
- North Division regional offices
- Central and South West Division regional offices
- London and South East Division regional offices

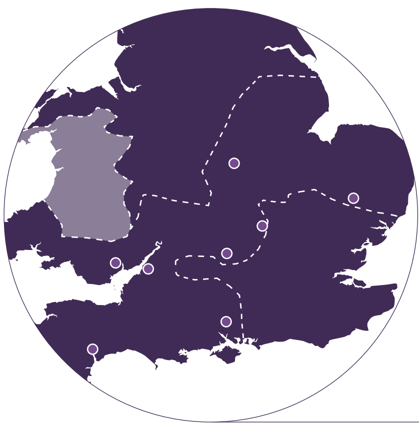
Completions



Operating profit* by region

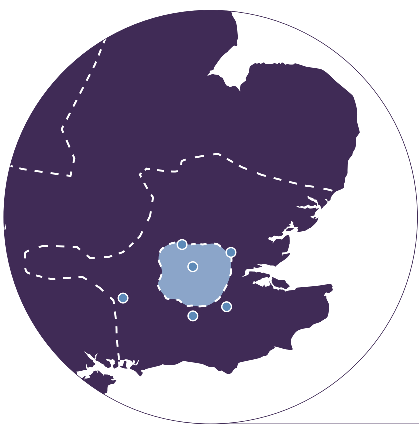
£294.9m

North Division



£318.0m

Central and South West Division



£271.4m

London and South East Division including Central London

£26.8m

Spain

Read more on pages 42 to 45.

Kevin Beeston
Chairman

"We are delighted to have delivered another year of growth in shareholder returns in 2017."

A responsible business

Introduction

On behalf of your Board, I am delighted to report that we have made good progress on both our financial and operational metrics and delivered another year of growth in shareholder returns, with £451 million returned to shareholders in 2017 in total dividends. Group revenue for the year increased by 7.9% to £3,965.2 million (2016: £3,676.2 million) and we were pleased to report an operating profit* of £841.2 million, an increase of 10.1% year on year (2016: £764.3 million). More detailed information on our financial performance can be found on pages 42 to 45. During the year, we completed 14,541 much-needed new homes in the UK, which represents a 4.8% growth on last year, whilst also continuing to make a significant contribution to the communities in which we operate, where we invested over £400 million through planning obligations. I am proud to report that since we implemented our strategy outlined in 2011, Taylor Wimpey has delivered nearly 87k new homes across the country and returned £1.2 billion to shareholders.

The housing cycle

Trading performance and customer demand remained resilient throughout the year and in our core geographies. You can find more perspective on market conditions on pages 10 and 11. We recognise that the outcome of the General Election, combined with the on-going Brexit negotiations, has resulted in greater political uncertainty. We maintain and welcome an open and active dialogue with the Government and the main political parties. We are pleased to note that all the main parties understand the importance of housebuilding to the country. Whist we have not seen any adverse impact on the new build housing market or consumer confidence, we are monitoring both the consumer and political environment. We remain confident that our strategy, with a robust balance sheet, high-quality landbank and a highly experienced management team, provides the resilience and flexibility to enable us to deal with changing market conditions, as required, and to perform well through changing market conditions. More information on our strategy can be found on pages 20 and 21 and you will see the key themes reflected throughout this document, and importantly in our general approach to business.

Health and safety

Health and safety will always be our non-negotiable top priority and continues to be the first item discussed at every plc Board and regional board meeting throughout the business. It also remains one of the highest rated questions in our annual employee engagement survey, with 98% of employees believing Taylor Wimpey takes health and safety in the workplace seriously (2016: 98%). We are pleased to note our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors was a record low of 152 in 2017 (2016: 211) and our efforts and level of focus on health and safety will of course continue. More information can be found on pages 28 to 30, including details of our own internal review following the tragic events at Grenfell Tower, London, in June 2017.

Customer service

Customer service continues to be a key priority for all Taylor Wimpey employees. You may recall that in last year's Annual Report and Accounts, I advised that during 2016 we implemented several changes to our customer service approach. These included enhancing the structure of our customer service teams, through the creation of a new role of Head of Customer Service in each of our 24 regional businesses, which has helped our overall performance. During 2017, we worked hard throughout the business to instil and embed these new initiatives into our standard operating processes and culture. It is here that I would like to take the opportunity to thank each and every employee on behalf of our shareholders and the Board for all their efforts in this area. I have been impressed by the hard work and commitment shown by all of our teams. While we recognise that we don't get everything right and there is still, of course, more work to do, it has been very pleasing to see a significant improvement in our customer satisfaction scores in recent months, which validates the investments and efforts we have made into enhancements in this area. We will be prioritising further improvements in customer service in 2018.

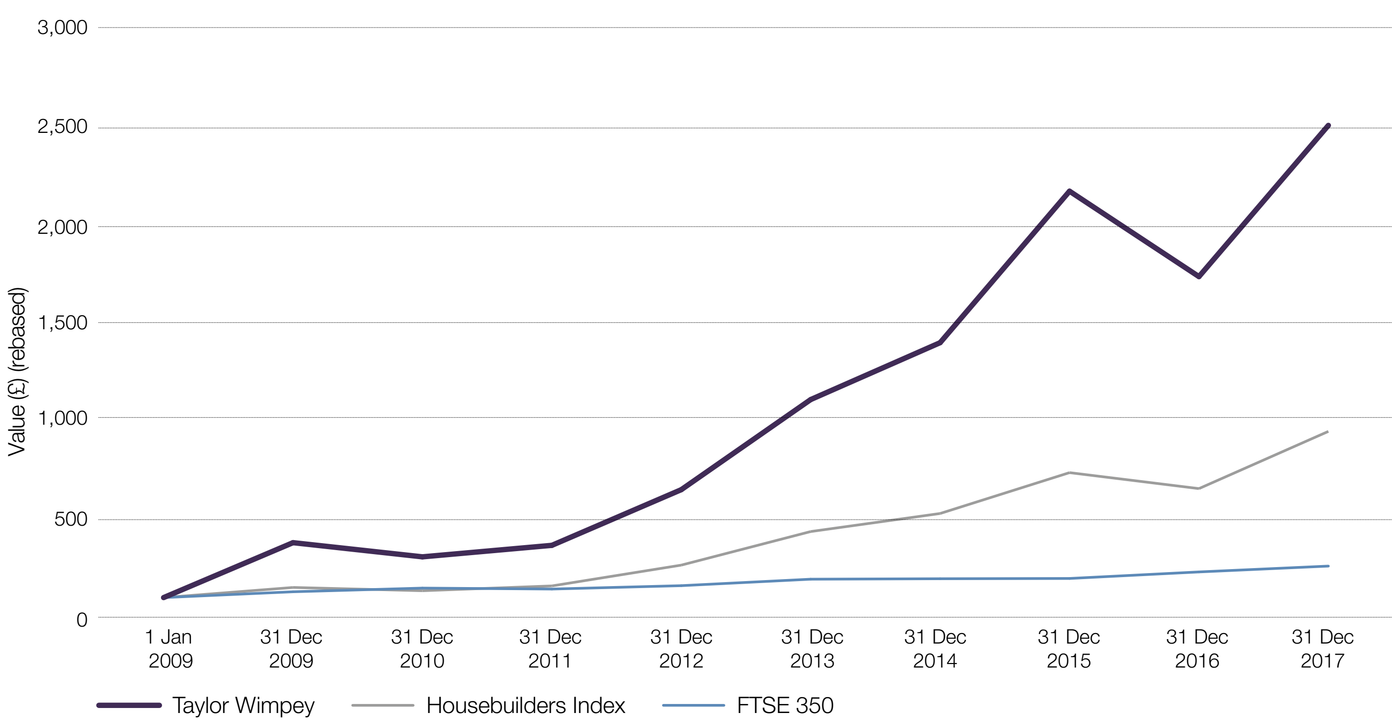
It is, however, equally, if not more important, to acknowledge, reflect on and address situations where we have not always got it right. Following concern expressed by some customers, during 2017 we carried out a review of historic lease structures and, in particular, ten-year doubling ground rent clauses, which we had stopped using on new developments from late 2011. Whilst Taylor Wimpey implemented these leases in good faith and the terms were clearly set out in the relevant leases, it was clear from our review that the impact of these doubling rent review clauses was causing some of our customers understandable concern, particularly from a mortgageability and saleability perspective. We acknowledge that the introduction of these doubling clauses in 2007 was not consistent with our high standards of customer service and we have quite rightly apologised to customers for the unintended consequences and concern that we caused. In our Annual General Meeting trading update of April 2017, we announced that we would make a provision, before tax, of £130 million in the first half accounts to allow us to put things right for our affected customers. At the same time, we implemented, on a voluntary basis, the Taylor Wimpey Ground Rent Review Assistance Scheme, to enable us to work with the relevant freeholders who own the leases, in order to convert our customers' ten-year doubling ground rent clauses to leases based on RPI, should they elect to participate in the Scheme.

As part of our review, we also stopped selling houses on a leasehold basis on our new developments with effect from the start of 2017, other than in exceptional circumstances such as where Taylor Wimpey does not own the site on a freehold basis.

Charities and local community groups

We believe that as a responsible business, we must actively contribute to helping others whether financially, with our time, energy or expertise. We remain highly committed to supporting charities and local community groups in the areas in which we operate, and I am extremely proud to see the personal commitments our employees continue to make to our charitable partners. We aim to be an aspirational housebuilding brand that is recognised for the good that is given back to our local communities by both our employees and our business as a whole. Our primary goal is to genuinely improve the position of the causes that we support. The other goal is to engage our employees in these activities as we recognise it is good for their personal development and self-awareness. During 2017, it was pleasing to see many of our employees participate in our volunteering scheme, which allows employees to take paid time off to volunteer at one of our national charities. We hope to see an increasing number take advantage of this opportunity in 2018.

Total shareholder return (TSR)



This graph shows the value of £100 invested in Taylor Wimpey plc on 1 January 2009 compared with the value of £100 invested in the FTSE 350 and in the average of the Housebuilder Index introduced for the 2012 Performance Share Plan awards onwards and as varied subsequently for the 2014 and 2016 awards.

Read more about TSR on page 85.

In addition to our planning obligations during 2017, we donated and fundraised over £1 million for registered charities (2016: over £875k). In addition, a further c.£90k was donated to other organisations (2016: c.£159k), sponsoring community events, local sports teams, social clubs and many other initiatives. More information can be found within our Sustainability Report 2017 which will be available on our website in March 2018.

Dividends

A key part of our investment proposition is our commitment to a reliable dividend stream for our investors through the housing market cycle.

Subject to shareholder approval each year, the Company will pay an ordinary dividend of approximately 5% of Group net assets which will be at least £150 million in dividends per annum. This is intended to provide a reliable minimum annual return to shareholders throughout the cycle. This Ordinary Dividend Policy was subject to prudent and comprehensive stress testing against various downside scenarios, which also included a reduction of 20% in average selling prices and a 30% reduction in volumes.

The payment of ordinary dividends will continue to be supplemented by additional significant special dividends at appropriate times in the cycle. Our Special Dividend Policy will pay out to shareholders the free cash generated by the Group after land investment, all working capital, taxation and other cash requirements of the business in executing our strategy in the medium term, and once the Group's ordinary dividends have been met.

Subject to shareholder approval the 2017 final ordinary dividend of c.2.44 pence per share will be paid on 18 May 2018 to shareholders on the register at the close of business on 6 April 2018 (2016 final dividend: 2.29 pence per share). In combination with the interim dividend of 2.30 pence per share (2016 interim dividend: 0.53 pence per share) this gives a total ordinary dividend for the year of c.4.74 pence per share (2016 ordinary dividend: 2.82 pence per share).

This dividend will be paid as a cash dividend, and shareholders are once again being offered the opportunity to reinvest all of their ordinary dividend under the Dividend Re-Investment Plan (DRIP), details of which are available from our Registrar and on our website. Elections to join the Plan must reach the Registrar by 26 April 2018 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk/corporate

In addition, on 14 July 2017, we returned £300.5 million to shareholders by way of a special dividend, equating to 9.2 pence per ordinary share. As previously announced in August 2017 we intend to return c.£340 million to shareholders in July 2018, equating to 10.4 pence per ordinary share, subject to shareholder approval at the Annual General Meeting (AGM). This is proposed to be paid on 13 July 2018 as a cash dividend to all shareholders on the register at close of business on 1 June 2018. Shareholders will be offered the opportunity to reinvest all of their 2018 special cash dividend under the DRIP, for which elections to join the Plan must reach the Registrar by 22 June 2018.

The Board confirms its intention to keep the mechanics of how the Company will pay special dividends, including the merits of undertaking a share buyback at some point in the future should it become appropriate to do so, under regular review.

> **"Corporate governance is embedded at every level within the business and is a reflection of our core values and culture, policies, and relationships with all our stakeholders."**

Corporate Governance

We are and remain committed to good corporate governance and believe that integrity and transparency are key to attaining this. Corporate governance is embedded at every level within the business and is a reflection of our core values and culture, policies, and relationships with all of our stakeholders.

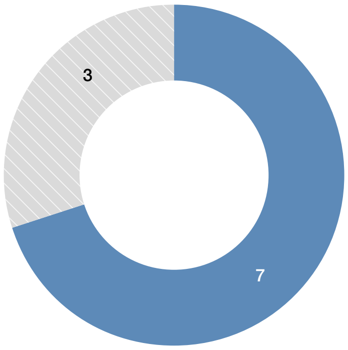
A key part of good corporate governance is ensuring the Board which governs has the necessary balance and skills which are both relevant and complementary, and can benefit the Board and the business with their experience, background and diversity. More information about each Director can be found within the biographies on pages 46 and 47. I was delighted to announce in January that after a rigorous process, we appointed Gwyn Burr to the Board as an Independent Non-Executive Director, with effect from 1 February 2018. Gwyn has excellent and relevant experience gained from both her previous executive experience, primarily focused on customer service, and also from her more recent non-executive roles and we very much look forward to working with her. We also announced that Rob Rowley will stand down from the Board following the AGM on 26 April 2018. I would like to again express both my and the Board's gratitude for Rob's long and valued contribution to the Board over the past eight years, including both as the Company's Senior Independent Director and as Chair of the Audit Committee. Dame Kate Barker will succeed Rob as the Board's Senior Independent Director, following the AGM, and as planned, Humphrey Singer succeeded Rob as the Chairman of the Audit Committee in January 2018.

The annual Board Evaluation is an important exercise and one that your Board as a whole and individually takes very seriously. In line with the UK Governance Code, we ensure that the Evaluation is externally facilitated at least once every three years, and is conducted internally in intervening years and formally facilitated by myself and the Company Secretary. The 2017 Evaluation was externally facilitated by Manchester Square Partners (MSP) and I am pleased to report that the outcome of the review concluded that the Board is still functioning well, with a high degree of mutual trust, respect and integrity whilst being open, straight-talking and challenging in nature. It was also pleasing to note that MSP found that the Board operated with first class governance. There were inevitably some areas for improvement and additional focus and these are already being addressed by the Board. Further details of the outcome of the Evaluation and how it was conducted are set out in the Corporate Governance section of this report on page 61.

I would also like to touch on executive remuneration: last year, following our usual constructive consultation with our shareholders, our Remuneration Policy received very strong support at the 2017 AGM, for which we are very grateful. This enabled the Company, via the Remuneration Committee, to take into account a number of views and perspectives to put in place an appropriate remuneration framework having regard to a number of factors including: the overall economic and market environment as well as the Company's strategy and targets.

During 2017, we published our first Modern Slavery Statement in line with statutory requirements, and we will publish our second statement in 2018. We strongly support the legislation and do not tolerate any form of slavery, forced labour or human trafficking in our business or in our supply chain. I am pleased to confirm that our risk assessment found that in general the risk of modern slavery occurring in our business or supply chain is low. However, there are some higher risk areas in the supply chain and we will be engaging with the suppliers in these areas to make sure they have the right policies and strategies in place to mitigate these risks. We have a Modern Slavery Act working group, chaired by our Group Legal Director and Company Secretary, which oversees our approach.

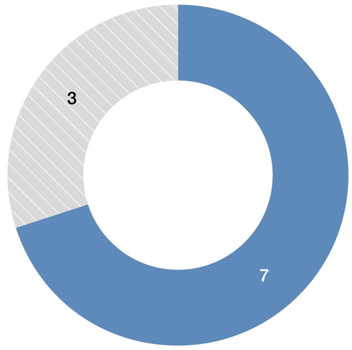
Board diversity



Note: Includes Gwyn Burr who joined on 1 February 2018.

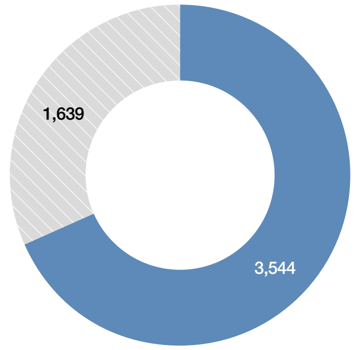
Read more about our Board of Directors on pages 46 and 47.

Group Management Team



Read more about our Group Management Team on page 17.

Employee diversity



Note: As at 31 December 2017.

Male

Female

People

We believe in investing in our people and in developing our internal 'bench' and future pipeline of talent as this is key to ensuring their future success and, in turn, that of Taylor Wimpey. The Nomination Committee plays a key role in the oversight of our progress in this regard. An important part of our approach is a continued investment in the skills and development of our employees across the business, as we work to ensure that Taylor Wimpey attracts and retains the best people in the industry through the cycle. It was therefore particularly pleasing to be ranked as one of Glassdoor's 'Top 20 Best Companies To Work For' in the UK. This is based solely on employee and former employee feedback and is therefore an important external benchmark.

In 2017, we undertook an employee engagement survey with an encouragingly high participation rate of 72%. We were impressed with the overall results and very high level of engagement across the whole business. We were pleased to see improved scores in customer service, flexible working, as well as training and benefits package. Perhaps more importantly, it also identified areas, such as better collaboration between some functions, where further work is needed and we will of course prioritise these areas in 2018.

As part of the Government's welcomed employee voice initiative, during 2017 we established our National Employee Forum (NEF) with elected representatives from across the business. The main objective of the NEF, which has already met on two occasions, will be to gather employee feedback on individual topics important to the business and share it with the relevant members of the senior management team – and of course vice versa. The NEF will build upon the existing regional Employee Consultative Committee structure to enhance the dialogue between the Board, Group Management Team and our employees. Kate Barker, as Chairman of the Remuneration Committee, and I will be attending the Forum from time to time, in addition to the Group Legal Director and Company Secretary, the Group HR Director and other senior management.

Diversity

We value diversity in every sense at Taylor Wimpey and aim to be an inclusive employer attracting, retaining and promoting employees from all backgrounds. This contributes to creativity and innovation in our workforce, widens our talent pool, boosts employee engagement, helps us to better reflect our customer base and ultimately improves our decision-making. Whilst we have made great strides since setting up our Diversity and Inclusivity Steering Committee, we recognise there is more to do and we are committed to improving further. All our senior leaders have attended our Open Minds diversity training course and from 2018, we will extend this further and all new employees will complete an e-learning module on diversity and inclusion as part of their induction. During 2017 we also held networking sessions for senior women in our business to meet with Group Management Team members and share experiences and insights.

Outlook

We are confident that we can adapt to changing market conditions from a position of strength and perform well, underpinning our value proposition to shareholders and other stakeholders. Reflecting on the good progress made in 2017 and the lessons learnt, the Taylor Wimpey team is looking forward to the challenges and opportunities that 2018 will bring.

I have already thanked all of our employees earlier in this Statement, so I would like to end by thanking all of our customers, shareholders and other stakeholders for their ongoing support.

Kevin Beeston
Chairman

Understanding our markets

Taking a proactive approach to managing through the cycle

Our place in the UK market

New housebuilding accounts for 10-15% of the total housing market. We are one of the largest residential developers in the UK, building nearly 15k homes in 2017 across Scotland, England and Wales.

Our key market drivers

We operate in a cyclical market, where factors such as customer confidence and mortgage cost inevitably have a direct impact on the short term outlook. A key part of managing through the cycle is the need to continually monitor market conditions using external indicators. These help us assess where we are in the cycle and, whilst we will not always get this right, we can adapt our tactics accordingly.

UK market outlook

We have been encouraged by early trading patterns at the start of the year and despite some wider macroeconomic uncertainty, customer confidence remains robust and market fundamentals are solid.

Customers continue to benefit from a competitive mortgage market and continued low interest rates. Help to Buy is a key differentiator for new build housing and remains popular with customers, enabling them to take the first step onto or move up the housing ladder. Customer demand and pricing in Central London remain stable.

How we are positioned

We have made a good start to 2018 and are encouraged by solid levels of demand coming into the spring selling season. The fundamentals for new build housing in the UK remain good with strong customer confidence in our core geographies.

Whilst we have seen no adverse impact on trading, we are conscious of the wider political and economic risks.

We are confident that our well-capitalised balance sheet together with our high-quality landbank with outlets located in places where demand is high and where people want to live provides the flexibility and resilience needed to manage all types of market conditions through the cycle.

Government policy and planning

Both the 2017 Budget and the Housing White Paper in February 2017 recognised the importance of housing to the UK and the part all housebuilders can play in the economy. We broadly welcome the measures set out in the White Paper which are balanced and aim to sustainably increase the delivery of much-needed homes.

We welcome the commissioning of the independent Hackitt Review on building regulations and fire safety, following the tragic fire at Grenfell Tower in June 2017. We look forward to working positively with Government and other agencies to ensure that the outcomes are effective and appropriate for the long term.

Help to Buy remains a popular purchasing tool for our customers, and the new build housing market more widely. The Government announcement in the Autumn regarding further funding for Help to Buy provided clarity for the period up to 2021, although we still await an update from the Government on the future of the Help to Buy scheme in the period after 2021. We reflect and account for the current uncertainty on the long term future of Help to Buy within our business planning.

Planning has historically been a constraint on the ability of the industry to build a sufficient number of new homes. We believe that the land market and planning environment have significantly changed over recent years. Whilst the planning process remains complex and is often slow, there is better clarity in many local authority areas and a better supply of suitable land that has good planning prospects with reduced competition.

Risk

A

Read more about our approach to risk management on pages 36 to 41.

EU Referendum implications

Despite the initial concerns in the immediate aftermath of the Referendum, we have continued to experience robust customer demand in the period since the UK's vote to leave the European Union (EU) in 2016. Our initial reaction to the Referendum result in 2016 was to reflect our caution and uncertainty on its impact, by increasing our required investment margin and return expectations on new land acquisitions. There has, however, been no negative impact to the land market following the EU Referendum result.

We have experienced no material change in build cost inflation patterns since the EU Referendum result. Throughout 2017 there were increases in underlying build cost (excluding house type mix impact) of c. 3.5%, largely due to continued pressure on resources to deliver the higher level of homebuilding. We do not foresee any material change in either the supply or pricing of labour and materials in 2018, and forecast another year of overall build cost inflation of around 3-4%.

Risk

A B C

Mortgage availability and affordability

Mortgage availability and affordability in the UK is a key dynamic for the housebuilding sector and our customers.

Despite a modest increase in the Bank of England base rate of 0.25% in November 2017, the first increase in the last decade, borrowing costs remain at a low level when considered in a long term historical context. The availability of mortgage credit remains good with a healthy level of competition amongst lenders. We believe the financial attraction of purchasing a house relative to rental costs (of an equivalent house) remains compelling.

Commentary from the Bank of England after the November 2017 base rate increase indicated its expectation of only modest further increases in the coming years, so we do not currently envisage any material change in the overall conditions in the mortgage market in the near term.

The tighter lending requirements, introduced in 2014 as part of the Mortgage Market Review, continued to help ensure that monthly payments remained affordable, aiding the stability of the market.

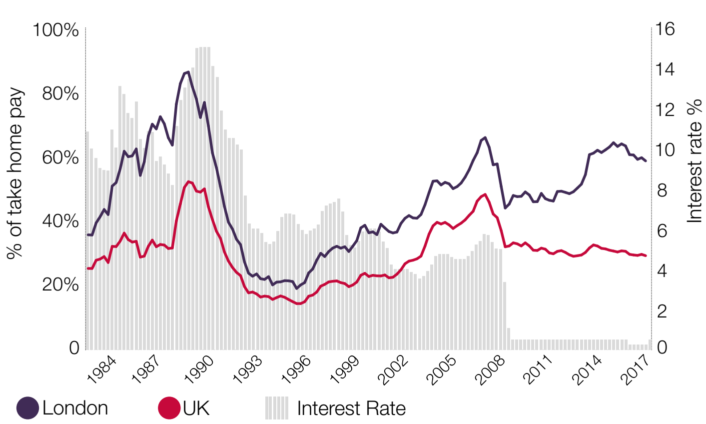
Risk

B

Value of approvals and lending secured on dwellings

First time buyer affordability measure

Mortgage payments as % of mean take home pay



Source: Bank of England

Source: Nationwide / Bank of England

Wider housing market

There continues to be a fundamental demand and supply imbalance in new build housing, with the Government stating in the 2017 Budget its intent to increase new supply in England to 300k by the mid 2020s.

Through 2017, demand for new build housing has remained robust supported by healthy employment trends, a competitive mortgage market and the Government's Help to Buy scheme. The Help to Buy scheme continues to be a differentiator for new build housing, and remains a useful and popular product for our customers. Help to Buy was used in c.43% of total sales in 2017.

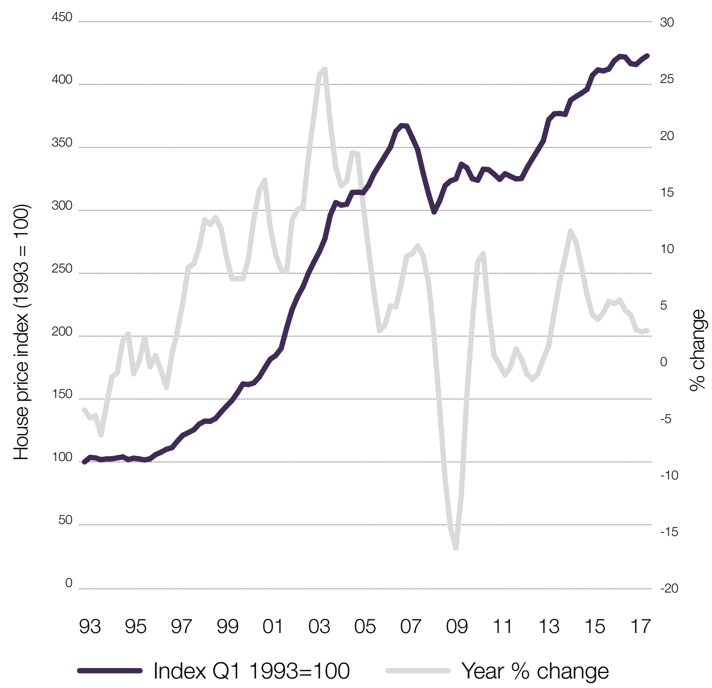
Overall housing transactions in the second hand market remained more subdued on average over the year.

Whilst there were some regional variations, we saw generally strong demand throughout 2017 and the UK housing market remained resilient. Trading in Central London was stable, with customer confidence improving through the year, while the outer London market remained robust.

Risk

A B C E

Quarterly house price inflation



Source: Nationwide

Pete Redfern
Chief Executive

> “2017 has been another strong year for Taylor Wimpey as we made good progress towards our medium term financial targets and improved our operational performance.”

- Demonstrating excellence through improved operational efficiency and discipline
- Developing and nurturing stakeholder relationships which play a key role in our business success
- Driving financial performance in the right way to deliver sustainable shareholder returns

Continuing to drive value from the business for all our stakeholders

2017 was another strong year for Taylor Wimpey and we enter 2018 in a good position with positive forward momentum. We have been encouraged by early trading patterns at the start of the year and despite some wider macroeconomic uncertainty, consumer confidence remains robust and market fundamentals are solid.

We grew volumes to nearly 15,000 homes during the year and are focused on delivering much-needed homes across the UK to the highest quality and standard. Importantly, we are pleased to see that our investment in customer service has resulted in a notable improvement in our customer satisfaction scores.

Group financial summary

Group revenue increased by 7.9% to £3,965.2 million in 2017 (2016: £3,676.2 million) from 14,688 completions (2016: 14,112). The increase was driven by increased completions and improved selling prices in the UK. We delivered a gross profit for the year of £1,033.0 million (2016: £939.9 million), 9.9% up on the prior year and a profit, before exceptional items, for the year of £660.3 million (2016: £589.7 million), 12.0% up on the prior year due to the improvement in the operational result, lower net finance costs and lower effective tax rate. Profit for the year was £555.3 million (2016: £589.3 million). This represents improved underlying trading offset by the exceptional provision recognised in the year in relation to the leasehold review. More information on our financial performance can be found within our Group Financial Review on pages 42 to 45.

UK operational performance summary

Whilst there were some regional variations, we saw generally strong demand throughout 2017 and the UK housing market remained resilient. Trading in Central London was stable, with customer confidence improving through the year, while the outer London market remained robust. We traded on an average of eight Central London schemes in 2017, of which the average size was 118 plots.

In 2017, total UK home completions (including joint ventures) increased by 4.8% to 14,541 (2016: 13,881). During 2017, we delivered 2,809 affordable homes, including joint ventures, (2016: 2,690), equating to 19.3% of total completions (2016: 19.4%). Our net private reservation rate for the year was 0.77 homes per outlet per week (2016: 0.72).

Private cancellation rates for the year remained low at 13% (2016: 13%).

Average selling prices on private completions increased by 3.5% to £296k (2016: £286k), once again benefiting from our focus on better quality locations and the improvement of specification in line with product and location. Our total average selling price increased by 3.5% to £264k (2016: £255k). We estimate that market-led house price growth for our regional mix was c.4% in the 12 months to 31 December 2017 (2016: 5%).

First time buyers accounted for 41% of total sales in 2017 (2016: 38%). Investor sales continued to be at a very low level of c.3% (2016: 3%).

During 2017, approximately 43% of total sales used the Help to Buy scheme, and we worked with 6,069 households to take the first step to home ownership or to move up the housing ladder (2016: 39% and 5,393). Approximately 77% of sales through Help to Buy in 2017 were to first time buyers (2016: 77%). During the year 27% of sales in the London market used Help to Buy London, which launched in February 2016.

During 2017, we opened 109 new high-quality outlets (2016: 105) in locations in villages, towns and cities where people want to live, and which are supported by strong demographics and local economies. As at 31 December 2017 we were operating from 278 outlets (31 December 2016: 285).

As at 31 December 2017 our order book represented 7,136 homes (31 December 2016: 7,567 homes) with a value of £1,628 million (31 December 2016: £1,682 million), excluding joint ventures. The order book remains strong, and has fallen slightly year on year, as we increased the pace of production throughout 2017.

Group strategy and returns

We believe that a long term view and a proactive approach are needed to deliver value through the housing cycle and in the wider environment in which we operate. Key to this approach is our management of risk, which protects shareholder value whilst still enabling us to take advantage of opportunities and drive further growth from the business.

We have remained disciplined in building and optimising a short term landbank of c.75k plots, of which 52% is strategically sourced, in the relatively balanced land market we have experienced since 2011. We have added in excess of 57k potential plots to the strategic pipeline since 2013, at a reduced cost and which, importantly, continues to give us increased flexibility and choices. Given this strength and quality of the landbank, we are focused on delivering value and maximising returns from our investments. We believe we can continue to drive further value from our landbank and our business model, as we focus on our customers, delivery and efficiency and also increased cash generation.

We believe that financial results must be achieved in the right way and as a responsible business we acknowledge both our obligations to the communities we operate in and the opportunity to work with our stakeholders to create value together. We will be hosting a Strategy Day in May 2018, where we will update the market on our views of long term strategy.

Medium term targets

Our targets are set to be stretching, and we are pleased to have made good progress against both our financial targets and operational metrics, since we set out our medium term targets in 2016.

These targets sit within our long term strategy, ensuring we are focused on operational efficiency as well as strategic investments. We believe these to be the best medium term measures. They target further improvement across three key areas in the period from 2016 to 2018:

- An average annual return on net operating assets** of 30%
- An average operating profit* margin of c.22%
- A total of £1.3 billion of dividends to be paid in cash to shareholders over the period

More information on our medium term targets and how they link through to our long term strategy can be found on pages 20 and 21.

With a total dividend of c.£500 million to be paid in 2018, subject to shareholder approvals, the Group is on track to meet its target to pay £1.3 billion in dividends in total for the 2016-18 period. The return on net operating assets** of 32.4% in 2017 is above the target level for another year and as such we expect to meet or exceed our return on net operating assets** target. We continue to deliver further expansion in the operating profit* margin, although as we have noted before, the target remains a challenging one in the time frame set out.

Dividends

We are committed to providing a reliable dividend stream for our investors through the cycle. Our dividend strategy includes sustaining a significant ordinary dividend to shareholders on an annual basis, including through a ‘normal downturn’, combined with a special dividend to be paid at appropriate times in the cycle. This enables shareholders to benefit from the success of our strategy at all stages of the cycle.

In 2017 shareholders received total dividends (including ordinary and special dividends) of £451 million (or 13.8 pence per share).

As previously announced, and subject to shareholder approval at the 2018 Annual General Meeting scheduled for 26 April 2018, we intend to pay c.£340 million to shareholders in July 2018 by way of a special dividend. Accordingly, subject to shareholder approval at the 2018 Annual General Meeting, in 2018 shareholders will receive a total dividend of c.£500 million (c.15.3 pence per share), comprising an ordinary dividend of c.£160 million (c.4.9 pence per share) and a special dividend of c.£340 million (10.4 pence per share).

Our people

I would like to take this opportunity to reiterate Kevin’s words of thanks to the teams and the individuals across our business. Individually, and working together, our people are an important competitive advantage. I believe we have the best people and culture in the industry. I am particularly proud of the personal and professional commitments our employees make towards our charity partners and their local communities. A great example of this is our Taylor Wimpey Challenge, which is now into its fourth year. To date, our employees from across all of our regional businesses and functions have participated and together have raised more than £171k for the Youth Adventure Trust and other charities. More information can be found on our case study on page 34.

A key aspiration, and goal, for the Group Management Team is to make Taylor Wimpey the employer of choice and establish a culture where individuals from all backgrounds can reach their full potential. We were pleased to have been named in the 'Top 20 Places To Work' in the UK, by Glassdoor, as voted for by employees, the only commercial housebuilder to make the list.

Our employee engagement survey, conducted in 2017, highlighted key strengths but more importantly has highlighted areas for improvement and these will be a key area of focus for 2018. We aim to do this annually so we can measure performance. More information can be found on page 22 and throughout this report.

i Definitions can be found in the Group Financial Review on page 43.

Customers

Customer service continues to be a key priority for all employees at Taylor Wimpey and is integral to our vision for the future of the business. We aim to put the needs of our customers at the heart of our decision-making. During 2017 we built on the early success of our new customer service approach, which focuses on getting it right first time and improving the clarity and openness of our communication with customers, and have continued to make good progress implementing this approach across the business. Whilst we recognise there is more to do, we are particularly pleased to see a positive trend in customer satisfaction feedback, with scores in the last six months averaging over 90%. Internally, we are pleased to see the approach embedding well in the business, where 95% of Taylor Wimpey employees believe that Taylor Wimpey aims to deliver the best customer service in the homebuilding industry, based on our employee survey. In an industry that is growing at pace, delivery of quality alongside volume growth is not always easy and it has been a priority to ensure that our people have the right resources, and that we are clear that we prioritise delivering the right quality over short term financial results.

During 2017, we achieved a customer satisfaction score of 88% (2016: 85%), reflecting the number of customers who were satisfied with the quality of their Taylor Wimpey home and 89% of customers would recommend Taylor Wimpey to a friend, based on the Home Builders Federation (HBF) survey. The survey is conducted by the National House-Building Council (NHBC) at eight weeks after completion to monitor our performance and identify areas for improvement.

As we have previously announced and as Kevin sets out in more detail on page 7, we have made good progress in securing agreements with freeholders representing over 90% of historic leases with a ten-year doubling ground rent clause, to enable our customers to convert to an RPI-based structure, should they elect to participate in our assistance scheme. We continue to work with the remaining freeholders to address the small number of remaining leases. A provision of £130 million, before tax, was recorded as an exceptional item in the H1 2017 accounts as a result of the leasehold review, and remains unchanged in the full year 2017 accounts.

Research and development

Research and development is a key area of focus as we seek to understand what our future customers will want and need. Our Project 2020 design competition in partnership with the Royal Institute of British Architects (RIBA) attracted over 100 entries from 14 different countries. The two-stage competition invited architects from across the globe to design new house type typologies with the brief of being innovative, pragmatic, cost effective, capable of high-quality mass production and which would appeal to future customers and their changing needs.

The 'Infinite House' designed by OpenStudio Architects, based in London, was chosen and will be built into a prototype in 2018. We selected a design that can be easily adapted both internally and externally to suit different sites and customer demographics. We are using the winning design to create a series of prototype homes on three of our developments. We achieved planning permission for the sites during 2017 and construction will begin in 2018. More information can be found within our Sustainability Report 2017.

Demonstrating excellence through improved operational efficiency and discipline

We continue to improve our business through our investment in people, product, processes and systems through research and development and embedding improvements to our customer service processes.

Land

Land is the critical raw material for our business and the ability to purchase the right sites in the right locations, at the right price and the right point in the cycle, is an important driver of value. We have remained disciplined since we re-entered the land market in 2011 and have built a short term landbank of c.75k plots, of which 52% is strategically sourced. Given this strength and quality of the landbank, we are focused on delivering value and maximising returns from our investments.

Build

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

Our health, safety and environmental management system covers all our business activities. It includes procedures and processes to keep noise, dust and disturbance to a minimum on all our operational sites to prevent pollution incidents and to protect the biodiversity of the local environment.

Outlets

Our selling outlets are located in villages, towns and cities where people want to live, and which are supported by strong demographics and local economies.

Research and development

Research and development will help us to meet the changing needs and aspirations of our customers. By exploring new approaches and technologies we can also improve efficiency in construction and reduce the environmental impact of the homes we build, helping to future-proof our business.

Developing and nurturing stakeholder relationships which play a key role in our business success

We work in partnership with a wide range of companies, organisations and individuals and aim to be the partner of choice. We strive to be an open, transparent and responsive company for all our stakeholders and to work with them to understand and address the wider social, economic and environmental impacts resulting from our operations. We believe that our strategy will differentiate us as a company to buy a home from, partner and engage with, work for and invest in.

Our employees

Our employees are one of our greatest assets and a key competitive advantage. They are crucial to executing our strategy and driving our success. We continuously strive to improve and make Taylor Wimpey a great place to work and an employer of choice.

Our customers

Regardless of the role that any Taylor Wimpey employee fulfils in the business, we all contribute to the final result for our customers. Buying a home is a significant financial and emotional investment. We aim to make buying, moving into and living in a Taylor Wimpey home as easy and enjoyable as possible for our customers.

Our partners

We work in partnership with a wide range of companies and aim to be a partner of choice. This includes landowners (who we buy land from or develop land with), delivery partners (who we work with to manage our land and deliver our developments), our supply chain (who provide the materials we use) and the subcontractors who work on our sites.

Our investors

We are a value-driven business with a long term sustainable focus. This defines our investment case and, we believe, differentiates us.

Our communities

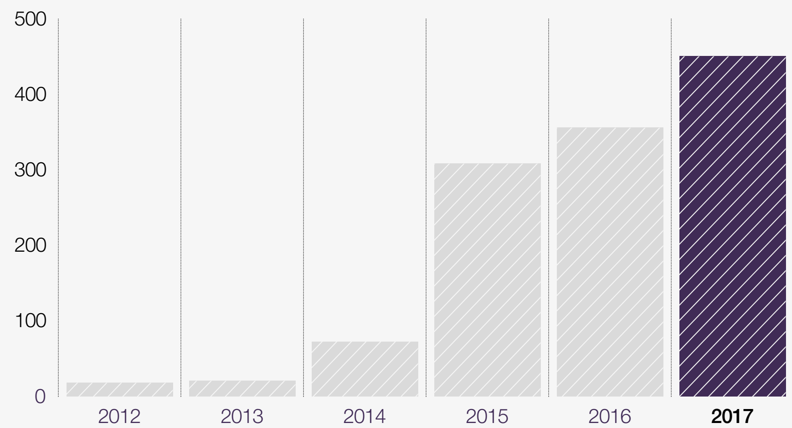
We are committed to working with local people and stakeholders throughout the planning process. We engage with local communities on every development.

More information on how we engage with our stakeholders can be found on page 51. More information on the KPIs which apply to each group can be found on pages 20 and 21.

Driving financial performance in the right way to deliver sustainable shareholder returns

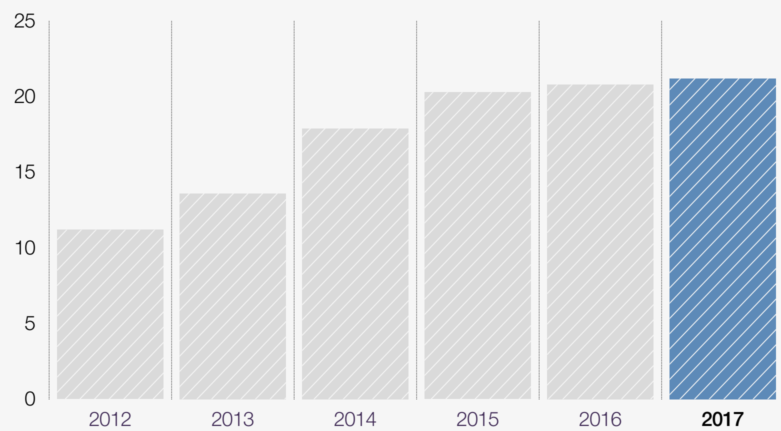
Total dividend paid (£m) in 2017

£450.5m



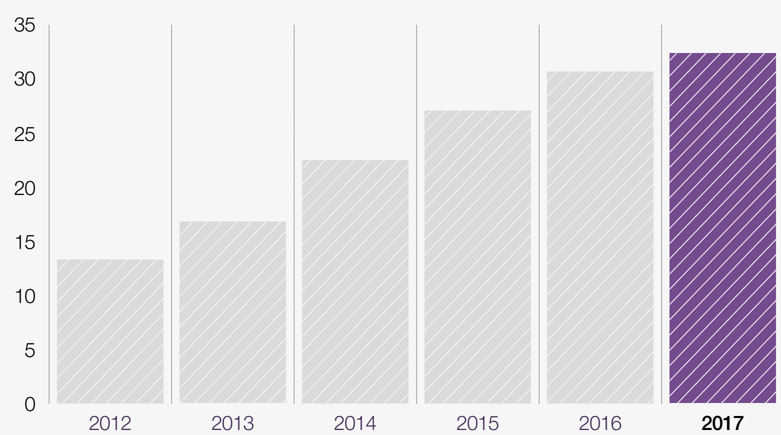
Operating profit* margin (%) in 2017

21.2%



Return on net operating assets** (%) in 2017

32.4%



The Group Management Team (GMT)

Pete Redfern
Chief Executive

Responsibilities

As head of the GMT, my responsibilities include key strategic and operational decisions, sustainability, customer service and health and safety.

Ryan Mangold
Group Finance Director

Responsibilities

Ryan's role covers all areas of finance, including tax, treasury and managing the Group's defined benefit pension scheme, as well as overall responsibility for our commercial and information technology functions. Ryan also plays an active part in our investor relations programme.

James Jordan
Group Legal Director and Company Secretary

Responsibilities

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

Anne Billson-Ross
Group Human Resources Director

Responsibilities

Anne has responsibility for all areas of human resources, including recruitment, benefits, talent and performance management.

Jennie Daly
Group Operations Director

Responsibilities

Jennie oversees our land, planning, design and technical, production and supply chain functions, in addition to managing the Taylor Wimpey Logistics business. As part of her land and planning role, Jennie also leads our response to the evolving UK planning system.

Nigel Holland
Divisional Chairman, Central and South West

Responsibilities

Nigel oversees our Central and South West Division, covering our East Midlands, South Midlands, East Anglia, Oxfordshire, South Wales, Bristol, Southern Counties and Exeter regional businesses and our Spanish business.

Chris Carney
Divisional Chairman, London and South East

Responsibilities

Chris oversees our London and South East Division, which includes our East London, Central London, North Thames, South East, South Thames and West London regional businesses.

Daniel McGowan
Divisional Chairman, North

Responsibilities

Daniel oversees our North Division which covers our East and West Scotland, North East, North Yorkshire, Yorkshire, North West, Manchester, North Midlands, Midlands and West Midlands regional businesses.

Ingrid Osborne
Divisional Managing Director, Central and East London

Responsibilities

Ingrid oversees the Central London and East London regional businesses and also has responsibility for the integrated London strategy.

Lee Bishop
Major Developments Director

Responsibilities

Lee manages our Major Developments business which has been specifically created to secure and project manage large scale land opportunities.

Chief Executive's Statement continued

Health and safety

The health and safety of individuals on our sites will always be our number one priority and it continues to be the first item discussed at every plc and regional board meeting. It remains one of the highest rated questions in our annual employee engagement survey, with 98% of employees believing Taylor Wimpey takes health and safety in the workplace seriously.

Following the tragic fire at Grenfell Tower in London in June 2017, we conducted an internal review into our current and historic developments, working, as appropriate, with building owners, management companies, independent fire safety experts and local fire and rescue services. On sites where there are tall buildings with Aluminium Composite Material cladding, we have sought advice from independent fire safety experts, and, where required, have put in place additional measures to ensure that the buildings are fully compliant with the Government's guidance on interim fire safety measures. We welcome the commissioning of the independent Hackitt Review on building regulations and fire safety, and look forward to working positively with Government and other agencies to ensure that the outcomes are effective and appropriate for the long term.

UK current trading and outlook

We have made a good start to 2018 and are encouraged by solid levels of demand coming into the spring selling season. The fundamentals for new build housing in the UK remain good with strong customer confidence in our core geographies.

Customers continue to benefit from a competitive mortgage market and continued low interest rates. Help to Buy is a key differentiator for new build housing and remains popular with customers, enabling them to take the first step onto or move up the housing ladder. Customer demand and pricing in Central London remain stable.

The net private sales rate for the year to date (w/e 18 February 2018) remains high at 0.81, against a very strong comparator (2017 equivalent period: 0.91), and remains in line with our expectations and plans for 2018.

As at 18 February 2018, we were c.47% forward sold for private completions for 2018, with a total order book value of £1,968 million (2017 equivalent period: £1,978 million), excluding joint ventures. This order book represents 8,415 homes (2017 equivalent period: 8,573). In Central London c.52% of private completions for 2018 are forward sold, as at 18 February 2018 (2017 equivalent period: 58%). We prioritise getting outlets open efficiently and in the right way for our customers. As at 18 February 2018, we are building on 97% of our sites with implementable planning.

We expect underlying build cost increases during 2018 to be at a similar level to 2017, at around 3-4%.

Following the introduction of a number of changes to our customer service approach in early 2016, we have been particularly pleased to see a significant improvement in customer satisfaction, averaging a score of over 90% in the last six months. Ensuring that we get the product quality and service right for our customers is a key priority for us.

As previously announced, we will pay a total dividend in 2018 of c.£500 million, subject to shareholder approvals, and confirm our intention to make further material capital returns in 2019 and beyond.

Whilst we have seen no adverse impact on trading, we are conscious of the wider political and economic risks. We are confident that our well-capitalised balance sheet together with our high-quality landbank with outlets located in places where demand is high and where people want to live provides the flexibility and resilience needed to manage all types of market conditions through the cycle.

Pete Redfern
Chief Executive

Our Investment Case

Why we are different

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

We are a value-driven business, with a long term, sustainable focus.

Our focus remains on adding value and sustainable growth as we maximise efficiency through operational excellence and discipline on our sites and throughout our business.

We have a clear strategy and a strong focus on where we can add further value to the business. In this way, we are confident that we can adapt to all market conditions from a position of strength and perform well, underpinning our value proposition to shareholders and other stakeholders.

We believe that financial results must be achieved in the right way and as a responsible business we acknowledge both our obligations to the communities we operate in and the opportunity to work with our stakeholders to create value together.

Since setting out our strategy in 2011, we have made significant progress towards our financial objectives. More information on our strategy, updated targets and performance can be found on pages 16 and 20.

Today we have a strong landbank of c.75k plots underpinned by a strategic pipeline of c.117k potential plots.

We will be hosting a Strategy Day in May 2018, where we will update the market on our views of long term strategy.

1

Strategy set to manage through the cycle

The housing market is cyclical and so factors such as customer confidence and mortgage cost inevitably have a direct impact on the short term outlook. We believe that a long term view and a proactive and flexible approach are needed to manage through the cycle. Our strategy is built on this and so seeks to protect growth whilst mitigating future downside risk. This applies to all areas of the business, from landbuying to our Dividend Policy.

Read more on pages 10 and 11.

2

High earnings quality with high margin driven by strong landbank

Steady growth has created a sustainable business focused on good-quality locations where people want to live.

We believe that quality of location is a key determinant of a home purchase and that this remains true through all market conditions.

We have taken a very disciplined approach since we set out the strategy back in 2011. This applies to all areas from the returns we expect to deliver from our sites through to the quality of those locations which we believe will differentiate us irrespective of the cycle.

Read more on pages 24 and 25.

3

Quality business with further continuous operational improvement

We have always been clear that our quality measures are as important to us as our financial objectives and are key to the way we run our business. We believe that these areas will become more important during this cycle, and will become an area of clear differentiation for Taylor Wimpey and contribute to our long term success. We will maintain a firm focus on health and safety, which will always be our non-negotiable top priority. We will continue to improve the business through our investment in our people, product, processes and systems, through research and development and embedding improvements to our customer service processes.

Read more on page 21.

4

Dual stream dividend underpins value

We are confident that the quality of our short term landbank, with the underpin of our significant strategic land pipeline, combined with a high-quality balance sheet, will mean that we can continue to be cash generative through the cycle, enabling us to sustain a significant ordinary dividend to shareholders on an annual basis, including through a ‘normal’ downturn. We will also supplement this with special dividends at appropriate times in the cycle.

Read more on pages 8 and 13.

Working together

Our brand focuses on who we are and what we want to be.

Vision:
Working together to build your dreams.

Mission:
To create great places to live and deliver excellent service which inspires and delights our customers, our people and our shareholders.

Core values and cultural principles:

These are the Taylor Wimpey values that will help us achieve our vision and mission, and the cultural principles that underpin them:

Be respectful, fair and deliver together
- Communicate well and collaborate
- Encourage and embrace diversity
- Set clear professional standards
- Develop good relations and behave with integrity

Continuously improve and innovate
- Be future-focused and drive change
- Find solutions and don't accept second best
- Make informed decisions
- Be well planned and organised

Build a proud legacy
- Never compromise on safety
- Be passionate about customers
- Deliver right first time and keep promises
- Commit to a sustainable future

Read more inside

Striving for excellence at every stage

This is based on a value cycle and each component of the value cycle is important in order to achieve our strategy. The business model is presented at UK level only as the majority of metrics are not comparable in our Spanish business.

- Our people
- Selecting land
- Managing the planning and community engagement process
- Getting the homebuilding basics right
- Delivering customer service
- Optimising value

Our strategy

Our strategy has been focused on driving sustainable value through the housing cycle and delivering enhanced margins and returns, whilst continuing to invest in the future profitability and quality of the business for all stakeholders.

Read more inside

Creating value across the cycle

We believe that a long term view and a proactive approach are needed to deliver value through the housing cycle and in the wider environment in which we operate. Key to this approach is our management of risk, which protects shareholder value whilst still enabling us to take advantage of opportunities and drive further growth from the business. We believe that financial results must be achieved in the right way and as a responsible business we acknowledge both our obligations to the communities we operate in and the opportunity to work with our stakeholders to create value together. We believe that we can deliver enhanced value through the housing cycle and benefit shareholders by driving the outputs of our strategy in three main areas:

- Dividend Policy
- Medium term financial targets (2016-2018)
- Further continuous operational improvement

Our medium term targets (2016-2018)	2017 performance
An average annual return on net operating assets** of:	
30%	32.4%
An average operating profit* margin of:	
c.22%	21.2%
Total dividends to be paid in cash to shareholders over the period:	
£1.3bn	£450.5m

Our long term strategic goals:

- Deliver at least a 15% return on net operating assets** through the housing cycle
- Earn top quartile operating profit* margin
- Grow net assets by 10% per annum on average through the housing cycle (including returns to shareholders)

We will be hosting a Strategy Day in May 2018, where we will update the market on our views of long term strategy.

Definitions can be found in the Group Financial Review on page 43.

For more details on our bonus schemes, please see the Remuneration Committee Report on page 74.

Business model

Our people

We aim to be the employer of choice in the housebuilding industry.

What we do

We aim to be the employer of choice in the housebuilding industry, attracting and retaining the best people to establish a culture that gives all individuals the opportunity and support to develop to their full potential, regardless of market conditions or their background.

Why is it important for all our stakeholders?

Individually, and by working together, our employees are crucial to driving our success. We believe that having the right people with the right skills at all levels in our organisation is critical to building a quality, sustainable business and delivering our strategy.

How are we different?

We have a strategic approach to our human resources and have further improved our approach to talent, succession, resourcing and reward, as well as learning and development.

Our KPIs

14.0%

Voluntary employee turnover

Risk link to KPI

D

Read more on pages 22 and 23.

Progress in 2017

Having introduced many new initiatives and frameworks in 2016 including enhanced flexible benefits, new development programmes and widening our hiring channels, 2017 has focused on ensuring that these are embedded and owned by the business, and seen as 'business as usual'.

Priorities for 2018

With the ongoing challenge for skills and resources in the housebuilding sector and the targets we have set ourselves, we will continue to focus on how we effectively attract, develop, and retain our people so that they are fully engaged with the company to deliver both our short term targets and longer term strategic goals. In doing so, we aspire to become known in the sector as the 'employer of choice'.

Our vision and mission: underpinned by our core values and cultural principles.

Selecting land

We believe that the quality of our landbank is one of the key strengths for Taylor Wimpey.

What we do

Good-quality land with planning is the critical 'raw material' for our business. The land that we acquire, together with the planning potential we work with local authorities and communities to create, is key to defining products, locations, target customer base and prices, and underpins our confidence in our future financial performance.

Why is it important for all our stakeholders?

The value we create for our shareholders, communities and customers all starts with land. We add value through planning, allowing us to generate the best quality returns. Land is a scarce resource and we want to make the best use of what is available, select the right sites and transform them into vibrant and thriving communities.

How are we different?

We have a strong short term landbank at c.75k plots. Our investment and scale are based on our view of land quality and capital risk in a cyclical market. We are focused on selecting the right land and developing it in a sustainable manner. We have one of the largest strategic land pipelines in the sector with c.117k potential plots.

Our KPIs

53%

Strategically sourced completions

74,849

Owned and controlled plots with planning or resolution to grant planning

Risk link to KPI

A E

Read more on pages 24 to 25.

Progress in 2017

Our future profitability is underpinned by our short term landbank of c.75k plots with 52% sourced from the strategic land pipeline. In 2017, 53% of completions were built on land previously sourced from the strategic pipeline. We continue to prioritise opening our outlets as efficiently as possible.

Priorities for 2018

Continue to work with land vendors, communities and local authorities to convert land from the strategic pipeline into the short term landbank. Continue to work on 'land light' structures and active management as we continue to drive a higher return on capital employed. Continue to focus on selecting the right land and developing it in a sustainable manner.

Managing the planning and community engagement process

We aim to be the industry leader in managing the planning and community engagement process.

What we do

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

Why is it important for all our stakeholders?

We believe that local communities should have a say in development. This enables us to achieve the right planning permissions and ensure our developments are valued by their local communities.

How are we different?

We actively seek the views of local communities and other stakeholders. We develop a tailored planning and community engagement strategy for each site and work closely with communities and other local stakeholders throughout all aspects of the planning process. We believe that we have a responsibility to contribute to our local communities and that this responsibility grows with our success.

Our KPIs

7,863

Plots converted from the strategic land pipeline to the short term landbank

Risk link to KPI

A

Read more on pages 26 and 27.

Progress in 2017

In 2017, we contributed £413 million to the local communities in which we build across the UK via planning obligations, providing, for example, local infrastructure, affordable homes, public transport and education facilities (2016: £363 million). As at 18 February 2018, we are building on 97% of our sites with implementable planning.

Priorities for 2018

Continue to maintain best practice community engagement. Continue to investigate ways to engage with a wider and more diverse range of people within the local communities in which we operate.

Getting the homebuilding basics right

Getting the basics right means effective processes are consistently applied across our regional businesses.

What we do

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

Why is it important for all our stakeholders?

There is nothing more important to us than providing a safe place in which our employees and subcontractors can work. We are also committed to high standards of environmental management. The building process is carefully managed by our site-based and regional production teams to ensure quality, minimise disruption to residents in the surrounding areas, and to protect and enhance the value of each site.

How are we different?

We believe that quality objectives matter as much as financial objectives. Heath and safety is our non-negotiable top priority. Operating sustainably is both the right thing to do and makes good business sense.

Our KPIs

152

Annual Injury Incidence Rate

Risk link to KPI

A C D F

Read more on pages 28 to 31.

Progress in 2017

Health and safety on site remains a number one priority and we recorded a reduction in the AIIR rate for the year. We were pleased to receive a higher number of NHBC Pride in the Job Awards and record improved customer satisfaction scores through the year.

We reduced our carbon emissions by 38.7% from 2013, well ahead of our target of 25%.

Priorities for 2018

Health and safety of our people, the build process and customer service will all continue to be of critical focus for the Group in 2018. We also continue to examine potential improvements to the build process whilst also always considering the environmental impacts of our process.

Delivering customer service

We remain focused on and are committed to delivering an excellent customer service to all of our customers at every stage of their journey.

What we do

We want to ensure that we always deliver our homes to the quality standard to which we aspire and that our service is always proactive, positive and professional. Our customer vision is to help our customers make our houses their homes.

Why is it important for all our stakeholders?

Whilst we operate in a cyclical market, we strongly believe that a customer-centric approach is needed throughout the cycle. We recognise that buying a home is a major financial and emotional investment and it is critical that we give our customers the right experience.

How are we different?

We are in the process of embedding our new customer approach across the business with our focus on three main areas: our culture, structure and process.

Our KPIs

88%

Customer satisfaction

Risk link to KPI

D E F

KPI link to remuneration

✓

Read more on pages 32 and 33.

Progress in 2017

Having introduced a number of customer service initiatives in recent years, such as the newly created role of Head of Customer Service and the Home Quality Inspection (HQI), a key focus in 2017 has been embedding the new processes and delivering a consistent standard. We are pleased that during 2017 we received a customer satisfaction score of 88%, an improvement on the 85% of last year and just short of our target of 90%. Whilst we have made great strides, we know there is still more to do.

Priorities for 2018

The key priority for 2018 will be to continue to enhance our customer service offering, and we will therefore be aiming for a further increase in our customer satisfaction score and aim to become a five star housebuilder. In 2018, we will also continue the rollout of our customer portal which improves the information flow between our customer facing teams and homebuyers at every stage of their contact with Taylor Wimpey.

Building a sustainable business

Optimising value

We look to optimise the value of each site not only during the initial acquisition process, but throughout the planning and development stages so that the original value is not only protected but enhanced.

What we do

Our ability to constantly increase efficiency and tightly control costs is part of the Taylor Wimpey culture and remains central to delivering enhanced returns. This extends to and encompasses all aspects of our business as we strive to optimise and capture value at every level from procurement through to delivery. We also aim to add value to the charities we support and to our wider partnerships.

Why is it important for all our stakeholders?

The discipline of continually reviewing and challenging ourselves to do more ensures we do more than simply protect the business, we enhance the value.

We believe that as a responsible business we must actively contribute to helping others, whether financially, with our time or with our expertise.

How are we different?

We have a relentless focus on value at every stage of our business model and this is ingrained into the Taylor Wimpey mindset. We also balance our desire to improve quality with a focus on making our assets work harder for us and our stakeholders.

Our KPIs

£69.3k

Contribution per legal completion

49.6%

Forward order book as a percentage of completions

Risk link to KPI

A B C D E F

Read more on pages 34 and 35.

Progress in 2017

In the year, we achieved a 1.7 percentage points margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition.

We further increased contribution per completion in 2017.

In total, during 2017 we donated and fundraised over £1 million for registered charities (2016: over £875k), in addition to c.£90k for other organisations, such as scout groups and other local community causes (2016: c.£159k).

Priorities for 2018

Continue to actively review every site and optimise new sales outlets prior to opening. Continue to focus on building a strong order book for the future.

Continued commitment to supporting charities and local community groups in the areas in which we operate.

We are one of the largest residential developers in the UK, building nearly 15,000 homes in 2017. Our business touches many lives.

For our customers, the home they buy from us is often the biggest and most important purchase they will ever make. It's where they will spend most of their time, and where many of the important events in their lives will happen. So the way we design and build our homes and developments can have a significant influence on our customers' future happiness and wellbeing. As a responsible homebuilder we seek to design and build our developments in the right way, so that they become thriving, inclusive and sustainable communities for generations to come.

We directly employ nearly 5,000 people, with many thousands more on our sites and in our supply chain. We aim to treat everyone we work with fairly and provide support and development opportunities for our employees so that they can enjoy a satisfying career with Taylor Wimpey.

Reducing our impact on the environment is very important to us, so we consider it at every stage of our operations. We work with our partners in the supply chain to source sustainable materials, and with our subcontractors to minimise the impact of our sites. We also design homes to be resource efficient.

Our Legacy, Engagement and Action for the Future (LEAF) committee oversees our sustainability programme and management of sustainability risks. It is chaired by Lee Bishop, our Major Developments Director and representative of the GMT. Its members include our Head of Sustainability and senior executives from our procurement, production, and design functions and from our regional businesses.

Sustainability is integrated into our values and cultural principles, particularly our commitment to a sustainable future and to build a proud legacy. We will be doing further work in 2018 to develop our sustainability strategy, focusing on the issues that matter most for our customers, our business and our stakeholders.

View our Sustainability Report 2017 online from March 2018.

Read more about our stakeholder engagement on pages 15 and 51.

Attracting and retaining the best people

people

We aim to be the employer of choice in the housebuilding industry.

Our approach

We want to attract and retain the best people and treat them fairly and with respect.

We continue to make a significant investment in and commitment to the recruitment of our next generation of future leaders, including extending our trainee schemes and investing in the skills and development of our employees across the business, to ensure that Taylor Wimpey attracts and retains the best people in the industry through the cycle.

We aim to be the employer of choice in the housebuilding industry, attracting and retaining the best people to establish a culture that gives all individuals the opportunity and support to develop to their full potential, regardless of market conditions or their background. We were pleased to have been named in the top 20 places to work in the UK, by Glassdoor, as voted for by employees, the only commercial housebuilder to make the list.

During 2017 we directly employed, on average, 4,999 people across the UK (2016: 4,697) and provided opportunities for a further 13,442 operatives on our sites. Our voluntary employee turnover rate remained low at 14.0% (2016: 13.9%).

What makes us different

Our people matter

With the ongoing challenge for skills and resources in the housebuilding sector and the targets we have set ourselves, we have continued to focus on how we effectively attract, develop, and retain our people so that they are fully engaged with the company to deliver both our short term targets and longer term strategic goals.

Case study

Ingrid Osborne was selected for the Cranfield School of Management's "100 Women to Watch 2017". Ingrid joined the group as a graduate trainee in 2001, and worked in various roles before being appointed Managing Director of Central London in 2010. Ingrid is now Divisional Managing Director for Central and East London and has been a member of the General Management Team since 2013. Ingrid commented:

"A broad range of opinions, backgrounds and experiences are always beneficial in business. So the more we can encourage and embrace diversity, the better. As one of three women on our leadership team, it's important that we share our experiences with colleagues and help mentor and encourage the next generation to achieve their goals. As leaders we have a critical role to play in creating the right culture and leading by example. I want people to know that I use flexible working options, so that they feel able to do the same. By treating people as individuals and working together, we build trust and that positively impacts engagement and productivity."

2017 employee survey

% of employees who agree or strongly agree

Response rate

72% 2017 — 55% 2016

Taylor Wimpey takes health and safety in the workplace seriously.

98% 2017 — 98% 2016

Taylor Wimpey is committed to becoming an inclusive organisation with a diverse workforce.

94% 2017 — 92% 2016

Investing in our people

Through our learning and development initiatives, aimed at growing talent from within, we give our employees the opportunities and skills to become our future business leaders and develop their careers with Taylor Wimpey.

There is a significant skills shortage in our industry and we are committed to playing our part in addressing this. We have made a significant investment in, and commitment to, the recruitment of our next generation of future leaders, including extending our trainee schemes and investing in the skills and development of our employees across the business, to ensure that Taylor Wimpey attracts and retains the best people in the industry through the cycle. During 2017, we recruited 204 apprentices (including 67 site management apprentices), 28 management trainees and 31 graduates, whilst improving our apprenticeship and trainee schemes across a number of areas (2016 total: 147). We are also planning to relaunch our management trainee programme in summer 2018. This will offer three-year development programmes and will also significantly increase the overall number of trainee positions.

Listening to our people

We launched and held our first National Employee Forum (NEF) in 2017. The main objective of the NEF will be to gather employee feedback on individual topics important to the business and share it with the relevant members of senior management. The NEF will build upon the existing regional Employee Consultative Committee structure so as to enhance the dialogue between the Board, Group Management Team and our employees.

In 2017 we undertook an employee engagement survey, 'Talkback', with an encouragingly high participation rate of 72%. We were impressed with the overall results and high level of engagement across the whole business. We were particularly pleased to see improved scores in customer service, flexible working and our training and benefits package. Importantly it highlighted areas which needed further work, including better collaboration between teams, and we will be focusing on this in 2018.

Striving to become a more diverse business

We aim to be an inclusive employer and to attract, retain and promote employees from all backgrounds. Encouraging and embracing diversity is now one of our cultural principles. We have developed a Diversity and Inclusion Strategy that focuses on the impact of leadership for creating and maintaining a diverse and inclusive culture; improving how diversity and inclusion are embedded into our policies and procedures, and reflecting our commitment to this.

Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our cultural values which encompass areas such as business conduct, equal opportunities, anti-corruption and whistleblowing. We do not consider this a material issue in our business.

Q&A

How is Taylor Wimpey addressing the construction skills shortage?

We can play a part in addressing the skills shortage facing the housebuilding sector and wider construction industry. We offer a range of trainee positions to attract young people and address specific skills gaps. We now have 575 people in entry-level positions. We are piloting a new approach to hiring trades professionals increasing the number we employ directly (rather than via subcontractors). We also partner with others through initiatives such as the Home Building Skills Partnership.

Case study

Apprentice Assistant Site Manager Jone Da Cruz, who works at the Chobham Manor development in East London, was named 'Ambassador of the Year' in the Queen Elizabeth Olympic Park Apprenticeship Awards in July 2017. These awards recognise the role of local young people and employers in delivering the legacy of the London 2012 Olympic and Paralympic Games and recognise more than 240 apprentices who have played key roles in the new chapter of the Park, helping transform the former Olympic Stadium into a world-class, multi-use venue.

Our KPIs

Employee turnover

Objective

We aim to attract and retain the best people in the industry and give them opportunities to develop to their full potential.

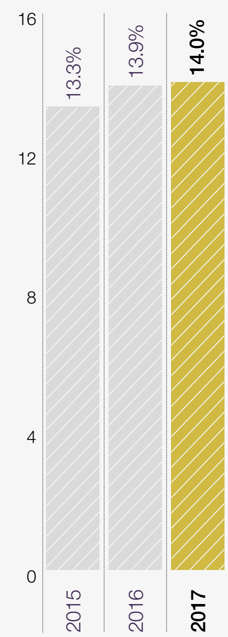
Definition

Voluntary resignations divided by number of total employees.

Why is it key to our strategy?

Our employees are one of our greatest competitive advantages and they are crucial to executing the strategy. We aim to keep this within a range of 5-15%.

14.0%



+
High-quality landbank

land

We believe that the quality of our landbank is one of the key strengths of Taylor Wimpey.

Our approach

We believe that the land market and planning environment have significantly changed over recent years. Whilst the planning process remains complex and is often slow, there is better clarity in many local authority areas and a better supply of suitable land that has good planning prospects with reduced competition. Our ability to buy high-quality land at the right time in the cycle and enhance it through planning, remains an important driver of value as it enables us to build and sell the right product, create the right community and deliver the right service to our customers.

We believe that quality of location is a key determinant of value through all market conditions. Our landbank is broadly spread across the country in targeted quality locations, supported by strong demographics and economics, in the villages, towns and cities where people want to live.

What makes us different

New opportunities

We are highly selective with regard to the types of sites that we buy, focusing on the quality of the land rather than the number of plots acquired. We employ dedicated land teams in each of our 24 regional businesses, who use their expertise and local knowledge to identify potential high-quality, sustainable sites. We have a targetted approach to our land investment. This is focused on where we can add value as we seek to maximise the returns from our investments, while continuing to ensure that the business is optimally positioned to deliver those returns on a sustainable basis.

During the year, and as previously announced, we added a further site to our Major Developments portfolio of large scale land opportunities. The land acquired is a regeneration scheme at Clapham Junction in central London and is a joint venture with Wandsworth London Borough Council. It is expected to deliver over 2,200 homes. Furthermore, as previously announced, our Central London business acquired 681 plots in 2017 from the Royal Mail that forms part of the Mount Pleasant estate, some of which will be retained by the Royal Mail Group.

Short term landbank

Our short term landbank stands at c.75k plots, equating to c.5.1 years of supply at current completion levels as at 31 December 2017. During 2017 we acquired 8,040 plots (2016: 6,355 plots) at anticipated contribution margins of c.28% and return on capital employed*** of c.34%.

In the year, we achieved a 1.7 percentage points margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition.

The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 14.8% (2016: 15.4%). The average selling price in the short term owned landbank in 2017 increased by 8.1% to £280k (2016: £259k).

Case study

In August 2017, the Group completed contracts to purchase part of the Mount Pleasant estate, in Central London, from the Royal Mail Group, after enabling works by Royal Mail Group had been completed. The site has a detailed development planning consent, secured by the Royal Mail Group in 2015, to create 681 residential units including affordable housing, retail and office space and public areas.

Strategic pipeline in place for long term success

A key strength of Taylor Wimpey is our strategic land pipeline. Strategic land is any land which does not have any form of residential consent at the time we take a commercial interest. This provides an enhanced supply of land at a reduced cost. Importantly, it gives us greater control over the planning permissions we receive. We have one of the largest strategic pipelines in the sector which stood at a record of c.117k potential plots as at 31 December 2017 (31 December 2016: c.108k potential plots). During 2017, we converted a further 7,863 plots from the strategic pipeline to the short term landbank (2016: 9,519 plots). We continue to seek new opportunities and added a net 17.1k new potential plots to the strategic pipeline in 2017 (2016: 10.8k). In the year, a record 53% of our completions were sourced from the strategic pipeline (2016: 51%).

How is sustainability integrated into land selection?

Q&A

Our land teams integrate sustainability into the land acquisition process from the start, looking at factors such as how well connected the site is to transport links, the potential impact on habitats and species, the risk of flooding and whether the development will support local economic activity. Our Land Assessment and Management Process (LAMP) helps us to identify and manage sustainability risks at site-level before and during construction.

Our KPIs

Strategically sourced completions

Objective

We aim to source more than 40% of our completions from the strategic pipeline per annum in the medium term.

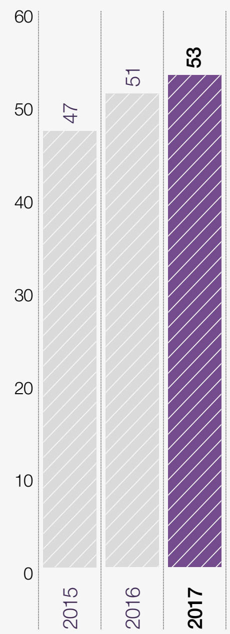
Definition

Number of completions which originally did not have planning permission when we acquired a commercial interest in them, expressed as a percentage of total completions.

Why is it key to our strategy?

The strategic pipeline enhances our ability to increase the contribution per legal completion because of the inherent margin uplift from strategic plots. It also allows us to take a long term view of sites.

53%



Owned and controlled plots with planning

Objective

We aim to maintain sufficient land in our portfolio to enable us to remain selective in future purchases.

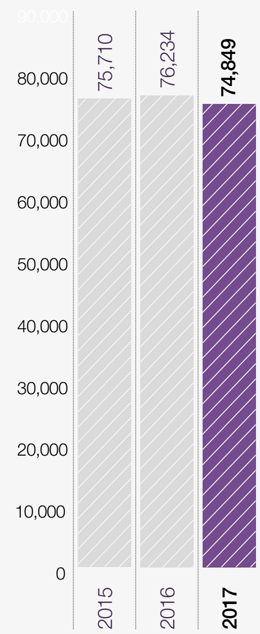
Definition

The total number of plots that we either own or control, with some form of planning consent.

Why is it key to our strategy?

Having a portfolio of land in place is key to planning the required scale of our building operations for future home completions. It enables us to be selective in land purchases.

74,849 plots



Case study

In 2017, Taylor Wimpey Midlands purchased freehold land known as Flying Fields, Southam, Warwickshire. The land was acquired with an outline planning permission for 535 new homes of which 35% is to be affordable housing. Extensive areas of open space and a small retail store are to be accommodated as part of the development. The 60 acre site is agricultural land which was used as an airfield during the war. Southam is a popular market town in the district of Stratford upon Avon where demand for new homes is strong owing to its proximity to Coventry and ease of access to the M40 motorway and employment opportunities. Taylor Wimpey has another successful scheme of 165 new homes currently under construction in Southam. The land and planning team at Taylor Wimpey Midlands has worked closely with the District Council and Southam Town Council to implement the masterplan for the site, which incorporates extensive landscaping throughout to reflect its rural edge of town setting.

Planning and community engagement

planning

We aim to be the industry leader in managing the planning and community engagement process.

Our approach

Whilst we have a national presence, we are proud to operate as a local homebuilder with 24 regional businesses across the country. We continually explore ways in which we can work more closely with local communities. We are committed to working with local people and other stakeholders throughout the planning process and seek to engage, consult and work in partnership with communities and all interested stakeholders.

We do this by creating a tailored planning and community engagement strategy for each site which reflects the needs of the local area. Our approach goes well beyond regulatory requirements, with engagement starting before we submit a planning application and continuing throughout the development process. Wherever possible, we use the feedback obtained as part of our community engagement to develop and improve our design proposals.

To fully understand local views, it is important that we reach a wide range of stakeholders from residents, property owners and local authorities, to businesses, schools, residents' associations and other groups.

We are committed to publishing information on proposed developments online so that members of local communities and other interested parties can easily find out what we are planning and where. The Taylor Wimpey website includes pages for all of our proposed developments throughout the UK. We would like people to register their interest so we can update them on progress. Above all, we want wider and more diverse groups and individuals to get involved and tell us their views, whether positive or negative.

Our KPIs

Conversion of strategic pipeline

Objective

We aim to convert on average c.6k plots per annum in the medium term.

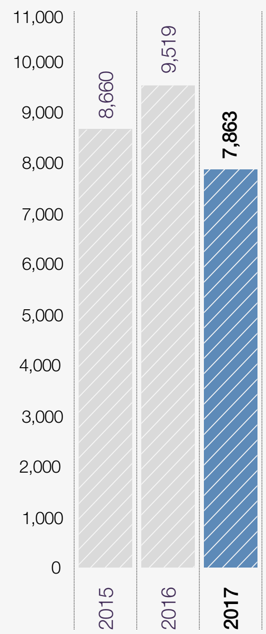
Definition

Number of plots, which originally did not have planning permission when we took a commercial interest in the land, and which we have promoted through the planning process to achieve some form of planning. In this way we convert potential plots from the strategic pipeline to plots in the short term landbank.

Why is it key to our strategy?

The strength of our strategic pipeline (plots without residential planning consent) is a key differentiator and enables us to be extremely selective in the short term land market and also reduces the pressure on the teams. We work with landowners, local authorities and communities to promote the strategic pipeline through the planning process and achieve planning permission. Strategic land pipeline conversions can be variable year on year and so we view an average target as the appropriate measure.

7,863 plots



Case study

At our Newton Farm (Phase 2) development, in our West Scotland business, Taylor Wimpey agreed with South Lanarkshire Council to contribute c.£9.4m and 7.2 net developable acres for the development of a new school as part of the Section 75 (S75) agreement. Construction of the school was the responsibility of South Lanarkshire Council. The Council had a desire to open the new school facility by August 2017 for the new school term. In order to facilitate the school construction programme, and meet our obligations under the S75 agreement, we installed part of the development's new spine road by December 2015, providing access and a serviced site for the Council. South Lanarkshire Council was therefore able to commence works on site in early 2016, and deliver the school on programme, opening in August 2017. Our West Scotland business maintains engagement with the school, providing health and safety talks, demonstrations and other initiatives.

How do you engage a wide range of local stakeholders?

Q&A

We seek views from a wide range of stakeholders from neighbouring residents and property owners to local authorities, businesses, schools and other groups. We use a variety of channels including meetings, exhibitions, workshops, newsletters and information boards. We have also been trialling the use of social media, particularly Facebook and Twitter, to help capture and respond to feedback and to reach a wider audience.

What makes us different

We build much more than homes

We work with communities and our partners to create well designed, sustainable neighbourhoods where our customers want to live, grow and thrive and which are valued by our local communities.

We aim to create great places to live, work and play; designing our developments to become thriving and inclusive communities with a strong sense of place and character. We have appointed an urban designer to work with our regional businesses on placemaking and launched our Design Academy covering the core principles of urban design and how to create sustainable communities where people want to live.

We make a significant contribution to the local communities we operate in. In 2017, we contributed £413 million to the local communities in which we build across the UK via planning obligations, providing, for example, local infrastructure, affordable homes, public transport and education facilities (2016: £363 million).

Our developments create economic benefits for local communities. As well as new housing, these can include new jobs on site and in the supply chain, increased revenues for local businesses during construction and from new residents, and benefits arising from our investment in new infrastructure and amenities. We use our Economic Benefits toolkit to estimate and communicate these benefits to stakeholders during the planning process.

Stakeholder engagement

We introduced a comprehensive community engagement framework in 2011 and have been regularly improving and updating it since. We are proud of our approach to community engagement and the way that our employees deliver it. The framework applies to every stage of the development timeline, from pre-planning consultation to ongoing communication with existing and new residents during and after construction. We also have a Building Our Reputation toolkit that provides information and practical tools to help our employees communicate honestly and openly with communities and customers throughout the development process.

We believe that a positive and structured approach to working with others is at the heart of a successful scheme. We work in partnership with the communities in which we build to deliver homes that meet their requirements and aspirations.

Expertise in planning

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

Planning is fundamental to the success of our business, and we aim to progress sites through the planning process to enable us to develop our sites as efficiently as possible. During 2017 we worked with communities, planners and landowners to convert a further 7,863 plots from the strategic pipeline.

We aim to create development proposals that are financially viable, benefit the local community and provide the housing that is needed. We prioritise getting outlets open efficiently and in the right way for our customers. As at 18 February 2018, we are building on 97% of sites with implementable planning.

We believe that the land market and planning environment have significantly changed over recent years. Whilst the planning process remains complex and is often slow, there is better clarity in many local authority areas and a better supply of suitable land that has good planning prospects with reduced competition.

+ Focusing on the homebuilding basics

homebuilding

Getting the basics right means effective processes are consistently applied across our regional businesses.

Our approach

The health and safety of individuals on our sites will always be our number one priority and continues to be the first item discussed at every plc and regional board meeting. It remains one of the highest rated questions in our annual employee engagement survey with 98% of employees believing Taylor Wimpey takes health and safety in the workplace seriously.

We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live, and we will not compromise on ensuring that everyone leaves our sites safe and well. We have a comprehensive Health, Safety and Environmental (HSE) Strategy and a fully integrated HSE Management System in place which is regularly reviewed at all levels.

Our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors reduced to 152 in 2017 (2016: 211). Our AIIR for major injuries per 100,000 employees and contractors was 54 in 2017 (2016: 53).

Our AIIR remains below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average.

Following the tragic fire at Grenfell Tower in London in June 2017, we conducted an internal review into our current and historic developments, working, as appropriate with building owners, management companies, independent fire safety experts and local fire and rescue services. On sites where there are tall buildings with Aluminium Composite Material cladding, we have sought advice from independent fire safety experts, and, where required, have put in place additional measures to ensure that the buildings are fully compliant with the Government's guidance on interim fire safety measures. We welcome the commissioning of the independent Hackitt Review, and look forward to working positively with Government and other agencies to ensure that the outcomes are effective and appropriate for the long term.

Case study

Taylor Wimpey Logistics, our supply chain business, plays an important role in our supply chain management. Around 300 of our sites, managed by 21 of our regional businesses, are supplied with build materials from Taylor Wimpey Logistics. Working on a plot-by-plot basis, the business sources bulk materials directly from manufacturers to prepare 'just in time' delivery of build packs for each stage of the building process, ensuring materials arrive on sites at the appropriate times in the build process. This reduces both work in progress on site and the potential for loss or damage of materials, thus driving build efficiency on our schemes.

During peak periods, Taylor Wimpey Logistics pick, package and dispatch up to 100,000 items in 1,500 build packs on around 60 lorries per week.

Case study

Underpinning the importance we place on the build process and the quality of our final product, we were very pleased to record an increase in Taylor Wimpey's performance in the National House-Building Council's (NHBC) Pride in the Job Awards. We achieved a total of 62 Quality Awards (2016: 57), 24 Seals of Excellence Awards (2016: 16) and 2 Regional Awards in 2017 (2016: 2). Our two Regional Winners were Paul McLachlan from Taylor Wimpey North Yorkshire and Michael Wickham from Taylor Wimpey South Thames. Our regional winner Paul went on to achieve runner up in the large builder category of the Supreme Awards.

Paul commented: "Winning the Regional Award and then being named a runner up in the Supreme Awards has been unbelievable, it's been the highlight of working for the company as over the years the competition gets stronger, the quality rises and the standard increases."

NHBC Pride in the Job

How do you manage risks relating to climate change?

Q&A

Climate change has the potential to impact our business strategy in a number of ways. For example, physical changes such as rising temperatures and an increase in flood risk could affect our customers and influence where and how we build our homes. We use our Sustainability and Climate Change Risk and Opportunity Register to guide the climate change adaptation of our business practices and the homes we build. See our Sustainability Report 2017 for more information.

What makes us different

We do not compromise on health and safety

We not only create homes that our customers want to live in, we want to ensure that every step of the way, health and safety is at the forefront.

Partnering with contractors on safety issues is critical to keeping everyone safe on site. Before we agree to work with a contractor, we require details of their risk assessment process and safety procedures for their area of activity.

We clearly communicate critical safety messages to site operatives through our 'Operative's Journey' process, which starts with our HSE site induction. One of the key issues to address is preventing 'safety sign blindness', and keeping safety at the front of everyone's minds on site.

The HSE induction is supported by regular poster campaigns and talks on key topics. In 2017, we re-launched our 'toolbox talks' as 'site safe briefings' and made the content more engaging for site operatives.

Our Site Support Team brings together representatives from Taylor Wimpey and our contractors such as trades supervisors, groundworkers supervisors or site operatives to encourage a safety mindset. Members are nominated by the Site Manager and given a blue hat to make them visible on site. Site Support Teams participate in improving site safety and operatives can talk to members of the team about HSE issues, concerns or suggestions. During 2017 we ran training sessions and team building events for Site Support Team members.

Quality product range

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

We have clear quality and finish standards for all Taylor Wimpey homes and during 2017 we continued to strengthen our quality assurance processes. Each one of our homes should meet our quality standards and we want every customer to receive excellent service. During the year, we appointed a UK Head of Production, a newly created role as we seek to ensure we consistently achieve a high-quality build for our customers.

It is expected that this will increase customer satisfaction and save time and money for the business in getting the home delivery right first time. There are also sustainability benefits associated with achieving high-quality standards, including greater durability, less waste and fewer resources used for repairs and maintenance.

We continue to offer a wide range of homes from one-bedroom apartments to six-bedroom houses, with prices ranging from under £70k to over £4 million. In 2017 the proportion of apartments in our private completions was 16% (2016: 14%).

The square footage of our total completions also decreased slightly to 1,013 square feet (2016: 1,021 square feet).

Following the success of our standard house type range, which is in place on over 70% of Taylor Wimpey sites, in 2017 we introduced a specific timber frame house type range. We will be reviewing the wider standard house type range to further refine in 2018.

Build costs

Our scale affords us the benefit of strong purchasing power, and we can achieve significant cost savings across our regional businesses with national agreements with a number of suppliers.

During 2017, underlying build cost per unit increased to £143.7k (2016: £137.2k), reflecting underlying build cost inflation as well as some mix impact of product delivery in the year. In the period, there were increases in underlying build cost (excluding house type mix impact) of c.3.5% year on year (2016: c.4%), largely due to continued pressure on resources to deliver the higher level of homebuilding.

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

Getting the Homebuilding Basics Right continued

Our KPIs

Health and safety

Objective

We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live.

Definition

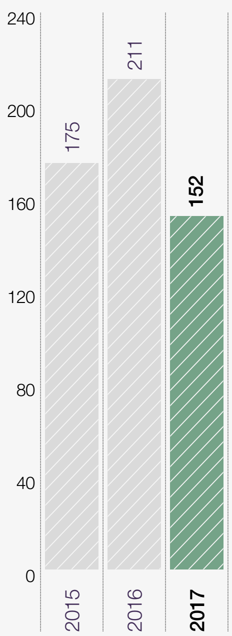
Reportable (all reportable) injury frequency rate per 100,000 employees and contractors (Annual Injury Incidence Rate).

Why is it key to our strategy?

Health and safety is our non-negotiable top priority. As well as having a moral duty to maintain safety on site, accidents and injuries can have a detrimental impact on the business through additional costs, delays and / or reputational damage.

Annual Injury Incidence Rate (AIIR).

152



Responsible procurement

A significant proportion of our procurement, particularly for materials sourcing, is through large contracts with national suppliers. However, we also work with many smaller businesses, providing labour and services, including companies that are local to our development sites. This can benefit the business by giving us access to a more diverse range of skills and experience and help support the local economies in which we work. We provide advice and help to small and medium sized businesses with HSE risk assessments and other site-specific procedures that they need to prepare in order to tender for work with us.

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and takes its responsibilities under the Act very seriously. As part of this we have strengthened oversight of standards in our supply chain to make sure we are selecting partners who share our commitment to responsible business. We published our first Modern Slavery Act Statement on our website in March 2017. We have been following up with suppliers identified as higher risk for further engagement. Further information can be found on our website.

Greenhouse Gas (GHG) emissions for period 1 January to 31 December

Category total emissions (tonnes CO_2e)	**2017**	2016	2015	2014
Emissions from combustion of fuel (scope 1)	**18,889**	17,983	17,768	16,436
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2) (market-based method)(a)	**4,794**	10,827	12,947	13,326
Total scope 1 and 2 emissions (market-based methodology)	**23,683**	28,809	30,716	29,672
Emissions per 100 sqm of completed homes (scope 1 and 2)	**1.73**	2.13	2.40	2.56
Percentage reduction in direct carbon emissions intensity (scope 1 and 2) since 2013	**38.7%**	24.5%	14.9%	9.2%

Notes: Data is provided as tonnes of carbon dioxide equivalent (CO_2e) for all operations. Scope 1 and 2 emissions are from our sites, offices, show homes and sales areas, plots before sale and car fleet. Data on our estimated scope 3 emissions is available in our Sustainability Report 2017 (categories: purchased goods and services, business travel, waste generated in operations and fuel and energy related activities).

(a) We are now using the market-based method of the revised version of the GHG Protocol Scope 2 Guidance for calculating our scope 2 emissions. This allows us to reflect the carbon intensity of the electricity purchased in our carbon footprint.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) for data gathered to fulfil our requirements under the Mandatory Carbon Reporting (MCR) requirements, and emission factors from the Government's GHG Conversion Factors for our corporate reporting.

We have reported on the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 apart from the exclusions noted. The reported sources fall within our Consolidated Financial Statements and are for emissions over which we have financial control. We do not have responsibility for any emissions sources that are not included in our consolidated statement.

The following sources of emissions were excluded or part-excluded from this report:

– Fugitive emissions (refrigerant gases): excluded on the basis of expected immateriality and difficulty in acquiring data
– Gas and electricity of part-exchange properties: excluded on the basis of immateriality due to very few completions of this type
– Certain joint venture properties: where Taylor Wimpey was not part of the handover process. In these cases other homebuilders have captured MCR-related data

See our Carbon Reporting Methodology Statement for more detail on our calculations at www.taylorwimpey.co.uk/corporate/sustainability

Sustainability reporting recognition

We are constituents of the Dow Jones Sustainability Europe Index and the FTSE4Good Index series, the leading responsible investment indices.

We also participate in the CDP climate change report and in the CDP Water benchmark. The latter assesses companies' corporate water stewardship practices and performance.

In addition, we are a member of NextGeneration, a rigorous and detailed sustainability performance benchmark of the UK's largest homebuilders.

More information about our performance in the above benchmarks is available in our Sustainability Report 2017.

CDP DISCLOSURE INSIGHT ACTION

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

NEXT GENERATION SILVER

FTSE4Good

Our contributions to the environment

We strive to keep any adverse effects that our activities may have on local environments and communities, such as pollution and ecological damage, to a minimum and to make a positive contribution to the environment of the areas we build in.

We acknowledge the global threat of climate change and are committed to reducing our emissions, energy use and waste and reviewing water use.

We have a comprehensive Waste and Resource Strategy and Action Plan for our housing operations and our supply chain. We focus on seeing materials as resources, using them more efficiently through design and on-site recovery, and keeping generated waste to a minimum.

During 2017 our construction waste increased by 6.3% per 100 square metres of completed build. We recycled 95% of UK construction waste.

Environmentally sustainable homes

New homes are considerably more energy-efficient than older housing stock, and we are committed to building increasingly energy-efficient homes in line with Government policy and Building Regulations. Our 'fabric first' approach to energy efficiency, which concentrates on highly insulated walls and windows, helps owners to save energy and money.

Our greenhouse gas emissions (GHG)

We continue to take steps to improve our approach to climate change mitigation, adaptation and transparency. Our target was a 25% reduction in scope 1 and 2 greenhouse gas emissions per 100 square metres of completed homes by 2018 compared with 2013. We have met this goal, and exceeded the target, a year early, achieving a 38.7% reduction in carbon emissions from 2013.

We held a carbon workshop with the Carbon Trust during 2017 to review our approach. As a result, we have set a new target to achieve a 50% reduction in our direct emissions (scope 1 and 2) intensity over 10 years against our 2013 baseline.

We are reviewing our approach to scope 3 emissions and exploring whether we can set a target aligned with climate science. We will be doing further work in this area internally and with the Carbon Trust during 2018.

We participate in the CDP climate change report and received a score of B in 2017 (2016: B). We have achieved the Carbon Trust Standard for our overall approach to carbon management, including our policy, strategy and verification of our data and processes. We are the first homebuilder to achieve this.

Case study

Taylor Wimpey received the CDP award for the most improved water management performance in the UK, with a score of A- in the leadership tier, during 2017. The feedback stated that "Taylor Wimpey plc has implemented a range of best practice actions to manage water and mitigate water risk, both in its own operations and beyond them". CDP runs the most comprehensive collection of self-reported environmental data in the world to help companies to measure and manage their environmental impacts.

CDP DISCLOSURE INSIGHT ACTION

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Putting customers at the heart of what we do

customers

We remain focused on customer service and are committed to delivering an excellent customer service to all of our customers at every stage of their journey.

Case study

Touchpoint, our customer portal and online options system, was officially launched in 2017. After a successful pilot phase, the portal is now being rolled out across the wider business. Touchpoint plays a critical part in improving the information flow between our customer facing teams and homebuyers at every stage of their contact with Taylor Wimpey, from the moment they reserve and throughout the aftercare process. Once a home is reserved, the portal guides our customers through the homebuying process letting them know what they need to do next and giving immediate access to important updates, for example, how the build of their home is progressing, counting down to legal completion and move-in dates. Touchpoint also offers new homeowners useful information about the various appliances and systems in their home and enables them to log any issues there and then through the portal. Touchpoint aims to complement the personal service delivered by our Sales Executives, Site Managers and Customer Relations Managers, offering another more flexible means of communication with Taylor Wimpey.

Our approach

Customer service continues to be a key priority for all at Taylor Wimpey and is integral to our vision for the future of the business. We aim to put the needs of our customers at the heart of our decision-making.

We have made great strides in our customer service approach. However, there are things that we can and must do better.

Across our business operations, we want our employees to adopt our customer-centric culture and to understand the important role they play with our customers. Regardless of the role that any Taylor Wimpey employee fulfils in the business, we all contribute to the final result for our customers. Our aim is to keep our customer at the centre of our decisions and coordinate our input to deliver a quality home first time, with great service throughout their customer journey. This will help our customers to settle in quickly and make our houses their homes.

During 2017 we built on the early success of our new customer service approach, which focuses on getting it right first time and improving the clarity and openness of our communication with customers, and have continued to make good progress implementing this approach across the business.

What makes us different

Our strong and sustainable customer base

Approximately 97% of our customers are owner-occupiers. First time buyers accounted for 41% of total sales in 2017 (2016: 38%). Investor sales continued to be at a very low level at 3% (2016: 3%).

Understanding our customers

Over the years our customers' communication preferences have changed. We continue to make improvements to our online capabilities, including our website and use of social media such as Facebook, Twitter and Instagram. During 2017 we launched a new customer portal. More information can be found within our case study.

A responsible business

We acknowledge that we do not always get it right for our customers and sometimes fall short of our high standards. Where this is the case, we work with customers to put this right and learn from our mistakes. Whilst we recognise there is more to do, we are particularly pleased to see a positive trend in customer satisfaction feedback, with scores in the last six months averaging over 90%. Internally, we are pleased to see the approach embedding well in the business, where 95% of Taylor Wimpey employees believe that Taylor Wimpey aims to deliver the best customer service in the homebuilding industry, according to our employee survey. In an industry growing at pace, delivery of quality alongside volume growth is not always easy and it has been a priority to ensure that our people have the right resources, and that we are clear that we prioritise delivering the right quality over short term financial results.

We strive to be a five star builder and we have made significant investment to improve our customer journey. The results from this are starting to be realised in a customer satisfaction score of 88%, up from 85% in 2016, showing progress towards our target.

Looking ahead to 2018 and beyond

The continued rollout of our Touchpoint customer portal will be a key focus in 2018. Touchpoint will not only provide an improved service for our customers but should ensure a more helpful and informative homebuying experience for our customers.

Reflecting the success of our academy-based approach in other key areas of the business, our new Academy of Customer Excellence (ACE) was launched in 2017. It aims to build the skills of our customer service, production and sales teams and develop further their knowledge of our product range, ensuring consistent customer service delivery across our regional businesses.

Does Taylor Wimpey monitor long term customer satisfaction?

Q&A

We carry out post-occupancy research to help deepen our understanding of customer views and the longer term success of our developments. In 2017, this included research at 16 completed sites that explored the impact of design and placemaking on customer satisfaction. It showed that residents value developments with character that are easy to navigate and where there is good landscaping and access to open and green spaces.

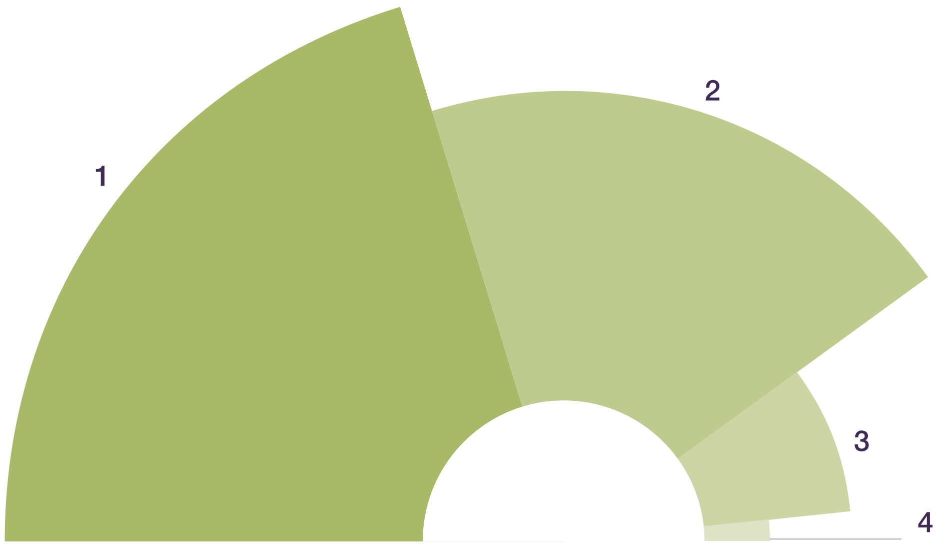
Customer representation

1 First time buyers: 41% (2016: 38%)

2 Second time buyers: 39% (2016: 36%)

3 Affordable: 17% (2016: 23%)

4 Investors: 3% (2016: 3%)



Our KPIs

Customer satisfaction

Objective

We strive to maintain and improve our customer satisfaction scores at 90% or above.

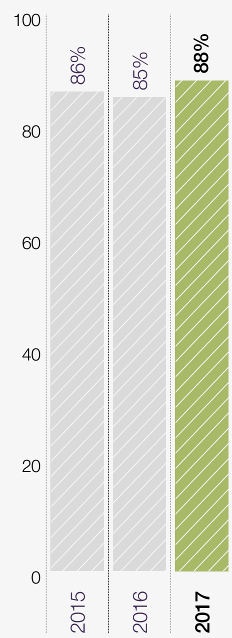
Definition

Percentage of customers satisfied or very satisfied with the quality of their new home as measured by the National New Homes Survey undertaken by the NHBC on behalf of the HBF eight weeks after legal completion.

Why is it key to our strategy?

We believe it is the right thing to do. Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor-quality work.

88%



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Optimising and enhancing value

value

We look to optimise the value of each site not only during the initial acquisition process, but throughout the planning and development stages so that the original value is not only protected but enhanced.

Our approach

We achieve this optimisation of value by undertaking a series of thorough reviews of each site at all stages of its life cycle, using our value improvement and tracking processes to ensure that we are continually optimising and delivering the value within our land portfolio.

We also believe in the value of working together with our partners, suppliers and other stakeholders and are committed to supporting charities and local community groups.

What makes us different

Capturing value

We have a relentless focus on value at every stage of our business model and this is ingrained into the Taylor Wimpey mindset. We also balance our desire to improve quality with a focus on making our assets work harder for us and our stakeholders.

We actively review every site, both new and old, through our value improvement meetings which are held quarterly and are tracked centrally. This allows us to benchmark our success and identify opportunities for further improvement, ranging from re-planning of sites to redesign and selective enhancements to our specification. We are committed to not only delivering what we set out to do but, by delivering more, instilling a discipline of capturing inflation. In the year, we achieved a 1.7 percentage points margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition.

Higher return potential

It is important to also develop approaches that enable us to control land in a capital-light way, without unduly burdening the business. This ‘light touch’ improves our returns, frees money for other investment and reduces risk in the event of negative changes in the market. Taking this approach can also help if, and when, there is greater competition in high growth areas. A good example of this can be found within our Major Developments business. More information can be found within the case study on page 35.

Partnerships

We strive to be an open, transparent and responsive company for all our stakeholders and to work with them to understand and address the wider social, economic and environmental impacts resulting from our operations.

How is Taylor Wimpey investing in research and innovation?

Q&A

Through Project 2020, our research initiative, we are exploring different approaches to meet the changing needs and aspirations of our customers, improve efficiency in construction and reduce the environmental impact of the homes we build. For example, following our design competition with the RIBA, we will be building a series of prototype homes incorporating sustainable build technologies and off-site production techniques.

Case study

The fourth annual Taylor Wimpey Challenge took place in the Lake District in May 2017, with around 400 staff from across the regional businesses in the UK and Spain participating. As with the previous challenges, this latest team-focused fundraising event was organised in partnership with the Youth Adventure Trust (YAT), which provides adventure camps and day activities for disadvantaged young people. As a result of our teams fundraising efforts more than £171k was donated to the YAT and a selection of charities local to our regional businesses.

Efficiency

During 2017 we achieved an average annual return on net operating assets** of 32.4% (2016: 30.7%) which is ahead of our medium term target of 30% as set out in May 2016.

We have improved our UK net operating asset turn†* to 1.52 times (2016: 1.46 times), benefiting from a low land cost as a percentage of average selling price in the short term owned landbank, as a result of higher margin land acquired in recent years and increased strategic pipeline conversion. The higher proportion of strategic land conversion results in higher work in progress spend, due to these sites generally requiring greater infrastructure investment.

Charity

We are committed to supporting charities and local community groups in the areas in which we operate. We believe that as a responsible business, we must actively contribute to helping others whether financially, with our time, energy or expertise. We aim to be an aspirational housebuilding brand that is recognised for the good that is given back to our local communities by our employees. Our primary goal is to genuinely improve the position of the causes that we support. The secondary goal is to engage our employees in these activities as we recognise it is good for their development and self-awareness. Whilst there are a large number of worthy projects and causes, we have to focus to make sure that we are effective. 98% of Taylor Wimpey staff believe that Taylor Wimpey is committed to being an ethical and responsible company, according to our employee survey.

During 2017, we continued our partnership with our national charities as well as local charity partners across the UK. Our six national charities are the Youth Adventure Trust, End Youth Homelessness, Crisis, CRASH, St Mungo's and Foundations Independent Living Trust. Our national charity partners are selected by our Charity Committee, with regional charities selected by our regional businesses.

In total, during 2017 we donated and fundraised over £1 million for registered charities (2016: over £875k), in addition to c.£90k for other organisations, such as scout groups and various local community causes (2016: c.£159k). More information about our local sponsorships and charity partnerships can be found within our Sustainability Report, which will be published on our website in March 2018.

Our KPIs

Contribution per legal completion

Objective

We strive to maximise the level of contribution per home sold.

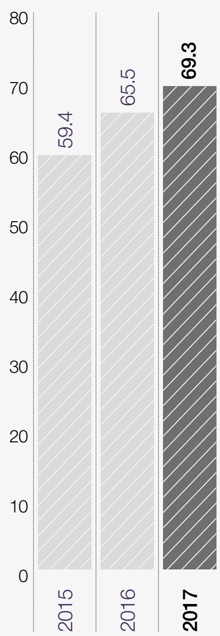
Definition

Revenue, net of incentives, less build costs, land costs and direct selling costs, divided by the number of homes completed (excluding joint ventures).

Why is it key to our strategy?

Our strategy is focused on value and we continue to prioritise both short and long term margin performance. Increasing the contribution per plot is a key driver to achieving this.

£69.3k



Forward order book as a percentage of completions

Objective

We look to maintain a strong order book.

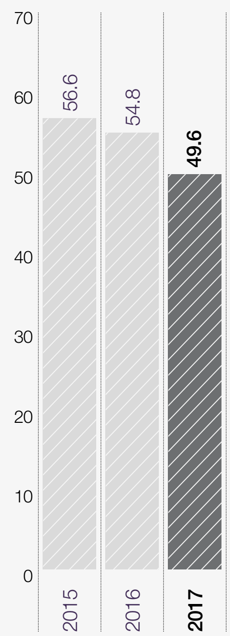
Definition

The number of homes in our year end order book, expressed as a percentage of the number of homes completed during the year (excluding joint ventures).

Why is it key to our strategy?

A strong order book provides our customers with good visibility and provides greater stability for business planning and enhances our ability to deliver the best experience for customers whilst driving the most value for shareholders.

49.6%



Case study

Since its creation in 2015, Major Developments has focused on the complex, mostly public land, mixed use opportunities across the UK, specifically with a high return and a lower risk structure. The business works hard to seek acquisition structures that require low upfront capital investment, offering reduced land risk, and therefore reduced exposure to longer term market challenges, enabling us to create additional value, whilst further reducing cyclical risk. In October 2017, the business announced its most recent development which is a joint venture with Wandsworth London Borough Council for the regeneration of Winstanley and York Road Estates that will provide more than 2,200 new homes, in addition to significant new amenities and facilities for the local community.

Actively managing risks

As with any business, Taylor Wimpey faces risks and uncertainties in the course of its day to day operations. It is only by effectively identifying and managing these risks that we are able to deliver on our medium term targets (2016-2018) of an average operating profit* margin of c.22%, an average annual return on net operating assets** of 30% and a total of £1.3 billion of dividends to be paid in cash to shareholders over the period.

The successful management of risk is essential to enable the Group to deliver its strategic objectives. Our risk management and internal control framework defines the procedures that manage and mitigate risks facing the business, rather than eliminate risk altogether and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our risk management framework includes risk registers that are maintained at all organisational levels throughout the business, which detail the risks faced by the Group, its operating companies and the central teams that support the business and external stakeholders. The registers identify key operational, financial and strategic risks to the business, with strategic risks considered and identified as part of the business planning process. Our risk registers take into account the significance of health, safety and environmental issues (HSE), together with social and governance matters relating to the Group and use a standardised methodology for the assessment of risk.

The standard methodology used in risk management requires each identified risk to be assessed and measured according to a risk matrix. This matrix considers the potential impact of each risk, (whether financial, reputational, HSE etc), the likelihood of the event occurring, together with mitigating actions and hence the remaining or residual risk. Our risk registers are refreshed on an ongoing basis as part of our financial planning cycle. The registers feed into a formal risk assessment that identifies the Principal Risks and Uncertainties (see pages 38 to 41) and other key risks which are monitored closely, and allows both the Audit Committee and the Board to re-evaluate the identified risks facing the Group. Our Sustainability and Climate Change Risk and Opportunity Register highlights the material risks and opportunities facing the Company in relation to sustainability and climate change and forms part of our Corporate Risk Management Framework. More information is provided in our Sustainability Report 2017.

Our risk assessment and management process

Strategic objectives

Principal Risks and Uncertainties

The Board, supported by the GMT and the Audit Committee, identify the Principal Risks based on the assessment of the Material Risk Register. The Principal Risks will be disclosed with the half and full year results. Feedback regarding changes to Principal Risks is provided in detail to the risk owners who have been identified to manage and be primarily responsible for the specific risk on behalf of the Group.

Forecast and Planning Process

All BU risk registers are re-evaluated and completed as part of the formal planning process every six months. Each BU re-assesses with their own Senior Management Team, the risk landscape that the business faces and the risk register is then updated to reflect latest forward views.

Group Material Risk Register

The Material Risk Register is maintained by the GMT and is also reviewed by the Audit Committee with the promotion, removal or change of risks before consideration by the Board. Views are collated from the bottom up Business Unit (BU) risk registers and a top down view of risk formed from horizon scanning the macro-economic environment, the political landscape and developments in specific areas of uncertainty relating to the business or the wider markets within which we operate. Each material risk is assessed as to its likely impact based on the Group's standard methodology, and risk items promoted or removed as appropriate.

Business Unit Risk Register

All items reported in the BU risk registers are reviewed for individual risks of note and for risk-themes which may arise across the Group. A summary of BU risks is assessed by the GMT, with significant items promoted for discussion by the Audit Committee. The assessment includes a comparison of the risk-rating of the individual items over time.

Risk management and mitigation

Risk Materiality Process

The Board determines the nature and extent of the Principal Risks it is willing to take in achieving its strategy, whilst maintaining sound risk management and internal control systems.

The Board oversees the risk management and internal control framework of the Group. The Chief Executive is responsible for implementing any necessary improvements, with the support of the GMT. In line with the UK Corporate Governance Code, the Board holds formal risk reviews at least half yearly and also routinely considers risk at each Board Meeting as appropriate. The Board reviews the risk profile of the Group and the significant risks with the mitigating factors.

At the Board meeting in February 2018, the Board completed its annual assessment of risks. This followed the Audit Committee's formal assessment of risk, which was supported by the detailed risk assessment by the GMT, and their review of the effectiveness of internal controls. The key risks affecting the Group were identified and agreed with the Board.

Other key risks

In addition to the principal industry related risks set out in the following pages, we also monitor closely several other key internal and external factors. These could be risks with increasing potential impact or likelihood which are added to our watch list, or risks arising as a result of a combination of unlikely events, which together create a major event. These include factors that may affect our reputation and which can come from many sources. The Group considers risk from a wider technology and cyber perspective, and we are delivering a programme of works across the business to reduce our exposure to non-compliance with the EU's General Data Protection Regulation (GDPR) which is implemented in May 2018. We continue to invest in our technology controls and services to mitigate the increasing cyber threats. The Group also considers the potential impact to the business in the event that our customers' buying-experience or any of our homes are below our high standards. Our enhanced customer service processes and departments were established in 2016, and once fully embedded, will significantly help to ensure that the quality of our homes is delivered as promised to our customers.

Our customers and our corporate obligation are at the heart of Taylor Wimpey's cultural values, which were launched to all employees in 2016. The enhanced Customer Journey is in place and we have focused heavily on product quality. However, during late 2016, some customers expressed concern about certain leasehold homes which are subject to ground rents that double every ten years until the 50th year, at which point the rent is capped. This lease structure was introduced on some new developments by Taylor Wimpey in good faith in 2007 until late 2011, since when our new developments have used leases with RPI-based ground rent clauses, which have become the industry norm. During the year, we reviewed the terms of these leases. The doubling clauses are considered to be entirely legal, clearly set out in the lease documentation and all our customers received independent legal advice as part of the standard conveyancing process. That said, it became clear that the impact of these rent review clauses was causing some of our customers understandable concern, and we resolved that these doubling clauses were not consistent with our cultural values. We have implemented the Taylor Wimpey Ground Rent Review Assistance Scheme (GRRAS), for our customers who wish to alter the terms of the doubling lease to materially less expensive terms based on RPI, with the Group bearing the financial cost of doing so.

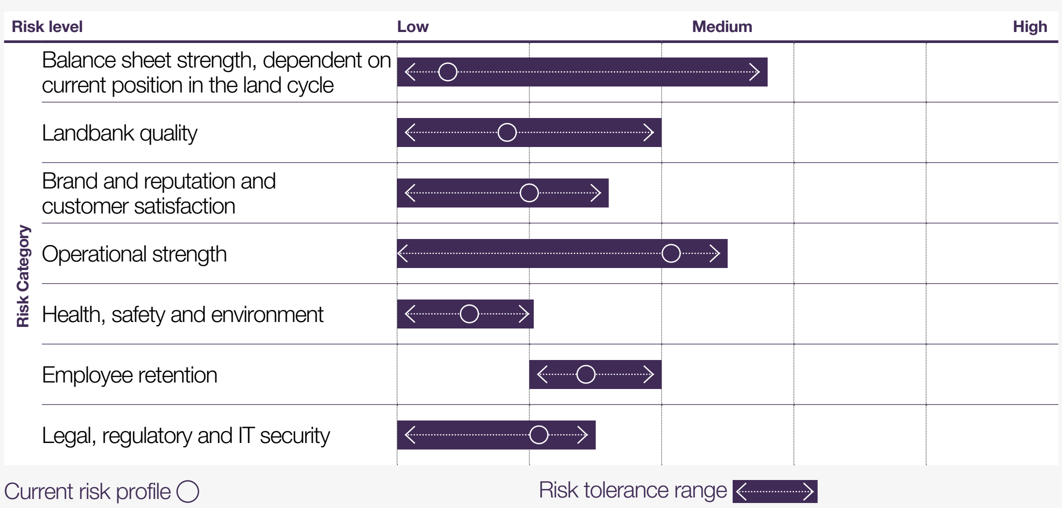
The Government has recently launched a consultation on leasehold properties, and this may result in changes to future ground rent structures. Whilst our business model, like most other volume housebuilders, is to transfer the freehold, management and upkeep of apartment and other developments to third party organisations, we note that potential changes may arise from the consultation.

In the current economic climate and with the structural shortage of housing supply in the UK, the Government and the main political parties have housing high on their agendas. The housebuilding industry is facing increased scrutiny and pressure from a number of sources, including social media and pressure groups, with the potential for greater oversight from Government through a Design Champion and a single Housing Ombudsman. We endeavour to deliver both the letter and the spirit of regulations and maintain this same ethos in our relationships with our customers.

Following the tragic fire at Grenfell Tower in London in June 2017, we conducted an internal review into our current and historic developments, working, as appropriate with building owners, management companies, independent fire safety experts and local fire and rescue services. On sites where there are tall buildings with Aluminium Composite Material cladding, we sought advice from independent fire safety experts, and, where required, have put in place additional measures to ensure that the buildings are fully compliant with the Government's guidance on interim fire safety measures. We welcome the commissioning of the Hackitt Review, and look forward to working positively with Government and other agencies to ensure that the outcomes are effective and appropriate for the long term.

Group Appetite for Risk

Our description of the Group's risk appetite is the foundation of our Risk Management framework. We have identified operational categories against which both our current risk profile and our risk tolerance range have been defined. Certain risk categories are dependent on where we believe we are in the cycle, and may adjust accordingly. In defining our risk appetite, the Board has taken into account the expectations of the company's shareholders, regulators and other stakeholders.



The current risk profile is within our tolerance range and overall is described as:

The Group is willing to accept a moderate level of risk in order to deliver financial returns. There may be occasions where these risks could have a moderate adverse impact to the Group, be it financially or operationally, although it is considered that the effect could be mitigated through management actions.

Principal Risks and Uncertainties

The table below summarises the Group's principal risks and uncertainties. Control of each of these is critical to the ongoing success of the business. As such, their management is primarily the responsibility of the Chief Executive and the Group Management Team (GMT), together with the roles noted below. The Board has finalised its assessment of these risks and has concluded that the likelihood of these principal risks affecting the business has remained at the level previously reported. We maintain a Sustainability and Climate Change Risk and Opportunity Register to monitor other sustainability issues that could affect the Group. In addition, our climate change related risks and opportunities are available as part of our 2017 CDP submission. More information is available at www.taylorwimpey.co.uk/corporate

Risk	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2017
A Government policy and planning regulations The National Planning Policy Framework (NPPF) and the Localism Act 2011 are well established, although are insufficient to deliver greater housing availability for the UK. Additional initiatives and legislative and regulatory amendments have been signalled by a Housing White Paper, published in February 2017, with consultations continuing through the year and into 2018. Consultation on amendments to the NPPF is expected in spring 2018. Since April 2013, the Government-backed Help to Buy (HtB) scheme has helped to fund the home deposit for certain homebuyers. The Government has announced the scheme's extension to 2021, however, there is potential for change to the scheme rules, for both the buyer and the seller, and ultimately its discontinuation. The Housing White Paper and changes to the HtB scheme could have a disruptive effect on the planning system, sales rates, site mixes and customer behaviour. The Review of Building Regulations and Fire Safety, headed by Dame Judith Hackitt (the Hackitt Review) following the Grenfell fire tragedy in June 2017, is expected to deliver its final report in late spring 2018. While looking primarily at the fire safety of tall buildings, the review is wide ranging, taking in the regulatory frameworks around the design, construction and management of buildings, the advice and guidance that supports those regulatory frameworks and the responsibilities of those involved. This may have a significant impact on the regulatory framework. Changes to building regulations are usually forward looking in terms of implementation and it is expected that recommended changes will generally need to be complied with in required timeframes. Sir Oliver Letwin is undertaking a review (the Letwin Review) on the gap between planning permissions and starts on site. The review is ongoing and the conclusions of the review are expected to appear over the next few months. **Responsibility** Group Operations Director Regional Managing Directors	Our ability to build great places to live is dependent upon creating site plans which inspire and delight our customers, delivered at an affordable price. Obtaining timely planning permissions and achieving other regulatory requirements and permits, is key to starting on site as soon as possible and home delivery. There remains a risk of delayed or refused planning applications, increased timescales to the discharge of planning conditions and greater complexity around Section 106 since the introduction of the Community Infrastructure Levy (CIL). As all elements of the anticipated changes from the Housing White Paper are clarified, and if the terms of HtB are amended, there could be a change in demand for specific products. In turn, this may lead to changes to site mixes, and to extended timeframes to gaining revised planning consents.	Unforeseen delays, our inability to obtain suitable planning consents and disruption from changes to planning regulations, could impact on the number or type of homes that we build. With the introduction of regulation from the Housing White Paper, we may be required to meet higher levels of planning obligations, so incurring additional costs. The locally produced CIL charge schedules may increase costs, impacting the viability of developments in our short term landbank. Where CIL charges are not in place, there could be an impact on gaining planning consent or Judicial Review challenge. In addition, a CIL review from 2017 is still being considered and resulting changes may be disruptive, impacting volumes and contribution per plot. Changes to Building Regulations on tall and other buildings, although likely to be limited in impact to the Group, could introduce delays to implementation and re-work to current and other sites and increased costs. Together, these changes could have a detrimental impact on the contribution per plot. Removal of HtB completely could see slower sales rate particularly from first time buyers, and potentially a greater number of smaller homes required by our customers.	We operate within our comprehensive community led planning strategy. This improves communications with all parties, but especially local communities, thereby enhancing our ability to deliver developments that meet local requirements. We continually review changes to Building Regulations and supporting guidance. 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 and policy.	Our customer and community engagement strategy is embedded and having a positive effect. We have been successful in gaining planning consents throughout the year with particular emphasis on the conversion of the strategic land pipeline. We continue to represent the Group, via the HBF, on broader planning and local plan matters, to ensure local plans are robust and CIL charge schedules are appropriate. We have met with Government officials on a number of occasions through the year including discussions on HtB.

Risk	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2017
B Impact of market environment on mortgage availability and demand The cost of servicing a mortgage continues to be at historic lows. However, a change in business confidence, employment opportunities or significant changes in the Bank of England base rate that is not combined with wage growth could impact the demand for housing, which may also lead to lower selling prices. The ability of first time buyers to purchase homes is constrained by changes in mortgage availability at the higher loan-to-value levels. The Government-backed HtB scheme helps to fund the home-deposit for these and other homebuyers. £10 billion additional funding was announced at the Conservative Party Conference in 2017 to support the HtB scheme until its currently programmed end in 2021. There is potential for change to the scheme rules and ultimately its discontinuation. Sustained growth in interest rates and low wage inflation could challenge mortgage affordability. Strict guidelines are in place for lenders to assess mortgage affordability if interest rates were to rise. Furthermore, the Bank of England has powers to set loan-to-value and debt-to-income limits for financial institutions selling residential mortgages. **Responsibility** UK Sales and Marketing Director Regional Sales and Marketing Directors	The majority of the homes that we build are sold to individual purchasers who take on mortgages to finance their purchases. Loss of economic confidence as a result of the terms the UK agrees on leaving the EU, may impact on demand for new build housing and sales prices. This may be tempered to some extent by the current imbalance between demand and supply. However, future decisions made by the Government around homebuyer initiatives, new legislation, stamp duty and the Bank of England about interest rates, are likely to create both risks and opportunities for homebuilders and their customers.	A reduction in demand for new homes below normal levels could negatively impact on both profit and cash generation. This would have an adverse effect on return on net operating assets and cash generation.	Our local teams select the locations and home designs that best meet the needs of the local community and customer demand in the present and future. We evaluate new outlet openings on the basis of local market conditions and regularly review the pricing and incentives that we offer. We work closely with the financial services industry to ensure customers receive advice on the procurement of mortgage products.	We continue to promote the Government backed HtB scheme and our customers demonstrate strong demand for the scheme. We are monitoring usage of HtB by our customer base to understand how any change to the scheme, or its withdrawal, may impact the desired design and location of homes required in the future. Throughout 2017 we have continued to develop good working relationships with established mainstream lenders and those wishing to increase volume within the new build market.
C Material costs and availability of subcontractors A continued increase in housing production may further strain the already reduced availability of skilled subcontractors and materials and put pressure on utility firms to keep up with the pace of installation. Further, leaving the EU could impact on the availability of skilled workers given the relatively large proportion of the labour force, particularly in the South East, that is from Eastern Europe. Together, this could result in build programme and completion delays and unexpected cost increases. **Responsibility** Group Operations Director Head of Procurement Regional Commercial Directors	We aim to commence work on new sites as soon as planning consents allow, to accelerate build progress and optimise return on capital employed. The majority of work performed on our sites is subcontracted, providing flexibility and supporting our strategy.	If the availability of subcontractors or materials is insufficient to meet demand, this could lead to longer build times and increased costs, thereby reducing profitability and return on capital employed. 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, negotiating contract volumes, pricing and duration. We provide high level and site-specific programme information to the subcontractor base to aid with demand planning. When selecting our subcontractors, we consider competencies particularly in relation to health and safety, quality, previous performance and financial stability. We are well underway with a project to take on more direct labour across the majority of trades. We are assessing alternative build methods to reduce reliance on traditional brick and block techniques and resources. We work to address the skills shortage with apprenticeship schemes and the Construction Industry Training Board.	With the growth in housebuilding, availability of materials is generally in line with demand but there remain pinch points with key products such as bricks, blocks and roof tiles. The cost of these key products has risen significantly and whilst other material costs have been stable in 2017 we are experiencing more cost pressure coming into 2018. The supply of quality subcontractors and labour generally remains challenging. The Group has agreed product lines and volumes with key suppliers to mitigate long lead times and shortages. We are continuing to trial several different build methods as alternatives to conventional brick and block.

Principal Risks and Uncertainties continued

Risk	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2017
D Ability to attract and retain high-calibre employees Recruiting employees with inadequate skills or in insufficient numbers, or not being able to retain key staff with the right skills for the future, could have a detrimental impact on our business. **Responsibility** Group HR Director Every employee managing people	Our business model requires significant input from skilled people to deliver quality homes and communities. There continues to be competition amongst employers in the housebuilding and construction industries for sector-specific staff. Shortages exist across the industry in the main manual trades and in certain managerial and professional occupations. This could impact our ability to achieve our strategic goals.	Not filling critical roles or having a significantly changing work force could lead to delays in build, quality issues, reduced sales levels, poor customer service and reduced profitability.	We monitor employee turnover levels closely and conduct exit interviews to identify any areas for improvement. We benchmark our remuneration to ensure that we are competitive within the industry. Clear succession plans are in place for key roles within the Group. Our renewed approach to succession planning enabled more internal candidates to be promoted to senior roles. We hold regular development reviews to identify training requirements.	We extended the management training and graduate programme in response to emerging gaps in our pipeline, leading to an increase in trainee and graduate numbers and the types of programme we offer. 2017 saw the trial of a new Academy for Customer Excellence, to improve the skills and confidence of our customer facing employees. The Production Academy, launched in 2016, saw the first graduates and over 200 site-based staff have progressed through the Academy or are currently completing the course. We have increased the numbers of apprentices, both direct and indirect, in the year.
E Land purchasing The purchase of land of poor quality, at too high a price, or incorrect timing of land purchases in relation to the economic cycle could impact future profitability. **Responsibility** Divisional Managing Directors Regional Managing Directors Regional Land and Planning Directors Strategic Land Managing Directors	Land is a valuable resource for the Group. Limited availability of good-quality land at an attractive price throughout the housing cycle can lead to significant and unsustainable competition. The disciplined purchasing of land of the appropriate quality, on attractive terms and at the right time and scale in the economic cycle, will enhance the Group's ability to deliver sustainable margins and return on capital employed through the cycle.	Purchasing poor quality or mispriced land, or incorrectly timing land purchases would have a detrimental impact on our profitability and return on capital employed. Acquiring insufficient land would reduce our ability to actively manage our land portfolio and create value for shareholders.	Our land teams prepare annual Land Strategy documents to guide their land searches to match the needs of each individual business. They select and appraise each site, with the appraisal process ensuring that each project is financially viable, consistent with our strategy and appropriately authorised. We strive to be the developer of choice, through a comprehensive approach encompassing land vendors, land agents, local councils and local communities. Our strategic land teams work alongside regional businesses to identify and secure land with the potential for future development and to promote it through the planning system.	The short term land market remained benign throughout 2017, albeit there is significant variation in competition for small sites compared with larger sites. We continued to invest in value-creating land opportunities, maintaining strong discipline on quality, margin and return on capital employed. We are mindful of external factors and continue to critically assess opportunities for robustness in changing circumstances. The strong level of conversion from the strategic pipeline means our reliance on purchasing short term land is diminished, providing some insulation from land price increases.

Risk	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2017
F Site and product safety Construction sites and operations can present risk to health and safety. Suitable and sufficient controls to eliminate or reduce the risk must be constantly implemented, monitored and measured. Unsafe practices by our employees or subcontractors, and unsafe product quality, have the potential to cause death or serious injury. The fire at Grenfell Tower, the subsequent public scrutiny of the relevant regulations and the interim report of the Hackitt Review, have all brought to light that throughout the industry, cladding systems to tall buildings require review. **Responsibility** Director of Health, Safety and Environment Group Operations Director Group Director of Design Every employee and subcontractor	Our operations involve, and interface with, a large number of people. This ranges from employees and subcontractors to customers and their families who live on, or visit, our sites each day. We want everyone to go home at the end of the day uninjured and healthy. Although the majority of our developments comprise houses and low-rise apartment buildings, there are a number of buildings which are at or above 18 metres in height.	In addition to the potentially tragic personal impact of an accident on site or after customer completion, there is potential for legal proceedings and civil, financial penalties, reputational damage and delay to the site's progress.	A comprehensive Health, Safety and Environmental (HSE) Management System is embedded throughout the business, supported by policies and procedures to ensure that we provide a safe and healthy working environment and build homes that comply with the required regulations. We provide extensive HSE training for our employees and provide HSE inductions and regular Site Safe Briefings for our contractors and operatives. 'Blue Hat' support teams from our contractor base are integrated into our site management teams, where they assist our site managers to communicate the HSE ethos and support maintaining a safe site. Following guidance from the Government's Independent Expert Advisory Panel, we have identified all buildings over 18 metres (six storeys) constructed by or for Taylor Wimpey, which have Aluminium Composite Material (ACM). Where buildings have been identified with the ACM cladding system, we have notified the persons responsible for those buildings and have directed them to the interim mitigation advice from Government. Where appropriate, we have also followed Government advice in seeking independent professional advice on any further action that should be taken. All HSE issues are reviewed by the GMT on a timely basis and actions put in place to rectify issues and help prevent a recurrence.	We continue to compare very favourably with the UK housebuilding and construction industry in terms of site safety. Our Annual Injury Incidence Rate (AIIR) for reportable injuries is below the normal range for the industry. 2017 saw an AIIR for reportable injuries at a record low of 152 per 100,000 employees from 28 injuries (2016: 211 from 36 injuries), The number of injuries classed as major was 54 in 2017 (53 in 2016). During 2017, as a result of our incident trend analysis, there was an increased focus on site housekeeping and our groundworks operations. We have continued our 'supervising safely' training, with over 4,820 groundworks supervisors trained and HSE training for our 'Blue Hat' support workers as part of our 'Creating a Site Team Approach' initiative. In light of Government advice on tall buildings, we have undertaken expert reviews on a number of buildings.

Assessment of Prospects

We consider the long term prospects of the Group in light of our business model. Our strategy to deliver sustainable value is achieved through delivering high-quality homes in the locations where people want to live, with excellent customer service, whilst carefully managing our cost base and the Group's balance sheet. Management re-evaluates the medium to long term strategy, in the light of external, economic and industry changes. If appropriate, management adapts the strategy accordingly, in light of changes; for example, for material changes in planning and the wider housing market fundamentals. The Group strategy is underpinned by our short term landbank, which supports 5.1 years of development at current completion levels. Additionally, the Group ensures a strong, long term supply of land, with its Strategic Land business promoting land through the constrained planning process. The Group has c. 8 years supply of land at current completion levels in its strategic land pipeline.

Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. Whilst our operating plan covers a period of three years, the Board conducted their viability assessment for a period of five years, which is an increase of two years since 2016, to better reflect the forecast period that the Board considers. The Company operates in a market which is prone to cyclicality, tending to follow the UK economic cycle. It is impacted by Government policy, planning regulation and the mortgage market. However, the Board considers that the Company has reasonable visibility over a five-year time horizon. This period aligns with the average build out time for a development phase from the point of land acquisition to final delivery to our customers.

The viability assessment includes the Group's income statement, balance sheet, cash flows, KPIs and debt covenants, and considers the potential impacts which may arise from the Principal Risks of the business as described on pages 38 to 41. It includes macro-economic and industry-wide projections as well as matters specific to the Group.

The assessment considers sensitivity analysis on a series of realistically possible, but severe and prolonged, changes to principal assumptions. This downside scenario reflected the potential impact of declining customer confidence, disposable incomes, and higher interest rates as may be experienced as a secondary impact to the Group from the UK leaving the EU. As such, we reduced volumes by 30% and selling prices by 20% over the first two years, with no recovery. The assessment also reflects the potential consequences of changes to our Principal Risks, including an increase to build costs of 10% and an adverse price movement of 10% in the land market. We also considered mitigating actions, assuming continued investment in land, albeit at a reduced level, and the continued payment of the annual ordinary dividend of £150 million throughout the period. Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Focused on sustainable financial returns through the housing cycle

Ryan Mangold
Group Finance Director

14,842
Group completions including joint ventures

£3,965.2m
Revenue

£841.2m
Adjusted operating profit*

£555.3m
Profit after tax

2017 Group results	UK	Spain	Consolidated
Completions including joint ventures	14,541	301	14,842
Revenue (£m)	3,871.0	94.2	3,965.2
Adjusted operating profit* (£m)	814.4	26.8	841.2
Operating profit* margin (%)	21.0	28.5	21.2
Profit before tax and before exceptional items (£m)	785.2	26.8	812.0
Profit for the year (£m)			555.3
Basic earnings per share (p)			17.0
Adjusted basic earnings per share†† (p)			20.2
Total dividends paid per share – total (p)			13.79

Note: More information on segmental reporting can be found in Note 5 to the Consolidated Financial Statements.

The Group Financial Review is presented at Group level, which includes Spain, unless otherwise indicated. A short summary of the Spanish business follows.

Joint ventures are excluded from the operational review and are separated out in the Group Financial Review, unless stated otherwise.

Income statement

Group revenue increased by 7.9% to £ 3,965.2 million in 2017 (2016: £3,676.2 million). This increase was driven by increased completions and improved selling prices in the UK. Group completions increased by 4.1% to 14,688 (2016: 14,112).

Group gross profit of £1,033.0 million (2016: £939.9 million) increased by 9.9% with the top line revenue growth partially offset by higher build costs. Gross profit includes positive contribution of £17.4 million (2016: £13.1 million) which represents previously written down inventory allocated to a plot which has subsequently resulted in a gross profit on completion. This can be due to revenue outperformance, cost efficiencies or product mix improvements.

In 2017, 5% (2016: 5%) of the Group's UK completions were from sites that had been previously impaired. In Spain, 35 plots (2016: 65) were completed that had previously been impaired. The Group anticipates that c.2% of UK 2018 completions will come from sites that have been previously impaired.

Adjusted operating profit* increased by 10.1% to £841.2 million (2016: £764.3 million), delivering an operating profit* margin of 21.2% (2016: 20.8%) from marginally improved overhead efficiency.

The improvement in the UK was driven by improved selling prices, up 3.5% to £264k (2016: £255k), and UK volume growth of 4.2% to 14,387 completions (2016: 13,808). Average selling prices on private completions increased by 3.5% to £296k (2016: £286k) in the UK, with this increase being in part as a result of our underlying shift to better quality locations and by capturing market sales price increases.

The UK land cost per unit sold remains unchanged at £45.4k (2016: £45.4k) in spite of the continued shift to better quality locations. Total UK land cost per completion as a percentage of selling prices was 17.2% (2016: 17.8%).

Underlying build cost per unit in the UK increased to £143.7k (2016: £137.2k), driven by build cost inflation, the impact of higher infrastructure costs due to a higher proportion of strategic sites and further product quality improvements implemented during the year. Other direct costs and selling expenses per unit decreased marginally to £6.0k (2016: £6.2k), being 2.3% of total revenue (2016: 2.4%). UK contribution per completion increased by 5.8% to £69.3k for the period (2016: £65.5k).

On a divisional basis the three UK operating divisions delivered a combined increase of 9.0% in operating profit* to £884.3 million (2016: £811.1 million). The North Division generated a 5.3% increase in operating profit* to £294.9 million (2016: £280.0 million), delivering a return on net operating assets** of 35.6%, 1.2 percentage points above prior year (2016: 34.4%). The Central and South West Division increased operating profit* by 13.3% to £318.0 million (2016: £280.7 million), improving the return on net operating assets** by 3.9 percentage points to 43.0% (2016: 39.1%). The London and South East Division saw operating profit* growth of 8.4% to £271.4 million (2016: £250.4 million), delivering growth of 1.2 percentage points in return on net operating assets** to 25.9% (2016: 24.7%).

During the year, completions from joint ventures were 154 (2016: 73). The total order book value of joint ventures as at 31 December 2017 was £4 million (31 December 2016: £52 million), representing seven homes (31 December 2016: 100). The total 2017 year end order book reflects the development phasing at the two main joint venture sites, with delivery expected later in 2018. Our share of results of joint ventures in the period was £7.6 million (2016: £1.2 million).

Group net finance costs for the period were £29.2 million (2016: £30.9 million). Interest on overdraft, bank and other loans decreased by £4.9 million year on year and benefited from average net cash of £186.5 million (2016: net debt of £87.4 million). Unwind of the discount on land creditors was £20.7 million (2016: £17.7 million). The notional interest on the pension deficit was £5.9 million (2016: £6.1 million), with lower discount rates offset by higher average deficit level.

Pre-exceptional profit before tax for the year from operations increased by 10.7% to £812.0 million (2016: £733.4 million). The pre-exceptional tax charge was £151.7 million (2016: £143.7 million) with an underlying tax rate of 18.7% (2016: 19.6%) that largely reflects the statutory tax rate in the UK. An exceptional tax credit of £25.0 million was recognised in respect of the £130.0 million exceptional provision recognised in the year.

This resulted in a profit, before exceptional items, for the year of £660.3 million (2016: £589.7 million), 12.0% up on the prior year due to the improvement in the operational result, lower net finance costs and lower effective tax rate.

Profit after tax was £555.3 million, down 5.8% on 2016, as a result of the exceptional charge relating to the leasehold review. We continue to view the provision, before tax, of £130 million as an appropriate estimate and we have made good progress in securing agreements with freeholders representing over 90% of historic leases with a ten-year doubling ground rent clause, to enable our customers to convert to a RPI-based structure, should they elect to participate in the assistance scheme we announced last April. We continue to work with the remaining freeholders to address the small number of remaining leases. The pace of usage of the leasehold provision will be dependent on the number of applications received from customers with these leases and the length of time it will take to change their lease terms with the relevant freeholder, and the approvals that may be required from individual mortgage providers and management companies as appropriate. It is expected that a large proportion will be utilised and paid in 2018 and 2019 with the balance spread over a number of years.

Basic earnings per share was 17.0 pence (2016: 18.1 pence). The adjusted basic earnings per share†† was 20.2 pence (2016: 18.1 pence), up 11.6%.

Definitions

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

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

*** Return on capital employed is defined as a 12-month rolling operating profit divided by the average of the opening and closing capital employed.

**** Operating cash flow is defined as cash generated by operations before tax, interest paid, and exceptional cash flows.

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

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

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

†** WIP turn is defined as total revenue divided by the average of opening and closing work in progress. Based on rolling 12 months.

Group Financial Review continued

Balance sheet

Net operating assets were £2,654.1 million (31 December 2016: £2,539.6 million), reflecting a net investment of £61.7 million (2016: £113.3 million) year on year in land and work in progress (WIP), funded by profitability in the period, as well as a lower pension deficit. Return on net operating assets** increased by 1.7 percentage points to 32.4% (2016: 30.7%), mainly reflecting improved profitability while maintaining balance sheet discipline. Net operating asset turn†* increased to 1.53 times (2016: 1.48 times).

As at 31 December 2017, the UK held short term owned land valued at £2.3 billion (2016: £2.3 billion), representing 56,619 plots (2016: 57,287). The total controlled short term landbank represented 18,230 plots (31 December 2016: 18,947). The value of long term owned land decreased by 33.3% to £90 million (2016: £135 million), representing 26,836 plots (2016: 27,826), with a total controlled strategic pipeline of 90,409 plots (31 December 2016: 80,190). Total potential revenue in the owned and controlled landbank increased to £47 billion in the period (31 December 2016: £42 billion), reflecting underlying price improvement and the increase in the scale of the landbank.

Average WIP per UK outlet at 31 December 2017 increased by 6.7% to £4.8 million (2016: £4.5 million), reflecting the high proportion of strategic land conversions which require a greater level of infrastructure investment, build cost inflation, and our continuing focus on delivering a consistent standard to our customers that has added, on average, two weeks to our production programmes. UK WIP turn†** reduced marginally to 2.95 times (2016: 3.00 times) as a result. As at the balance sheet date, the Group held certain land and work in progress that had been written down to a net realisable value of £87.7 million (31 December 2016: £138.3 million) of which the balance in the UK was £69.9 million (31 December 2016: £119.6 million). As at 31 December 2017, the associated write-downs were £93.3 million (31 December 2016: £147.0 million) of which the balance in the UK was £46.9 million (31 December 2016: £96.8 million) and principally relates to eight locations.

As at 31 December 2017, in the UK, 2% of our short term owned and controlled land was impaired (31 December 2016: 3%), with 83% of the short term owned and controlled landbank purchased after 2009, 63% of which was sourced through our strategic pipeline, resulting in a land cost to average selling price in the short term owned landbank of 14.8% (31 December 2016: 15.4%).

We continue to use land creditors as a way of funding land acquisitions where this results in better return on our investment for longer dated delivery schemes and is value-enhancing for the business. Land creditors increased to £639.1 million (31 December 2016: £599.8 million) and, combined with net cash, resulted in adjusted gearing of 4.1% (31 December 2016: 8.1%). £326.6 million of the land creditors is expected to be paid within 12 months and £201.6 million between one and two years from balance sheet date. Included within the land creditor balance is £117 million of UK land overage commitments (31 December 2016: £130 million).

The mortgage debtor balance was £63.1 million at 31 December 2017 (31 December 2016: £78.0 million), with the decrease due to redemption receipts of £18.5 million (31 December 2016: £21.1 million), offset by gains (including fair value adjustment) of £0.6 million and interest income of £2.9 million.

Our net deferred tax asset decreased to £29.3 million in the period (31 December 2016: £57.4 million) and relates principally to our pension deficit and our Spanish business. £9.4 million of this asset relates to the temporary differences of our Spanish business, including brought forward trading losses.

Net assets at 31 December 2017 increased by 23.7% to £3,587.8 million, before dividends paid in the period, and by 8.2% overall year on year to £3,137.3 million (31 December 2016: £2,900.3 million). The net asset increase from 31 December 2016 was driven by profitability in the period and the pension actuarial assumptions and asset performance decreasing the pension deficit year on year, offset by the £450.5 million dividend paid in the year.

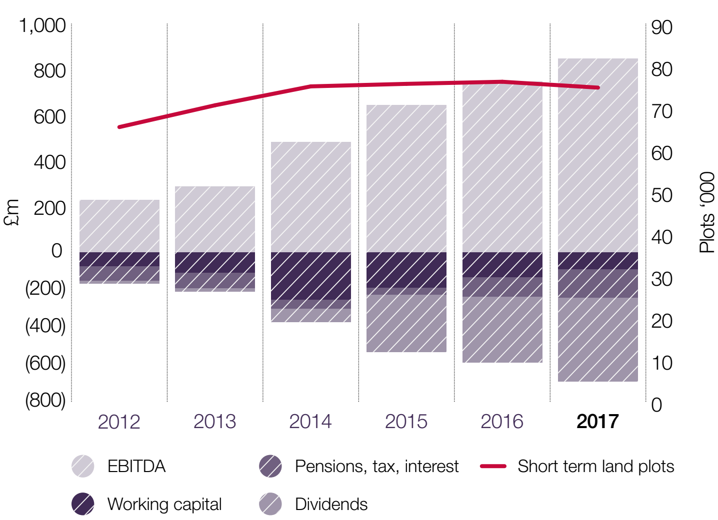
Pensions

As at 31 December 2017, the IAS 19 defined benefit pension scheme valuation is in surplus by £23.9 million. This is due to significant asset outperformance and changes in actuarial assumptions, the most significant of which relates to the life expectancy of scheme members. During 2017, a Medically Underwritten Mortality Study (MUMS) was commissioned in addition to using postcode analysis data which has historically formed the basis of member life expectancy.

The Study surveyed 3,206 members covering 45% of scheme liabilities, all between the ages of 55 and 80 and had a 58% response rate, representing £621 million of the scheme liabilities. The liability reduction resulting from this study has been partially offset by a 0.15% decrease in the discount rate with the balance of actuarial assumptions staying broadly stable. Due to the rules of the scheme, this surplus cannot be recovered by the Group and therefore a deficit of £63.7 million has been recognised on the balance sheet under IFRIC14 (the limit on a defined benefit asset, minimum funding requirements and their interaction). This deficit is equal to the present value of the remaining committed payments under the 2013 triennial valuation. The Group continues to work closely with the Trustees in managing pension risks, including management of interest rate, inflation and longevity risks. The Scheme assets are approximately 80% hedged against changes in both interest rates and inflation expectations on the Scheme's long term, 'self-sufficiency' basis. The Scheme also benefits from a bulk annuity contract which covers some of the largest liabilities in the Scheme, providing protection against interest rate, inflation and longevity risk. In 2017 we paid £23.1 million in pension contributions (2016: £23.1 million).

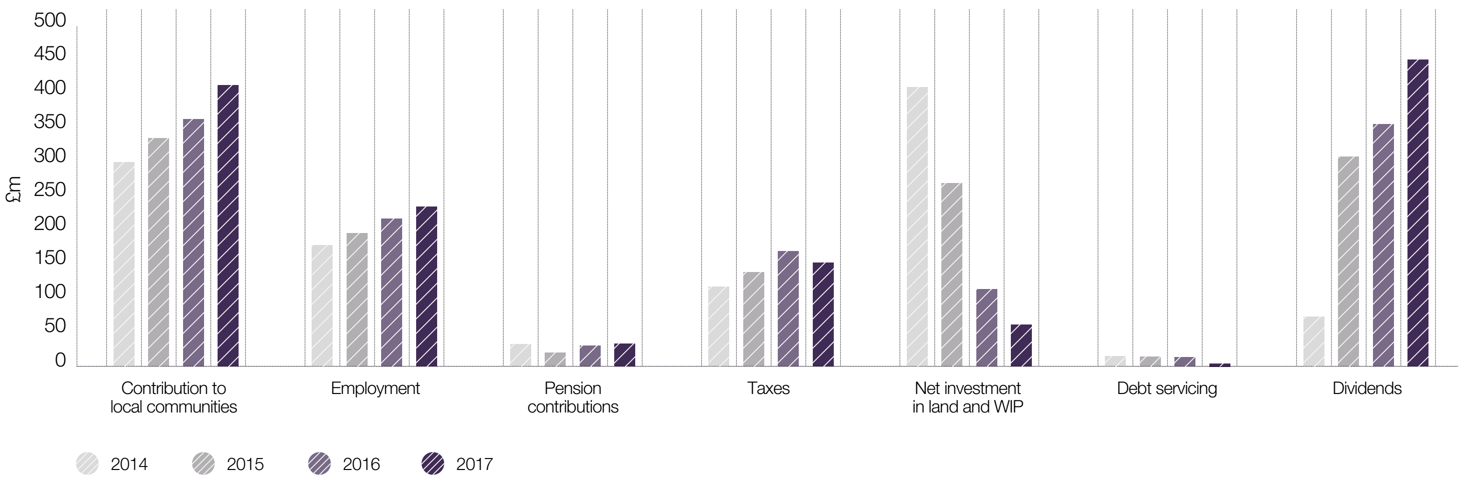
During 2017 we engaged with the Pension Trustees on the triennial valuation of the pension scheme as at 31 December 2016. The agreed technical provisions deficit at 31 December 2016 was £222 million, which has reduced to c.£30 million as at 31 December 2017 due to the liability hedging programme in place as well as continued asset performance. A four-year recovery plan has been agreed with the Trustees in principle for contributions from 1 April 2018 moving to £40 million per annum with a funding mechanism that will be tested on a quarterly basis such that should the scheme reach a technical provisions surplus, further contributions will be suspended and only recommence if the funding level falls below 96% given how well capitalised the scheme is.

Turning profit into cash



Value distributed during 2014-2017 (£m)

The chart demonstrates / shows how value is contributed / distributed amongst stakeholders and invested in the business.



Cash flow

Net cash increased to £511.8 million at 31 December 2017 from £364.7 million at 31 December 2016, despite returning £450.5 million to shareholders by way of dividends in the year (2016: £355.9 million). This improvement in net cash is largely as a result of strong performance in underlying trading and maintaining balance sheet discipline.

Net land spend, net of the movement in land creditors, was £645.6 million (2016: £583.2 million) and we invested the sum of £2,386.7 million in work in progress in the period (2016: £2,269.8 million). In 2017, we paid £5.1 million in interest costs (2016: £13.5 million). During 2017, we paid £126.7 million in corporate tax (2016: £71.0 million), reflecting the profit and loss charge. £13.3 million was spent during the year to acquire shares for satisfying future share scheme awards (31 December 2016: £10.6 million).

In the 12 months to 31 December 2017 we converted 87.5% of operating profit* into operating cash flow**** (2016: 81.4%).

Financing structure

At 31 December 2017 our committed borrowing facilities were £638.7 million with an average maturity of 2.6 years. Average net cash for 2017 was £186.5 million (2016: £87.4 million net debt).

On 14 February 2018, we completed an amendment and extension of the £550 million revolving credit facility to mature in 2023 on improved terms with an option to extend for a further two years. This extends the average maturity of the committed borrowing facilities to 5.2 years

Spain

The Spanish housing market remained positive throughout 2017. We completed 301 homes in 2017 (2016: 304) at an average selling price of €352k (2016: €358k). The total order book as at 31 December 2017 was 329 homes (31 December 2016: 293 homes).

The Spanish business delivered a significantly improved operating profit* of £26.8 million for 2017 (2016: £20.6 million) and an operating profit* margin of 28.5% (2016: 22.0%) as a greater proportion of delivery is from high-quality locations acquired more recently and as we see the benefits of an improving wider market environment. Looking ahead, we believe the business is well positioned for further growth in 2018.

Going concern

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

Accounting standards

The consolidated financial statements have been produced in accordance with International Financial Reporting Standards (IFRS) as endorsed and adopted for use in the EU. There have been no changes to IFRS during 2017 that have a material impact on the Group results.

Ryan Mangold
Group Finance Director

For our Viability Statement see page 41.

Approval of the Strategic Report

This Strategic Report was approved by the Board of Directors and signed on its behalf by

Pete Redfern
Chief Executive

A leadership team committed to our stakeholders

Chairman

Kevin Beeston
Chairman

Date of appointment
Joined July 2010

Skills & experience
Kevin has significant experience of chairing boards and of being a non executive director of both public and private companies. He also brings a wealth of commercial, financial and high level management experience including being a former CEO of a FTSE 100 company.

Kevin was formerly Chairman of Equiniti Group plc; Serco Group plc and Domestic and General Limited; and was previously a non executive director of IMI plc.

External appointments
Kevin is Chairman of Elysium Healthcare Limited and a non executive director of Severn Trent plc; Marston Corporate Limited and The Football Association Premier League Limited.

Executive Directors

Pete Redfern
Chief Executive

Date of appointment
Joined July 2007

Skills & experience
Pete was previously Group Chief Executive of George Wimpey Plc and, before that, successively held the posts of Finance Director and Chief Executive of George Wimpey's UK housing operations.

Pete has full day to day operational responsibility for delivering the Company's strategy in a profitable, safe and environmentally responsible manner. He has significant financial, operational and management experience, gained from his various roles in industry and from his time at KPMG.

External appointments
Pete is a non executive director of Travis Perkins plc, where he is also chairman of the Stay Safe Committee and a member of the Remuneration Committee. He is also Chairman of the Youth Adventure Trust charity and a Trustee of the homelessness charity Crisis.

Ryan Mangold
Group Finance Director

Date of appointment
Joined November 2010

Skills & experience
Ryan has operational responsibility for managing the Company's finances and also oversees the commercial, information technology and pension functions. He has financial, treasury, risk and financial control expertise including that gained from his five years as Group Financial Controller of Mondi Group and earlier whilst holding a number of senior finance roles with the Anglo American plc group of companies.

Ryan previously held the post of Group Financial Controller of Taylor Wimpey plc.

James Jordan
Group Legal Director and Company Secretary

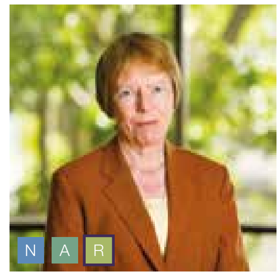
Date of appointment
Joined July 2011

Skills & experience
James, a solicitor, was previously Group Company Secretary and General Counsel of George Wimpey Plc from February 2002 until July 2007, when, following the merger, he was appointed to the same position with Taylor Wimpey plc. Before joining the Group, James held senior legal and company secretary roles in industry which included positions with The Rugby Group Plc and English China Clays Plc.

James oversees compliance with legal and regulatory obligations and also manages the Company's Legal and Secretariat Departments. He has significant legal, commercial, transactional and regulatory / corporate governance related experience.

External appointments
James is a Trustee of the Tennis Foundation charity where he also chairs their Audit and Remuneration Committees.

Independent Non Executive Directors



Kate Barker DBE
Independent Non Executive Director

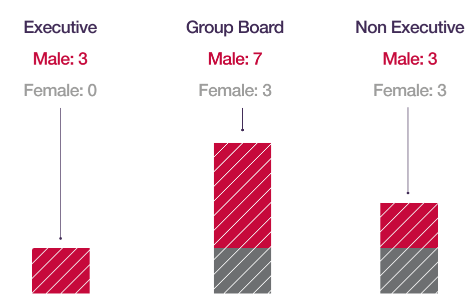
Date of appointment
Joined April 2011

Skills & experience
Kate is a business economist and was previously a member of the Bank of England's Monetary Policy Committee (MPC) from 2001 until May 2010. During this period, Kate also led two major policy reviews for the Government, on housing supply and on land use planning.

Kate will become the Company's Senior Independent Director on 26 April 2018.

External appointments
Kate is a Trustee Director and Chairman of the British Coal Superannuation Scheme and a non executive director of Man Group plc. Her other roles include being a member of the National Infrastructure Commission and an external member of Oxford University's Council.

Board gender diversity



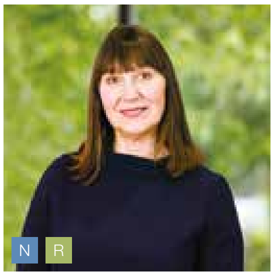
Find out more

Read more on our Governance and Board Structure Pages 48-61

Read more on our Board Activities Page 55

Read more on our Board Framework Page 54

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- ☐ Chairmanship of the Committee.



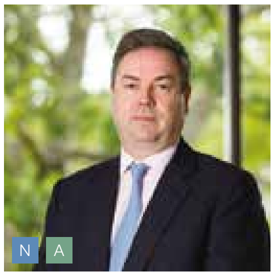
Gwyn Burr
Independent
Non Executive Director

Date of appointment
Joined 1 February 2018

Skills & experience
Gwyn has over 25 years' executive experience, principally in marketing, HR and customer service in the retail sector, which included the roles of Customer Director and Customer Service and Colleague Director at Sainsbury plc.

Previously, Gwyn held non executive positions with the Principality Building Society Limited, Wembley National Stadium Limited and the Financial Ombudsman Service.

External appointments
Gwyn's other non executive directorships include Hammerson plc, Just Eat plc, Sainsbury's Bank plc, Metro AG (a German listed company) and DFS Furniture plc (where it has been announced that she intends to step down in the Spring of 2018).



Mike Hussey
Independent
Non Executive Director

Date of appointment
Joined July 2011

Skills & experience
Mike is Chief Executive of Almacantar, a private property investment and development company which he founded in February 2010. He has held a number of senior roles in the property sector, most recently as an executive board director of Land Securities plc.

External appointments
Mike is a Fellow of the Royal Institution of Chartered Surveyors, a Trustee of the Royal College of Surgeons of England and a Governor of the Southbank Centre.

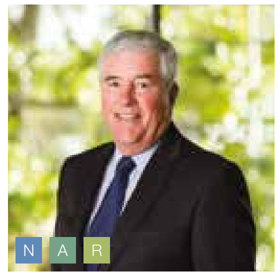
Angela Knight CBE
Independent
Non Executive Director

Date of appointment
Joined November 2016

Skills & experience
Angela brings to the Board a wealth of experience gained at a senior level in both the public and private sectors.

Previously, Angela was a Member of Parliament from 1992 to 1997, including two years as the Economic Secretary at HM Treasury.

External appointments
Angela is Chairman of the Office of Tax Simplification in HM Treasury; senior independent director of TPICAP Plc; and a non executive director of Arbuthnot Latham & Co.



Rob Rowley
Independent
Non Executive Director

Date of appointment
Joined January 2010

Skills & experience
Rob has a wealth of financial, commercial and management expertise, principally from his time as Finance Director of Reuters plc and Deputy Chairman of Cable & Wireless plc.

Rob is the Company's Senior Independent Director.

External appointments
Rob is the senior independent director and Chairman of the audit committee of Greene King plc and a non executive director of Camelot Group where he is also Chairman of the audit, risk and security committee.

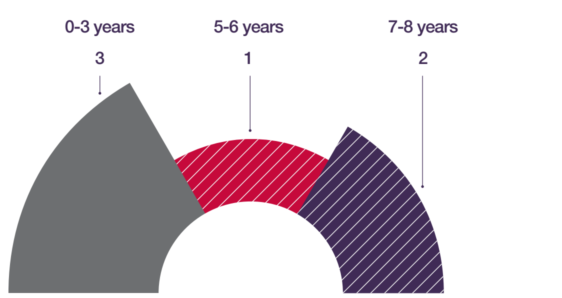
Humphrey Singer
Independent
Non Executive Director

Date of appointment
Joined December 2015

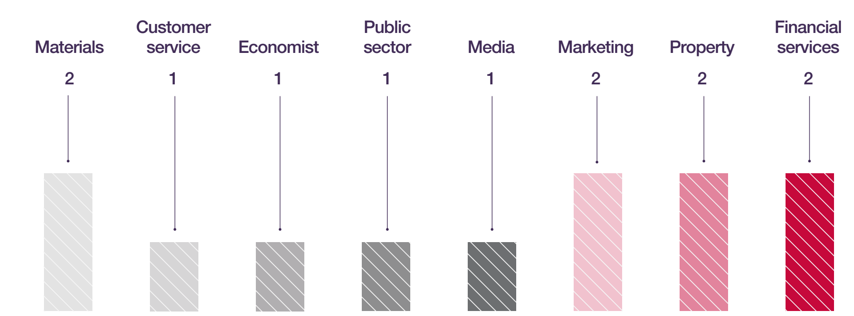
Skills & experience
Humphrey has a wealth of financial experience and expertise in the areas of both digital solutions and customer services. He is Group Finance Director of Dixons Carphone plc, a role to which he was appointed in 2014.

External appointments
Humphrey is Group Finance Director of Dixons Carphone plc and it has been announced that he will leave his current role on a date to be determined, in order to join Marks and Spencer Group plc as their Chief Finance Officer.

Non Executive Director tenure



Non Executive Director experience



Good governance is at the heart of what we do

Kevin Beeston, Chairman

Governance highlights for 2017

- Fully met all of the requirements of the UK Corporate Governance Code. Please see page 53.
- Fully met all of the requirements set out in the Financial Reporting Council's Guidance on Risk, Internal Control and Related Financial and Business Reporting. Please see page 64.
- Made good progress towards achieving our strategy for improving diversity and inclusivity at all levels throughout the Group's businesses. Please see page 72.
- Conducted a comprehensive externally-facilitated Board Evaluation exercise. Please see page 61.
- Further developed and enhanced the Company's succession and contingency planning processes across the Group. Please see page 70.
- Reviewed data collection in preparation for publishing the Company's first Gender Pay statement which will appear on our website in 2018.
- Fully embedded processes and procedures across the business and its supply chain in compliance with the Modern Slavery Act 2015 and prepared our second annual statement which appears on our website. Please see page 96.
- Implemented a new Remuneration Policy and new long term incentive plan.
- Validated the procedures and processes which will be required to meet the new statutory reporting of payment terms during 2018.

Dear Shareholder

In my capacity as Chairman of the Board, I am very pleased to again have this opportunity to make a personal statement on the Company's approach to corporate governance.

Firstly, I would like to emphasise again that the Board continues to take corporate governance very seriously and has been able to demonstrate this over many years with full compliance with the UK Corporate Governance Code (the Code). The requirements of the Code are summarised in the table on page 53 where we have included a signpost directing you to the relevant page which sets out in detail how the Company has complied with the various provisions of the Code. Where possible, the Company has consistently sought to comply with planned improvements to the Code, and with wider governance initiatives, often in advance of their formal application to our reporting years. This proactive approach is demonstrated by the establishment during the year of our National Employee Forum, in response to the Government's employee voice initiative and which is likely to form part of the revised Code scheduled to apply to companies with effect from 1 January 2019. The Board recognises the importance of considering the Company's responsibilities and duties to both its shareholders and its broader stakeholder group and this has been part of our culture and decision making process for many years. The Directors' duties of s.172 of the Companies Act 2006 help to underpin the good governance which is at the heart of what we do and the Board receives regular briefings and updates on corporate governance at its Board and Committee meetings.

This report on corporate governance aims to set out and explain in clear terms the governance-related processes and procedures in place at Taylor Wimpey which we believe are essential for the delivery of the long term success of the Company. It is these processes that ensure we comply with all applicable laws and regulations as well as, of course, meeting the requirements of relevant stakeholders, including our shareholders and their representative bodies with whom we are always very pleased to engage and we very much appreciate their constructive and helpful approach.

Culture, values and ethics

The Board strongly believes that good governance should be focused not only on how the Board itself operates effectively but also, and very importantly, on the culture within which all of our businesses operate and conduct themselves on a day to day basis. The culture, values and ethics set out in the Chief Executive's Statement on page 12 are set by the Board and then led in our operations by the Chief Executive and the rest of our Executive and senior management teams. The principles of good governance are embedded throughout the organisation and by way of example, manifest themselves in a number of different ways, including the following:

- An absolute and non-negotiable requirement to ensure the health and safety of our employees, customers, subcontractors, suppliers and visitors to our offices and developments. Please see page 18.
- The requirement to observe good business practice, including abiding by all applicable laws and regulations that relate to our business. Please see page 60.
- The provision of mandatory training on key legislation and regulations to all of our business units.
- Our Group-wide Operating Framework control document setting out delegated authority limits.
- A system of controls and checks underpinned by a rigorous Internal Audit Department and overseen by the Audit Committee.
- Regular and embedded risk assessment and monitoring processes. Please see page 64.
- Encouraging and investigating any disclosures made either directly or through an independent whistleblowing hotline. Please see page 66.

Governance developments during the period

There were a number of significant developments in the area of corporate governance during 2017.

Perhaps the most important of these was the publication in August of the Government's proposals for Corporate Governance reforms in certain key areas, in respect of which the Company has already taken action to address some of these areas, as set out below:

- Requiring annual reporting and narrative around CEO pay relative to the workforce. Please see page 88.
- Demonstrating how the Directors met the requirement of s.172 of the Companies Act for them to promote the success of the Company for its members whilst also having regard to long-term success; other stakeholders' interests (including employees; shareholders; customers; suppliers and the wider communities in which our business operates); the impact on the environment; and maintaining high standards of ethics. Please see page 51.
- Strengthening the voice of employees at Board level which I have already mentioned. Please see pages 23, 51, 81 and 95.

Key amongst these developments is the requirement to clearly explain how the Board led an appropriate level of engagement with stakeholders in order to meet its duty under s.172 of the Companies Act to promote the success of the Company whilst taking into account the interests of other stakeholders. Details of this engagement during 2017 and into 2018, together with our actions taken in response, are set out on page 51.

The UK Financial Reporting Council (FRC) has published its proposals for a review of the Code, focusing particularly on the culture of the Company; on succession planning at Board level; on proposals arising from the Government's consultation during 2017 on executive pay, Directors' duties and Board composition; and wider recommendations to promote good corporate governance. The Board welcomes these proposals and will explain in next year's Annual Report and Accounts what changes were made to the Code and how the Company has responded to them.

The Investment Association published its views on how companies should seek to respond to the Government's initiatives towards increasing productivity, including greater recognition of the importance of 'human capital' and a clearer focus on training and development. Details of our initiatives in this regard appear on pages 22 to 23, 40 and 69.

The aim of these initiatives is to ensure that good governance goes deeper than simply 'box ticking'. The Board reviewed and welcomed these initiatives as they are designed to help to provide shareholders and all of our stakeholders with increased assurance that the Company is being managed with their best interests firmly in mind, whilst also taking account of other relevant interests and the impact of the Company's activities on the wider community.

The Board welcomes the Government's proposals and will respond to them, to the extent not already done so, as they are implemented.

Appointments and succession

There was no change to the composition of the Board during 2017.

On 10 January 2018, after a review of the Board's composition by the Nomination Committee, the Company announced a number of changes:

Gwyn Burr was appointed as an Independent Non Executive Director on 1 February 2018. Gwyn's executive experience over 25 years, principally in customer service in the retail sector, will add to the Board's skill sets in this area. Gwyn has excellent experience gained from both her previous executive positions and also from her non executive roles, all of which will help to further strengthen the Board's expertise, including our ongoing focus on customer service. I am delighted to welcome Gwyn to the Board and to support Resolution 12 at the 2018 Annual General Meeting proposing her election by shareholders, in respect of which more details appear on page 156.

Rob Rowley will stand down as an Independent Non Executive Director and as the Senior Independent Director after the conclusion of the 2018 AGM on 26 April 2018. I should like to express both mine and the Board's gratitude to Rob for his long and valued contribution to the Company's progress and stewardship. Over the past eight years he has provided wise counsel as Senior Independent Director to myself as Chairman, careful oversight of the Audit Committee and an invaluable contribution to the Board. We wish him all the very best for the future.

Kate Barker will be the Company's Senior Independent Director following the AGM, and brings to the role a wide range of experience, both of the Company and of wider corporate, economic and stewardship principles.

As reported on page 62, Humphrey Singer was appointed as Chairman of the Audit Committee on 10 January 2018 and brings wide experience of financial reporting and compliance to the role, including from his prior period of service on the Audit Committee prior to this appointment.

The Nomination Committee regularly reviews the composition; balance; skills; and experience of the Board and concluded throughout 2017 and, following the changes set out above announced earlier in 2018, that the balance and composition of the Board, which includes a majority of Independent Non Executive Directors, will continue to provide the right blend of experience, expertise and challenge to ensure good governance so as to enable the Company to successfully implement its strategy.

Board evaluation

It is a key requirement of good governance that an annual evaluation is carried out to ensure that the Board itself operates effectively. In line with the Code requirement that the evaluation be externally-facilitated at least every three years, the evaluation for 2017 was facilitated by Manchester Square Partners. Full details of the evaluation methodology and its outcome are set out on page 61.

Diversity

Diversity and inclusivity has continued to be a key item on the overall UK governance agenda during 2017, as the Company works towards the target introduced by Lord Davies of Abersoch's review for the proportion of women on each FTSE 350 company's board to increase from the current 25% target to 33% by 2020. The Board also welcomes the Hampton Alexander Review which proposes to increase Board and senior leadership diversity, more details of which are set out on page 71. The Board very much welcomes these increased targets which are designed to give greater impetus to the progress of enhanced gender diversity on PLC boards. This, together with other aspects of diversity, such as the latest proposals from the FRC to require greater consideration of ethnic and social diversity when planning Board appointments, is very much in the thinking of the Nomination Committee when reviewing the balance and composition of the Board and the structuring of talent development initiatives across the Group.

The Company fully recognises the importance of diversity and its policy is to appoint or promote, as appropriate, the best person for the role in question without taking account of factors such as educational or professional backgrounds save as appropriate for the position; age; gender; ethnicity; or disability. The objective of this policy is to ensure that diversity is built into the Company's appointment and promotion process and that only relevant factors are taken into account when considering such matters. The policy has been implemented through training sessions on unconscious bias for management teams throughout the Company's business and its head office functions. Progress to date in this area is set out on page 70.

Conclusion

I believe that your Board remains effective and continues to work well. I am confident that the Board has the right balance of skills, expertise and professionalism to continue to deliver strong governance whilst allowing the Executive Directors to implement and deliver the strategy (as set out on page 13) within the strong culture that we have worked hard to establish. Whilst I am also pleased with the Board's activity and approach with regard to corporate governance, we continually look for ways to learn and improve.

As ever, I very much look forward to meeting with shareholders at the Annual General Meeting on 26 April 2018 and, as always, along with all of your Directors (who will all be present at the AGM), remain available to answer or respond to your questions, concerns and suggestions at any time.

Kevin Beeston
Chairman

Role of the directors

Whilst all Directors share collective responsibility for the activities of the Board, some Directors' roles have been defined in more detail as Governance considerations have developed over time, as follows:

Chairman

- Ensuring high standards of corporate governance and setting the cultural tone from the top
- Building a well-balanced and highly effective Board
- Chairing Board meetings and setting Board agendas
- Promoting effective Board relationships
- Encouraging constructive challenge and facilitating effective communication between Directors
- Ensuring the effectiveness of the Board and enabling an annual review of its effectiveness
- Engaging individually with Directors as required
- Ensuring appropriate induction and development programmes for individual Directors
- Agreeing the Chief Executive's personal objectives
- Ensuring there is effective two-way communication and debate with shareholders
- Maintaining an appropriate balance between the interests of stakeholders

Chief Executive

- Developing and implementing Group strategy
- Recommending the strategic plan and related annual budget
- Ensuring coherent leadership of the Group
- Managing the Group's risk profile and establishing effective internal controls
- Regularly reviewing the organisational structure; developing the Executive Team; and planning for succession
- Ensuring the Chairman and the Board are kept advised and updated regarding key matters
- Maintaining relationships with investors and advising the Board accordingly
- Setting the culture at the top, particularly with regard to compliance and sustainability
- Day to day running of the business

Group Finance Director

- Operational responsibility for managing the Company's financial affairs, including treasury and tax matters
- Overseeing the commercial, information technology and pension departments
- In conjunction with the Group Management Team overseeing the Company's risk profile

Group Legal Director and Company Secretary

- Advising the Board on matters of corporate governance, compliance and on legal issues
- Responsible for all legal compliance matters relating to the Group
- Providing support to the Chairman and Non Executive Directors
- Ensuring effective support to the Board and its meetings and agendas to enable efficient process
- Keeping abreast of shareholders' views

Non Executive Directors

- Providing effective and constructive challenge to management
- Assisting in development and approval of strategy
- Serving on Board committees
- Providing advice to management and sharing their experience and wisdom
- Keeping abreast of shareholders' views

Senior Independent Director

- Acting as a sounding-board for the Chairman on Board-related matters
- Chairing meetings in the absence of the Chairman
- Acting as an intermediary for other Directors, when necessary
- Leading the evaluation of the Chairman's performance
- Leading the search for a new Chairman, when necessary
- Being available to shareholders who wish to discuss matters which cannot be resolved otherwise

Read more about individual Directors' skill sets on page 58.

Stakeholder engagement

We actively encourage engagement with our shareholders and other stakeholders.

As previously mentioned, the Directors are required by law to act in a way that promotes the success of the Company for the benefit of shareholders as a whole. In so doing the Company must also have regard to wider expectations of responsible business behaviour, such as having due regard to the interests of its employees and the impact of the Company's business on the community in which it operates, and also the wider environment.

During the year, the Board specifically discussed this requirement on several occasions and concluded that its existing processes and decision making, properly take into account both the duty to shareholders and the remaining considerations with regard to other stakeholder related matters as referred to above.

Engagement with stakeholders during the year took place as described below.

Engagement with our shareholders

The Board actively seeks and encourages engagement with shareholders including its major institutional shareholders and shareholder bodies. The Board fully supports the principles of the UK Corporate Governance Code and also welcomes and acknowledges the Stewardship Code, both of which aim to foster a more proactive governance role by major shareholders. The Board has put in place arrangements designed to facilitate contact with shareholders concerning business, governance, remuneration and other relevant topics. This provides the opportunity for meetings between shareholders and the Chairman, the independent Non Executive Directors (including the Senior Independent Director) as well as the Chief Executive, Group Finance Director, Group Legal Director and Company Secretary and other executives as appropriate, in order to establish a mutual understanding of objectives. The Company also operates a structured programme of investor relations, based on formal announcements and publications covering the Full Year and Half Year results. In addition, the Chairman meets with the Company's institutional shareholders from time to time, both proactively and upon request, in order to discuss the Company and its performance, governance and remuneration policies. As set out in the Remuneration Report, the Remuneration Committee undertakes a consultation exercise each year and as part of this exercise, the Committee Chairman also engages directly with shareholders and their representative bodies. More details are set out on pages 74 and 81.

The Company is, of course, also always very pleased to hear from and engage with our private shareholders and has, for example, previously met with the United Kingdom Shareholders Association to facilitate contact with shareholders located in the North of England, which took place at a regional office and included site visits.

What our shareholders have asked us this year

During 2017 the Company held 153 meetings with shareholders holding in aggregate around 35% of the Company's shares, taking the form of group meetings; one to one meetings; conference telephone calls; site visits; the AGM - before, during and after the meeting; at the announcement of the Company's full year and half year results. Key themes discussed included:

- Current trading, market demand and house price outlook.
- The Company's medium term strategy and business model.
- The likely impact of Government policy.
- The land market, build costs and labour availability.
- The Company's financial targets and dividend policy.
- The mortgage market.

All Directors receive formal reports and briefings during the year about the Company's investor relations programme and receive detailed feedback through surveys, direct contact and also other means. This enables all Directors to develop an understanding of the views of major shareholders about the Company.

The Board encourages all shareholders to vote at the AGM, which is attended by all Directors. The Notice of AGM, including details of all resolutions to be proposed at the meeting, is set out on page 151.

Engagement with our employees

The Board was pleased to introduce during 2017 a National Employee Forum ('NEF') with the purpose of giving employees a 'voice' with regard to key matters that are being considered. The NEF builds on our existing network of Employee Consultation Committees and consists of elected employees from across the business and from a number of different office and site based disciplines. Early meetings have included discussions on customer service, the Modern Slavery Act and health and wellbeing which have all generated a good level of healthy debate. The meetings are attended by a member of the Group Management Team and so far have been attended by either the Group Legal Director and Company Secretary or by the Group Human Resources Director. Going forward, the meetings will be attended by other senior executives and also by the Chairman and the Chairman of the Remuneration Committee when topics such as strategy, remuneration and other operational matters will be discussed.

The Board also receives at each Board Meeting detailed reports on employee matters, at Group level and for each operating division.

More details are set out on pages 23, 48, 81 and 95.

Health and safety

The health and safety of our employees; customers; suppliers; subcontractors; and all visitors to our businesses and development sites; continues to be a non-negotiable top priority for the Company. The Board receives reports on health, safety and environmental matters, at Group level and for each operating division at each Board Meeting. The HSE Director attends each Group Operational Team meeting and also attends the Board on an annual basis to present on key HSE issues, initiatives, trends and statistics. More details are set out on pages 6, 14, 21 and 28 to 29.

Engagement with our customers

Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor quality work. The Board and the Group Management Team regularly review customer satisfaction scores as independently reported and consider ways in which these can be improved. One such change during 2017 was the introduction of an online Customer Portal, guiding customers through the Customer Journey in purchasing their new home and providing a forum for two-way communication as the building and sales processes are progressed. The Board receives monthly reports on customer service matters, at Group level and for each operating division. Following the Company's review into historic leasehold practices, during the year we also established the Taylor Wimpey Ground Rent Review Assistance Scheme in order to help our customers who have leases with ground rents that double every ten years to the fiftieth anniversary before being capped, to covert them to an RPI mechanism should they wish to participate in the Scheme. We have apologised to these customers and recognise that the implementation of these clauses fell short of the standards that we set for ourselves. More details are set out on pages 7 and 32 to 33.

Engagement with our supply chain

We negotiate with subcontractors and suppliers, both on a national and a local basis, to develop framework agreements and local commercial terms which reflect the payment practices and performance on which we are required to report in respect of the first half of 2018 by 31 July 2018. The report will be available online from that date. More details are set out on pages 21 and 28 to 29.

Engagement with local communities

We actively seek the views of local communities and develop a tailored planning and community engagement strategy for each development site, working closely with communities and other local stakeholders throughout all aspects of the planning process. We also support communities, both locally and nationally, through our charitable work, including financially and giving time, energy and leadership to support local efforts. More details are set out on pages 7, 15, 21, 27 and 96 to 97.

Corporate Governance continued

Board members during 2017	Number of meetings attended in 2017
Kevin Beeston, Chairman	8/8
Pete Redfern, Chief Executive	8/8
Ryan Mangold, Group Finance Director	8/8
James Jordan, Group Legal Director and Company Secretary	8/8
Rob Rowley, Senior Independent Director	8/8
Kate Barker, Independent Non Executive Director	8/8
Mike Hussey, Independent Non Executive Director	7/8
Angela Knight, Independent Non Executive Director	8/8
Humphrey Singer, Independent Non Executive Director	8/8

The Board and its Committees

As at the date of this Report, the Board consists of ten Directors, namely: the Chairman, three Executive Directors and six Independent Non Executive Directors. Their names, responsibilities and other details appear on page 58.

The role of the Independent Non Executive Directors is to offer advice and guidance to the Executive Directors, using their wide experience in business and from their diverse backgrounds, details of which are set out in their biographies on pages 46 to 47 and 58 and in the Board diversity analysis on pages 46 to 47. They also provide a constructive challenge, monitoring the overall direction and strategy of the Company; scrutinising the performance of the Executive Directors; and satisfying themselves as to the integrity of the financial information made available both to the Board and to the Company's shareholders. The Non Executive Directors also play an important part in the appointment or removal of Executive Directors and in general succession planning for the Board and other executive and senior management positions below Board level.

Board attendance

The Board met on eight occasions during 2017 and there was full attendance at all meetings by all Directors except, as noted on the table opposite, Mike Hussey missed one meeting due to being overseas on business. The Board regularly considers the number of Board meetings that take place each year and has concluded that eight meetings remain appropriate but will keep the number under review. Additional Board meetings would be convened as and when necessary and there are also processes in place for approving transactions and other matters that may require approval in between Board meetings.

Directors make every effort to attend all Board and applicable Committee meetings, as strongly evidenced by the exceptionally strong attendance records over many years. Where, exceptionally, a Director is unable to attend a meeting, it is Board policy that the Chairman and / or the Group Legal Director and Company Secretary (the 'Secretary') will, as soon as possible, brief the Director fully on the business transacted at the meeting and on any decisions that have been taken. In addition, the views of the Director are sought ahead of the meeting and conveyed to those attending by the Chairman and / or the Secretary as appropriate. Details of the attendance of each Director at Board and Committee meetings are set out in the table opposite and on pages 62, 67 and 74.

Board responsibilities

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of strong governance, effective controls and a strong culture emphasising openness and transparency, which enables opportunities and risks to be assessed and managed appropriately. In addition, the Board sets the Company's strategic aims; ensures that the necessary financial and human resources are in place for the Company to meet its objectives; and reviews management performance.

Company culture

A healthy culture is extremely important and the Board fully agrees with the FRC that it both "protects and generates value" and that it should be the subject of a continuous focus rather than wait for a crisis. The Board is responsible for the Company's culture and for defining and setting the Company's values and standards from the top. Culture is established by leadership and by example but this also needs to be underpinned by clear policies and codes of conduct which ensure that the Company's obligations to its shareholders and other stakeholders are clearly understood and met, as described in more detail on page 51. The Board is led in these respects by the Chairman, who ensures the Board operates correctly, setting its culture and, by extension, that of the Company in its operations and its dealings with all stakeholders.

During the course of 2017 and into 2018, the Board actively reviewed and monitored several key areas that it considers are important indicators of the Company culture, including health, safety, and environmental matters (as set out on page 55), customer service, land and major projects, risk strategy, and diversity and inclusivity. The Board will keep all of these areas under regular review.

Appliance of the UK Corporate Governance Code

The UK Financial Reporting Council promotes high quality corporate governance and reporting through The UK Corporate Governance Code (the 'Code'), with which all companies with a premium listing on the UK Stock Exchange are required to either comply in full, or explain why, and to what extent, they do not so comply. The Corporate Governance section of this Annual Report explains how the Code principles have been applied, as set out below:

Section A: Leadership

Every company should be headed by an effective board which is collectively responsible for the long term success of the company. See page 50.

There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. See page 58.

The chairman is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. See page 50.

As part of their role as members of a unitary board, non executive directors should constructively challenge and help develop proposals on strategy. See page 50.

Section B: Effectiveness

The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively. See page 58.

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board. See pages 68 to 69.

All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively. See page 61.

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge. See page 69.

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. See page 69.

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. See page 61.

All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. See page 59

Section C: Accountability

The board should present a fair, balanced and understandable assessment of the company's position and prospects. See page 66.

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems. See pages 36 to 41 and 64.

The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors. See pages 64 and 65.

Section D: Remuneration

Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied. See pages 74 to 92.

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration. See pages 74-92.

Section E: Relations with shareholders

There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. See pages 51, 74 and 81.

The board should use general meetings to communicate with investors and to encourage their participation. See page 51.

Statement of compliance

For the year ended 31 December 2017, the Company complied with all the provisions of the Code; the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules sub-chapters 7.1 and 7.2 which set out certain mandatory disclosure requirements; the FCA's Listing Rules 9.8.6R, 9.8.7R and 9.8.7AR which include the 'comply or explain' requirement; and the BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations. These regulations are publicly available as follows:

- The Code can be found at www.frc.org.uk
- The FCA's Disclosure and Transparency Rules as well as Listing Rules can be found at www.handbook.fca.org.uk
- The BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations can be found at www.gov.uk
- The FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting can be found at www.frc.org.uk

How we are governed

The Board

- Provides strategic and entrepreneurial leadership within a framework of strong governance and effective controls
- Is responsible for the Company's culture and for defining and setting its values and standards
- Establishes the Group's risk appetite and oversees processes designed to ensure compliance therewith
- Defines which matters are reserved for decision of the Board including profit expectations and dividend policy

Audit Committee

- Reviews and advises the Board on proposed full year and half year reporting and announcements connected therewith
- Undertakes a detailed half-yearly review of the Group's risk assessment and mitigation processes and outcomes, and advises the Board on its annual risk review
- Oversees the relationship with the external auditor
- Oversees the reporting of internal audit investigations and reviews the implementation of changes resulting therefrom
- Reviews the whistleblowing policy and any investigations

Chairman of the Audit Committee
Humphrey Singer

Read more about this Committee on pages 62 to 66.

Nomination Committee

- Reviews the balance, diversity, independence and effectiveness of the Board
- Oversees the selection, interview and appointment of new Directors to the Board
- Reviews succession and contingency planning across the Group's senior positions and related training, development and talent management
- Reviews, sets targets for, and drives the strategy and progress to further improve diversity and inclusivity throughout the Group

Chairman of the Nomination Committee
Kevin Beeston

Read more about this Committee on pages 67 to 73.

Remuneration Committee

- Advises the Board on remuneration policy at Board and executive level
- Ensures that remuneration is geared to the enhancement of shareholder value
- Ensures that targets are appropriate and are geared to delivering the strategy whilst appropriately limiting risk-taking
- Ensures that rewards for achieving or exceeding agreed targets are not excessive
- Promotes the increasing alignment of executive and wider employee interests with those of shareholders by encouraging appropriate share plan participation and executive shareholding guidelines

Chairman of the Remuneration Committee
Kate Barker

Read more about this Committee on pages 74 to 92.

Board activities

This Report seeks to explain what your Board of Directors does and describes how it is responsible for setting the culture and values of the Company, ensuring that the Company is run in the best interests of its shareholders as well as other stakeholders, and how it interacts with its shareholders in explaining the Company's strategic goals and performance against them. From a governance perspective, it is not just a case of what is done but also, and just as importantly, how it is done. In light of this, we therefore try and avoid a simple 'box ticking' type approach to corporate governance, preferring our own governance to be something that is properly embedded in our people, processes and decision making at all levels and vested in the personal values of all Directors and senior management.

As a Board we review health, safety and environmental performance at every Board meeting and also regularly review: our business strategy; key risks; the market; operational matters; customer service; diversity and inclusivity; corporate responsibility; our financial position and performance; governance, compliance and legal matters; and stakeholder-related matters including the make up of our share register and investor relations programme; community engagement; and human resources and wider employee matters. This is done through the consideration and discussion of regular reports submitted by the Executive Directors and through regular reports and presentations from our senior management and external advisers. The Board and individual Directors also undertake regular visits to our regional businesses and their development sites, which has proved to be both very useful and informative.

Board activities and priorities

Regular items at Board meetings include the review of Board Committee activities (Audit, Nomination and Remuneration Committees); detailed updates on health, safety and environmental matters; reports from the Executive Directors covering progress towards the Company's strategic objectives, its financial position and prospects, legal and corporate governance matters, and compliance updates; progress reports on addressing past leasehold matters; human resourcing; and stakeholder matters including customer services; wider employee matters; and an update from the Company's stockbroker which details movement in the share register.

Special matters considered during the year at Board meetings included the following:

Feb

- Reviewed the draft 2016 Annual Report and Accounts and the Sustainability Report
- Established and reviewed action points arising from the 2016 Board evaluation
- Determined the amount of the final ordinary dividend for 2016 and the special dividend for 2017 to be proposed to shareholders for approval at the 2017 AGM
- Approved in principle the draft Full Year Results Statement
- Conducted the annual risk review
- Agreed the first statement in respect of the Modern Slavery Act and reviewed the underlying processes
- Agreed the processes to be put in place to ensure that the Employees' Voice is taken into account on strategic, business and remuneration matters
- Received a strategy and business update on the Central London business
- Recieved an annual report on litigation

Apr

- Reviewed the draft Trading Statement to update shareholders on progress for the year to date
- Reviewed arrangements for the 2017 Annual General Meeting
- Received a strategy and business update from the North Division
- Approved the Taylor Wimpey Ground Rent Review Assistance Scheme and the related provision

May

- Reviewed and agreed the updated Pension Scheme Trust Deed and Scheme Rules
- Reviewed progress towards GDPR and the actions to improve the resilience of the Group's information technology systems
- Undertook a longer-term risk review in preparation for future strategy reviews
- Received a strategy and business update from the London and South East Division

Jun

- Received a strategy and business update from the Central and South West Division
- Considered the findings of the initial review into cladding systems used on past and present developments post the Grenfell fire disaster

Jul

- Considered the Half Year results for 2017
- Considered the Company's dividend policy going forward
- Determined the level of interim dividend for 2017 and special dividend proposed for 2018
- Considered the Half Year risk review
- Reviewed the draft Half Year Results Statement
- Received a strategy and business update from the Central London Division

Sep

- This meeting was held as part of an away day and the Board received updates on the following:
  - Customer service and digital communications
  - Production and procurement
  - Land and Planning
  - The culture of the business; and
  - A strategy update

Oct

- Reviewed the Group's borrowing facilities in relation to current strategic forecasts
- Received the half-yearly update on human resources including progress on Diversity, Inclusivity and Gender Pay
- Received strategy and business updates from the North Division and the Major Developments business

Dec

- Presentation on the Group's health, safety and environmental performance during the year
- Detailed review of the year end risk management report
- Reviewed the outcome of the Board evaluation for 2017 and agreed action points
- Reviewed the 2017 year end projection and budget for 2018-2020
- Received an economic overview from an external expert
- Received a strategy and business update from the London and South East Division

Corporate Governance continued

Board action and objectives

Strategy and execution

2017 Board objectives

- To set the Company's strategic objectives and agree the actions for their achievement
- To review the Company's performance, resourcing, and achievements affecting its ability to deliver the strategy
- To review and, if necessary, revise the strategy or its objectives in the light of wider economic, financial and market considerations
- To ensure the strategy is sufficiently resilient in different forward looking scenarios
- To take all measures to ensure that health and safety remains the Group's top priority

2017 Performance

- The Board regularly reviewed performance to date towards achieving its strategic objectives
- At each meeting, detailed reports from the Executive Team were discussed, reviewing forward resourcing requirements in the areas of capital, finance, people and land, and operating decisions taken or proposed to address them
- The dividend policy was reviewed in relation to strategic expectations going forward
- The Group's financing arrangements were reviewed in relation to current strategic forecasts
- Health and safety progress and performance is the first main item of business at each Board meeting

2018 Board objectives

- To ensure the Company's strategy remains robust in the light of any forecast market and wider economic changes
- To ensure the Company's performance remains on schedule to achieve the strategy
- To take all measures to ensure that health and safety remains the Group's top priority and will remain an ongoing area of focus

Organisational capacity

2017 Board objectives

- To ensure that the Company has the necessary resources in terms of finance, people, supply chain and Group structure to enable it to deliver the strategy
- To ensure that its people are suitably trained and that sufficient provision is being made for succession planning at all levels

2017 Performance

- The Board reviewed reports at each meeting on the financial performance of the Company and the availability, currently and forecast going forward, of financial, people and supply chain resourcing
- The Board and the Nomination Committee formally reviewed on two occasions the strategy for succession planning and related training assessment and provision, both for the Board and the executives immediately below Board level, and progress in achieving it. The Board also reviews human resources related matters at each Board meeting

2018 Board objectives

- To ensure that resourcing remains sufficient to achieve the strategy together with wider diversity considerations
- To ensure that training and development plans support continuous improvement in the team and contribute towards wider diversity improvements

Risk management

2017 Board objectives

- To review and agree the Company's risk appetite in seeking to achieve its strategic objectives
- To regularly review the robustness of the Company's systems of risk reporting; assessment; and internal controls

2017 Performance

- The risk review was conducted twice during the year, at the Board's July (half year) and February (full year) meetings, and covered both the systems used and the reported risks. At the February meeting the position was subject to independent check with external auditor reports on risk processes connected with the annual audit
- The Board's annual risk review for 2017 was completed at the February 2018 Board meeting following a process embracing all levels of the Group's businesses
- During the year, the Board and Audit Committee received updates on the resilience of the Group's systems to cyber attack and action taken to maintain security

2018 Board objectives

- To ensure risk remains within the Company's agreed risk appetite and is adequately monitored and reviewed as appropriate to reflect external and internal changes

Stakeholder engagement

2017 Board objectives

- To increase shareholder attendance and voting, including registering proxies, at the AGM
- To keep employees engaged and informed on the Company's performance and prospects and to give them a 'voice' at Board level on key matters including remuneration
- To assist prospective and actual purchasers of houses in making and successfully concluding what is, for many, the largest value and potentially most stressful transaction of their lives
- To maintain communication and a culture of continuous improvement throughout the Company's supply chain

2017 Performance

- Shareholder communication was conducted through encouraging attendance at the AGM; encouraging and steadily increasing voting on resolutions proposed thereat; briefings to analysts and the press; and direct consultation on certain special matters
- The Board regularly reviewed its duties under s.172 of the Companies Act 2006
- Employee involvement was promoted through regular briefing material online and in hard copy; interactive online Q&As; strategy updates around the businesses; and explanation of Company performance around half year and full year reporting and trading statements. The Board also introduced a National Employee Forum, in response to the 'employee voice' proposal being put forward by the Government, and the early meetings of the Forum have generated useful and informed debate on a number of topics, including remuneration
- Customer Service processes were embedded following a period of change and enhancement during 2016 and reviews have led to further improvements which were implemented subject to Board monitoring throughout the year
- The supply chain received constant feedback from Group businesses, suppliers and subcontractors, which fed into updated arrangements and agreements. Processes and checks were introduced to guard against instances of modern slavery

2018 Board objectives

- To actively encourage shareholder participation through clear messaging and reporting and careful review of shareholder feedback
- To monitor the planned further improvements in Customer Service performance during 2018
- To ensure the Group works with subcontractors and suppliers to constantly seek ways of further improving quality; sustainability; and delivery in a safe working environment
- To monitor and further develop the employee voice through the National Employee Forum

Governance and values

2017 Board objectives

- To ensure that there is continued full compliance with the UK Corporate Governance Code (the 'Code') and with wider statutory and regulatory requirements
- To ensure that remuneration is to remain implemented within the Company's Remuneration Policy
- To implement the improvements arising from the 2016 Board appraisal
- To conduct an externally-facilitated Board evaluation
- To monitor shareholder feedback and continue to actively promote wider engagement
- To further embed Modern Slavery Act best practice
- To take account of shareholder guidance and consultation

2017 Performance

- The Company has fully complied with the requirements of the revised Code in its 2017 reporting
- The Company's Remuneration Policy was proposed to shareholders for its first three year renewal at the Company's 2017 AGM and was approved with a vote in excess of 98%
- The Board evaluation was externally-facilitated for 2017 as reported on page 61 and as required in at least each third year
- In addition to the AGM, shareholder and institutional feedback was sought when presenting the Company's half year and full year results and in notifying proposals for updating the Remuneration Policy. The results of the feedback from shareholders was taken into consideration by the Board together with advice from its stockbrokers
- Modern Slavery Act 2015: The Company made its first statement in March 2017 after reviewing its operations and its supply chain. Detailed guidance has been issued around the business and key personnel are required to undertake training in identifying; assessing; and reporting any instances that might arise; with the aim of reducing the risks of modern slavery and related practices as far as possible. See pages 8 and 96 for further details

2018 Board objectives

- To ensure that there is continued full compliance with the Code and with wider statutory and regulatory requirements
- To ensure that remuneration is to remain within the Company's Remuneration Policy and proportionately rewards achievement of the strategy
- To implement the improvements identified on page 61 arising from the externally-facilitated 2017 Board appraisal
- To conduct an effective Board evaluation
- To monitor shareholder feedback and continue to actively promote wider engagement
- To further embed Modern Slavery Act best practice

Corporate Governance continued

Relevant skills and expertise

It is a requirement of the Code that the Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable duties and responsibilities to be discharged effectively. This was reviewed during the year and was utilised in drawing up the recruitment framework, including the list of desired skills, in the process used for the appointment of a new Independent Non Executive Director in February 2018. The Board considers that each Director brings relevant and complementary skills, experience and background to the Board, details of which are set out below, and additional information is also set out in the biographies on pages 46 to 47. The Board also considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively and makes this an important requirement of recruitment.

Kevin Beeston, Chairman, has a wealth of commercial, financial and high level management experience including being a former CEO of a FTSE 100 company. Kevin also has significant experience of chairing boards of both public and private companies and of being a non executive director and sitting on audit, nomination and remuneration committees.

Pete Redfern, Chief Executive, has operational responsibility for delivering the Company's strategy in a profitable, safe and environmentally responsible manner. Pete has significant financial, operational and management experience, gained from his various roles in industry and from his time at KPMG. In 2014 he joined the Board of Travis Perkins plc as an independent non executive director and serves on their remuneration and Stay Safe committees.

Ryan Mangold, Group Finance Director, has operational responsibility for managing the Company's finances and overseeing IT; commercial department and pensions matters. Ryan has financial, treasury, risk and financial control expertise including that gained from his time with Mondi Group and Anglo American plc.

James Jordan, Group Legal Director and Company Secretary, is a solicitor and oversees compliance with legal and regulatory obligations and manages the Secretariat and Legal Departments. James has significant legal, commercial, transactional and regulatory / governance related experience and expertise.

Kate Barker, Independent Non Executive Director, is an industry-recognised economist and has led policy reviews for the Government in the areas of land use, planning and housing supply. Kate also brings a wider economic insight gained through her various roles, including as a Member of the Oversight Board of the Office for Budget Responsibility as well as experience from her other non executive positions.

Gwyn Burr, Independent Non Executive Director, has over 25 years' executive experience, principally in customer service in the retail sector, which included the roles of Customer Director and Customer Service and Colleague Director from 2005 to 2013 at Sainsbury plc. Gwyn also has significant experience on several boards as a non executive director.

Mike Hussey, Independent Non Executive Director, has in-depth expertise in land development and marketing, particularly in London, gained from his previous roles as a director of Land Securities plc and as head of leasing and marketing of the Canary Wharf Group plc. Mike is currently CEO of Almacantar, a property development fund he founded in 2010.

Angela Knight, Independent Non Executive Director, has significant high-level experience in both the public and private sectors. In the public sector, she was a Member of Parliament from 1992 until 1997, including two years as the Economic Secretary at HM Treasury, and is currently Chairman of the Office of Tax Simplification in HM Treasury. In the private sector, she has significant experience as a non executive director including as the Senior Independent Director of quoted companies.

Rob Rowley, Independent Non Executive Director and Senior Independent Director, has a wealth of financial, commercial and management expertise, principally from his time as Finance Director of Reuters plc and Deputy Chairman of Cable & Wireless plc. Rob has substantial experience as a non executive director including the chairing of audit committees, and has recent and relevant financial experience as required by the Code.

Humphrey Singer, Independent Non Executive Director, has a wealth of financial experience, most recently in his role as the Group Finance Director of Dixons Carphone plc. In addition, Humphrey also has expertise in the areas of both digital solutions and customer services which has already been useful to the Company. It has been announced that Humphrey has been appointed as the Chief Finance Officer of Marks and Spencer Group plc and will take up this role later in the year. He also has recent and relevant financial experience as required by the Code.

Division of responsibilities

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

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

Health, safety and environment

As also set out in our 2017 Sustainability Report, which will shortly be available online at www.taylorwimpey.co.uk/corporate/sustainability, the Board is fully committed to providing a safe place in which our employees and subcontractors can work, and that our customers can live. We also ensure that all of our sites are developed to high standards of environmental management. As the first substantive item at each Board meeting, the Board receives detailed reports on health, safety and environmental matters in respect of the Company's operations in the UK and Spain. The Company's detailed carbon reporting, as required by BEIS, is set out on page 30.

Operational oversight

Operational management of the Company's business is undertaken by the Chief Executive who receives advice from the Group Management Team (GMT). The GMT is the most senior executive committee and, in addition to the Chief Executive, consists of the Group Finance Director, the Group Legal Director and Company Secretary, the three Divisional Chairmen and the Group Operations Director, the Group HR Director, the Divisional Managing Director of Central and East London and the Managing Director of the Major Developments business. The GMT meets on a regular basis and also once each month with the Divisional Managing Directors when it sits in the capacity of the wider Group Operational Team.

The Board also receives regular reports and minutes from the Treasury Committee, which meets under the chairmanship of the Group Finance Director, and also comprises the Group Legal Director and Company Secretary, one of the Divisional Chairmen (who rotate periodically) and the Group Treasurer. The key responsibilities of the Treasury Committee are, broadly, to monitor and keep under review the Group's financial risks, financial policies, financial facilities, covenant compliance and insurance programme in the light of current and proposed strategic and operational requirements, and to make recommendations to the Board or GMT, as appropriate, regarding policy or operational changes in these areas.

All businesses and employees are expected to operate at all times to the highest standards of integrity and conduct in all matters concerning the Group. Accordingly, there is a Code of Business Conduct, which sets out the standard for individual dealings both internally and externally. Formal policies have been adopted, which set out the ethical framework within which all Taylor Wimpey companies and employees are required to undertake their business – this includes, in line with the Bribery Act 2010, an Anti-Corruption Policy which requires an annual sign-off by designated senior management. All business units receive training each year from external experts on legislative and regulatory matters.

The following documents relating to the Group's management processes and division of responsibility are available for review on the Company's website at www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance:

- Schedule of matters specifically reserved for the decision of the Board, including full oversight of all decisions on profit expectations and Dividend Policy.
- Terms of reference of the Board Committees: Audit, Nomination and Remuneration, which outline their objectives and responsibilities and define a programme of activities to support the discharge of those responsibilities.
- Policies covering operational, compliance, corporate responsibility and stakeholder matters, including those related to the Bribery Act 2010 and Anti-Corruption referred to above, which are reviewed whenever necessary to take account of developments in corporate governance, changes in legislation and revised processes.
- The Company's Articles of Association.

Relevant reporting against these is provided to the Audit Committee by the Head of Internal Audit and the Secretary as appropriate.

Advice available to the Board

All Directors have access to the advice and services of the Secretary. The Board has an established procedure whereby Directors may take independent professional advice at the Company's expense where they judge it necessary to do so in order to discharge their responsibilities as Directors.

The Board took advice during the year from Eversheds Sutherland LLP in developing processes and training modules designed to alert management to any instances of Modern Slavery.

Advice was also received from Deloitte during the year via the Audit Committee on the significant governance developments during the year.

The Board receives at each meeting a report from JPMorgan Cazenove (Cazenove) on the sector and the relative performance of the Company's share price.

Board and Committee balance, diversity, independence and effectiveness

A key role of the Board Chairman is to ensure that the Board is conducted so as to allow the Independent Non Executive Directors to challenge the Executive Directors constructively whilst, at the same time, also supporting them to implement the strategy and run the business effectively. Another key role is to ensure that it has the right blend of skill, independence and knowledge, and this is something that is kept under regular review in conjunction with the Nomination Committee.

It is the Company's policy, in line with the Code, that proposed appointments to the Board, and succession planning, are based on merit, and judged against objective criteria, whilst also having due regard to the benefits of diversity and inclusiveness, including gender, age, disability, ethnicity, thought and experience.

The Board also continues to recognise, welcome and take very seriously its responsibility to comply with the recommendations of the Davies Report as built on by the Hampton Alexander Review, encouraging increased participation by women on boards, which is now targeted at 33% for all FTSE 350 companies by 2020; and which is also aimed at increasing the number of women in leadership positions of FTSE 100 companies to 33%, namely members of the Executive Committee and those senior leaders who are direct reports to Executive Committee members. The proportion of women on the Taylor Wimpey Board remained two out of nine (22%) throughout 2017. As at the date of this Annual Report, following the appointment of Gwyn Burr on 1 February 2018, the proportion of women increased to 30% and will increase to 33% following the conclusion of the 2018 Annual General Meeting (AGM), when, as previously announced, Rob Rowley stands down from the Board.

The Board will keep its balance and composition under regular review and when so doing will take into account the recommendations of the above Reports encouraging an increased proportion of women, referred to above, and also the Parker Review and its Report into the Ethnic Diversity of Boards.

The Board considers that there is an effective balance with three Executive Directors and six (shortly to become five, with effect from 26 April 2018) Non Executive Directors plus myself as Chairman, which ensures that each viewpoint is properly represented around the Board table.

It also ensures that in line with the Code, there is an effective balance of guidance, support and constructive challenge to the Executive. The Board also considers that this will continue to be the case when Rob Rowley stands down from the Board after the AGM, as referred to above.

The process followed in appointing a new director to the Board , which was used in connection with the appointment of Gwyn Burr on 1 February 2018, encompassing a comprehensive search, assessment and recruitment process led by the Nomination Committee, is set out on page 68 to 69.

The Nomination Committee makes recommendations on appointments and succession planning to the Board, and more details can be found in the Nomination Committee Report on pages 67 to 73.

In accordance with the Code, all Directors will again be subject to election or re-election as appropriate by shareholders at the AGM of the Company which is being held on 26 April 2018 (other than Rob Rowley). Biographical details of each Director can be found on pages 46 to 47 and also on page 58.

Annual re-election to the Board

The Code requires every Director to seek election or re-election, as appropriate, at each year's AGM. Accordingly, at the 2018 AGM, every Director, irrespective of the date of his or her appointment and the length of his or her service on the Board, will be submitted for re-election (other than Rob Rowley).

Details of the resolutions to be proposed in this respect and supporting biographical details of the Directors appear in the Notice of Meeting on pages 151 to 157.

As part of the 2017 Board evaluation process, the Board reviewed and re-affirmed that it considers each of the Non Executive Directors to be independent in character and judgement and that there are no relationships which could affect the Director's judgement. For Gwyn Burr, who was appointed on 1 February 2018, this evaluation took place as part of the appointment process. In line with the Code, a rigorous evaluation took place with regard to each of Kate Barker, Mike Hussey and Rob Rowley as they will each have served seven, six and eight years respectively by the time of the AGM in April 2018. Rob Rowley will, as announced on 10 January 2018, stand down from the Board at the conclusion of the Company's 2018 AGM on 26 April 2018.

In addition, the Board re-evaluated each Director's time commitments, and was satisfied that, in line with the Code, they each continued to allocate sufficient time to the Company in order to discharge their responsibilities effectively, including not only attendance at Board and applicable Committee meetings but also preparation time for meetings, visits to businesses (including

Corporate Governance continued

the annual Board away day / visit) and other additional requirements that may be required from time to time. For Gwyn Burr, who was appointed with effect from 1 February 2018, this evaluation took place as part of the appointment process. It has previously been announced that Gwyn Burr will stand down as an independent non executive director of DFS plc during the Spring of 2018. Recognising the importance of the time commitment of each Director to shareholders, this will continue to be kept under review for all Directors during 2018, including as part of the annual Board evaluation process.

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

Management

Progress in achieving the Group Strategy is reviewed at each Board meeting and is reported on page 13. The Chief Executive has responsibility for preparing and reviewing strategic plans for the Group and the annual budgetary process. These are subject to formal review and approval by the Board.

Budgets are re-examined in comparison with business forecasts throughout the year to ensure they are sufficiently robust in order to reflect the possible impact of changing economic conditions and circumstances. The Chief Executive and the Board conduct regular reviews of actual results and future projections with comparison against budget and prior year, together with various treasury reports. Disputes that may give rise to significant litigation or contractual claims are monitored at each Board meeting, with specific updates on any material developments or new matters presented by the Secretary.

The Group has clearly defined policies, processes and procedures governing all areas of the business, which will continue to be reviewed and refined in order to meet the requirements of the business and changing market circumstances. Defined authority limits continue to be closely monitored in response to prevailing market conditions. Any investment, acquisition or significant purchase or disposal of land requires detailed appraisal and is subject to approval by the Board or the Chief Executive, depending on the value and nature of the investment or contract.

There is a clearly identifiable organisational structure and a framework of delegated authority approved by the Board within which individual responsibilities of senior executives of Group companies are identified and can be monitored. The Operating Framework, within which delegated authorities, responsibilities and related processes are explained in detail, is available for review and guidance online by any employee through the Company's intranet. These activities are reinforced through process compliance and other audits conducted by Internal Audit.

The annual employee performance appraisal process is competency-based, with individual objectives cascaded down from the appropriate business objectives. The process also identifies training needs to support achievement of objectives.

During 2017 the Group's control environment was further enhanced through a robust risk assessment and review led by the Audit Committee, which identified the key risks to be reviewed and assessed by Internal Audit as part of its programme of work during the year.

Ensuring there is no conflict of interest

In order to assist Directors in complying with their duty to avoid conflicts (or possible conflicts) of interest, it is standard procedure that the Board must first give its clearance to such potential conflicts of interest (which would include directorships or other interests in outside companies and organisations) following which, an entry is then made in the statutory register which the Company maintains for this purpose.

Whenever any Director considers that he or she is, or may be, interested in any contract or arrangement to which the Company is or may be a party, the Director gives due notice to the Board in accordance with the Companies Act 2006 and the Company's Articles of Association. In such cases, unless allowed by the Articles, any Director with such an interest is not permitted to participate in any discussions or decisions relating to the contract or arrangement.

The Board undertakes a regular review of each Director's interests, if any, outside the Company. In addition, all new appointments and interests of Directors are reported to the Board for consideration or noting as appropriate. Following these reviews, the Board remains satisfied that, in line with the Code, all Directors are able to allocate sufficient time to the Company to enable them to discharge their responsibilities as Directors effectively and that any current external appointments do not detract from the extent or quality of time which the Director is able to devote to the Company. This is further borne out by Directors' attendance at Board and Committee meetings, which has been at or very close to 100% over many years.

Anti-bribery and anti-corruption

In line with the Bribery Act 2010, the Company has written policies on avoiding and not tolerating bribery or corruption. The policies apply across all of the Company's businesses and are available for review externally on the Company's website and by all employees on the Company's extranet. The risk to the Company of non-compliance would be reputational damage, financial penalties and the possible exclusion from certain approved partner arrangements. These risks are mitigated by training for senior managers and by issuing an annual reminder to all businesses and key departments requiring each managing director or departmental head to check that their teams have complied with the policies during the reporting year; remain aware of the policies' requirements for the coming year; and to formally confirm in writing that they have done so.

This 2017 Annual Report and Accounts

Your Directors have responsibility for preparing this 2017 Annual Report and Accounts and for making certain confirmations concerning it. In accordance with the Code provision C.1.1 the Board considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Board was able to reach this conclusion after receiving advice from the Audit Committee. The processes of review and assessment followed by that Committee in that respect are set out on page 66.

The Viability Statement, as required by the Code, appears on page 41.

Board evaluation

A key requirement of good governance is ensuring that the Board itself is operating effectively. The carrying out of an annual evaluation is a very important exercise and it is one which the Board takes very seriously, whilst also recognising the focus that our shareholders place on it. In line with the Code, the Board conducts its annual evaluation exercise via an independent external facilitator once every three years. Accordingly the evaluation for 2017 was externally facilitated by Manchester Square Partners ('MSP'), which was chosen for its track record in performing rigorous evaluations for a number of FTSE100 companies and who have no other connection to the Company.

The exercise considered the effectiveness of the Board, each Board Committee and each Director, and also focused on the Board's approach to key governance issues:

- Strategy
- Challenges and risks
- Values and culture
- Role
- Dynamics
- Engagement
- Structure
- Composition
- Succession

The 2017 evaluation process was conducted between August and November 2017 and consisted of the following:

- Briefing and planning meetings between the Chairman, Secretary and MSP.
- A detailed and comprehensive bespoke questionnaire which MSP sent individually to all Directors for completion and return to them.
- An interview with each of the Directors.
- Meetings with key internal reports immediately below Board level who have experience of attending the Company's Board meetings and external advisers such as the Audit partner and Broker.
- Attendance at a meeting of each of the Board and the Nomination and Remuneration Committees, to experience the Board and its committees in action.
- Presentation of the key findings and recommendations by MSP to the Board on a non-attributable basis.

The overall outcome of the evaluation exercise was that MSP considered that the Board was functioning well and in line with first class corporate governance principles, and is providing effective leadership to the Group.

As part of the Board evaluation, the time commitments of all Directors in line with the requirements of the Code were reviewed in detail. Following this review, the Board was satisfied that each Director was able to allocate sufficient time to discharge his or her responsibilities to the Company effectively. This included not only attendance at Board and applicable Committee meetings (where attendance was 100% during 2017 for all Directors, save for Mike Hussey missing one meeting of the Board and of the Audit Committee as noted on page 52), but also preparation time for meetings, visits to our businesses and other additional requirements that may be required from time to time.

On the one occasion when Mike Hussey missed a meeting of the Board and of the Audit Committee, he was comprehensively briefed by the Secretary following the meeting on the main matters arising.

Consistent with previous exercises, the 2017 evaluation proved to be very useful. It was pleasing to note that MSP concluded that the Board continues to function very well. However, it also provided an opportunity to reflect on how we operate and where we can improve. I can confirm that the Board has already focused on the areas identified for improvement and will continue to do so during the course of 2018.

Details of this year's evaluation; its outcome; the actions planned by the Board during 2018 to address the issues raised; and the actions taken during 2017 to address the issues raised in the last (internally facilitated) evaluation conducted in 2016 and reported in last year's Annual Report, are set out in the table below.

The outcome of the 2016 Board evaluation (which was internally facilitated, in line with the requirement of the Code that the exercise be externally facilitated every three years) was reported on in detail in last year's Corporate Governance Report. The main action points arising from that exercise, and action taken in respect of each, are set out in the table below.

2016 Evaluation – Recommendations included	Actions taken during the year
Additional reporting to take place on key areas such as financial analysis, competitor comparisons, IT, and macro economic and market issues.	Additional reporting to the Board on these areas of the business took place at Board meetings during 2017 and will continue, going forward.
There needs to be continued focus on cyber risk and further improving the Company's defences against the risk.	This has been the subject of detailed reviews by the Board and the Audit Committee during 2017 and will continue, going forward.
Additional focus to take place on diversity and inclusivity including continued monitoring and review.	This remained a key topic for the Board and the Nomination Committee during 2017 and remains so during 2018. The Board's Diversity Policy and details of progress achieved, and plans for further progress during 2018, are set out in the Nomination Committee Report on pages 71 to 73.
	Each of these key areas remains firmly on the Board's agenda during 2018 and an update will be provided in the 2018 Annual Report and Accounts.

2017 Evaluation – Recommendations included	Actions being or to be taken during 2018
Devote additional Board time to strategy.	Although significant time is already devoted to strategic matters this recommendation is already being addressed with additional time earmarked for discussion.
Devote additional time to risk including non-operational risk, and those which are considered to be strategic and lower probability in nature.	Work commenced on this during 2017 and is planned to be developed further during 2018.
Undertake additional focus on succession planning taking into account forthcoming NED changes based on length of service.	This will be a topic for Nomination Committee consideration during 2018.
	Each of these key areas remains firmly on the Board's agenda during 2018 and an update will be provided in the 2018 Annual Report and Accounts.

Audit Committee

Audit Committee

Humphrey Singer
Chairman of the Audit Committee

Main objective

– To assist the Board in fulfilling its corporate governance responsibilities relating to the Group's risk management and internal control framework; internal audit process; financial reporting practices including the key accounting judgements; external audit process; and whistleblowing procedures.

2017 performance

– Progressed the design and development of a Combined Assurance Model to bring together all aspects of assurance across the Group to further support strong controls and governance.
– Monitored planned initiatives to drive enhancements across those core processes that involve both the Finance and Commercial functions to further support operational activity.
– Monitored those significant IT initiatives that either directly protect, support and enhance the current IT environment or that are key in their contribution to business initiatives underway to enhance the experience of customers, suppliers and employees.
– Received the Group Legislative and Regulatory Risk Assessment and ensured that appropriate measures and controls are in place and are robust.

2018 key areas of focus

– Oversee development of policies and processes, ensuring compliance with the EU General Data Protection Regulation and consistent implementation across all parts of the business, in particular customer interfaces.
– Engage with management to ensure an effective risk management and control framework continues to evolve to meet the changing demands of the environment in which the business operates with appropriate focus on sites with higher inherent complexity.
– Oversee both the Delivery and Commercial Excellence Programmes to improve efficiency and effectiveness of the operational teams.
– Engage with Management to gain assurance that the Sales and Marketing processes; the related documentation; and the communication with our customers support the Group's Customer Journey aspirations.
– Receive and review the Group Fraud Risk Assessment together with the approach to ongoing organisational awareness.

Audit Committee

The Audit Committee is chaired by Humphrey Singer, who succeeded Rob Rowley as its Chairman on 10 January 2018. Rob Rowley chaired the Committee throughout 2017 and continues to be a member of the Committee until he stands down from the Board at the conclusion of the Company's 2018 Annual General Meeting (AGM) on 26 April 2018. All members of the Committee are Independent Non Executive Directors as required by the Code. The Board has determined that Humphrey Singer, and Rob Rowley (who currently chairs the audit committee at Greene King plc and Camelot Group) each have recent and relevant financial experience as required by the Code. In addition, and in line with the Code, the Board considers that the Audit Committee when considered as a whole, has the necessary competence relevant to the housebuilding sector in which the Company operates.

Committee members	Number of meetings attended
Humphrey Singer (Chairman) [(a)]	3/3
Kate Barker	3/3
Mike Hussey [(b)]	2/3
Angela Knight	3/3
Rob Rowley	3/3

(a) Humphrey Singer was appointed Chairman on 10 January 2018 as successor to Rob Rowley, who chaired the Committee throughout 2017.

(b) Mike Hussey missed one meeting due to being overseas on business.

Dear Shareholder

I am pleased to be able to take my first opportunity since apointment as Chairman of the Audit Committee to summarise below, and in the report which follows, the ongoing responsibilities and objectives of the Committee; the work that has been carried out during 2017; and the priorities established for 2018.

The Committee supports the Board in fulfilling its corporate governance responsibilities, including the Group's risk management and internal control framework; internal audit process; financial reporting practices; the preparation and compliance of the Company's Annual Report and Accounts; external audit process; and whistleblowing procedures.

The terms of reference of the Audit Committee are summarised opposite and are available in full on the Company's website. Following a review during 2017 it was determined that they remain appropriate and reflect the Committee's responsibilities under the UK Corporate Governance Code (the Code) and related regulations, including the guidance note issued in March 2017 by the Institute of Chartered Secretaries and Administrators on terms of reference for Audit Committees.

The Committee conducts an annual evaluation of its performance against its key objectives. The evaluation for 2017 was recently formally assessed by the Committee at its February 2018 meeting.

The key performance areas of the Committee during 2017 are set out opposite and described in more detail in this report.

The Committee's key areas of focus for 2018 are also set out opposite, with the continuation of robust risk management and work to further reduce risk in areas, such as cyber security, remaining key priorities for the year ahead.

The Committee holds meetings with the external auditor and the Head of Internal Audit, independent of the Executive, and these assist in ensuring that reporting, forecasting and risk management processes are subject to rigorous review throughout the year.

I am pleased to confirm that throughout the year the Committee met the Financial Reporting Council ('FRC') guidance on Audit Committees which was issued in April 2016, and which was incorporated into the Code. The aim of the guidance was to further improve good governance around the Committee's competence; induction for new members; audit rotation; independent assessment of areas of judgement; and sufficiency of resourcing for the Committee; all with the aim of ensuring that it was able to perform its primary function of protecting shareholders' interests in relation to the Company's financial reporting and internal control.

The Committee will continue to focus on ensuring that all relevant codes and regulations are complied with to ensure that the business is operating in a controlled and managed environment.

I should like to thank Rob, who stands down from the Board at the conclusion of the Company's 2018 AGM, on behalf of the Committee and the shareholders, for his work as Chairman of the Committee since 2010, and to wish him well for the future.

Humphrey Singer
Chairman of the Audit Committee

Committee purpose and responsibilities

The membership of the Audit Committee is set out in the table opposite. Committee meetings are also attended, by invitation, by the Executive Directors, Head of Internal Audit, other senior executives and by Deloitte LLP (Deloitte), the external auditor. The Committee also meets privately with representatives from Deloitte during at least two Committee meetings per annum, which normally take place around the time of the Full and Half Year financial statements, in order to discuss any matters which the auditor may wish to raise in confidence, with only the Secretary being present.

Committee activities during 2017

The Audit Committee met on three occasions during the year. The reports considered at the February 2018 meeting concluded the Committee's activities with regard to the Company's 2017 reporting and have been included on page 66.

At those meetings, the Committee carried out its remit which primarily included the following:

Feb 2017

- Reviewed the final draft 2016 Annual Report and Accounts together with any significant accounting and audit issues thereon; considering issues of materiality and the external auditor's report on the progress of the audit; and conducting a formal compliance check.
- The disclosure of relevant audit information to the auditors and the processes in place to underpin it.
- Reviewed the Group's 2016 draft Full Year Results Statement; and advising the Board regarding the appropriateness of the proposed final dividend on ordinary shares for 2016 and special dividend for 2017.
- Concluded the prior year's risk review.
- Reviewed the draft viability statement to appear in the 2016 Annual Report and Accounts.
- Reviewed the Committee's performance against its agreed objectives for 2016 and setting its key objectives and priorities for 2017.
- Held a private meeting with Deloitte.
- Held a private meeting with the Head of Internal Audit.
- Agreed Internal Audit's programme of work for 2017.

Jul 2017

- Reviewed the final draft Half Year Statement for 2017 together with details of any significant accounting issues thereon; considering issues of materiality and the external auditor's report on its review of that statement.
- Conducted the 2017 Half Year risk review.
- Received the Group fraud risk assessment.
- Received a further detailed presentation on progress to date on GDPR and plans for further improving the Group's resilience to cyber attacks.
- Advised the Board regarding the appropriateness of the proposed interim ordinary dividend for 2017 and special dividend for 2018.
- Reviewed Deloitte's audit plan for the audit of the Company's 2017 accounts, and report on the progress of the audit to date.
- Led the appraisal of Deloitte's performance during the audit of the Company's 2016 results.

Dec 2017

- Reviewed and confirmed the processes which allow the Committee to ensure that the 2017 Annual Report and Accounts meets the requirements of Code provision C.1 that the Board presents a fair, balanced and understandable assessment of the Company's position and prospects.
- Reviewed and confirmed the processes which allow the Committee to assess the performance of Deloitte during the audit of the Company's 2017 full year reporting and the effectiveness of the external audit process; and in light of the findings, to make a recommendation to the Board as to Deloitte's re-appointment at the 2018 AGM.
- Received a briefing on key accounting judgements with regard to the Company's 2017 accounts.
- Oversaw the process leading to the Board's Viability Statement included in its 2017 reporting.
- Concluded the 2017 year end risk review.
- Received a detailed presentation on progress to date and plans for further improving the Group's resilience to cyber attacks and wider IT security generally.

Feb 2018

- Reviewed the final draft 2017 Annual Report and Accounts together with any significant accounting and audit issues thereon; considering issues of materiality and the external auditor's report on the progress of the audit; conducting a formal compliance check.
- The disclosure of relevant audit information to the auditors and the process in place to underpin it.
- Reviewed the Group's draft 2017 Full Year Results Statement; and advised the Board regarding the appropriateness of the proposed final dividend on ordinary shares for 2017 and special dividend for 2018.
- Concluded the prior year's risk review.
- Reviewed the draft viability statement to appear in the 2017 Annual Report and Accounts.
- Reviewed the Committee's performance against its agreed objectives for 2017 and agreed its key objectives and priorities for 2018.
- Held a private meeting with Deloitte.
- Agreed Internal Audit's programme of work for 2018.

Audit Committee Report continued

In addition, at each meeting, the Committee also reviewed its other areas of responsibility, including:

- Financial reporting practices.
- The risk management and internal control framework.
- The internal audit process and the review of reports received and actions arising therefrom.
- Checking for any incidences of fraud, actual, alleged or precautionary, and ensuring proper controls and a response plan are in place.
- The adequacy of the Company's whistleblowing procedures and the status of any investigations.

In carrying out these activities, the Committee places reliance on regular reports from Executive Management, Internal Audit and from Deloitte. In monitoring the financial reporting practices, the Committee reviewed accounting policies, areas of judgement highlighted by Executive Management and by the external auditor, the going concern assumptions and compliance with accounting standards and the requirements of the Code.

Committee competence

A key requirement of the FRC's guidance on Audit Committees is that each Committee member should have sufficient knowledge; training; and expertise; to contribute effectively to the Committee's deliberations.

As Committee Chairman, I have extensive experience in my role of Group Finance Director of Dixons Carphone plc of the financial reporting requirements of FTSE 100 companies; of financial reporting preparation and compliance for public companies; of dealing with internal and external auditors; and I also have experience of both attending Audit Committees and of being a member of an Audit Committee. This experience has given me an insight into key areas of shareholder concern and independent experience of robustly challenging both the executive and the external and internal auditor.

I am assisted by four other Independent Non Executive Directors:

Rob Rowley is the Committee's former Chairman, who I succeeded as Chairman of the Committee on 10 January 2018 and who also has recent and relevant financial experience through currently chairing the Audit Committees at Greene King plc and Camelot Group. It has been announced that Rob will stand down from the Board at the conclusion of the Company's 2018 AGM. Kate Barker has wide experience of key areas in which the Company operates day to day, having led Government policy reviews into housing supply and land use planning. She also has experience of being a non executive director with Man Group plc and previously with Yorkshire Building Society. Mike Hussey has in-depth experience in land development and marketing, and also has experience at senior level as an executive board director of Land Securities plc and with Canary Wharf Group plc. Angela Knight has wide experience of financial services and banking and has extensive non executive director experience.

Between us, I am confident that the members of the Audit Committee have the necessary competence relevant for the house building sector as envisioned by the Code and that this will continue to be the case after Rob Rowley stands down.

As described in the Nomination Committee Report on page 69, there is a formal process of induction for new Directors and this includes specific reference to assisting competence in relevant Committee areas through exposure to appropriate areas of the Company's operations and performance.

All the members of the Audit Committee are Independent Non Executive Directors and both myself, as Chairman and Rob Rowley have recent and relevant financial experience as required by the Code.

I am confident that the composition; balance; and expertise of the Audit Committee can give shareholders confidence that the financial; reporting; risk; and control processes of the Company are subjected to the appropriate level of independent, robust and challenging oversight.

Risk management and internal control

The Group has established an ongoing process of risk management and internal control, applying Main Principle C.2 and its Supporting Provisions of the Code which relates to determining the nature and extent of principal risks and the maintenance of sound risk management and internal control systems. The Board is responsible for the effectiveness of the system of internal control, which has been designed to meet the requirements of the Group and the risks it encounters, including taking account of environmental, social and governance considerations. The systems cannot eliminate the risk of failure but rather seek to manage both the likelihood of their occurrence and the extent of their impact, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Principal Risks facing the Company, as assessed by the Board, are set out on pages 36 to 41, together with information on the action taken and / or planned to mitigate each one, and a description on page 37 of the Group's appetite for risk.

The Board makes its assessment of risk half yearly, after overseeing a bottom-up and top-down review of risk in all areas of the business. Action to mitigate the effect of each one is led by the Chief Executive either directly or indirectly in conjunction with the Group Management Team (GMT).

The Board's assessments use a standard methodology which takes into account environmental, social and governance considerations. In compliance with the Code, the Board also regularly reviews the effectiveness of the Group's system of internal control in providing a responsible assessment and mitigation of risks.

The Board's monitoring covers all controls, including financial, operational, compliance and assurance controls which include risk management.

Compliance with the Group's system of internal control is primarily driven and co-ordinated through compliance with an established Operating Framework supported by detailed manuals covering the main disciplines. These include clear levels of delegated authority, responsibility and accountability, and are subject to periodic review to ensure they remain appropriate and proportionate to the Group's changing strategic and operating requirements. Adherence to the Operating Framework is monitored by management and assessed independently by Internal Audit. At its half year and year end meetings, the Board reviews risk in relation to the Company's strategic objectives and its current plans to deliver them. It also reviews progress and performance in action taken to mitigate the impact of those risks.

The Board is supported in this by more regular and detailed reviews, by the Audit Committee, including the review of progress reports from Internal Audit, and by risk reviews across the business, led by the GMT. These reviews during 2017 resulted in a number of enhancements to internal controls, designed to reduce or better manage risk across the business.
These included:

- A seamless interface between the Enterprise Resources Planning (ERP) and the consolidation system and collection of non-financial data automatically, together with an improved audit trail of submissions.
- Enhanced self-certification of business unit compliance with key controls across all functional areas.
- Further standardisation of the approach to monitoring and control of large-scale infrastructure projects.

The Committee oversees the actions being taken to monitor Information Technology (IT) initiatives which aim to either directly protect against and reduce the risk of cyber-related type attacks and fraud; support and enhance the current IT environment including data protection; or that are crucial in their contribution to key business initiatives aiming to enhance the experience of customers, suppliers and employees.

At its meeting in February 2018, the Board, after conducting its own review and after reviewing more detailed assessments from the Audit Committee, remained satisfied that the system of internal control continued to be effective in identifying, assessing, and ranking the various risks facing the Company; and in monitoring and reporting progress in mitigating their potential impact on the Company. The Board also approved the statement of the Principal Risks and Uncertainties set out on pages 36 to 41 of this Annual Report.

Viability statement

The Committee reviewed the viability statement set out on page 41 together with the methodology underpinning it; the period it covered; and the robustness of the stress-testing undertaken. The outcome of that review was that it recommended its approval to the Board

External auditor

Re-appointment

As noted earlier, Deloitte LLP is the Company's external auditor. Their performance is kept under regular review by the Board and the Audit Committee and the Committee undertakes a formal assessment of the external audit process each year including both current and ongoing suitability.

This review takes the form of a detailed checklist and questionnaire issued to Directors; executives involved in the detailed stages of the audit process; and a representative sample of employees in regional business units which were subject to audit. The responses were augmented by external feedback on the relative performance of auditors generally, and from regulatory sources.

The outcome of this review was that the Committee recommended to the Board, which in turn is recommending to shareholders in Resolution 13 at the 2018 AGM on page 151, that Deloitte LLP should continue as auditor to the Company.

Tender

The Company last conducted a tender process for the external audit in 2007/2008. UK rules relating to the requirement for rotation of external auditors by FTSE 350 companies permit transitional arrangements in line with guidance issued by the FRC which, applied to the Company, allow the present auditor, Deloitte, to continue in office up to and including the conclusion of the audit of the Company's 2020 accounts. This is considered by the Committee to be in the interests of shareholders and other stakeholders and it permits the present audit partner, Edward Hanson, to conclude his five year audit partner rotation and allows sufficient time thereafter for the Committee to prepare for the external audit to be the subject of a competitive tender of alternative firms to Deloitte, during 2020. The Company will of course keep the matter under regular review, taking into account the annual performance review to be conducted by the Committee as well as other relevant factors. There are no contractual restrictions on the Company's selection of its external auditor.

Statement of compliance

The Company has complied throughout the reporting year with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Appointment of the auditor for non-audit services

The Audit Committee has a formal policy, reviewed annually, on whether the Company's external auditor should be employed to provide services other than audit services. In line with the Code, the Committee has regard to the relevant ethical guidance regarding the provision of non-audit services by Deloitte.

As part of that policy, the Committee has determined that the following assignments should not be undertaken by the auditors:

- Bookkeeping or other services related to the accounting records or financial statements.
- Internal audit outsourcing services.
- The provision of advice on large Information Technology systems.
- Services connected with valuation, litigation support, legal, recruitment or remuneration.

Where non-audit services have an initial or forecast face value in excess of £100,000 there must be prior review and authorisation by the Group Finance Director and the Committee.

The Committee has reviewed this policy in light of the new regulation set out in the EU Audit Directive and Audit Regulation 2014 which applied to the Company from 1 October 2017.

The Regulations substantially curtail those non-audit services which can be provided by the auditor to the Group and in particular prohibits all tax-related services, including compliance services as well as general advice, and all consultancy and advisory services. The Regulations also require that Board approval is required if eligible non-audit services, such as due diligence and similar assurance services exceed 30% of the prior year Group audit fee. In addition, fees for eligible non-audit services are not to exceed 70% of the Group audit fee, calculated on a rolling three-year basis. The Board is satisfied that, following the above-mentioned review and taking into account the new regulation, this policy will be conducive to the maintenance of good governance, best practice and auditor independence and objectivity.

Non-audit services in 2017 predominantly related to work undertaken as a result of Deloitte's role as auditors, in particular the assurance work carried out in connection with the announcement of the Company's half year results for 2017, which is of direct benefit to shareholders although it is not formally regarded as 'audit' work for reporting purposes. Deloitte also performed certain real estate work, for which they were selected as they were considered to be the best supplier for that service. All independence considerations were considered with regard to these services, in line with the above policy, and were fully compliant with it.

The Audit Committee fully recognises and supports the importance of the independence of auditors. Its review of the auditor's performance during 2017 included non-audit services. The Committee is satisfied that the carrying out of the above work did not, and will not going forward, impair the independence of the external auditor. It also recognises that, from time to time, there is a clear commercial advantage based on cost and timetable requirements in using the Company's auditors. As a result, the value of non-audit services work was £0.1m in 2017 (2016: £0.1m) which represents just under 25% of the audit fee as set out in Note 6 to the Accounts on page 116.

Internal Audit

The Internal Audit function reviews the effectiveness and efficiency of the systems of internal control in place to safeguard the assets; to quantify, price, transfer, avoid or mitigate risks; and to monitor the activities of the Group in accomplishing established objectives. The annual Internal Audit plan, and the individual audits conducted in line with the audit plan, are driven primarily by the principal risks faced by the business. Following each review an Internal Audit report is provided to both the management responsible for the area reviewed and the GMT. These reports outline Internal Audit's opinion of the management control framework in place together with actions indicating improvements proposed or made as appropriate. The Chief Executive, the GMT and senior management consider the reports on a regular basis and are responsible for ensuring that improvements are made as agreed. A database of audit recommendations and improvement initiatives is maintained. Follow-up and escalation processes ensure that such improvements are implemented and fully embedded in a timely manner.

The Company belongs to and participates in industry-wide forums and other initiatives aimed at combating fraud within the construction industry.

Summaries of all key Internal Audit reviews and activity and resulting reports are provided to the Audit Committee for review and discussion.

The Internal Audit function also formally reviews proposed related-party transactions, such as purchases by employees from Group companies, to ensure proper procedures are followed and that such procedures are undertaken strictly in accordance with the formal policy in place and, where applicable, company law.

The most recent independent formal evaluation of the Internal Audit function was carried out in 2015 on behalf of the Audit Committee by PwC and its finding was that Internal Audit continues to operate effectively. A number of initiatives were progressed subsequently to ensure the Internal Audit function continues to meet both current best practice and the evolving needs of the Group. The next such evaluation will be carried out during 2019.

The Internal Audit Charter, which codifies the aims, processes and outputs of Internal Audit, was reviewed by the Committee for ongoing appropriateness.

The Internal Audit function and its reporting lines enable it to be independent of the executive and to exercise independent judgement.

The Head of Internal Audit has direct access at all times to the Chairman of the Audit Committee, the Chairman of the Board and also to the Chief Executive and the other Executive Directors.

Audit Committee Report continued

Whistleblowing

The Group's whistleblowing policy is supported by a clear process that includes an externally-facilitated hotline through which any person, including employees of the Company, may, in confidence, raise concerns about possible improprieties in financial reporting, other operational matters or inappropriate behaviours in the work place. All whistleblowing cases are formally investigated by the Head of Internal Audit, Group Director of Health, Safety and Environment (where appropriate), Group Human Resources Director and / or the Group Legal Director and Company Secretary depending on the nature of the issue. The Chief Executive is apprised of all allegations and conclusions of the review.

Whistleblowing incidents and their outcome are reported to the Audit Committee. Whistleblowing is a standing item on each Audit Committee agenda, which allows the Committee to regularly review the adequacy of the policy in line with its requirement to do so under the Code. The policy itself is periodically reviewed and includes the ability for workers to make protected disclosures with regard to matters arising under the Modern Slavery Act 2015 with regard to our business and its supply chain. The Committee is satisfied that the policy and its administration remain effective.

Going concern

The Group has prepared forecasts, including certain sensitivities, taking into account the Principal Risks and Uncertainties identified on pages 36 to 41. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. The Committee reviewed the forecasts and the Directors' expectations based thereon, and agreed that they were reasonable. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Viability Statement

The viability statement is designed to be a longer term view of the sustainability of the Company's strategy and business model and related resourcing, in the light of projected wider economic and market developments. The Committee reviewed the Directors' expectations; the criteria upon which they were based; and the sensitivities applied; and agreed that they were reasonable. The statement appears on page 41 together with details of the processes, assumptions, and testing which underpin it.

Annual Report and Accounts 2017

Code provision C.1

The Board has responsibility, under Provision C.1 of the Code and its Supporting Principles and Code Provisions, for preparing the Company's Annual Report and Accounts; for ensuring that it presents a fair, balanced and understandable assessment of the Company's position and prospects; and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Process

The review of the Company's Annual Report and Accounts took the form of a detailed assessment of the collaborative process of drafting them, which involves the Company's Investor Relations; Company Secretariat; and Finance Departments, with guidance and input from other relevant Departments and external advisers. It ensured that there is a clear and unified link between this Annual Report and Accounts and the Company's other external reporting, and between the three main sections of the Annual Report and Accounts – the Strategic Report; the Governance Reports; and the Financial Statements.

In particular, the Committee:

- Reviewed all material matters, as reported elsewhere in this Annual Report.
- Ensured that it correctly reflected the Company's performance in the reporting year, as described in this Annual Report.
- Ensured that it presented a consistent message throughout.
- Ensured that it correctly reflected the Company's business model, as described on page 21.
- Ensured that it correctly described the Company's strategy, as described on pages 13 and 20.
- Considered whether it presented the information in a clear and concise manner, illustrated by appropriate KPIs, to facilitate shareholders' access to relevant information.

Significant items

The items below are those that the Audit Committee have considered in discharging their duties and in considering the financial reporting of the Group.

Cost allocation of inventory

The cost allocation framework used across the Group determines the profit forecasted for each site and dictates the way in which inventory is costed and allocated across each development. It also ensures that any costs incurred in excess of the original forecast are recognised appropriately as the site progresses.

The Committee reviewed the work undertaken by Deloitte LLP as part of the year-end audit which included testing of the Group-wide controls to monitor cost allocation and substantive testing. This enabled the Committee to gain assurance that the framework is used consistently and that areas of significant judgement including future sales prices, build costs and the allocation of shared infrastructure costs are being accurately represented in site forecasts.

Exceptional provision in relation to leasehold

At the July meeting, the Committee reviewed the assumptions used and the calculation of the £130.0 million exceptional provision. An update was provided to the Committee at the December meeting as some assumptions from the half year had crystalised as the Group had signed agreements with freeholders representing approximately 90% of identified leases. This review, combined with reviewing the report provided by Deloitte LLP enabled the Committee to conclude that the £130.0 million provision originally recognised remains the most appropriate estimate.

Defined Benefit Pension valuations

During the year a Medically Underwritten Mortality Study (MUMS) was undertaken as part of the 2016 pension triennial valuation. The results of this, along with the market based assumptions (discount and inflation rates) used in calculating the net pension liabilities were discussed and agreed by the Committee to establish the net pension deficit recognised on the balance sheet at 31 December 2017.

Viability statement and going concern

Although the viability statement and going concern are matters for the whole Board, a review is made by the Committee of the appropriateness of the five-year assessment period, the Group's headroom under its covenants and undrawn facilities in relation to the Group's financial forecasts and sensitivity analysis.

Alternative Performance Measures (APMs)

The Committee reviewed the Group's use of APMs and concurred with the presentation and balance between APMs and statutory measures throughout the annual report. They concluded that the APMs presented are appropriate and meet the criteria set out in the ESMA guidance. They were able to conclude this as they are widely used industry measures, form the basis of the key strategic targets and are linked directly to executive remuneration.

Critical accounting judgements and key sources of estimation uncertainty

The Committee has considered the matters of key judgement and key sources of estimation uncertainty used in preparing the financial statements and they concur with the disclosure made in Note 2 on pages 111 to 112.

Recommendation to the Board

A summary of the process and of the Committee's findings was considered by the Board at its meeting on 26 February 2018. The outcome of that review was that the Committee confirmed to the Board that the 2017 Annual Report and Accounts met the requirements of Code provision C.1, and the Board's formal statement to that effect, to meet the requirements of the Code, is set out on page 60.

Nomination Committee

Nomination Committee

Kevin Beeston
Chairman of the Nomination Committee

Main objective

To ensure there shall be a formal, rigorous and transparent process for the appointment of new Directors to the Board, its Committees and to other senior roles and in conjunction with the Board to ensure effective diversity improvements and succession planning processes across the Group.

2017 performance

- Further progressed the diversity and inclusivity agenda across the business, including partnering initiatives with selected third parties.
- Reviewed contingency and longer term succession planning for all senior roles across the business.
- Acted upon comments made in the Board Appraisal for 2016 regarding improving certain skill sets.
- Led preparations for Board and Board Committee succession planning.

2018 objectives

- To further progress the diversity and inclusivity agenda across the business and ensure the progress made is embedded within our business.
- To continue to review and enhance succession planning processes across the Group.

Nomination Committee

The Committee is chaired by the Chairman of the Board and is composed of a majority of Independent Non Executive Directors as required by the Code. Its members are set out in the table below.

Committee members	Number of meetings attended
Kevin Beeston (Chairman)	2/2
Kate Barker	2/2
Mike Hussey	2/2
Angela Knight	2/2
Rob Rowley	2/2
Humphrey Singer	2/2

Gwyn Burr was appointed a Committee member on 1 February 2018.

Dear Shareholder

I am pleased to be able to take this opportunity as Chairman of the Nomination Committee to summarise the important ongoing objectives and responsibilities of the Committee; the work that has been carried out during 2017; and its plans for the coming year.

The Nomination Committee performs an extremely important role and this can be demonstrated by the fact that in addition to myself, all of the Non Executive Directors are also members of this Committee.

The primary objectives of the Committee are to support the Board in fulfilling its responsibilities to ensure that there are firstly, formal, rigorous and transparent processes in place for the appointment of new Directors both to the Board and to senior management positions, and secondly, effective, deliverable and well thought through succession planning and contingency planning processes in place across the Group for all key positions.

With regard to Board appointments, following a detailed review by the Committee of the Board's composition and the requirements of the Company's strategy, it was announced on 10 January 2018 that a number of changes would be made to refresh the Board and its Committees:

- Gwyn Burr joined the Board as an Independent Non Executive Director on 1 February 2018, bringing considerable experience including in the key area of customer service which will strengthen the Board's expertise in this area.
- Rob Rowley will stand down at the conclusion of the Annual General Meeting on 26 April 2018 as an Independent Non Executive Director after over eight years of distinguished service.
- Kate Barker will succeed Rob as the Board's Senior Independent Director with effect from 26 April 2018.
- Humphrey Singer succeeded Rob as Chairman of the Audit Committee on 10 January 2018.

Kate's and Humphrey's respective appointments are a result of the Committee's medium term Board succession planning activities over recent years.

Guidance issued by the Financial Reporting Council (FRC) is that Nomination Committees should generally look deeper into the Company to identify future leaders for the business; adopt a wider outlook in identifying potential Directors; and look further ahead than any immediate requirement to replace an individual Director. The Committee has addressed this through the further development of the Company's Talent Management Boards to identify future talent and ensure that associated training and development plans are in place, to identify those executives with short and longer-term potential to be Directors, and to encourage and assist their further development with this aim. The Committee has also focused increasingly on the skills of individual Directors, and of the Board as a whole, in assessing whether each has the necessary skill sets and whether there are any particular skills gaps, particularly in relation to the Company's medium term and longer-term strategic direction and the Board's ability to drive it effectively. More details are set out on page 58.

The Committee also welcomes the Hampton Alexander Review which is seeking to improve Board and senior leadership diversity across FTSE350 companies by setting targets to:

- Increase the target for women's representation on FTSE350 Boards to 33% by 2020.
- Set a new target for women's representation on FTSE100 companies' executive positions at Board level and those that directly report to the executive committee members (including the Company's GMT) to 33% by 2020.

Following the appointment of Gwyn Burr noted above, the Company currently has three women on its Board (30%) and six across the combined Board and GMT (35%) and is therefore already compliant with the proposed revised target for wider executive positions and moving closer to compliance with that for the Board alone which is expected to be reached when Rob Rowley steps down from the Board at the conclusion of the Company's 2018 AGM.

Nomination Committee Report continued

The Committee has also reviewed processes designed to meet the requirement to publish on a Government website, during 2018, certain statistics and commentary around the gender pay gap during the tax year ended 5 April 2017. The Company strongly supports the Government's initiative on gender pay gap reporting and looks forward to publishing its findings.

The Committee made good progress during 2017 and its achievements made during 2017 and its plans for 2018 are set out in the left hand column of page 67.

The key priorities of the Committee remain the following:

- To regularly review the Board's composition, balance, diversity, skill sets, and individual Directors' time commitment.
- To regularly review our succession and contingency planning across the business, and ensure that there is a clear link to individuals' career development and professional development.
- To drive the Company's diversity and inclusivity agenda across all levels of our business.
- To ensure the Group continues to have the necessary level of Board and senior management skills and leadership to deliver the strategy.

In meeting its objectives, both the Committee and the Board take into account diversity including gender. We fully support the various Government initiatives in this key area, including the 'Beyond One by 21' report and recommendations launched in 2016 by Sir John Parker, which seek to increase ethnic diversity on UK boards.

I can confirm that diversity and inclusivity remains very much on the Taylor Wimpey agenda with regular reporting now taking place including a specific annual update and discussion. Whilst we continue to make progress, we do of course recognise that there is still further work to be done in order to achieve our wider diversity and inclusivity strategy.

The Committee's objectives, the strategy for delivering them, progress made towards them during 2017 and targets and plans for 2018 are described in more detail in this Report.

The Committee will continue to focus on ensuring that the present and future composition of the Board and the Group's executive management is appropriate for the delivery of the Group's strategy and that all relevant UK Corporate Governance Code (the Code) requirements continue to be met.

Kevin Beeston
Chairman of the Nomination Committee

Committee purpose and responsibilities

The Committee has procedures in place with regard to maintaining a formal, rigorous and transparent process for Board appointments, ensuring that appointments to the Board are made on merit and assessed against objective criteria. The Committee guides the Board in regularly assessing whether there is an appropriate balance of expertise and skills on the Board and other diversity considerations. The Committee notes and welcomes the 2011 report from Lord Davies of Abersoch on Women on Boards (the Davies Report); the 2015 Report which raised the target from 25% to 33% by the end of 2020; and the Hampton Alexander Review which extends the 33% target by 2020 to include the executives at Board level and those that report directly to the executive committee members (for the Company this is the GMT).

The Committee oversees on behalf of the Board, and advises the Board on, the identification, assessment and selection of candidates for appointment to the Board. The Committee has a formal, rigorous and transparent process against objective criteria. A description of how appointments are typically made to the Board is set out below and this was followed in connection with the recent appointment of Gwyn Burr to the Board as an Independent Non Executive Director on 1 February 2018.

ENGAGE

The engagement of independent recruitment consultants (The Zygos Partnership) who have no other connection to the Company.

CONSIDER

The preparation of a 'long list' of potential candidates which took into account the outcome of the Committee's latest review of the composition and skill sets of the Board.

SELECT

The selection of a 'short list' of suitable candidates meeting the Committee's criteria.

INTERVIEWS AND MEETINGS

Interviews and meetings with the Chairman, Chief Executive, Group Finance Director, Group Legal Director and Company Secretary and with each Non Executive Director.

SELECT CANDIDATE

TAKE UP REFERENCES

APPOINTMENT

INDUCTION

The Nomination Committee also guides the Board in assessing from time to time whether the Board has the correct balance of expertise and in arranging orderly succession planning for appointments to the Board and in respect of senior management positions across the business. This considers not only the immediate succession planning for Directors but also a deeper review into the Company's management structure to identify those with longer term potential to develop into future successors in the medium to long term. The Committee also reviews Board composition in light of the Company's strategy, to ensure as far as possible that new appointments help support the drive to achieve its strategic objectives and required skill sets.

Committee activities during 2017

As noted on page 67, the Committee met on two occasions during 2017 and the activities at each meeting were:

May

- Reviewed succession and contingency planning progress and further plans for:
  - The Board;
  - The Non Executive Directors;
  - Board Committees; and
  - The Executive levels immediately below the Board.
- Reviewed progress and plans for developing talent
- Reviewed progress and plans for contingency planning
- Reviewed the Board composition
- Reviewed the process to gather data for the Company's Gender Pay Gap reporting

Oct

- Oversaw the selection and appointment of Gwyn Burr as an Independent Non Executive Director
- Oversaw consequent changes in the positions of Senior Independent Director and Chairman of the Audit Committee
- Received an update of progress around Group succession planning and related development plans
- Received an update on contingency planning for key Executives below Board level
- Recommended to the Board, following a rigorous review of the individuals' performance, that Kate Barker; Mike Hussey and Rob Rowley, who will each have served for in excess of six years as an Independent Non Executive Director at the time of the Company's 2018 AGM, should each continue in office and, with the exception of Rob Rowley who will stand down, be recommended for re-appointment at the AGM
- Received an update on diversity and inclusivity

As highlighted in the Committee's 2017 performance on page 67, a key focus of the Committee's work during the year was on progressive succession planning at all senior levels of the Company with a view to identifying key prospects and tailoring training and development plans to allow them to demonstrate their potential for future progression. As part of this process, management below Board level is provided with regular access to the Board, including the opportunity to attend Board meetings and other Board-related functions in order to give presentations on specialist topics, project work and the performance of specific regional businesses and Divisions. This helps to provide valuable exposure to the Board for up and coming management as well as being extremely valuable for Board members in assessing the Company's strength in depth.

The Committee meets formally at least twice a year. During 2017, in addition to overseeing the recruitment of Gwyn Burr as an Independent Non Executive Director and planning succession to the positions of Senior Independent Director and Chairman of the Audit Committee, the Committee's principal agenda items consisted of longer term succession planning, reviewing and approving the contingency plan for key members of staff and considering progress on diversity across the business. Wider succession planning and diversity also remained on the Board agenda regularly throughout the year.

In addition, and in line with the Code, the Chairman and the Senior Independent Director, independent of each other, hold meetings at least annually with the Non Executive Directors without the Executive Directors present.

Information and professional development

The Company has procedures whereby newly-appointed Directors (including Non Executive Directors) receive a formal induction. This includes training and continuing familiarisation with the Company's business, strategy, operations (including health and safety) and systems, the principles underlying the discharge of their duties as Directors and wider issues relating to the housing sector. The induction also includes meetings with key executives and function heads from across the business, advisers and site visits.

The Board recognises the importance of induction and training. These programs for Directors were reviewed during the year and are considered to remain appropriate.

All Directors visit Group operations on a regular basis, engaging with employees at all levels in order to foster and maintain an understanding of the business. Board visits are arranged each year to operations and at least one Board meeting per annum takes place either in, or at a nearby location with representatives from, a regional business over three days. In 2017, the Board visit, accompanied by the GMT, encompassed presentations on culture, customer services, digital, production and procurement; a planning update; and performance updates from designated businesses.

The Group Legal Director and Company Secretary acts as Secretary to the Board and its Committees and he attends all meetings. It is Board policy that wherever possible a formal agenda and reports are issued electronically to Directors in respect of all Board and Committee meetings at least one week prior to the meeting, in order to allow sufficient time for detailed review and consideration beforehand. Formal minutes are prepared in respect of all Board and Committee meetings and are then circulated and submitted for approval at the next meeting. All Board papers are circulated electronically and Board meetings have been effectively 'paperless' for several years, which has worked well and aided the overall efficiency of the wider Board process.

The Secretary provides regular briefings to the Board on regulatory and governance matters which are included as part of his formal regular reporting to the Board, and are supplemented, as appropriate, by briefings from independent advisers. The Board also receives regular briefings and updates on environmental, social and governance (ESG) matters.

Nomination Committee Report continued

The ESG briefings allow the Board to assess the significant ESG risks to the Company's short and long term value and to identify any opportunities that may arise to enhance value. Details of ESG risks and value-enhancement pursuits appear in the Sustainability Report which will shortly be available on our website at www.taylorwimpey.co.uk/corporate/sustainability

The Chairman, Chief Executive and Secretary meet sufficiently in advance of each Board meeting in order to ensure action points from previous meetings have been implemented and to prepare the agenda and matters to be covered at the next and at future Board and Committee meetings as appropriate. The agenda and minutes for the Audit, Nomination and Remuneration Committee meetings are agreed by the Secretary with the relevant Committee Chairman.

Composition of the Board

It is the Company's policy, in line with the Code, that proposed appointments to the Board, and succession planning, are based on merit, and judged against objective criteria, whilst also having due regard to the benefits of diversity and inclusiveness, including gender, age, ethnicity, thought and experience. Following the appointment of Gwyn Burr as an Independent Non Executive Director on 1 February 2018, the Board consists of ten Directors, three of whom are women, representing 30% of the Board. That percentage will become 33% when Rob Rowley stands down from the Board, as previously announced, at the conclusion of the 2018 AGM. The Board is therefore moving towards the increased target proposed by the Davies Report of 33% female representation by 2020. The Board aspires to reach and maintain that level of representation, whilst continuing to also have due regard to other aspects of diversity as outlined above.

The Committee also reviews the time commitments of each Director both prior to all appointments and periodically so as to ensure that all Directors can discharge their responsibilities effectively in line with the requirements of the Code.

Succession and contingency planning

During the year, succession planning for people at all levels of the organisation has continued to be a key area of focus for the Committee. As part of this, both the Board and the Nomination Committee have visibility of a wide range of employees with leadership potential together with their individual development plans. Each Divisional Chairman of the housing business chairs a divisional Talent Management Board (TMB) comprising senior executives of the Division together with HR representatives.

Each TMB then makes recommendations to the Group Talent Board which is chaired by the Chief Executive. These Boards regularly review succession planning and related development and training requirements across the UK Group. Further actions to support succession planning include the development of career paths linked to experience, exposure and education; an assessment and development centre; and the promotion of the Company's mentoring scheme. We are also focusing upon recruiting individuals from a wider range of backgrounds, experience and industries at all levels.

Succession planning remains a key area of focus across all levels of the organisation. During the year, the Committee considered in detail short and long term succession planning for Directors and key executives, together with appropriate development plans. The Group Management Team (GMT) regularly reviews the Company's succession plans and talent pipelines, with further action to support these areas continuing. The Committee also considered contingency and longer term succession planning for all senior roles, linked to talent development and targeted training programmes.

Contingency planning concerns the Company's and the Board's preparedness for, and responsiveness to, sudden and unexpected loss or non-availability of a key Board member, or one or more key executives. It involves the identification of suitable individuals within the Company who, either singly or in concert with another, can quickly assume a key role and provide effective support until the incumbent returns to work or, in appropriate cases, a successor can be identified and appointed.

Board succession

There were no changes in the composition of the Board during 2017 but a number of changes, mentioned earlier in this Report, were announced early in 2018, some of which have already taken place and some which will follow upon the conclusion of the 2018 AGM:

Gwyn Burr was appointed as an Independent Non Executive Director on 1 February 2018 and brings with her from her executive background and also more latterly her various non executive positions considerable experience and expertise, principally in the area of customer service, and will therefore enhance the overall skill sets of the Board. On her appointment to the Board, Gwyn joined the Nomination and Remuneration Committees, where her experience of past and current service on plc boards and remuneration committees will be of considerable benefit.

Rob Rowley stood down as Chairman of the Audit Committee on 10 January 2018 and was succeeded in this position by Humphrey Singer.

Rob will stand down as an Independent Non Executive Director at the conclusion of the AGM on 26 April 2018 and will be succeeded as Senior Independent Director on that date by Kate Barker.

The composition and performance of the Board and its Committees were considered during the year and it was concluded that the Board and each Committee will, in light of the changes outlined above, continue to function effectively.

The Committee believes that the balance of the Board, consisting of a Chairman, three Executive Directors and six Independent Non Executive Directors, recently augmented by Gwyn Burr's wide-ranging additional skill sets, will continue to provide the right blend of experience, expertise and challenge in order to take the Company forward in line with its strategy whilst ensuring and maintaining good governance and best practice, and will continue to do so after Rob Rowley stands down. This will, however, be kept under regular review in line with the guidance set out in the Code.

At the AGM of the Company to be held on 26 April 2018, all Directors will again be subject to re-election or, in the case of Gwyn Burr, to election, by shareholders in accordance with the Code. Biographical details of each Director can be found on page 58.

Employee diversity

Diversity and inclusion remained an area of clear focus throughout 2017 which will continue into 2018 and beyond. A Working Party which includes a variety of members from across the business has been overseeing progress towards achieving the Company's diversity and inclusion strategy and implementing new initiatives so as to improve our performance in these key areas and comply with the Company's Diversity Policy as set out on pages 72 to 73. The strategy focuses on the challenges faced in developing an inclusive and diverse workforce with each regional business making commitment. This includes working with specialist external bodies to maximise all opportunities, including:

- 21st century leadership
  - Ensuring that our leaders understand their role in developing a more diverse and inclusive culture and have the relevant training and support to achieve this
- Employer of choice
  - Ensuring that our working environment, polices, procedures and development and progression opportunities, support greater diversity and inclusivity
- Expanding our reach
  - Developing broader recruitment channels, understanding and embracing the diversity of our customers and workplace, and improving our engagement with them

The Board believes that by embracing diversity and inclusiveness the Company will better understand how people's differences and similarities can be utilised for the benefit of not only the Company but most importantly also for individuals, society as a whole, and our customers. It is the Board's view that having a diverse workforce will improve the Company's ability to deliver its strategy; the homes that it builds; and its services.

Diversity has continued to be a key item on the overall UK governance agenda during 2017. Within Taylor Wimpey, diversity has remained a key priority for the Board's agenda and this will continue to be the case during 2018. Although the Board will continue to appoint on merit, we recognise that boards will generally perform better when they include top quality people from a range of backgrounds and perspectives. Diversity will continue to be a key consideration when contemplating the composition and refreshing of the Board and indeed our senior and wider management teams.

As noted opposite, the Company has put in place systems to measure and monitor diversity around the Group more effectively.

The data becoming available from these improved systems has assisted in designing and implementing a number of improvements to Group terms and conditions which we believe should facilitate access to, and success at, work for all, such as the following:

A review of Gender Pay. From April 2017 the government has introduced gender pay gap reporting for all companies with more than 250 employees in the UK and we have met those requirements and our data will shortly be published. At Taylor Wimpey we are committed to creating a diverse and inclusive place to work. Our fair and transparent approach to recruitment and our people is one of the defining factors in Taylor Wimpey's culture and future workforce. Embracing diversity enables Taylor Wimpey to succeed in a competitive market. We have implemented a Diversity and Inclusion Strategy which focuses on gender equality as well as other key promoting workforce policies that highlight positive approaches to employee diversity. Our action plan that supports gender equality sets out measures to challenge the traditionally male dominated culture of the construction and home building industries.

Implementing a flexible working policy in our Southern Counties regional business. As a result of the initial trial a number of further businesses have also introduced revised flexible working arrangements which have been received positively.

Established a Young Persons Forum in our West Scotland regional business in order to give young members of the business a forum to discuss business-related issues that are important to them. As part of this forum, the business has visited a number of universities and schools which included the females into STEM and construction event and Glasgow Caledonian Universities' Think Ahead Project.

Gained exposure for the business and the work of the young persons' forum at the young panel session at The Herald and Gen Analytics Diversity Conference in May.

The Group has progressed work with the Royal National Institute for the Blind ('RNIB') to audit the Company's website for ease of access for visually impaired users and make any necessary changes.

During 2017 we have worked with an external partner to undertake a detailed review of accessibility for disabled people, whether employees; customers; or visitors; to our offices; sites; sales centres; and show homes around the UK. The report will be analysed and any appropriate recommendations implemented during 2018.

With regard to gender, as at 31 December 2017:

The Board consisted of nine Directors, two of whom are women (22%). At the time of writing this report the Board consists of ten Directors, three of whom are women (30%). Following the Company's AGM on 26 April the Board will once again consist of nine Directors, three of whom will be women (33%).

The GMT, which is effectively the Executive Board of Taylor Wimpey UK Limited, our main operating company, consisted of 10 Executives, three of whom are women (30%).

Excluding one woman who held an interim Regional Managing Director position, there is one woman out of 24 Regional Managing Directors (4%). From 1 April 2018 this will increase to two women (8%) following the appointment of the interim Regional Managing Director into a Regional Managing Director role.

Women across the Group account for 32% (2016: 32%) of the workforce.

28% (2016: 31%) of new starters with the Company during 2017 are women.

While we are making reasonable progress, we of course recognise that we still have more work to do in order to fulfil our overall diversity ambitions and, as stated on page 69, it is a priority for 2018 to achieve further progress in this area.

Nomination Committee Report continued

Progress of our diversity policy

The Company's plans and progress in implementing its diversity policy, benchmarked against appropriate targets, are set out below. Progress is measured and monitored by the Nomination Committee and the Board. The Company is also committed to ensuring that our people are free from any direct or indirect discrimination, harassment, bullying or any other form of victimisation. Our grievance and harassment policies ensure that any reported incidents are investigated. In addition, our whistleblowing policy encourages employees to speak up, including through an independent 'Safecall' telephone facility, against any inappropriate practices or behaviour and we regularly publicise the policy to all staff and workers on site.

Diversity policy	Strategy	Progress
Taylor Wimpey operates in diverse communities. We believe that embracing this diversity will enable us to succeed through a workforce that is inclusive, creative and 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, disability and religion but also diversity of thought, background and experience.	We will examine our culture and practices to determine what further actions can be taken to improve diversity and inclusion within Taylor Wimpey.	A Working Party continues to drive delivery of our Diversity and Inclusion Strategy and Action Plan. Significant progress continues to be made. It has always been the intention to expand the Working Party to ensure that it continues to reflect a diverse representation from across the Group. During 2017 we sent a request for new members which attracted nearly 100 applicants. As a consequence, the Working Party has been extended to a membership of nine members and the decision taken to introduce a separate BAME working group of 10 members moving forward into 2018. This BAME working group will be focusing on how we can extend our reach to ensure that we attract and develop employees from a wider and more inclusive talent pool. Building on the comprehensive training sessions delivered to the management teams of our regional businesses and Head Office functions in 2016, as planned further sessions were delivered in 2017 to newly-appointed Directors and Managing Directors. We also launched our Diversity and Induction e-learning to all employees in 2017. These two modules (one for all employees and one specifically for line managers) help users understand in more detail our commitment to building a more diverse and inclusive workforce as well as the roles and responsibilities they have in supporting our commitments. These are now key modules of our induction programme for new starters. To monitor progress we anticipate repeating unconscious bias testing across the business in 2018 and comparing the results to 2016. The Chairman of the Working Party and the Group HR Director continue to periodically contact all our Managing Directors to ensure the commitment to diversity and inclusion remains a key focus.
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 will identify people management practices that assist a diverse workforce to achieve their full potential. We will use our Community Engagement Programme to heighten awareness of personal interaction and valuing individuals. We will increase the opportunities for young people to join the Company and will promote continuous personal development.	We are proud of our involvement with the Leonard Cheshire Disability Change 100 programme which we are committed to continuing to support. In 2017 we took five interns with a range of disabilities, both physical and mental, who worked across a wide range of disciplines. We have continued to promote our 'Employer of Choice' and diversity agenda through numerous publications and recently participated in the Annual Diversity Awards that were sponsored by The Bank of Scotland, Glasgow Herald, and Genalytics. Our West Scotland regional business was nominated for the 'Recruitment of Talent' award and sponsored the 'Best Community Project' award. Taylor Wimpey are also participating in The Hampton Alexander Review, an independent review body which aims to increase the number of women on UK boards. There has been a comprehensive review of our current dress code across the business. As a consequence, we have developed a new range, with a wider range of sizing, and a more modern feel and a commitment given to provide any item of clothing not available in the range for personal reasons e.g. religious belief. During 2018 we are committed to reviewing the provision of maternity wear, to ensure that it is fit for purpose and inclusive.

Diversity policy	Strategy	Progress
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 will ensure that all managers involved in recruitment and selection receive training that incorporates the areas of diversity and promoting equality. We will extend our recruitment sources in order to attract a more diverse range of applicants.	We recruited 190 apprentices (2016: 147), including 53 site management apprentices (2016: 54), 28 management trainees (2016: 30) and 31 graduates (2016: 20). We recruited an increased number of employees with disabilities. Working with key partners we hope to increase more permanent and secondment opportunities for people with disabilities. The new HR Information System is better capturing data relating to all aspects of diversity and inclusion. During 2018, we intend to update the diversity and inclusion data we hold on our employees in the system. This was always an activity planned 18 months into the delivery of our Diversity and Inclusion action plan, as we continue to raise awareness, and embed a more diverse and inclusive culture. We continued to partner with a number of specific diversity partners in 2017 with an objective to drive the attraction and development of a more diverse and representative workforce. We are continuing the diversity discussion group meetings with the Chief Executive, Group HR Director and different sections of the workforce, to further embed diversity and inclusiveness at all levels of the Company. Diversity and Inclusion is also discussed as part of the bi-annual talent and succession reviews by the three Divisional Chairmen with the Chief Executive and Group HR Director. We are keen to ensure that our website is accessible to those with sight impairment and in conjunction with the Royal National Institute for the Blind we are currently undertaking a website accessibility audit.
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 will encourage our people to speak out and report any direct or indirect discrimination, harassment or bullying. We will act promptly in addressing any inappropriate behaviour or practice.	A specific focus of the Company's whistleblowing campaign is on diversity, encouraging employees to speak up against any inappropriate practices or behaviour. Our grievance policy ensures that any reports of harassment or bullying are investigated and acted upon.
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 provide the best service to our customers.	Diversity will be promoted from the highest level and we will ensure that our people understand the benefits of having a diverse and inclusive workforce.	Diversity is a core message within our strategy; a main item at our Executive and Regional Management meetings; and is a standing agenda item at GMT meetings. In order to support each employee to maximise their performance and achieve their own personal goals we have designed a Cultural Principles framework where we describe the behaviours and attitudes we believe are required for effective performance in order to deliver our vision, mission and values. Encouraging and embracing diversity is an integral part of our philosophy. The Careers section of our website includes a dedicated Diversity and Inclusion section highlighting our focus on this area. During 2017, we introduced a female talent forum. Feedback was incredibly positive in terms of creating an environment where individuals could share personal challenges and development areas. This will continue through 2018.

Remuneration Committee

Remuneration Committee

Kate Barker
Chairman of the Remuneration Committee

Main objective

To establish and maintain formal and transparent procedures for developing policy on executive remuneration to deliver the Company's strategy and value for shareholders; and to agree, monitor and report on the remuneration of individual Directors and senior executives.

2017 developments

- Finalised and implemented the Company's new Remuneration Policy which shareholders approved at the 2017 AGM.
- Following a formal process, appointed new advisers to the Remuneration Committee.
- Considered the leasehold review from a remuneration perspective.
- Continued to increase alignment with shareholders through increased participation in our all-employee share plans.
- In line with corporate governance developments, reviewed the ways in which employee views will be taken into account in relation to pay at Board level.

2018 objectives

- To continue to increase alignment with shareholders through encouraging participation in our all-employee share plans.
- To continue to review and seek to improve ways in which employee views are taken into account in relation to pay at Board level and consider how the other recommendations from the FRC review of the UK Corporate Governance Code should be incorporated.
- To review gender pay analysis across the Company and to finalise and publish the Company's first gender pay reporting in April 2018.

Remuneration Committee

The Remuneration Committee is chaired by Kate Barker. All members of the Committee are Independent Non Executive Directors as required by the Code. Its members are set out in the table below.

Committee members	Number of meetings attended
Kate Barker (Committee Chairman)	**4/4**
Kevin Beeston (Chairman)	**4/4**
Angela Knight	**4/4**
Rob Rowley	**4/4**

Gwyn Burr was appointed a Committee member on 1 February 2018

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2017 for and on behalf of the Taylor Wimpey Remuneration Committee.

I would like to emphasise that the Committee remains very mindful of the understandable focus on executive pay and the increasing importance of considering remuneration from both a broader employee and a wide societal perspective. The Committee is regularly apprised on market practice and corporate governance developments, including the proposals to strengthen the employee, customer and wider stakeholder voice and a new UK Corporate Governance Code to apply to reporting years beginning on or after 1 January 2019. As mentioned elsewhere in this Annual Report on pages 23, 51, 81 and 95, in this context, we are pleased to have established the Taylor Wimpey National Employee Forum. Although it is still early days, I very much look forward to working with this important new body.

The Committee has continued its much-valued and long-established practice of engaging and consulting with its key institutional investors and with shareholder representative bodies about Executive Director remuneration. As in previous years, the Committee has taken account of all the feedback which it has received and is, as ever, very grateful for the constructive engagement that has taken place with regard to the 2017 outcomes and remuneration proposals for 2018. Shareholders approved the Remuneration Policy at the 2017 AGM, with a vote in favour of more than 98% and we are privileged to have had a strong track record of shareholder support on the Company's remuneration matters. We will consider our Remuneration Policy again in 2018 to ensure that it remains relevant to the business strategy which will be refreshed in 2018, as outlined in the Chief Executive's Statement on page 13.

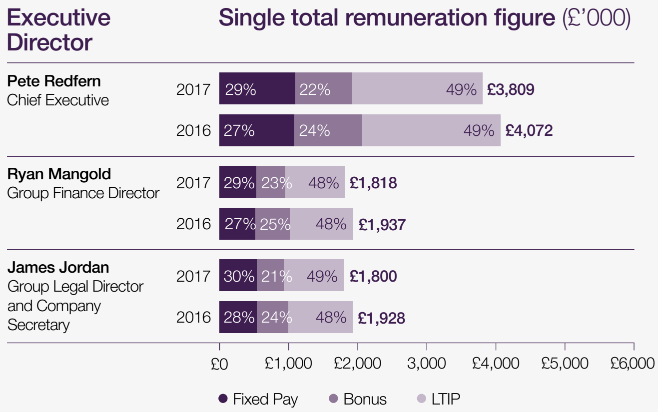
The Committee remains firmly committed to ensuring that the remuneration of the Executive Directors and the senior management team supports and drives the Taylor Wimpey strategy. Our remuneration is based on a framework which both challenges and motivates the senior management team to deliver the strategy and value for our shareholders and wider stakeholder interests.

The table below summarises the performance measures in our current incentive plans and how these link to the Taylor Wimpey strategy and align the interests of executives with shareholders:

Measures in our variable pay plans	Weighting	Link to strategic objectives
Executive Incentive Scheme (Bonus – EIS)		
EBIT	40%	Increase profit sustainably for the long term to support growth and dividend payments
Operating profit conversion into cashflow	20%	Our long term strategic target is to earn top quartile levels of margin. Currently we are focusing on delivering a conversion ratio of circa 22%
ROCE	20%	Deliver at least 15% return through the housing cycle and 30% over the period 2016-2018
Customer service	20%	Deliver exceptional customer service and strive to improve our customer satisfaction scores
Performance Share Plan (Long term incentive plan – PSP)		
Total shareholder return – FTSE 100 peer group	20%	Deliver long term stock market returns to our shareholders which are higher than can be earned by investing in other listed housebuilders and other FTSE 100 companies generally
Total shareholder return – housebuilder group	30%	
ROCE	20%	Deliver at least 15% return through the housing cycle and 30% over the period 2016-2018
PBIT margin	15%	The long term strategic target is to earn top quartile levels of margin. Currently we are focusing on delivering a conversion ratio of circa 22%
Operating profit conversion into cashflow	15%	Ensure that levels of cash generation from our profit supports the medium-term strategy of delivering dividends to shareholders of £1.3 billion over 2016-2018

Executive Directors' total remuneration

The chart below compares the 2017 single figure for total remuneration for each of the Executive Directors with the equivalent figure for 2016.



The Committee firmly believes in ensuring a strong alignment between its Executive Directors and senior management with the interests of the Company's shareholders. Executive Directors' interests continue to be aligned with those of the Company's shareholders in three principal ways:

- Through the share ownership requirements in Taylor Wimpey (which the Committee keeps under regular review).
- Via the requirement to defer each year one third of their annual cash bonus into shares, which are then required to be held in trust for three years (described in more detail on pages 84 and 87).
- In line with current best practice, through the requirement to retain for two years after vesting the net post-tax benefit deriving from any vesting of the Performance Share Plan award, which will also continue to apply on any vestings under this Plan going forward.

Performance in 2017: Executive Incentive Scheme (Bonus) (EIS) and Performance Share Plan (PSP) outturn

The EIS and PSP operate with clearly defined performance measures set out at the start of each financial year. To assess performance at an underlying level, which is not distorted by one-off items in the financial statements such as movements in the value of the land bank, the financial measures for the EIS and PSP are calculated before any non-recurring items which could affect the position - either positively or negatively. This has been the Committee's policy for many years and ensures a stronger and fairer link between reward and underlying performance. In accordance with this well-established policy, the profit-related performance measures for the 2017 EIS and 2015 PSP awards were therefore calculated before the cost of the gross provision of circa £130 million (the provision), which the Company announced in April 2017 following the outcome of the Company's review into historic leasehold structures.

On this basis, for the EIS, our trading performance for 2017 was again excellent, with full achievement against the range of challenging targets set for the Group EBIT measure (40% weighting), Cash Conversion (20%) and Return on Capital Employed (ROCE) (20%). The Company also partially met the range of Customer Service targets (6% out of 20%) and this remains an important area of ongoing focus. Based on the performance of the Company against its targets, the EIS outturn for 2017 was 86% of the maximum bonus potential for the Executive Directors of 150% of salary before the application of Committee discretion as referred to below.

With regard to the PSP award granted in 2015, which measured performance over the three years to the end of 2017, the level of our trading performance delivered full vesting in relation to the 50% of the award based on ROCE and Cash Conversion. For the remaining 50% of the award, which is based on total shareholder return (TSR), our TSR over three years was 92%, which resulted in full vesting against the peer group based on FTSE companies ranked 51-150 (20% of the award) and partial vesting against the peer group of other listed housebuilders (30% of the award). On this basis, the performance across the four performance measures led to a vesting of 77.71% of the 2015 PSP award.

In judging the overall link between pay and performance, the Committee carefully considered the impact of the provision as referred to above in our 2017 financial statements. The Committee has taken into account that the Executive Directors:

- were not personally involved in the decision to introduce leases with doubling ground rent clauses that gave rise to the need for this provision;
- have not benefited financially in relation to past years' incentive plans from this issue; and
- proactively dealt with this issue since it arose, in a positive, transparent and equitable way that is in the long-term interest of shareholders as well as relevant current and future customers.

Notwithstanding the above, in recognising the impact of this issue in 2017 for our shareholders and on certain of our customers, the Committee decided to use its discretion to scale back the level of the 2017 EIS for the Executive Directors.

The level of scale back is equivalent to the maximum EIS opportunity relating to the Customer Service element of the 2017 EIS, which equates to 20% of the EIS (i.e. equivalent to 30% of each Director's salary). While the provision did not relate directly to the Customer Service performance conditions of the EIS set at the start of the year, the leasehold review did however more broadly relate to customer service. The Committee believes that the scale back is a meaningful and proportionate approach to take, recognising not only the impact on shareholders and certain customers, but also taking account of the circumstances highlighted in the bullet points set out above. The impact of the scale back for each Executive Director is set out in the table below:

Director	EIS as originally determined by the performance criteria	Scale back	Resultant EIS payable before tax/NI and deferral
Pete Redfern	£1,078,592	£250,835	£827,757
Ryan Mangold	£542,110	£126,072	£416,038
James Jordan	£500,775	£116,459	£384,316

The Committee was comfortable that the PSP award should vest ordinarily in accordance with the performance criteria, recognising that the Executive Directors are each significant shareholders and have significant interests in both the PSP and deferred shares under the EIS. On this basis, the Committee feels that they will have shared with our shareholders any impact on the share price that may have arisen, both in terms of the value of their holdings and the future vesting under the above-mentioned schemes.

Full details of the performance targets and the relative achievement against each, are set out on page 87.

How we will apply the remuneration policy in 2018

The average annual salary increase being proposed throughout the Company is 2.5% and this increase will also apply to the three Executive Directors. As in previous years, salary increases for the year will take effect from 1 April.

The operation of the incentive arrangements for 2018 will be unchanged structurally from the plans which operated in 2017, which have successfully provided a broad assessment of performance against our strategic KPIs.

The 2018 EIS will retain the same measures and weightings, namely, EBIT (40%), ROCE (20%), Cash Conversion (20%) and Customer Service (20%) with 10% based on the National House Building Council's (NHBC) eight week score and 10% based on the NHBC nine month survey. The financial measures remain closely aligned to our strategy and will also assist in the driving of other important financial measures.

Remuneration Committee Report continued

Committee activities during 2017

February

- Reviewed feedback from major shareholders on the remuneration consultation conducted in December 2016 around the Company's remuneration proposals for 2017 and the Remuneration Policy which was approved by shareholders at the Company's 2017 AGM
- Considered and approved the salary review proposals for 2017 for the Executive Directors and the wider executive team in light of Company proposals for the wider workforce
- Considered and approved the outcome of the EIS for 2016 and of the PSP vesting in 2017
- Considered and approved the wording of the proposed new PSP Plan Rules as approved by shareholders at the Company's 2017 AGM
- Reviewed the draft Remuneration Report for the Company's 2017 Annual Report

July

- Initial consideration of the potential effect on Executive Director remuneration of the outcome of the leasehold review announced during 2017 and the associated provision of circa £130 million
- Undertook a competitive tender process including meetings for the Committee's Remuneration Adviser
- Reviewed the outcome of the process and appointed Korn Ferry with effect from 20 July 2017

October

- Further consideration of the effect of the leasehold review and provision on the variable pay elements of the Executive Directors' remuneration packages

December

- Determined the effect of the leasehold review and provision on the variable pay elements of the Executive Directors' remuneration packages
- Agreed communication to major shareholders around the Company's remuneration proposals for 2018
- Considered reports from Korn Ferry on executive benchmarking
- Considered a general governance update from Korn Ferry on remuneration considerations
- Preliminary discussion on salary proposals for 2018; projected outcomes on 2017 EIS; and PSP awards
- Considered the draft Remuneration Report for inclusion in the Company's 2017 Annual Report
- Discussion around strategy on the Company's defined contribution pension scheme

Awards made in 2018 under the PSP will also be unchanged from 2017, based on PBIT Margin (15%), Operating Profit Cash Conversion (15%), ROCE (20%), and relative Total Shareholder Return (TSR) against a Housebuilders group (30%) and against the FTSE 100 (20%). Following our consultation with shareholders, we will however be amending how we calculate the Company's TSR against the housebuilder's group by reverting to a more conventional median to upper quartile range. This will be no less challenging to achieve but will make it more straightforward to calculate and, importantly, easier to communicate it internally to participants. The change will also align the method of calculation to the FTSE 100 TSR group measurement, which has been in place for a number of years.

Remuneration adviser

During 2017 the Committee undertook a review of its independent adviser, and after a competitive tender process, including the incumbent firm, Aon Hewitt New Bridge Street, who had been in position since February 2009, decided to appoint Korn Ferry as the Committee's adviser with effect from 20 July 2017. Both advisers are members of the Remuneration Consultants Group and signatories to its Code of Conduct.

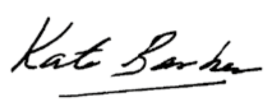
Membership of the Committee

I should like to take this opportunity to thank Rob Rowley, who will stand down from the Board at the conclusion of the Company's 2018 AGM, for his contribution to the Committee's deliberations since 2010.

I should also like to welcome Gwyn Burr who joined the Committee on 1 February 2018 and brings wide experience of remuneration committee related matters.

We believe that the remuneration payable to the Executive Directors for 2017 is appropriate, linked to performance delivered and, as evidenced by our use of discretion to reduce the EIS payments this year, has taken account of the broader circumstances within which incentive payments should be made.

I very much hope that you will again be able to support the level of remuneration paid with respect to 2017 and the way we will implement our policy for 2018.



Kate Barker
Chairman of the Remuneration Committee

Introduction

This Report has been prepared to comply with the provisions of the Companies Act 2006 and other applicable legislation, including the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (Regulations), and has also been prepared in line with the recommendations of the UK Corporate Governance Code (the Code) and the UK Listing Authority Listing Rules.

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

The 2017 Remuneration Report includes disclosures which reflect in full the Regulations on remuneration reporting, divided into two sections:

- Remuneration Policy Report: this sets out the Remuneration Policy adopted by shareholders at the 2017 AGM, describing the framework within which the Company remunerates its Directors. The Policy applies for a period of three years from the date of the 2017 AGM or until a revised Policy is approved by shareholders if sooner. The preceding Policy applied during the year from 1 January 2017 until the date of the 2017 AGM, but was not materially different from the current Policy.
- Annual Report on Remuneration: this sets out how the Company's Remuneration Policy was applied during 2017 from the date of the 2017 AGM (and under the preceding Policy until that date) and how it is proposed that it be applied during 2018. The Annual Report on Remuneration will be subject to an advisory resolution at the AGM on 26 April 2018. Details of the resolution and its status as an advisory vote are set out in the Notes to the Notice of Meeting on page 157.

The Regulations require that the Company's auditors report to shareholders on certain parts of this Report and state whether in their opinion those parts have been properly prepared in accordance with the requirements. The Remuneration Policy Report, which describes the Committee's current Remuneration Policy for Executive Directors and which has applied since its approval by shareholders on 27 April 2017, contains unaudited information. Some elements of the Annual Report on Remuneration, which describes how the Committee has implemented its existing policy in 2017, contain audited information.

Remuneration Policy Report

Unaudited information

The Company's Remuneration Policy was subject to a binding shareholder vote at the 2017 AGM of the Company and was approved by 98% of shareholders who voted.

The Policy is designed to ensure that the remuneration framework will support and drive the Taylor Wimpey strategy forward by both challenging and motivating the Executive Directors and the senior management team to deliver it and drive value for our shareholders. The Policy is set out on pages 78 to 80 and is also available to view on the Company's website at www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance

Policy overview

A key part of the Committee's role is to ensure that the remuneration of Executive Directors and senior management is aligned to the Company's strategic objectives. It is, of course, key that the Company is able to attract and retain leaders who are focused and also appropriately incentivised to deliver the Company's strategic objectives within a framework which is aligned with the long term interests of the Company's shareholders. This alignment is achieved through a combination of deferral into shares of a percentage of the EIS; a two-year retention period for vested PSP awards; and share ownership guidelines which require executives to build up holdings of Taylor Wimpey shares, either directly or by retaining vested PSP share awards. These guidelines, which the Committee regularly reviews and also seeks advice on, require Executive Directors to put in place a plan to accumulate a holding in the Company equivalent to their basic salary within five years of appointment, followed by a holding equal to twice their basic salary within a specified period to be agreed with the Chairman.

The Committee's Remuneration Policy ensures that a significant percentage of the overall remuneration package of Executive Directors and senior management is subject to performance. With all packages for Executive Directors substantially geared towards meeting challenging targets set under the EIS and PSP, the Committee believes that the pay and benefits of its Executive Directors and senior management adequately takes account of reward versus risk.

In line with best practice the Remuneration Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, the Committee under its terms of reference may, where it considers appropriate, take ESG matters into account when considering the overall remuneration structure.

Remuneration Committee Report continued

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	To recruit and reward executives of a suitable calibre for the role and duties required.	Salaries are normally reviewed annually to ensure that they remain competitive with external market practices and are competitive when measured against FTSE peers (other non-financial companies of a similar size in terms of market capitalisation and other large UK housebuilders).There is no automatic entitlement to an increase each year. Takes into account the following: – The performance, role and responsibility of each individual Director. – The economic climate, general market conditions and the performance of the Company. – The level of pay awards across the rest of the business. – Salary levels in comparably-sized companies and other major housebuilders.	The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce. However, larger increases may be awarded in certain circumstances including but not limited to: – Increase in scope or responsibilities of the role. – To apply salary progression for a newly / recently appointed Director. – Where the Director's salary has fallen significantly below the market positioning.	Company and individual performance are factors considered when reviewing salaries.
Chairman and Non Executive Director fees	The Chairman's and Non Executive Directors' fees should be in line with recognised best practice and be sufficient to attract and retain high calibre non executives.	Fees consist of a single consolidated fee for the Chairman plus the payment of a cash amount to cover his office expenses[1], an annual fee for the other Non Executives and additional fees for the Chairman of the Audit Committee and the Remuneration Committee. An additional fee is also paid to the Senior Independent Director in recognition of the responsibilities of that role. Set by reference to the responsibilities undertaken by the non executive, taking into account that each Non Executive Director is expected to be a member of the Nomination Committee and / or the Audit Committee and / or Remuneration Committee. Reviewed periodically but generally annually and at least every other year. Takes into account levels in comparably-sized companies and other major housebuilders. Fees are paid monthly in cash. Non Executive Directors do not participate in any incentive, share scheme, benefits-in-kind or pension arrangements. The Chairman is entitled to participate in the Company's private medical insurance scheme. Any reasonable business-related expenses (including tax thereon) which are determined to be a taxable benefit, can be reimbursed.	Aggregate annual limit of £1 million imposed by the Articles of Association.	N/A
Other benefits, including benefits-in-kind	Provides a competitive package of benefits to assist with recruitment and retention of staff.	The main benefits offered include: – Company-provided car or a cash allowance in lieu. – Provision of a fuel card. – Life assurance. – Private medical insurance. – A 5% discount on the price of a new home acquired from the Group in the UK or Spain. Benefits-in-kind are not pensionable.	Life assurance of up to four times basic salary and a pension of up to two-thirds of the member's entitlement for a spouse on death in service, or in retirement, are provided, together with a children's allowance of up to 100% of the dependant's pension for three or more eligible children. The cost of these benefits is not predetermined. The value of a company-provided car or a cash allowance in lieu is of a level appropriate to the individual's role and is subject to review from time to time. The fuel card covers the cost of all fuel, for both business and personal use. For home purchases, the price discount is calculated at the plot release price less the average discount to third party buyers for that house type on that development, less a further 5% employee discount. No more than one home per annum can be acquired at a discount under the scheme.	N/A

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Annual Bonus Scheme (EIS)	Rewards the achievement of stretching objectives that support the Company's annual and strategic goals. Compulsory deferral in shares is designed to further align the interests of Directors with shareholders.	EIS awards are determined by the Committee after the year end, based on annual performance against targets set at the beginning of each year. One-third of any EIS payable is deferred into shares for three years and held in trust. No further performance conditions apply. Dividends or other distributions will accrue in favour of participants during the three year deferral period and will be received with any shares that vest after the applicable deferral period. A malus and clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts and also for other defined reasons. The period of the clawback is three years from the date of payment. No element of the EIS is pensionable.	The maximum EIS opportunity for Executive Directors is set at 150% of base salary. Target is set at 75% of salary and threshold at 0%.	The EIS measures are based on a scorecard of designated key annual financial, operational and environmental measures and the measures for 2017 are described in the Annual Report on Remuneration. The Committee may vary the metrics and weightings from year to year according to strategy and the market, however financial measures will normally have the most significant weighting.
Long Term Incentive Plan (PSP)	Annual grants of share-based long term incentives assist with retention and the incentivisation and motivation of senior executives to achieve returns for shareholders through the inclusion of relative Total Shareholder Return (TSR) as a measure, driving further UK operating margin progression and improving return on net operating assets through the cycle. The use of shares and a post-vesting shareholding period helps align the interests of senior executives with those of the Company's shareholders.	Executive Directors and other designated senior executives can receive annual awards of PSP shares. Awards of PSP shares provide alignment with shareholders as they deliver (subject to meeting performance conditions) the full value of the shares, which can increase and decrease over the three year performance period. Dividends or other distributions will accrue for Directors during the performance and holding periods and will be received with any shares that vest in favour of participants after the applicable performance period. Performance measures are currently measured over three financial years. A malus and clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts and also for other defined reasons. The period of the clawback is three years from the date of payment.	The maximum award (currently in performance shares) is normally over shares with a face value of 200% of base salary. In exceptional circumstances this can be increased up to 300%.	The targets and weightings for 2018 are described in the Annual Report on Remuneration. The Committee may vary the measures that are included in the plan and the weightings between the measures from year to year. Any changes to the metrics would be subject to prior consultation with the Company's major shareholders. Awards vest 20% for threshold performance and 100% for maximum performance with straight line vesting in between.
Pension	The Company aims to provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders[3].	Pension benefits for Executive Directors are provided through one or more of the following arrangements: – Personal Choice Plan[4]; – Taylor Wimpey Pension Scheme[5]; – or as cash allowances.	Pete Redfern: cash allowances of 20% of salary up to a scheme specific cap and 25% of salary above the cap. James Jordan: cash allowances of 20% of salary up to a scheme specific cap and 28% of salary above the cap. Ryan Mangold: 20% of salary, split between a cash allowance and Company pension contribution. Company contributions to any pension scheme in respect of the recruitment of a new Executive Director will not exceed 20% of base salary per annum, which is the Company contribution rate for senior management. A Salary Exchange Arrangement is available, allowing the sacrifice of a portion of salary, to be paid into a pension scheme as a Company contribution.	N/A

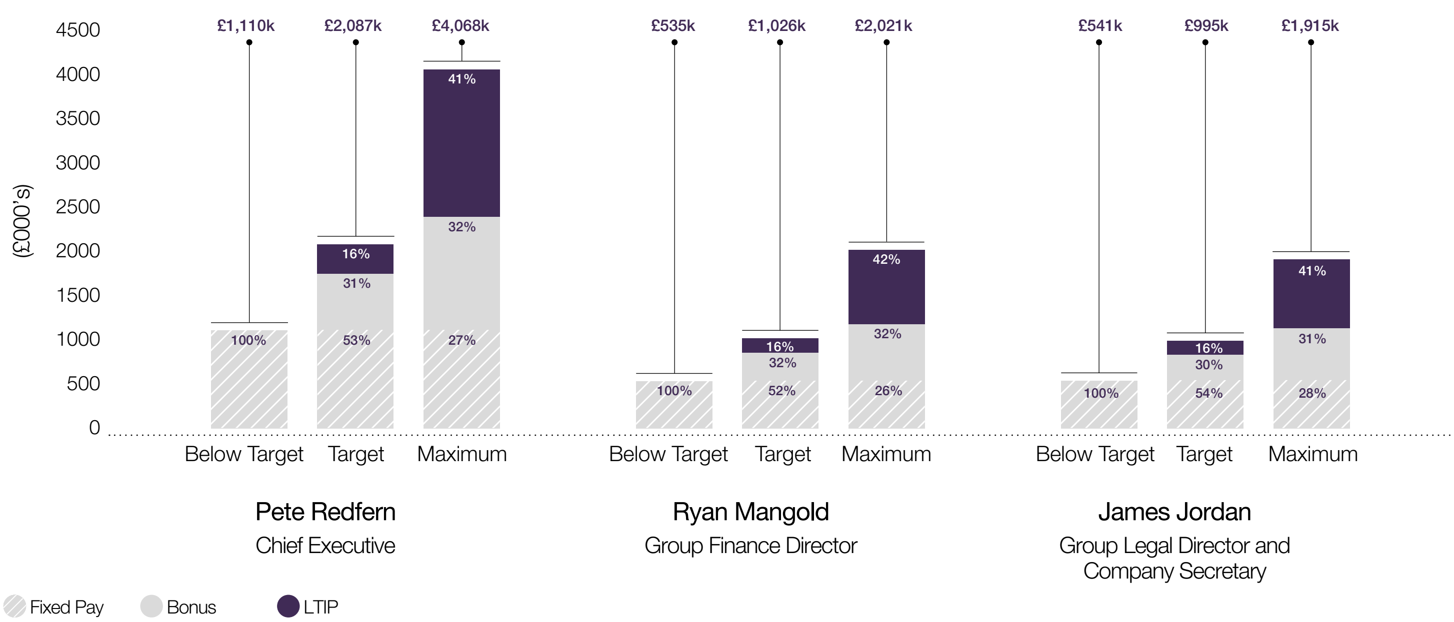
Remuneration Committee Report continued

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
All-employee share schemes	All employees including Executive Directors are encouraged to become shareholders through the operation of all-employee share plans such as the HMRC tax-advantaged Sharesave plan and a Share Incentive Plan (SIP).	The Sharesave plan and SIP have standard terms under which all UK employees with at least three months' service can participate.	Sharesave: Employees can elect for a savings contract of either three or five years, with a maximum monthly saving set by legislation or by HMRC. Options can be exercised during the six months following the end of the contract. SIP: Employees can elect to contribute an amount per month or per tax year by one or more lump sums. The maximum saving or contribution level is set by legislation or Government from time to time and the Committee reserves the right to increase contribution levels to reflect any approved Government legislative changes.	N/A
Shareholding guidelines	Encourages greater levels of shareholding and aligns employees' interests with those of shareholders.	Executive Directors and senior executives are expected to achieve and maintain a holding of the Company's shares at least equal to a significant proportion of their respective salary.	Executive Directors: 200% of salary (100% within five years of appointment and balance by agreement with the Chairman)[2].	N/A

1. The Company no longer makes a contribution to the Chairman's office-related expenses.
2. In addition to the two-year holding period in respect of the PSP, until the 200% target is achieved, an Executive Director will be required to retain in shares at least 50% of the net of taxes gain arising from any shares vesting or acquired pursuant to the PSP or other share based long term incentive plan.
3. Taylor Wimpey Pension Schemes – The Group has two principal UK pension schemes: Taylor Wimpey Personal Choice Plan and Taylor Wimpey Pension Scheme (TWPS). The latter was created on 7 March 2013 and all members of the George Wimpey Staff Pension Scheme and the Taylor Woodrow Group Pension & Life Assurance Fund, the two legacy defined benefit schemes, were transferred into the TWPS on 1 October 2013. Two Directors are members of the TWPS, which is closed to future accrual.
4. Taylor Wimpey Personal Choice Plan (PCP) – The PCP was introduced on 1 April 2002. It is a defined contribution stakeholder pension scheme, which all new eligible UK employees are invited to join. All active members of the two legacy defined benefit arrangements were invited to join the PCP when those arrangements closed to future accrual.
5. Taylor Wimpey Pension Scheme (TWPS) – Pete Redfern and James Jordan are members of the Executive section of the TWPS. They have a Normal Retirement Age under the TWPS of 62.

Illustration of the Remuneration Policy for 2018

The charts below illustrate the level and mix of remuneration based on the Remuneration Policy depending on the achievement of below target, target and maximum for the Executive Directors under the policy.



1. Salary is £857,020, £430,746 and £397,902 for Pete Redfern, Ryan Mangold and James Jordan, respectively with effect from 1 April 2018.
2. Benefits are £53,000, £21,000 and £48,000 for Pete Redfern, Ryan Mangold and James Jordan, respectively.
3. Pension is £204,991, £85,624 and £98,000 for Pete Redfern, Ryan Mangold and James Jordan, respectively.
4. For the EIS the target and maximum award is 75% and 150% of base salary, respectively.
5. For the PSP the target (assumed for these purposes to be at threshold performance) and maximum are 40% and 200% of base salary, respectively.

Committee discretion

The Committee fully recognises that the exercise of discretion must be undertaken in a very careful and considered way and that it is an area that will quite rightly come under scrutiny from shareholders and other stakeholders. It is however also important for the Committee to retain some discretion to make payments outside of its Remuneration Policy in exceptional circumstances. The Committee confirms that any exercise of discretion in such circumstances would be within the available discretions set out in this Report and that the maximum levels available under any relevant plans would not be exceeded.

As mentioned earlier in this Report, the Committee decided that it was appropriate to exercise its discretion to scale back the EIS entitlement of the three Executive Directors in respect of the 2017 outcome, by 20% of the EIS (which equates to 30% of salary) to take into account the impact of the circa £130 million provision which was made following the conclusion of the review into historic leasehold practices.

With regard to both the EIS and the PSP, the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans but in all cases within the rules. These include (but are not limited to) the following matters (with the maximum level of award restricted as set out in the Policy table on pages 78 to 80):

- Who participates in the plans.
- The timing of grant of award and / or payment.
- The size of an award and / or a payment, subject to the limits of the rules.
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction.
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen.
- Discretion to dis-apply time pro-rating in the event of a change of control or good leaver circumstances.
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, acquisition, divestment, change of control, special dividend or a change in prevailing market conditions).
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.
- Discretion to allow participants to sell, transfer, assign or dispose of some or all of their shares in exceptional circumstances before the end of the holding period, subject to such additional terms and conditions as the Committee may specify.

How shareholder views are taken into account

The Remuneration Committee appreciates and considers very seriously all shareholder feedback received in relation to remuneration each year and guidance from shareholder representative bodies more generally. Shareholder views are key inputs when shaping the Remuneration Policy and the Committee welcomes any comment or feedback on any aspects of remuneration and will always consider and respond.

The Committee regularly engages with its largest shareholders and shareholder bodies, regarding the ongoing Remuneration Policy and implementation, and will take into account any feedback when determining any changes that might apply. The last such consultation took place in December 2017 and included the proposed performance targets and weightings of both the EIS and PSP, and also the salary proposals for 2018 of 2.5% to apply to all employees. The Committee also used the opportunity to consult with shareholders on the use of its discretion to reduce the level of the Executive Directors' EIS as referred to above.

The Committee follows the principles of good governance relating to Directors' remuneration as set out in the Main Principles, Supporting Principles and Code Provisions of the Code. The Committee reviews and takes into account any governance related developments and guidance that arise, on an ongoing basis.

How employees' voice is taken into account

The Committee supports and welcomes the 'employee voice' proposals currently under consideration by the Government, and in anticipation of this, the Company has already put in place the Taylor Wimpey National Employee Forum (the NEF) which will work with members of the Group Management Team and build upon the existing regional Employee Consultative Committee structure. Since it was established in late 2017 it has met on two occasions and received updates and provided feedback and input into specific matters such as certain remuneration related matters, customer service and other important operational matters. It is intended that the Chairman and the Remuneration Committee Chairman will attend the NEF from time to time and also seek feedback on specific topics via the Group Legal Director and Company Secretary, Group Human Resources Director or other Group Management Team members as appropriate.

How performance measures were chosen

The performance metrics that are used for each of the short and long term incentive plans have been selected to reflect the Group's key strategic goals and are designed to align the Directors' interests with those of the Company's shareholders.

The EIS performance metrics include a mix of financial and non-financial metrics reflecting the key annual priorities of the Group. The financial metrics will generally determine at least 50% of the EIS and include earnings before interest and tax as this reflects the Company's strategic objective to increase profit sustainably. The other financial metrics, selected on an annual basis, will be measurable and will ensure that executives are motivated to deliver across a scorecard of key objectives. The improvement of customer service remains an area of ongoing focus and the Remuneration Committee has therefore retained it as a challenging measure.

The performance conditions applicable to the PSP were selected by the Committee as they are consistent with the overall longer term success of the Company. TSR provides an external assessment of the Company's performance in two ways. Firstly, against its competitors via an industry peer group and secondly, relative TSR measured against an appropriate sector of the FTSE. The latter has progressed over recent years, in line with the improvement in the Company's share price and capitalisation, from the FTSE 250 for 2014 awards; through to the 50 companies ranked immediately above and below the Company for 2015 awards; to the FTSE 100 for 2016 and subsequent awards. It also aligns the rewards received by executives with the returns received by shareholders. The ROCE and Cash Conversion targets ensure that returns to shareholders and the generation of cash to fund them are the result of long term sustainable financial performance. PBIT Margin is a key indicator for investors and for the Company's strategy of driving margin rather than volume.

The Committee will review the choice of performance measures and the appropriateness of the performance targets each year. Targets are set based on a sliding scale that takes account of internal planning and external market expectations for the Company. Maximum rewards require substantial out-performance of our challenging plans approved at the start of each year, with a significantly lower level of rewards for delivering thresheld performance levels.

Remuneration Committee Report continued

External Non Executive Director positions

Subject to Board approval and provided that such appointments fall within the general requirements of the Code (and do not give rise to any conflict issues which cannot be managed by the Board and the Executive Director), Executive Directors are permitted to take on non executive positions with other companies. Executive Directors are permitted to retain their fees in respect of such positions. Any such appointments would be the subject of a public announcement to the London Stock Exchange.

Pete Redfern is an independent non executive director on the Board of Travis Perkins plc where he also serves on its Remuneration Committee and chairs its Stay Safe Committee. His current fees total £68,000 per annum (2016: £57,000).

Remuneration Policy for the wider workforce

When setting the policy for Executive Directors, the Committee is made fully aware of pay structures across the workforce. In addition, the Committee will conduct a formal review of relevant elements of remuneration across the Group and for all levels of employee every three years. The most recent such review took place in 2017 and its findings, which included data in preparation for the publication of gender pay gap information in April 2018, were that there were no inherent issues or evidence of inequalities on base pay, bonus and car benefits, or on pension arrangements which have been aligned.

Virtually all of the Company's employees participate in incentive arrangements. Many employees can elect to take their performance-related payment in shares rather than cash, further enhancing the link and alignment between shareholder value and employee reward throughout the Company, which both the Company and the Committee consider important. For further details see employee involvement on page 96.

The Company also offers both Sharesave and Share Incentive schemes to all eligible UK employees with more than three months' service.

Remuneration Policy on recruitment or promotion

Base salary levels will be set in accordance with the Remuneration Policy, taking into account the experience and calibre of the individual. Where appropriate, the Company may offer a below market salary initially with a view to making above market and workforce increases over a number of years to reach the desired salary positioning, subject to individual and Company performance. Benefits and pension will be provided in line with those offered to other Executive Directors, with relocation expenses provided for if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. Legal fees and other costs incurred by the individual may also be paid by the Company, if considered appropriate and reasonable to do so.

The variable pay elements that may be offered will be subject to the maximum levels described in the policy table on pages 78 to 80. The Company may also consider applying different performance measures if it feels these appropriately meet the strategic objectives and aims of the Company whilst incentivising the new appointee.

The above policy, which has not been used to date since its introduction, would apply to both an internal promotion to the Taylor Wimpey plc Board or an external hire.

In the case of an external hire, the Company may choose to buy-out any incentive pay or benefit arrangements which would be forfeited on leaving the previous employer. This will only occur where the Company feels that it is a necessary requirement to aid the recruitment. The replacement value would be provided for, taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using Taylor Wimpey's existing share plans wherever and to the extent possible, although in exceptional circumstances awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules. To ensure alignment from the outset with shareholders, malus and clawback provisions may also apply where appropriate and the Committee may require new directors to acquire Company shares up to a pre-agreed level. Shareholders will be informed of any buy-out payments at the time of appointment.

In the case of an internal hire including a promotion, as previously reported, the Company will honour any commitments entered into prior to their appointment to the Board even where it is not consistent with the Policy prevailing at the time such commitment is fulfilled.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts of employment providing for a maximum of one year's notice either way. This meets the requirements of the UK Corporate Governance Code. Service contracts for all Executive Directors and letters of appointment for all Non Executive Directors are available for inspection as described in the Notice of Annual General Meeting on page 153.

Each of the Executive Directors' service contracts provides for:

- The payment of a base salary (details of which are set out on page 84).
- An expensed company car or a cash allowance in lieu; a fuel allowance; life assurance; and private medical insurance (details of which are set out on page 78).
- Employer's contribution to a pension scheme (details of which are set out on page 79).
- A notice period by either side of 12 months.
- A provision requiring a Director to mitigate losses on termination.

The service contract for each of Pete Redfern and James Jordan additionally provides for a pension allowance.

Each service contract contains the following performance-related provisions:

- Participation in the EIS.
- Participation in one or more long term incentive plan.

The Company has the right to terminate contracts by making a payment in lieu of notice. Any such payment will typically reflect the individual's salary, bonus entitlement, benefits in kind and pension entitlements. The Company will be mindful, on termination of an Executive Director's employment, of the need to mitigate costs and phase payments, which cease when the individual obtains an alternative role. There are no change of control provisions that apply in relation to the service contract of any Executive Director.

Other than in certain 'good leaver' circumstances (which could include by way of example redundancy, ill-health or retirement), no payment would usually be due under the EIS unless the individual remains employed and is not under notice at the payment date. Any payment to a good leaver under the EIS would be based on an assessment of their and the Company's performance over the applicable period and pro-rated for the proportion of the EIS year worked.

Where an Executive Director is considered by the Remuneration Committee to be a good leaver, deferred EIS awards (shares) would vest. In other circumstances, awards would lapse.

With regard to long term incentive plan awards, the rules of the PSP provide that, other than in certain good leaver circumstances, awards lapse on cessation of employment. Where an individual is a good leaver, the Committee's normal policy is for the award to vest on cessation of employment following the application of performance targets no later than the normal vesting date of the award and a pro-rata reduction to take account of the proportion of the applicable performance period outstanding post the cessation. The Committee has discretion to deem an individual to be a good leaver. The Committee also has discretion for both early vesting and reducing the impact of pro-rating. In doing so, it will take account of the reason for the departure and the performance of the individual through to the time of departure.

In situations where an Executive Director is dismissed, the Committee reserves the right to make additional exit payments where such payments are made in good faith:

– in discharge of an existing legal obligation (or by way of damages for breach of such an obligation);
– by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment; or
– to contribute towards the individual's legal fees and fees for outplacement services.

The terms of engagement of the Chairman and the Non Executive Directors are regulated by letters of appointment over a term of three years, which are reviewed annually. Both the Company and the aforementioned Directors have a notice period of six months and the Directors are not entitled to compensation on termination other than for the normal notice period if not worked out.

All Executive Directors are proposed for re-election at the 2018 AGM and each will have at that date an unexpired service contract term of one year.

Service contracts and letters of appointment may be inspected at the Company's Registered Office during normal business hours and at the AGM.

Legacy arrangements

Any commitment made which is consistent with the approved Remuneration Policy in force at the time that commitment was made will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Annual Report on Remuneration

This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2018 AGM. The information in the Implementation of the Remuneration Policy during 2017 section on pages 85 to 92 has been audited.

Remuneration Committee

The role of the Remuneration Committee (the Committee) is to recommend to the Board a strategy and framework for remuneration for Executive Directors and Senior Management in order to attract and retain leaders who are focused and incentivised to deliver the Company's strategic business priorities within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long term success of the Company.

The Remuneration Committee has clearly defined terms of reference which are available on the Company's website at www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance. The Committee's main responsibilities are to:

– Establish and maintain formal and transparent procedures for developing policy on executive remuneration and for determining the remuneration packages of individual Directors, and to monitor and report on them.
– Determine the remuneration, including pension arrangements, of the Executive Directors.
– Monitor and make recommendations in respect of remuneration for the tier of Senior Management one level below that of the Board.
– Approve annual and long term incentive arrangements together with their targets and levels of awards.
– Determine the level of fees for the Chairman of the Board.
– Select and appoint the external advisers to the Committee.

During 2017 the Committee comprised three Independent Non Executive Directors and also the Chairman of the Board. Kate Barker is the Committee Chairman and the other members of the Committee were Kevin Beeston, Angela Knight and Rob Rowley. Membership of the Committee is, and was throughout 2017, in line with the Code. Rob Rowley will stand down from the Board immediately following the AGM on 26 April 2018. Gwyn Burr became a member of the Committee following her appointment to the Board on 1 February 2018.

Details of attendance at Remuneration Committee meetings held during 2017 appear on page 74.

No Director or other executive is involved in any decisions about his or her own specific remuneration.

Advice to the Committee

The Committee keeps itself fully informed on developments and best practice in the field of remuneration and it seeks advice from external advisers when appropriate.

The Committee appoints its own independent remuneration advisers and during the year it decided that the role of remuneration adviser, in which capacity Aon Hewitt New Bridge Street, part of Aon PLC, had acted since February 2009, should be the subject of a comprehensive review and competitive tender process. The outcome of the review, which was held in June 2017, was the appointment, from 20 July 2017, of Korn Ferry Hay Group ('Korn Ferry'), who will act as remuneration adviser to the Committee going forward.

Both New Bridge Street and Korn Ferry are members of the Remuneration Consultants Group and signatories to its Code of Conduct. Neither firm provides any other services to the Company. Although the wider Aon PLC group of companies provide insurance broking and, until 27 March 2017, provided pension administration support services to the Company, the Committee is entirely satisfied that the provision of such services did not create any conflicts of interest. The Committee reviews the performance and independence of its advisers on an annual basis and is satisfied that the advice provided is objective and independent.

The Committee also receives legal advice from Slaughter and May, the Company's solicitors, as and when necessary. This generally relates to technical advice on share schemes and also with regard to any senior appointments and termination arrangements. The Committee is satisfied that the advice provided by Slaughter and May is objective and independent.

The fees paid to the Committee's advisers in 2017 were: New Bridge Street £45,000 for the period to 19 July 2017 (2016: £99,470 for a full year) and to Korn Ferry £38,000 for the period from 20 July 2017 (2016: Nil). No significant amount of advice was sought from Slaughter and May during the year.

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

Remuneration Committee Report continued

Chairman and Non Executive Directors

The terms of engagement of the Chairman and the Non Executive Directors are regulated by letters of appointment as follows:

Name	Date of appointment as a Director	Term of appointment	Notice period by Company (months)	Notice period by Director (months)
Kevin Beeston	1 July 2010	3 years, reviewed annually	6	6
Kate Barker	21 April 2011	3 years, reviewed annually	6	6
Gwyn Burr	1 February 2018	3 years, reviewed annually	6	6
Mike Hussey	1 July 2011	3 years, reviewed annually	6	6
Angela Knight	1 November 2016	3 years, reviewed annually	6	6
Rob Rowley	1 January 2010	3 years, reviewed annually	6	6
Humphrey Singer	9 December 2015	3 years, reviewed annually	6	6

How the Remuneration Policy will be applied in 2018

Base Salary

The Committee reviewed the Executive Directors' salaries in February 2018 and has decided to award increases of 2.5% for each Executive Director, with effect from 1 April 2018, in line with the average increase made to all employees.

The salaries of the Executive Directors effective from 1 April 2018 will be as follows:

Name	Salary at 1 April 2017	Salary at 1 April 2018	Increase
Pete Redfern	£836,118	£857,020	2.5%
Ryan Mangold	£420,240	£430,746	2.5%
James Jordan	£388,198	£397,902	2.5%

Annual Bonus Scheme

The Executive Incentive Scheme (EIS) performance metrics and their weightings for 2018 are shown in the table below. The precise details of the targets themselves are deemed to be commercially sensitive as they relate to the current financial year. However, detailed retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report in the usual way.

Measure	Weighting
EBIT	40%
Cash Conversion	20%
ROCE	20%
Customer service	20%

The above metrics and weightings are unchanged from the previous year and reflect the Group's continuing focus on the key performance areas of earnings; cash generation; returns; and further improving customer services.

One third of any bonus will be deferred in shares for three years without any matching element.

Long Term Incentive Plan

Taylor Wimpey Performance Share Plan (PSP)

In accordance with the Remuneration Policy, long term incentives comprise a PSP award with a maximum award of 200% of base salary (face value of shares at date of award). The annual awards granted to Executive Directors in 2018 will be subject to the following performance conditions:

	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (20% vesting)	Maximum (100% vesting)
TSR v Peer Group	30%	Less than median	Median	Upper Quartile
TSR v FTSE100	20%	Less than median	Median	Upper Quartile
ROCE in 2020	20%	Less than 26%	26%	30%
PBIT Margin for 2020	15%	Less than 20%	20%	22%
Conversion of operating profit into operating cash flow averaged over 2018-2020	15%	Less than 65%	65%	75%

Awards vest on a straight line basis between these points. The Direct Peer Group Index of housebuilders is an unweighted index comprised of Barratt Developments, Bellway, Berkeley Homes, Bovis Homes Group, Countryside Properties, Crest Nicholson, Galliford Try, Persimmon and Redrow.

The targets for 2018 are unchanged from those established for the 2017 awards. This was considered in detail by the Committee and approved on the basis that these targets were challenging when introduced and each remains stretching and appropriate in the present market outlook for the medium term.

An underlying requirement for any vesting under the current share-based incentive plans is that at the time of approving the vesting, the Committee must be satisfied with the overall financial performance of the Group. This will include inter alia the Company's ROCE and Margin performance.

The Committee also retains the right (as part of its overall discretion) to reduce the vesting of the award if it considers that volumes (i.e. the number of homes sold) have not been satisfactory during the relevant performance period.

Dividend equivalents and other distributions will accrue on vested awards and continue to accrue to the extent awards remain unexercised post vesting.

PSP awards are subject to a two year post vesting holding period for 2018 and future vestings.

Non Executive Directors' and Chairman's fees

A summary of the current fees (which have remained unchanged since 1 July 2016 and will be reviewed during 2018) is set out below:

	Annual Fees as at 1 April 2018
Chairman	£295,000
Basic Non Executive Director fee	£60,000
Senior Independent Director fee	£10,000
Audit Committee Chairman fee	£15,000
Remuneration Committee Chairman fee	£15,000

Payments to former Directors

There were no payments to former Directors or payments for loss of office to Directors during 2017.

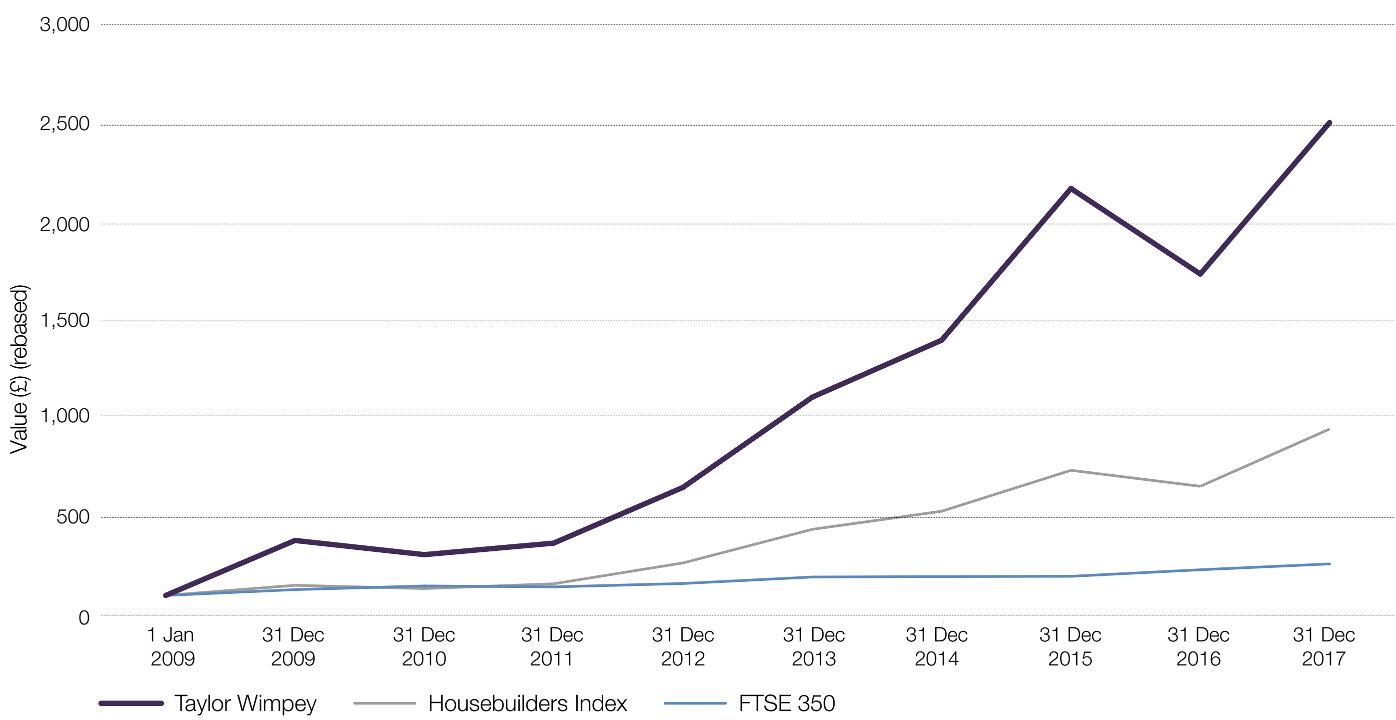
Implementation of the Remuneration Policy during 2017

Performance graph

(unaudited)

The graph below shows by way of total shareholder return, the value by 31 December 2017 of £100 invested in Taylor Wimpey plc on 1 January 2009 compared with the value of £100 invested in the FTSE 350 and in the average of the housebuilder index introduced for the 2012 Performance Share Plan awards onwards and as varied subsequently for the 2014 and 2016 awards. These benchmarks have been chosen as Taylor Wimpey is a consitutent of both.

Total shareholder return



Remuneration Committee Report continued

Chief Executive historic remuneration (unaudited)

The table below shows the total remuneration figure for the Chief Executive over the same nine year period as is reflected in the TSR graph on page 85. The total remuneration figure includes the EIS and PSP awards which vested based on performance in those years. The EIS and PSP percentages show the payout for each year as a percentage of the maximum.

	Year ending 31 December								
	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Total Remuneration (£'000)	£1,657	£1,542	£1,674	£3,009	£6,724	£6,250	£6,888	£4,072	**£3,809**
EIS (%)	100%	85%	82%	95%	90%	90%	78%	80%	**66%**
PSP vesting (%)	0%	0%	0%	40%	85%	94%	100%	81%	**78%**

Audited information

Director emoluments

£'000	Year	Fees & Salary	Benefits[a]	EIS[b]	PSP[c]	Pension[d]	All employee schemes[e]	**Total**
Executive								
Pete Redfern	2017	832	53	828	1,885	200	11	**3,809**
	2016	814	50	984	2,006	196	22	4,072
Ryan Mangold	2017	418	21	416	868	84	11	**1,818**
	2016	409	21	494	924	82	7	1,937
James Jordan	2017	386	48	384	875	96	11	**1,800**
	2016	378	44	457	931	94	24	1,928
Non Executive								
Kevin Beeston	2017	295	1	–	–	–	–	**296**
	2016	295	1	–	–	–	–	296
Kate Barker	2017	75	–	–	–	–	–	**75**
	2016	66	–	–	–	–	–	66
Mike Hussey	2017	60	–	–	–	–	–	**60**
	2016	58	–	–	–	–	–	58
Angela Knight (appointed 1 November 2016)	2017	60	–	–	–	–	–	**60**
	2016	10	–	–	–	–	–	10
Rob Rowley	2017	85	–	–	–	–	–	**85**
	2016	83	–	–	–	–	–	83
Humphrey Singer	2017	60	–	–	–	–	–	**60**
	2016	58	–	–	–	–	–	58
Margaret Ford (resigned 1 November 2016)	2017	–	–	–	–	–	–	–
	2016	54	–	–	–	–	–	54
	2017	**2,271**	**123**	**1,628**	**3,628**	**380**	**33**	**8,063**
	2016	2,225	116	1,935	3,861	372	53	8,562

(a) Benefits comprise non-cash payments to Pete Redfern and James Jordan for private medical insurance, life insurance and company car provision and a cash fuel allowance, and for Ryan Mangold, a non-cash payment for private medical insurance and a cash payment of a car allowance taken in lieu of a company car. Kevin Beeston's benefit relates to the provision of private medical insurance.

(b) These are the scaled back amounts for 2017 following the exercise of the Remuneration Committee's discretion in relation to the provision as referred to on page 75.

(c) This column shows the vesting during 2017 and 2016 of LTIPs as set out below and in the table at the top of page 87 and includes the value of dividends accrued during the performance period and payable on vesting. The 2016 totals have been restated to reflect the share price at vesting of 180 pence as stated in the PSP award 2014 table below.

(d) These figures represent the cash allowances payable as described in the Remuneration Policy 'Pension' section.

(e) These figures represent the value of the 20% discount on the Sharesave option price, matching shares under the Share Incentive Plan and the payment of Special Dividend accrued on Sharesave Options exercised by Pete Redfern, Ryan Mangold and James Jordan during 2016 and 2017 and grossed-up for Income Tax and National Insurance.

PSP awards included in 2016 total remuneration figure

PSP award	Performance target	Weighting	% Vesting (max 100%)	Shares vesting	Date of end of performance period	Date of vesting	Share price at vesting (pence)
2014 PSP[a]	TSR FTSE	20%	100%	470,681	31/12/2016	28/02/2017	180[a]
	TSR Peer Group	30%	36.5%	257,697	31/12/2016	28/02/2017	180[a]
	ROCE	25%	100%	588,354	31/12/2016	28/02/2017	180[a]
	Margin	25%	100%	588,354	31/12/2016	28/02/2017	180[a]

(a) The share price shown is the closing middle market share price on the date of vesting – 28 February 2017.

PSP awards included in 2017 total remuneration figure

PSP award	Performance target	Weighting	% Vesting (max 100%)	Shares vesting	Date of end of performance period	Date of vesting	Share price at vesting (pence)
2015 PSP[(a)(b)]	TSR FTSE	20%	100.0%	398,781	31/12/2017	28/02/2018	199.97[(a)]
	TSR Peer Group	30%	25.7%	153,729	31/12/2017	28/02/2018	199.97[(a)]
	ROCE	25%	100%	498,475	31/12/2017	28/02/2018	199.97[(a)]
	Cash Conversion	25%	100%	498,475	31/12/2017	28/02/2018	199.97[(a)]

(a) The share price shown is the average of the share prices for the dealing days in the last three months (October to December 2017) and will be restated in next year's Annual Report and Accounts to reflect the actual share price on vesting on 28 February 2018.

(b) On exercise, an equivalent proportion of cash accrued in lieu of dividends paid during the performance period, will also be paid net of Income Tax and NI.

EIS in respect of 2017

For 2017, the Committee measured performance against each individual performance target, which is directly linked to the achievement of the Company's strategy, as described in more detail on page 74, as follows:

Measure	Strategic objective	Weighting	Summary of targets	Result	% of maximum	% of salary paid in cash	% of salary deferred in shares
EBIT	To increase aggregate profit	40%	Entry (10% vesting) £775m Target (50% vesting) £796m Stretch (100% vesting) £830m	£841m	40	26.67	13.33
Cash Conversion	Driving increased cash generation and retention as a proportion of PBIT	20%	Entry (10% vesting) 72% Target (50% vesting) 77% Stretch (100% vesting) 82%	88.8%	20	13.33	6.67
ROCE	Driving capital efficiency	20%	Entry (10% vesting) 29% Target (50% vesting) 30% Stretch (100% vesting) 31%	32.4%	20	13.33	6.67
Customer Service	Improving and delivering customer service based on key National House-Building Council performance standards	20%	Entry (10% vesting) 72% Target (50% vesting) 86% Stretch (100% vesting) 89%	79%	6	4	2
Total		**100%**			**86[(a)]**	**57.33[(a)]**	**28.67[(a)]**

The amounts paid to Pete Redfern, Ryan Mangold and James Jordan in respect of 2017 are set out in the remuneration table on page 86.

(a) As stated on pages 75 and 81 the Committee used its discretion to scale back the bonus payments to Pete Redfern, Ryan Mangold and James Jordan for 2017 performance by an amount equivalent in each case to 30% of annual salary in recognition of the leasehold provision created during the year. This reduced the total bonus payable from 86% to 66% of the maximum.

Remuneration Committee Report continued

Vesting of PSP awards in 2017

The performance period for all elements of the 2015 PSP award ended on 31 December 2017 and the final measurement was undertaken based on this date, with the performance outcome being independently calculated by Korn Ferry and as part of the overall audit process.

The outcomes were as follows:

Award	Measure	Weighting	Vesting scale	Performance achieved	% overall award vesting
9 March 2015	TSR FTSE	20%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting in between	Above upper quartile (86th percentile)	20%
	TSR Peer Group	30%	No vesting below Index TSR, 20% vests at Index TSR, 100% vests at Index TSR + 8% p.a. (multiplicative). Pro-rata vesting in between	Index + 0.6% p.a. (TW TSR of 92.4% vs Index TSR of 88.9%)	7.7%
	ROCE	25%	No vesting below 16% ROCE, 20% vests at 16% ROCE, 100% vests at 24% ROCE. Pro-rata vesting in between	32.5%	25%
	Cash Conversion	25%	No vesting below 65% Cash Conversion, 20% vests at 65% conversion, 100% vests at 70% conversion. Pro-rata vesting in between	79.0%	25%
	Total	100%			77.7%

In deciding whether, and to what extent, any vesting of awards should take place under any LTIP, the Committee also considers the overall financial performance of the Company during the period. The Committee has determined that the overall financial performance of the Company has been strong in respect of the performance periods of the above PSP award and therefore determined that the 2015 PSP awards should vest at 77.71% based on the achievement of three performance measures in full and one measure (TSR Peer Group) in part, as set out in the table above.

Change in Company performance relative to change in remuneration (unaudited)

	2017	2016	Change (%)
Profit before tax, interest and exceptional items	**£841.2m**	£764.3m	10.1
Dividends paid per ordinary share	**13.94p**	12.02p	16.0
– interim 2017 / interim 2016 (2.3p / 0.53p)			
– final 2017 / final 2016 (2.44p / 2.29p)			
– special 2017 / special 2016 (9.2p / 9.2p)			
Employee pay in aggregate	**£244.1m**	£228.6m	6.8%
Employee pay average per employee	**£48,018**	£47,853	0.3%

Change in Chief Executive pay compared to Taylor Wimpey employees (unaudited)

The table below shows the percentage year-on-year change in salary, benefits and annual bonus earned between 2016 and 2017 for the Chief Executive compared to the average pay of Taylor Wimpey employees during the year.

	Salary	Benefits	Annual Bonus Scheme
Pete Redfern	2.0%	6.0%	-16.0%[a]
Average pay of Taylor Wimpey employees	2.0%	1.0%	7.5%

(a) As stated on pages 75 and 81 the Committee used its discretion to scale back the EIS (bonus) payments to Pete Redfern, Ryan Mangold and James Jordon for 2017 performance by an amount equivalent in each case to 20% of the EIS (i.e. equivalent to 30% of each Director's annual salary) in recognition of the leasehold provision created during the year.

Directors' PSP awards granted during the year

Performance awards were made in the year as summarised below:

	Award	Type	Number of shares	Face value (% of salary)[a]	Performance conditions	Performance period	% vesting at threshold performance
Pete Redfern	PSP	Nil cost options	888,108	£1,639,448 (200%)	20% on ROCE; 15% on Cash Conversion; 15% on PBIT Margin; 20% on TSR v FTSE100; 30% on TSR v Peer Group index.	01/01/2017 – 31/12/2019	20%
Ryan Mangold	PSP	Nil cost options	446,370	£824,000 (200%)	As above	As above	As above
James Jordan	PSP	Nil cost options	412,335	£761,172 (200%)	As above	As above	As above

(a) Calculated using the share price of 184.6 pence being the average of the closing prices for 1-3 March 2017.

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

Pete Redfern

Plan	Outstanding shares at 1 January 2017	Granted/ Awarded in 2017 (number)	Dividend re-investment shares added during 2017 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2017	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Deferred Shares (EIS)[a]	337,760	–	–	337,760	–	–	–	192.1	25.03.14	26.03.17	25.09.17
Deferred Shares (EIS)[a]	249,782	–	18,045	–	–	267,827	–	–	25.03.15	26.03.18	25.09.18
Deferred Shares (EIS)[a]	175,146	–	12,749	–	–	187,895	–	–	24.03.16	25.03.19	24.09.19
Deferred Shares (EIS)[a]	–	168,321[b]	12,399	–	–	180,720	–	–	24.03.17	25.03.20	24.09.20
Performance Share Plan[c]	1,222,746	–	–	989,813	232,933	–	–	180.0	04.03.14	04.03.17[e]	03.09.17
Performance Share Plan[c]	1,035,958	–	–	–	–	1,035,958[i]	–	–	09.03.15	09.03.18[d]	08.09.18
Performance Share Plan[c]	888,720	–	–	–	–	888,720	–	–	07.03.16	07.03.19[d]	06.09.19
Performance Share Plan[c]	–	888,108[f]	–	–	–	888,108	–	–	06.03.17	06.03.20[d]	05.09.20
Sharesave Plan[a]	10,000	–	–	10,000	–	–	90.00[h]	194.4	07.10.14	01.12.17	31.05.18
Sharesave Plan[a]	–	18,863[g]	–	–	–	18,863	159.04[h]	–	04.10.17	01.12.22	31.05.23
Total	**3,920,112**	**1,075,292**	**43,193**	**1,337,573**	**232,933**	**3,468,091**					

Ryan Mangold

Plan	Outstanding shares at 1 January 2017	Granted/ Awarded in 2017 (number)	Dividend re-investment shares added during 2017 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2017	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Deferred Shares (EIS)[a]	155,507	–	–	155,507	–	–	–	192.1	25.03.14	26.03.17	25.09.17
Deferred Shares (EIS)[a]	115,001	–	8,305	–	–	123,306	–	–	25.03.15	26.03.18	25.09.18
Deferred Shares (EIS)[a]	88,031	–	6,410	–	–	94,441	–	–	24.03.16	25.03.19	24.09.19
Deferred Shares (EIS)[a]	–	84,599[b]	6,231	–	–	90,830	–	–	24.03.17	25.03.20	24.09.20
Performance Share Plan[c]	562,963	–	–	455,718	107,245	–	–	180.0	04.03.14	04.03.17[e]	03.09.17
Performance Share Plan[c]	476,965	–	–	–	–	476,965[i]	–	–	09.03.15	09.03.18[d]	08.09.18
Performance Share Plan[c]	446,677	–	–	–	–	446,677	–	–	07.03.16	07.03.19[d]	06.09.19
Performance Share Plan[c]	–	446,370[f]	–	–	–	446,370	–	–	06.03.17	06.03.20[d]	05.09.20
Sharesave Plan[a]	10,000	–	–	10,000	–	–	90.00[h]	194.4	07.10.14	01.12.17	31.05.18
Sharesave Plan[a]	6,876	–	–	–	–	6,876	130.88[h]	–	05.10.16	01.12.19	31.05.20
Sharesave Plan[a]	–	5,658[g]	–	–	–	5,658	159.04[h]	–	04.10.17	01.12.22	31.05.23
Total	**1,862,020**	**536,627**	**20,946**	**621,225**	**107,245**	**1,691,123**					

Remuneration Committee Report continued

James Jordan

Plan	Outstanding shares at 1 January 2017	Granted/ Awarded in 2017 (number)	Dividend re-investment shares added during 2017 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2017	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Deferred Shares (EIS)[a]	156,817	–	–	156,817	–	–	–	192.1	25.03.14	26.03.17	25.09.17
Deferred Shares (EIS)[a]	115,971	–	8,378	–	–	124,349	–	–	25.03.15	26.03.18	25.09.18
Deferred Shares (EIS)[a]	81,317	–	5,920	–	–	87,237	–	–	24.03.16	25.03.19	24.09.19
Deferred Shares (EIS)[a]	–	78,148[b]	5,756	–	–	83,904	–	–	24.03.17	25.03.20	24.09.20
Performance Share Plan[c]	567,703	–	–	459,555	108,148	–	–	180.0	04.03.14	04.03.17[e]	03.09.17
Performance Share Plan[c]	480,980	–	–	–	–	480,980[i]	–	–	09.03.15	09.03.18[d]	08.09.18
Performance Share Plan[c]	412,619	–	–	–	–	412,619	–	–	07.03.16	07.03.19[d]	06.09.19
Performance Share Plan[c]	–	412,335[f]	–	–	–	412,335	–	–	06.03.17	06.03.20[d]	05.09.20
Sharesave Plan[a]	10,000	–	–	10,000	–	–	90.00[h]	194.4	07.10.14	01.12.17	31.05.18
Sharesave Plan[a]	6,876	–	–	–	–	6,876	130.88[h]	–	05.10.16	01.12.19	31.05.20
Sharesave Plan[a]	–	5,658[g]	–	–	–	5,658	159.04[h]	–	04.10.17	01.12.22	31.05.23
Total	**1,832,283**	**496,141**	**20,054**	**626,372**	**108,148**	**1,613,958**					

Details of options over shares held by Directors who served during the year:

(a) Vesting is not dependent on any performance conditions.

(b) Market value per share on date of grant 24 March 2017 was 191.5 pence.

(c) Vesting is subject to the achievement of performance conditions.

(d) This is the earliest date, which may be deffered if the publication of the preliminary full year or half year results announcement on which the associated performance condition will be calculated, is later for any reason.

(e) This is the earliest date, which may be deffered if the publication of the preliminary full year or half year results announcement on which the associated performance condition will be calculated, is later for any reason.

(f) Market value per share on date of grant 6 March 2017 was 186.1 pence.

(g) Market value per share on date of grant 4 October 2017 was 198.6 pence.

(h) These prices represent a 20% discount to market price at the offer date.

(i) Following the vesting of 77.71% the remainging portion of the award (22.29%) will lapse, representing 230,915, 106,315 and 107,210 shares respectively for Pete Redfern, Ryan Mangold and James Jordan.

There have been no variations to the terms and conditions or performance criteria for outstanding share awards during the financial year. The market price of the ordinary shares on 31 December 2017 was 206.4 pence and the range during the year was 155.6 pence to 207.4 pence. Details of any share awards made to Executive Directors during 2018 will be included in the 2018 Remuneration Report.

Directors' interests in shares of the Company

Share ownership guidelines

The Taylor Wimpey share ownership guidelines are designed to encourage shareholding in Taylor Wimpey plc by executives at various levels within the Company for the purpose of alignment with the Company's shareholders which the Committee strongly believes is very important. The guidelines cover the Executive Directors and those executives who participate in long term incentive plans with all participating executives required to build up shareholdings through the retention of shares vesting under the Company's share plans.

The level of required shareholding for Executive Directors to attain is two times base salary. Executive Directors are expected to achieve a holding equivalent to one times base salary within five years of their appointment and although there will be no set time limit for achieving a two times salary holding, each Executive Director is required to agree a personal plan with the Chairman on the target to be achieved within an agreed time frame. Executive Directors are also required to retain at least 50% of their net of taxes gain arising from any shares vesting or acquired pursuant to the Company's Long Term Incentive Plans, until such time as the guidelines have been met. Only beneficially owned shares count toward the guidelines, including the portion of the annual bonus (EIS) deferred into shares. The Committee will keep the guidelines under regular review.

As mentioned earlier in this Report, any shares that vest under the 2015 and later PSP awards must, as a standard requirement, be retained by executives for at least 24 months. The Chairman and the Non Executive Directors are also encouraged to hold shares in the Company in order to align their interests with those of shareholders.

Directors' interests in 1p ordinary shares held (fully paid) are as set out in the table below:

	Beneficially owned		Outstanding interests in share plans			Share interests expressed as a percentage of salary
Director	at 1/1/17 (ordinary shares)[a]	at 31/12/17 (ordinary shares)	EIS deferred shares[b]	PSP	Sharesave	Value of shares (excluding EIS deferred shares) as at 31/12/17
Kevin Beeston	1,155,562	1,155,562	–	–	–	
Pete Redfern	1,740,528	1,678,456	337,314	2,812,786	18,863	414%
Ryan Mangold	966,388	971,496	163,545	1,370,012	12,534	477%
James Jordan	1,110,213	672,395	156,609	1,305,934	12,534	357%
Kate Barker	60,000	60,000	–	–	–	
Mike Hussey	150,000	100,000	–	–	–	
Angela Knight	0	5,000	–	–	–	
Rob Rowley	200,000	200,000	–	–	–	
Humphrey Singer	25,000	25,000	–	–	–	

(a) Or date of appointment.

(b) Only the net amount of shares has been included in this column.

The only changes to the Directors' interests as set out above during the period between 31 December 2017 and 27 February 2018 were the regular monthly purchases of shares and 1:1 matching by the Company under the Share Incentive Plan by Pete Redfern (300 shares) and James Jordan (300 shares).

Directors' pension entitlements

Defined benefit schemes

The Taylor Wimpey Pension Scheme

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

Director	Normal retirement Age	Accrued pension as at 31/12/16	Increase in accrued pension from 31/12/16 to 31/12/17	Accrued pension as at 31/12/17[a]	Transfer value gross of Director's contributions at 31/12/17[b]	Transfer value gross of Director's contributions at 31/12/16[b]	Increase (decrease) in transfer value from 31/12/16 to 31/12/17 less Director's contributions[c]
Pete Redfern	62	14,669	140	14,809	321,906	291,057	30,849
James Jordan	62	27,135	260	27,395	730,136	670,417	59,719

(a) The pension benefits are based on service up to 31 August 2010 when the George Wimpey Staff Pension Scheme (GWSPS) closed to future accrual. Members of the GWSPS were transferred into the TWPS on 1 October 2013 and there was no change to members' benefit entitlement. Pension benefits include a two thirds spouse's pension. Pensions accrued up to 5 April 2006 are guaranteed to increase in payment in line with inflation limited each year to 5%. Pensions accrued after 5 April 2006 are guaranteed to increase in payment in line with inflation limited each year to 2.5%. Pensions accrued up to 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 5% per annum. Pensions accrued after 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 2.5% per annum. The Company has only taken into account defined benefits accrued over the period to 31 August 2010 and has not included any Defined Contribution pension benefits accrued after this date.

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

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

Note: Pete Redfern and James Jordan received cash allowances of £200,340 (2016: £197,400) and £95,898 (2016: £94,500) respectively in lieu of Company pension contributions.

There was no change to benefits during the year and consequently no difference between the changes to any Director's pension benefits in comparison with those of other employees.

Remuneration Committee Report continued

Non-Group pension arrangements

Ryan Mangold has non-Group pension arrangements, to which contributions were paid by the Company as set out below:

	2017 (£)	2016 (£)
Ryan Mangold	**10,000**	27,500

Notes: Ryan Mangold also received a pension allowance of £73,636 in 2017 (2016: £64,300) in lieu of Company pension contributions over the Tapered Annual Allowance limit introduced in April 2016. He also elected to have £0 (2016: £10,000) of the non-deferred portion of his Annual Bonus Scheme cash bonus, earned for 2016 performance and paid in 2017, paid as additional pension contribution.

Statement of shareholder voting (unaudited)

At the 2017 AGM, the result of the shareholders' vote on the Company's Remuneration Report for 2016 was:

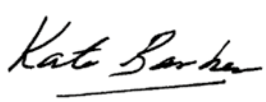
	2017 (Votes)	2016 (Votes)
For	**1.9 billion (98%)**	1.9 billion (98%)
Against	**37 million (2%)**	30 million (1.5%)
Withheld	**1,415,251**	2,643,687

At the 2017 AGM, the result of the shareholders' vote on the Company's Remuneration Policy was:

	2017 (Votes)
For	1.9 billion (98%)
Against	38 million (2%)
Withheld	1,502,137

Approval

This Remuneration Report was approved by the Board of Directors on 27 February 2018 and signed on its behalf by the Remuneration Committee Chairman:



Kate Barker
27 February 2018

Statutory, Regulatory and Other Information

Introduction

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors' Report. Certain other matters which are required to be reported on appear in other sections of this Annual Report and Accounts as detailed below:

Matter	Page(s) in this Annual Report
– An indication of likely future developments in the business of the Company and its subsidiaries appears in the Strategic Report	1 to 45
– The Group's profit before taxation and the profit after taxation and minority interests appear in the consolidated income statement and in the Notes to the accounts	103 and 108 to 137
– The Company's Viability Statement	41
– The Remuneration Report	74 to 92
– Details of the Company's long-term incentive schemes as required by LR 9.4.3 R are set out in the Remuneration Report	74 to 92
– The reporting on the Company's carbon footprint	30
– A list of the subsidiary and associated undertakings, including branches outside the UK, principally affecting the profits or net assets of the Group in the year	144 to 147
– Changes in asset values are set out in the consolidated balance sheet and in the Notes to the accounts	105 and 108 to 137
– A detailed statement of the Group's treasury management and funding including information on the exposure of the Company in relation to the use of financial instruments	124 to 126
– Details of an arrangement under which a shareholder has waived or agreed to waive any dividends, and where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review	94
– A statement that this Annual Report and Accounts meets the requirements of Provision C.1 of the UK Corporate Governance Code (the Code), is set out in the Corporate Governance Report	60

All information required to be reported by Listing Rule 9.8.4 R and applicable to the Company or Group for this reporting period is set out in the table above.

Directors

The following Directors held office throughout the year:

- Kevin Beeston, Chairman;
- Pete Redfern, Chief Executive;
- Ryan Mangold, Group Finance Director;
- James Jordan, Group Legal Director and Company Secretary;
- Kate Barker, Independent Non Executive Director;
- Mike Hussey, Independent Non Executive Director;
- Angela Knight, Independent Non Executive Director;
- Rob Rowley(1), Independent Non Executive Director and the designated Senior Independent Director; and
- Humphrey Singer, Independent Non Executive Director.

(1) As previously announced Rob Rowley will stand down at the conclusion of the Company's AGM on 26 April 2018.

In addition to the above, and subsequent to the year end, Gwyn Burr was appointed an Independent Non Executive Director on 1 February 2018.

The Directors together with their biographical information are shown on pages 46 to 47.

Retirement and re-election

The Company has determined that in accordance with the UK Corporate Governance Code (the Code), all Directors should seek election or re-election, as appropriate, at this year's AGM as explained in the Notes to the Notice of Meeting and on page 59 of the Corporate Governance Report.

Each of the Directors proposed for election or re-election at the AGM is being unanimously recommended by all of the other members of the Board. This recommendation follows the completion of the annual Board evaluation process, which was externally facilitated this year by Manchester Square Partners. This included a detailed appraisal of the Board, its Committees and also in respect of each Director, which in turn included a review of their respective time commitments (save for Gwyn Burr as explained on page 156 as she was appointed on 1 February 2018). Further information relating to the evaluation is set out in the Corporate Governance Report on page 61.

The Articles of Association of the Company further regulate the appointment and removal of Directors, in addition to the Companies Act 2006 and related legislation. The Company's Articles of Association may be amended by special resolution of the shareholders. The various powers and responsibilities of the Directors are described in the Corporate Governance Report.

Qualifying third party indemnity

The Company has granted an indemnity in favour of its Directors and officers and those of its Group companies, including the Trustee Directors of its Pension Trustee Company, against the financial exposure that they may incur in the course of their professional duties as Directors and officers of the Company and / or its subsidiaries / affiliates. The indemnity has been put in place in accordance with section 234 of the Companies Act 2006 in respect of which the Company took advice from its corporate lawyers, Slaughter and May.

Audit and auditor

Each Director has, at the date of approval of this Report, formally confirmed that:

- To the best of his or her knowledge there is no relevant audit information of which the Company's auditor is unaware.
- He or she has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP (Deloitte) have confirmed their willingness to continue in office as auditor of the Company. Following a review by the Audit Committee of their effectiveness, details of which are set out on page 65, a resolution to re-appoint Deloitte will be proposed at the AGM.

It is the Company's general policy that its auditor will not carry out non-audit services except where it is appropriate to do so and in accordance with the Company's formal policy for the carrying out of such work. In addition, and in line with the Code, the Committee takes into account the relevant ethical and auditing professional standards guidance regarding the provision of non-audit services by the external auditor. The Company has reviewed the policy in light of the new regulation set out on page 65 which applied to the Company from 1 October 2017. Any revision to current regulations or guidelines will be taken into account in framing the Company's policy going forward and reported on in future Annual Reports as appropriate. Deloitte provided non-audit services to the Group during the year within the policy framework as described in the Audit Committee Report, details of which are set out in Note 6 on page 116.

Statutory, Regulatory and Other Information continued

Annual General Meeting

The AGM will be held at 11:00 am on 26 April 2018 at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Formal notice of the AGM including details of the special business being proposed is set out in the Notice of Meeting on pages 151 to 157 and on the Company's website at www.taylorwimpey.co.uk/corporate. In line with recent practice and good governance, voting on all resolutions at this year's AGM will again be conducted by way of a poll. The Board believes that this method of voting gives as many shareholders as possible the opportunity to have their votes counted as part of the process, whether their votes are tendered by proxy in advance of, or in person at, the AGM.

Web communication

With shareholders' consent, the Company has adopted web communication. The benefits of web communication are that it:

- enables the Company to significantly reduce its printing and postage costs;
- enables shareholders to access information faster, on the day documents are published on the Company's website; and
- reduces the amount of resources consumed, such as paper, and therefore helps to reduce the impact of printing, mailing and related activities on the environment.

Shareholder communications (including the 2017 Annual Report and Accounts) are available electronically through the Company's website.

Over 85% of the Company's shareholders use either electronic or web communication.

The Company will of course continue to provide hard copy documentation to those shareholders who have requested this and is, of course, happy to do so.

Registrar

The Company's registrar is Link Asset Services (formerly known as Capita Asset Services). Their details, together with information on the services and facilities available to shareholders, are set out in the Shareholder Facilities section on pages 158 to 159.

Capital structure

Details of the Company's issued share capital, together with information on the movements in the Company's issued share capital during the year, are shown in Note 22 on page 132.

The Company has two classes of shares: Ordinary Shares of 1p, each of which carries the right to one vote at general meetings of the Company and such other rights and obligations as are set out in the Company's Articles of Association, and Deferred Shares which carry no voting rights.

The authority given by shareholders at the AGM held on 27 April 2017 for the Company to purchase a maximum of 327,136,000 of its own shares remained valid at 31 December 2017. The authority was not exercised during 2017 or prior to the date of this Report. The Company has no current intention of exercising this authority but will nevertheless be seeking the usual renewal of this authority at the AGM and the Board will continue to keep the position under regular review. The Company currently holds no shares in treasury.

There are no specific restrictions on the size of a holding, the exercise of voting rights, nor on the transfer of shares, which are governed by the Articles of Association and prevailing legislation. The Directors are not aware of any agreement or agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in the Remuneration Report on pages 79 and 80. The Employee Share Ownership Trusts which hold shares on trust for employees under various share schemes, generally abstain from voting at shareholder general meetings in respect of shares held by them.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Substantial interests

The persons set out in the table below have notified the Company pursuant to Rule 5.1 of the Disclosure and Transparency Rules of their interests in the ordinary share capital of the Company.

At 27 February 2018, no change in these holdings had been notified nor, according to the Register of Members, did any other shareholder at that date have a disclosable holding of the Company's issued share capital.

Directors' interests, including interests in the Company's shares, are shown in the Remuneration Report on page 91. The Board strongly believes in the alignment of interests between senior management and the Company's shareholders.

Substantial interests in the Company's shares were as follows:

	As at 31 December 2017		As at 27 February 2018	
Name	Number of shares held (millions)	Percentage of issued voting share capital	Number of shares held (millions)	Percentage of issued voting share capital
BlackRock, Inc.	182.5	5.58	182.5	5.58
Legal & General Group Plc	98.5	3.02	98.5	3.02
Standard Life Investments Limited	96.4	3.02	96.4	3.02

Dividend

An interim ordinary dividend of 2.30 pence per ordinary share was paid on 3 November 2017 and the Directors recommend a final ordinary dividend of 2.44 pence per ordinary share which, together with the interim dividend, increases the total ordinary dividend for the year to 4.74 pence (2016: 2.82 pence). Information relating to the recommended 2017 final ordinary dividend is set out in the Chairman's Statement on page 8 and in the notes to resolution 2 on page 155 in the Notes to the Notice of Annual General Meeting.

The Directors also recommend a special dividend for 2018 of 10.4 pence per ordinary share (2017: 9.2 pence). Information relating to the recommended 2018 special dividend is set out in the Chairman's Statement on page 8 and in the notes to resolution 3 on page 155 in the Notes to the Notice of Annual General Meeting.

The Company will be operating a Dividend Re-Investment Plan (DRIP), further details of which are set out on page 158 of this Annual Report. The DRIP will operate automatically in respect of the 2017 final ordinary dividend for those shareholders who have previously registered a DRIP mandate (unless varied by shareholders beforehand) and also in respect of all future dividends, including special dividends, until such time as each participating shareholder elects to withdraw from the DRIP, or the DRIP is suspended or terminated in accordance with the Terms and Conditions of the plan. The Board will continue to keep the availability of the DRIP under regular review.

Shareholders are again reminded to check their position with regard to any dividend mandates that are in place, should they either wish to participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

The right to receive any dividend has been waived in part by the Trustee of the Company's Employee Share Ownership Trusts (ESOTs) over those Trusts' combined holding of 13,052,331 shares. More details of these ESOTs are contained in Note 25 on pages 133 to 134.

Research and development

Our Research and Development initiatives ('Project 2020') continued throughout 2017 with its focus on three key areas: a Design Competition, a pilot on Direct Labour and a project looking at increasing the use of timber frame.

In 2016 we held an architectural competition with the Royal Institute of British Architects, looking for exciting new ideas in home design. Through 2017 our regional teams have been working with the competition winners Openstudio, to develop their designs for use in three trial sites. Each of the three sites will use a different construction method, traditional masonry, timber frame, or CLT (cross laminated timber) allowing us to compare the production efficiency and energy performance of differing construction methods as well as the design opportunities given by the designs. The completed trials are due to be delivered in 2018.

Openstudio Architects' Infinite House is a set of contemporary housing prototypes designed to offer maximum flexibility, customisation and cost efficiency, and to maximise levels of natural light and the perception of space. The Infinite House's external envelope allows it to adapt to suit different contexts without appearing to be a repeated house type, maintaining the efficiency and cost-effectiveness of repetition and structural standardisation.

During 2017 we also instigated a Direct Labour pilot involving six business units to determine the feasibility of increasing our direct labour workforce. Through many industry wide reports and internal analysis it is evident that the industry as a whole has a considerable challenge ahead regarding the capacity and capability of key trades within our future workforce. We currently have limited control over our subcontractor base in terms of their size, growth, mobility, skills, training, recruitment and commitment. We have therefore taken this opportunity to pilot growth in our direct labour pool which will allow Taylor Wimpey to construct a sustainable work force which will be able to address current and future market challenges in volume and quality.

The Project 2020 development initiatives in respect of our alternative build methods were concluded in the early part of 2017. The build method that excelled in the trials above all others was timber frame. This is a well-established method of construction with a wealth of industry knowledge and by coincidence is already extensively used by us in Scotland.

A strategy was developed and a target set to increase the usage of timber frame to 20% of all completions by 2020. Throughout 2017 the strategy progressed in the development of a set of standard timber frame house designs complemented by a set of standard timber frame construction and system details. These house designs and details will provide the foundation for the future in setting one national standard. Timber frame sites and plot completions have already been identified and are progressing in line with the strategy milestones.

In 2017, we completed a further phase of development of our Carbon Futures approach to quantify the carbon dioxide emissions for entire sites. This approach takes into account the buildings but also the carbon absorption of green and blue infrastructure throughout the site. In 2018 we plan to get the Carbon Futures approach verified by the leading consultancy the Carbon Trust. Also in 2017 we supported the Horizon Group at the Supply Chain Sustainability School. The Horizon Group is a collaboration between the construction industry and leading construction academics. Its vision is of a supply chain with greater capability to deliver a sustainable built environment through the development and implementation of collaborative research.

Employee involvement and communication

We are proud of how committed our employees are to Taylor Wimpey and the long term success of our business. We strive to listen to and engage with all staff and employees. During 2017 we completed a further Talkback Survey, with the overall results continuing to be extremely positive. The response rate significantly improved from 55% in 2015 to 72% with a particularly pleasing increase from our weekly paid site based employees where we saw an improvement from 18% in 2015 to 67% in 2017.

Whilst there was no change in the overall employee engagement which remains at a strong 93%, further high scores in "willing to go the extra mile" – 97% and "proud to work for TW" – 95% were seen. It was also very pleasing to see improved scores in areas such as customer service, flexible working, training, benefits package and how employees feel that our cultural principles make Taylor Wimpey a better place to work, which were clear areas of focus following the 2015 survey.

Looking ahead, the areas of focus for the forthcoming period are: how we can continue to improve our collaboration; how we can work together more effectively; and how we ensure employees have the tools and resources they need to do their job.

Building on our approach to communication, we produced a short video clip, as well as a paper based report, for all employees summarising the 2017 results which was well received.

We continue to maintain our active employee consultation committees in our regional business units and communicate with employees via our half yearly Teamtalk employee magazine and regular Teamtalk Express email newsletter. Our intranet includes a wide range of employee information from human resources policies to advice for employees on sustainable living. It also includes an 'Open Door' forum that puts employees directly in touch with our Chief Executive.

During 2017 building on the 'employee voice' initiatives considered by the Government we established a National Employee Forum (the NEF). Chaired by Tim Betts, Divisional Managing Director, the first NEF meeting took place in October 2017, with topics discussed including customer service and business attire.

With a minimum of two meetings anticipated annually it remains the intention that the Chairman and the Remuneration Committee Chairman will attend the NEF from time to time and also seek feedback on specific topics via the Group Legal Director and Company Secretary or other Group Management Team members as appropriate.

The Company is committed to ensuring open and regular communication throughout the Group on both business-related issues and items of general interest. There is a formal Employee Consultation Committee structure in place in all operations and elected representatives meet with management to consult on appropriate issues. Intranet systems are continually updated which provide a valuable communication tool across the Group and an important facility for providing employees with access to a wide range of information. Information is regularly cascaded throughout the Group via email – including regular communications from the Chief Executive – and via verbal briefings and management presentations. The Company's internal magazine provides a further communication option.

We have also utilised social media to inform our employees of developments around the Company and to invite their feedback on them. Our employees have enthusiastically engaged with this new internal communication channel and we have seen an increase in the sharing of best practice; employees interacting in a wider business sense; and the spread of knowledge around the Group. Around half of our employees now post and engage on a regular basis and usage and membership is growing steadily.

During 2017, we also saw the launch of our first e-learning modules, which can be accessed via any PC, laptop tablet or mobile phone. Forming part of our induction process for new employees, the four modules provide useful information in an engaging and interactive format in the following areas:

- Welcome to Taylor Wimpey – this e-learning module navigates users around the company, tells them what our business is about and gives an overview of the different functions. This is particularly useful for employees who enter the business from a non-housebuilding background.
- The role of a PLC – this module informs users about the different elements of what it means to be a fully listed public limited company (PLC), the rules and processes around this and the corporate governance we must adhere to. It also provides an overview of shareholder and board responsibilities.
- Diversity and Inclusivity – these two modules (one for all employees and one specifically for line managers) help users understand in more detail our commitment to building a more diverse and inclusive workforce as well as the roles and responsibilities they have in supporting our commitments.

Statistory, Regulatory and Other Information continued

- The Modern Slavery Act – the Modern Slavery Act aims to tackle slavery in the UK and came into effect in March 2015. The module outlines Taylor Wimpey's commitment to tackling modern slavery and how all employees can play their part. We are also raising awareness more generally around Data Protection and the new GDPR regime.

Whilst they do form part of our induction for new employees, in view of the useful content, we also made these available to existing employees.

In addition, as we continue to focus on retaining our employees during increasing challenges across the Industry such as skill shortages, we embarked on a series of business unit roadshows during 2017. The focus is to communicate and raise awareness of benefits offered as part of our total reward offer. Where necessary we have tailored the presentations to suit local requirements and audiences.

Continuous development of our career site's look and feel, as well as its performance, is key to how we appeal to and engage with potential candidates. Throughout the year we have looked to add more content, links and videos to increase engagement and application conversions. This year we saw an overall increase in visits and a real spike in activity during the graduate recruitment drive.

We have added video content to ensure prospective candidates from outside of our sector are clear on what our technical functions are responsible for delivering. The videos also promote diversity, career development and culture – three areas that are integral to developing and maintaining a strong employment brand.

Externally we have driven more content on career partner sites such as LinkedIn and Glassdoor which has resulted in increased page views for our company profiles and more followers. This culminated in being rated 15th in the Glassdoor 2018 Best Places to Work survey.

The Company promotes employee share ownership as widely as possible across the business. In addition to the various share-related reward plans described in the Remuneration Report on pages 79 to 80, the Company also offers a scheme whereby employees who do not participate in the Annual Bonus Scheme (cash bonus scheme) are offered the opportunity each year to exchange any cash bonus awarded for exceptional performance, into shares of the Company, offering a 20% enhancement to the value if taken entirely in shares and retained for a designated period. The scheme has operated since 2012 and in 2017 resulted in 349,835 shares (2016: 333,307) being acquired by 289 employees (2016: 281).

In addition to the above, the Company also maintains two all-employee share plans, namely, the Save As You Earn share option plan and the Share Incentive Plan (SIP), which are offered as widely as possible across the Group. The proportion of our eligible employees who either participate in one or both plans or who are already shareholders of the Company has risen to 57%.

Equal opportunities

We strive to treat our employees fairly and with respect at all times. We have policies and processes in place to ensure that we act in accordance with our vision, mission and values which encompass equal opportunities, anti-harassment and bullying, anti-corruption and whistleblowing. We encourage our employees and subcontractors to speak up about concerns over any wrongdoing at work and provide access to an independent reporting hotline service.

We remain committed to the belief that embracing diversity and inclusion will enable Taylor Wimpey to succeed through a workforce that is creative and innovative. We continue to actively embrace the local communities in which we operate and will strive to reflect their richness and character, including such aspects as gender, race and religion but also diversity of thought, background and experience.

As set out in our Diversity Policy, we remain committed to equality of opportunity in all of our employment practices, policies and procedures across the Group. To this end, within the framework of applicable law, we are committed, wherever practicable, to achieving and maintaining a workforce which broadly reflects that of the local catchment area within which we operate.

No employee or potential employee will receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, religion, political or other opinion, affiliation, gender, sexual orientation, marital status, family connections, age, membership or non-membership of a trade union, or disability. We are committed to making reasonable adjustments wherever possible. In exceptional circumstances, for example due to health and safety considerations on construction sites, some adjustments are not possible. Instruction on equal opportunities is part of the induction programme and we have created two diversity e-learning educational modules which will help employees to understand in more detail our commitment to building a more diverse and inclusive workforce.

Our Diversity Policy can be found on the Company's website at www.taylorwimpey.co.uk/corporate/sustainability/our-policies

Employment of people with disabilities

It is our policy that people with disabilities should have fair consideration for all vacancies within the Group.

The Company is therefore committed, where possible, to ensuring that people with disabilities are supported and encouraged to apply for employment and to achieve progress once employed. They will be treated so as to ensure that they have an equal opportunity to be selected, trained and promoted. In addition, every reasonable effort is made for disabled persons to be retained in the employment of the Group by investigating the possibility of making reasonable adjustments to the job, workplace or equipment.

We have increased the number of employees with disabilities recruited. Working with key partners, we hope to increase more permanent and secondment opportunities for people with disabilities.

For example, we continue to engage with the Leonard Cheshire Disability Change 100 Programme, a charity that provides talented disabled students with the opportunity to participate in a 100 day summer internship and professional development programme. Feedback from the students who participated in the programme in 2017 has been very positive and we intend to engage with the programme further during 2018.

Modern Slavery Act

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and continues to take its responsibilities under the Act with the seriousness that it requires and deserves. A dedicated team meets regularly to ensure that objectives continue to be met. The Company will shortly be publishing its second statement under the Modern Slavery Act 2015. It will be available on our website at www.taylorwimpey.co.uk

Charitable donations

We support charities and issues that are relevant to our business, communities, partners and people. We aim to make a positive impact through donations of time, money and materials and through encouraging our employees to get involved. We focus on smaller national charities as well as regional and local organisations where we can have a significant impact and our employees can be active participants.

We want to understand the difference that we are making to our charity partners and how we can increase our impact. We carried out a number of site visits to our partners during the year and used their feedback to help direct our future donations. For example, following a visit to St Mungo's we are now covering the cost of their employing a trainer to improve the skills and expertise of their staff.

Our national charitable donations are overseen and prioritised by our Charity Committee. The Charity Committee members include senior executives such as our Group Legal Director and Company Secretary and Group Human Resources Director, as well as a combination of employees from across the business including mid-management and junior staff such as land managers, personal assistants and graduate trainees. In addition to the national charities we support, our regional businesses have a discretionary charity budget to support a number of other local charities and initiatives.

We focus on charitable initiatives that support:

- Aspiration and education: Projects which promote aspiration and education in disadvantaged areas
- Tackling homelessness: Intervening and improving homeless situations for seriously economically disadvantaged groups in the UK
- Local projects: Initiatives that have a direct link with our regional businesses and developments

During the year, Group companies donated £816,000 (2016: £763,000) to various charities, the majority of which were in the UK. We recognise that volunteering can be beneficial for the charities we support, the communities in which we work and for our employees' development and self-awareness. Following the introduction of our Volunteering Policy in 2016, whereby employees are entitled to take up to four half-days (or two full days) paid leave per year, many employees at all levels around the country gave up their work and free time to participate in fundraising events for charitable causes including St. Mungo's; The Youth Adventure Trust; CRASH; Crisis UK and CentrePoint, which raised a further £295,000 (2016: £270,000).

Further information on the Group's donations, activities and initiatives can be found in 'Optimising and enhancing value' on page 35 and in the Sustainability Report 2017 which will shortly be available on the Company's website: www.taylorwimpey.co.uk/corporate/sustainability

Political donations

The Company has a policy of not making donations to political parties, and has not made any this year and neither does it intend to make any going forward. The Company does support certain industry-wide and trade organisations which directly assist the house building industry such as the Home Builders Federation and the Confederation of British Industry. Whilst we do not regard this support as political in nature in any way, the Companies Act 2006 definition of 'political organisations' and related terms is very wide and in certain circumstances a donation, subscription or membership fee paid to such organisations or to a charity could retrospectively be categorised as a political donation from a strict legal perspective. Accordingly, as a matter of prudent corporate governance, the Company will therefore be seeking the usual annual dispensation from its shareholders at the 2018 AGM, so as to be able to continue with the above memberships and make charitable donations up to defined levels, without inadvertently breaching the applicable legislation.

Agreements

The Company's borrowing and bank facilities contain the usual change of control provisions which could potentially lead to prepayment and cancellation by the other party upon a change of control of the Company. There are no other significant contracts or agreements which take effect, alter or terminate upon a change of control of the Company.

Branches

A subsidiary has a branch in Spain, the former activities of which were taken over some years ago by our Spanish subsidiary Taylor Wimpey de España S.A.U. whose details appear on page 159.

Important events since the year end

There have been no important events affecting the Company or any of its subsidiary undertakings since 31 December 2017.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Accordingly, Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with FRS 101 (United Kingdom Accounting Standards and applicable law). In accordance with company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Provision C.1 of the Code, the Directors are required, inter alia, to ensure that the Annual Report and Accounts provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Details of how this was addressed are set out in the Audit Committee Report on page 66.

Responsibility statement

The Directors confirm that to the best of their knowledge:

The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This Report of the Directors was approved by the Board of Directors on 27 February 2018.

James Jordan
Group Legal Director and Company Secretary, Taylor Wimpey plc
27 February 2018

Independent Auditor's Report

Opinion on financial statements of Taylor Wimpey plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Taylor Wimpey plc (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related Notes 1 to 32 of the Consolidated Financial Statements and Notes 1 to 15 of the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key Audit Matters	The key audit matters that we identified in the current year were: – inventory costing and margin recognition; – defined benefit pension scheme accounting; and – accounting for the leasehold provision Within this report, any new key audit matters are identified with ⊗ and any key audit matters which are the same as the prior year identified with ⊗.
Materiality	The materiality that we used for the Group Financial Statements was £40.0 million which was determined on the basis of 5% of pre-tax profit for the year, excluding exceptional items.
Scoping	Based on our scoping assessment, our Group audit is focused on the UK Housing division (excluding joint ventures) which represents the principal segment within the Group and accounts for 98% of the Group's net operating assets, 98% of the Group's revenue and 97% of the Group's pre-tax profit before exceptional income.
Significant changes in our approach	In relation to the key audit matters, we have added the accounting for the leasehold provision due to the material nature of this provision and the judgement required in estimating the liability. We no longer include the net realisable value of inventory as a key audit matter. Over recent years the provision has reduced significantly, both in value and in the number of sites it relates to. Furthermore, the improvement in the macro-economic environment since the financial crisis and the strength of the housing market have reduced the risk of this balance being materiality misstated. There have been no significant changes in our approach to scoping the audit and in determining materiality.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 1 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the strategic report, on page 41.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 36-41 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on pages 41 and 66 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on page 41 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the Directors' statements relating to going concern and the prospects of the Company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each key audit matter we perform procedures to assess the design and implementation of key controls in mitigating the risk that the associated balances are misstated.

Inventory costing and margin recognition

Refer to page 66 (Audit Committee Report) *page 111* (*Critical accounting judgements and key sources of estimation uncertainty) and page 122 (Financial statements disclosures).*

Key audit matter description

The value for inventory as at 31 December 2017 is £4,075.7 million (2016: £3,984.0 million) and as such is the most significant asset on the Balance Sheet (page 105). Inventory comprises land and work in progress ('WIP'); WIP is made up of the construction cost of developing a site, and is transferred to cost of sales as each legal completion takes place.

The Group's cost allocation framework determines the profit forecasted for each site, and acts as a method of allocating land and build cost of a development to each individual plot, ensuring the forecast margin to be achieved on each individual plot is equal across the development. This cost allocation framework drives the recognition of costs as each plot is sold. We consider the appropriate margin recognition across the life of the site to be a key audit matter.

There is significant judgement and a risk of potential fraud in the following areas:

- estimating the selling price and build costs included within the initial site budget. This is due to the inherent judgement relating to external factors such as future selling prices, the availability of mortgages and build cost inflation;
- appropriately allocating costs such as shared infrastructure costs relating to a development so that the gross profit margin (in % terms) budgeted on each individual plot is equal; and
- recording the variation when a deviation from the initial budget occurs and ensuring such variations are appropriately spread across the remainder of the development.

These judgements impact the carrying value of inventory in the balance sheet and therefore the profit recognised on each plot sold.

How the scope of our audit responded to the key audit matter

We visited a number of the Group's business units (as described on page 101). As part of these visits we assessed the design and implementation, and tested the operating effectiveness of controls in relation to:

- the preparation, approval and monitoring of site budgets;
- the regular review meetings where Management reviews actual costs against detailed site budgets; and
- the approval of journal transfers to allocate costs across sites or phases of a site's development.

We have also performed substantive testing as noted below:

For a sample of sites we have analysed completions in the period and compared the achieved margin to the initial margin determined when the original site budget was approved. Where differences fell outside of an acceptable threshold, we performed corroborative inquiries with Management and obtained evidence supporting the variance.

For a further sample of sites tested, we have reviewed the total excesses and savings balance identified for each given site, and through recalculation of the expected income statement impact (based on the number of legal completions in the year), we have determined that the excesses and savings have been appropriately allocated and recognised.

Through the use of IT interrogation techniques, we have analysed journal postings being made to the inventory balances to highlight any items which potentially should have been recorded as an expense. Additionally, we have tested WIP additions to the inventory balance to determine whether the costs have been appropriately capitalised, by tracing these through to supporting invoices.

We have analysed cost per square foot of plots sold at a regional business unit level for the current year and compared this to cost per square foot in previous years, to analyse for any unusual trends which required corroboration from Management.

We performed a review of sites where the initial site budget was created a number of years ago, which may indicate the use of an outdated budget. Given the age of these sites, we challenged Management where savings from the budget had been made or additional costs have not been recognised.

Key observations

Based on the procedures performed, we concluded that the Group's cost allocation framework appears reasonable for the intended purpose of recognising appropriate margins on plot completion. The accounting for cost allocation, both at the inception of a site and on an ongoing basis is in line with this framework.

Independent Auditor's Report continued

Defined benefit pension scheme accounting

Refer to page 66 (Audit Committee Report) page 111 (Critical accounting judgements and key sources of estimation uncertainty) and page 126 to 131 (Financial statement disclosures).

Key audit matter description

The total value of the defined benefit pension scheme at the balance sheet date is a net deficit of £63.7 million (2016: £233.0 million). The liabilities specifically are valued at £2,239.6 million (2016: £2,368.8 million).

Accounting for a defined benefit pension scheme and the value of liabilities is dependent on significant assumptions, including an assessment of the discount rate, price inflation and key demographic figures including life expectancy and mortality rates. A change in any of these assumptions could cause a material change in the value of the liabilities overall and the net pension liability on the Group's balance sheet.

These accounting judgements are inherently complex, require a high level of Management judgement and specialist actuarial input.

The Group is obligated to pay contributions into the pension scheme to reduce the size of the total net deficit. There is judgement in assessing the nature and quantum of certain future contributions that may need to be made and, at the end of the scheme, whether the Group is entitled to any surplus that remains. These judgements directly impact the size of the future funding contributions and the size of the adjustment to recognise the future liabilities the Group has to the pension scheme (as shown in Note 20).

How the scope of our audit responded to the key audit matter

We assessed the competence and objectivity of the qualified actuary engaged by the Group to value the scheme's defined benefits pension position under IAS 19 "Employee benefits".

We engaged our internal actuarial specialists to assess the appropriateness of the assumptions used to account for the defined benefit scheme. This included comparison of key data with market benchmarks and to challenge the methodology used by the scheme actuary. We considered whether each of the key assumptions was reasonable in isolation and collectively in determining the pension liability at the balance sheet date. Furthermore, we have performed a sensitivity analysis on the key assumptions determined by the Directors.

We reviewed the pension scheme documentation to determine the size and nature of the future funding contributions and to assess the treatment of any remaining surplus that may arise at the end of the scheme. We performed procedures to assess the adjustment made in respect of future funding obligations. In doing so we reviewed the schedule of payments the Group is obligated to provide and checked whether the calculation was arithmetically correct.

Key observations

Based on the procedures performed, we concluded that the methodology and assumptions used in valuing the pension scheme liabilities are considered to be within an acceptable range.

We concurred with the treatment and calculation of the future funding contributions of the Group.

Accounting for the leasehold provision

Refer to page 66 (Audit Committee Report) page 111 (Critical accounting judgements and key sources of estimation uncertainty) and page 115 (Financial statements disclosures).

Key audit matter description

As described in Note 6 at the AGM in April 2017 the Group completed their review in relation to certain historical lease structures. As a result of this review the Group provided £130.0 million in the first half of the year-ended 31 December 2017 for future costs in order to alter the terms of the current lease. The provision at 31 December 2017 stands at £127.6 million, the small reduction relating to costs incurred and payments made in the six month period.

During the year, the Group has completed negotiations with the majority of freeholders and has agreed the framework under which payments can be made to change the current lease structures.

Accounting for these provisions is complex and involves Management making a number of forward-looking estimates. The key judgements related to this key audit matter lie in estimating the final settlements with the stakeholders impacted by the historical lease structures.

This provision has multiple components that relate to discussions with a number of parties including freeholders and individual customers. Within the provision are additional costs relating to the implementation of the measures that have been identified.

There are a number of risks associated with this provision:

- Costs could be provided that the Group is not yet committed to incur, or obligated to pay, thereby inflating the provision.
- For costs that are provided there is a risk that these are inaccurately estimated or valued.

How the scope of our audit responded to the key audit matter

In addressing this risk, we have obtained Management's estimation of the total costs. For each component of the provision we have performed procedures to assess, based on current facts and circumstances, whether the estimates made by Management are reasonable.

We have held discussions with legal counsel to ascertain whether Management's model reflects the progress of negotiations that have been held with freeholders.

The largest component of this calculation is the payments to be made to freeholders in order to alter the terms of the leases. In order to verify these amounts we have reviewed the status of negotiations with freeholders and, where these negotiations have been completed, obtained the agreements and recalculated the specific amounts that have been provided for.

We have performed procedures to assess the completeness of the customers affected through an analysis of applications and verification to the underlying lease agreements.

Key observations

Based on the procedures performed, we considered the provision calculated by Management to be prudent. However, our estimate of any potential overstatement in the provision is below materiality and, if adjusted would not have increased the post-tax profit of the Group by a material amount at 31 December 2017.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£40.0 million (2016: £36.0 million)
Basis for determining materiality	5% (2016: 5%) of pre-tax profit for the year, excluding exceptional items, of £812.0 million (2016: £733.4 million) as described on page 103. The increase in materiality is directly attributable to the increase in pre-tax profit for the Group.
Rationale for the benchmark applied	Pre-tax profit, excluding exceptional items, has been chosen for the basis for materiality as this is the measure by which stakeholders and the market assess the wider performance of the entity. The exceptional items are excluded as they do not represent part of the underlying trading performance of the business.
Parent Company materiality	£38.0 million (2016: £34.2 million)
Basis for determining materiality	Approximately 1% (2016: approximately 1%) of net assets of £3,862.7 million (2016: £3,757.1 million). This is capped at 95% (2016: 95%) of Group materiality which we considered appropriate for the consolidation of this set of financial statements to the Group's results. The increase in materiality is driven by the increase in Group materiality.
Rationale for the benchmark applied	Net assets is used as the benchmark as this entity is a Parent Company and not a trading entity.

We use performance materiality to detect misstatements at a lower level of precision; for the current year this is set at £28.0 million (2016: £25.2 million) for the Group and £26.6 million (2016: £25.1 million) for the Parent Company. This is lower than materiality and is used to determine the size of the samples that are selected for audit work and in forming the conclusions that we make during the course of our procedures.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.5 million (2016: £1.0 million) for the Group and £1.5 million (2016: £1.0 million) for the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. This increase in threshold is the result of an increase in the Group's pre-tax profit during the year. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the UK Housing division (excluding joint ventures) which represents the principal segment within the Group and accounts for 98% (2016: 98%) of the Group's net operating assets, 98% (2016: 97%) of the Group's revenue and 97% (2016: 98%) of the Group's pre-tax profit before exceptional income. Our audit work on the principal segment was executed at a lower level of materiality £38.0 million (2016: £34.2 million).

We audit a number of the Group's UK subsidiaries which are subject to audit at statutory materiality level, which in most cases is substantially lower than Group materiality. The statutory audits are finalised subsequent to the audit of the Group accounts.

For the Spanish operations and material joint ventures desktop review procedures are conducted by the UK team.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The audit is performed centrally and includes all of the 24 regional business units within the Group's UK housing division. We choose to visit a sample of these business units selected on a rotational basis and with reference to size and complexity among other factors. The purpose of these visits is to conduct procedures over selected controls that are in place at each business unit and also to perform substantive testing of certain balances. In the current year we performed regional visits to four (2016: four) locations. In addition we also visit other business units throughout the entity which are chosen on a random basis. During these visits we assess the commonality of the controls in line with the Group-wide controls identified, as well as performing substantive testing. This was performed at four (2016: five) locations.

The Parent Company is located in the UK and audited directly by the Group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

Fair, balanced and understandable – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report continued

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

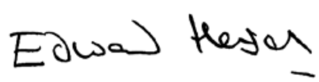
Following the recommendation of the Audit Committee, we were appointed by the shareholders of Taylor Wimpey plc on 27 April 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.

Following the merger of Taylor Woodrow and George Wimpey, we were appointed as auditor of the merged group for subsequent financial periods. Prior to that we were the auditor of Taylor Woodrow.

As explained on page 65, our final year of association with the Group will be the year ending 31 December 2020. After this year-end we are required to mandatorily rotate from our role as auditor.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).



Edward Hanson (Senior statutory auditor)

for and on behalf of Deloitte LLP Statutory Auditor,
London, United Kingdom

27 February 2018

Consolidated Income Statement for the year to 31 December 2017

£ million	Note	Before exceptional items 2017	Exceptional items 2017 (Note 6 and 9)	Total 2017	Before exceptional items 2016	Exceptional items 2016 (Note 6, 9 and 15)	Total 2016
Continuing operations							
Revenue	4	3,965.2	–	3,965.2	3,676.2	–	3,676.2
Cost of sales		(2,932.2)	–	(2,932.2)	(2,735.8)	(0.5)	(2,736.3)
Gross profit before positive contribution		1,015.6	–	1,015.6	927.3	(0.5)	926.8
Positive contribution from written down inventory		17.4	–	17.4	13.1	–	13.1
Gross profit		1,033.0	–	1,033.0	940.4	(0.5)	939.9
Net operating expenses	6	(199.4)	(130.0)	(329.4)	(177.3)	–	(177.3)
Profit on ordinary activities before finance costs		833.6	(130.0)	703.6	763.1	(0.5)	762.6
Interest receivable	8	0.8	–	0.8	0.7	–	0.7
Finance costs	8	(30.0)	–	(30.0)	(31.6)	–	(31.6)
Share of results of joint ventures	13	7.6	–	7.6	1.2	–	1.2
Profit on ordinary activities before taxation		812.0	(130.0)	682.0	733.4	(0.5)	732.9
Taxation (charge)/credit	9	(151.7)	25.0	(126.7)	(143.7)	0.1	(143.6)
Profit for the year		660.3	(105.0)	555.3	589.7	(0.4)	589.3
Attributable to:							
Equity holders of the parent				555.3			589.3
Non-controlling interests				–			–
				555.3			589.3

	Note	2017	2016
Basic earnings per share	10	17.0p	18.1p
Diluted earnings per share	10	16.9p	17.9p
Adjusted basic earnings per share	10	20.2p	18.1p
Adjusted diluted earnings per share	10	20.1p	18.0p

Consolidated Statement of Comprehensive Income for the year to 31 December 2017

£ million	Note	2017	2016
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	24	2.2	6.3
Movement in fair value of hedging derivatives and loans	24	(1.2)	(5.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	20	154.8	(69.3)
Tax (charge)/credit on items taken directly to other comprehensive income	14	(26.5)	10.7
Other comprehensive income/(expense) for the year net of tax		129.3	(57.3)
Profit for the year		555.3	589.3
Total comprehensive income for the year		684.6	532.0
Attributable to:			
Equity holders of the parent		684.6	532.0
Non-controlling interests		–	–
		684.6	532.0

Consolidated Balance Sheet at 31 December 2017

£ million	Note	2017	2016
Non-current assets			
Intangible assets	11	3.9	3.5
Property, plant and equipment	12	22.8	21.0
Interests in joint ventures	13	50.9	50.3
Trade and other receivables	16	60.1	87.2
Deferred tax assets	14	29.3	57.4
		167.0	219.4
Current assets			
Inventories	15	4,075.7	3,984.0
Trade and other receivables	16	122.2	91.4
Tax receivables		0.7	0.2
Cash and cash equivalents	16	600.5	450.2
		4,799.1	4,525.8
Total assets		4,966.1	4,745.2
Current liabilities			
Trade and other payables	18	(1,024.5)	(988.1)
Tax payables		(58.6)	(61.6)
Provisions	21	(87.3)	(28.0)
		(1,170.4)	(1,077.7)
Net current assets		3,628.7	3,448.1
Non-current liabilities			
Trade and other payables	18	(430.6)	(442.5)
Bank and other loans	17	(88.7)	(85.5)
Retirement benefit obligations	20	(64.8)	(234.1)
Provisions	21	(74.3)	(5.1)
		(658.4)	(767.2)
Total liabilities		(1,828.8)	(1,844.9)
Net assets		3,137.3	2,900.3
Equity			
Share capital	22	288.5	288.4
Share premium account	23	762.9	762.9
Own shares	25	(21.3)	(12.2)
Other reserves	24	44.2	43.2
Retained earnings	24	2,063.0	1,817.3
Equity attributable to parent		3,137.3	2,899.6
Non-controlling interests		–	0.7
Total equity		3,137.3	2,900.3

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 27 February 2018. They were signed on its behalf by:

P Redfern
Director

R Mangold
Director

Consolidated Statement of Changes in Equity for the year to 31 December 2017

For the year to 31 December 2017 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2017	288.4	762.9	(12.2)	43.2	1,817.3	2,899.6
Exchange differences on translation of foreign operations	–	–	–	2.2	–	2.2
Movement in fair value of hedging derivatives and loans	–	–	–	(1.2)	–	(1.2)
Actuarial gain on defined benefit pension schemes	–	–	–	–	154.8	154.8
Tax charge on items taken directly to other comprehensive income	–	–	–	–	(26.5)	(26.5)
Other comprehensive income for the year net of tax	–	–	–	1.0	128.3	129.3
Profit for the year	–	–	–	–	555.3	555.3
Total comprehensive income for the year	–	–	–	1.0	683.6	684.6
New share capital subscribed	0.1	–	–	–	–	0.1
Own shares acquired	–	–	(13.3)	–	–	(13.3)
Utilisation of own shares	–	–	4.2	–	–	4.2
Cash cost of satisfying share options	–	–	–	–	(0.7)	(0.7)
Share-based payment credit	–	–	–	–	11.5	11.5
Tax credit on items taken directly to statement of changes in equity	–	–	–	–	1.8	1.8
Dividends approved and paid	–	–	–	–	(450.5)	(450.5)
Equity attributable to parent	288.5	762.9	(21.3)	44.2	2,063.0	3,137.3
Non-controlling interests						–
Total equity						3,137.3

For the year to 31 December 2016 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2016	288.3	762.9	(3.2)	41.9	1,632.7	2,722.6
Exchange differences on translation of foreign operations	–	–	–	6.3	–	6.3
Movement in fair value of hedging derivatives and loans	–	–	–	(5.0)	–	(5.0)
Actuarial loss on defined benefit pension schemes	–	–	–	–	(69.3)	(69.3)
Tax credit on items taken directly to other comprehensive income	–	–	–	–	10.7	10.7
Other comprehensive income/(expense) for the year net of tax	–	–	–	1.3	(58.6)	(57.3)
Profit for the year	–	–	–	–	589.3	589.3
Total comprehensive income for the year	–	–	–	1.3	530.7	532.0
New share capital subscribed	0.1	–	–	–	–	0.1
Own shares acquired	–	–	(10.6)	–	–	(10.6)
Utilisation of own shares	–	–	1.6	–	–	1.6
Cash cost of satisfying share options	–	–	–	–	0.7	0.7
Share-based payment credit	–	–	–	–	9.8	9.8
Tax charge on items taken directly to statement of changes in equity	–	–	–	–	(0.7)	(0.7)
Dividends approved and paid	–	–	–	–	(355.9)	(355.9)
Equity attributable to parent	288.4	762.9	(12.2)	43.2	1,817.3	2,899.6
Non-controlling interests						0.7
Total equity						2,900.3

Consolidated Cash Flow Statement for the year to 31 December 2017

£ million	Note	2017	2016
Net cash from operating activities	26	**604.1**	537.7
Investing activities			
Interest received		**0.8**	0.7
Dividends received from joint ventures		**0.7**	–
Proceeds on disposal of property, plant and equipment		**–**	0.3
Purchases of property, plant and equipment	12	**(4.2)**	(3.1)
Purchases of software	11	**(1.5)**	(2.0)
Amounts repaid by/(invested in) joint ventures		**6.1**	(22.0)
Proceeds from sale of interest in subsidiary		**2.7**	–
Net cash generated from/(used in) investing activities		**4.6**	(26.1)
Financing activities			
Repayment of bank loans		**–**	(100.0)
Proceeds from loan notes issued		**–**	83.0
Proceeds from the issue of own shares		**0.1**	0.1
Cash received on exercise of share options		**3.5**	2.3
Purchase of own shares		**(13.3)**	(10.6)
Dividends paid		**(450.5)**	(355.9)
Net cash used in financing activities		**(460.2)**	(381.1)
Net increase in cash and cash equivalents		**148.5**	130.5
Cash and cash equivalents at beginning of year		**450.2**	323.3
Effect of foreign exchange rate changes		**1.8**	(3.6)
Cash and cash equivalents at end of year	26	**600.5**	450.2

Notes to the Consolidated Financial Statements

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention except as otherwise stated below.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Going concern

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified on pages 36 to 41. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

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

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS as endorsed by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair value of the assets and liabilities recognised. Subsequently, all comprehensive income is attributed to the owners and the non-controlling interests, which may result in the non-controlling interest having a debit balance.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control of the rights and assets of the undertaking via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses.

Joint operations arise where the Group has joint control of an operation, but has rights to only its own assets and obligations related to the operation. These assets and obligations, and the Group's share of revenues and costs, are included in the Group's results.

Joint ventures and joint operations are entered into to develop specific sites. Each arrangement is site or project specific and once the development or project is complete the arrangement is wound down.

Segmental reporting

The Group operates in two countries, being the United Kingdom and Spain.

The United Kingdom is split into three geographical operating segments, each managed by a Divisional Chairman who sits on the Group Management Team. In addition, there is an operating segment covering the Corporate functions, Major Developments and Strategic Land.

As such the segmental reporting for 2017 is:

- Housing United Kingdom:
  - North
  - Central and South West
  - London and South East (including Central London)
  - Corporate
- Housing Spain

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties, whether under the Government's Help to Buy Scheme or not, is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Part exchange

In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value is established by independent surveyors, reduced for costs to sell. Net proceeds generated from the subsequent sale of part exchange properties are recorded as a reduction to cost of sales. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts.

(c) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

(d) Contracting work and partnership housing contracts

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a long term contract cannot be estimated reliably, contract revenue that is probable will be recovered is recognised to the extent of contract costs incurred. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1. Significant accounting policies continued

Cost of sales

The Group determines the value of inventory charged to cost of sales based on the total budgeted cost of developing a site. Once the total expected costs of development are established they are allocated to individual plots to achieve a standard build cost per plot.

To the extent that additional costs or savings are identified as the site progresses, these are recognised over the remaining plots unless they are specific to a particular plot, in which case they are recognised in the income statement at the point of sale.

Positive contribution

The positive contribution presented on the face of the income statement represents the net amount of previous impairments allocated to inventory on a plot that has subsequently resulted in a gross profit on completion. This is due to the combination of selling prices and costs, or product mix improvements exceeding our market assumptions in the previous net realisable value (NRV) exercise. These amounts are stated before the allocation of overheads which are excluded from the Group's NRV exercise.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material or unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 'Presentation of Financial Statements'. Should these items be reversed disclosure of this would also be as exceptional items.

Interest receivable

Interest income on bank deposits is recognised on an accruals basis. Also included in interest receivable are interest and interest-related payments the Group receives on other receivables.

Borrowing costs

Borrowing costs are recognised on an accruals basis and are payable on the Group's borrowings. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Capitalised finance costs are held in other receivables and amortised over the period of the facility.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing at the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operation are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are recognised within other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the income statement in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group uses foreign currency borrowings to hedge its net investment exposure to certain overseas subsidiaries (see page 110 for details of the Group's accounting policies in respect of such financial instruments).

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. Their values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses.

Software development costs

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

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

Plant and equipment is stated at cost less depreciation.

Depreciation is charged so as to expense the cost or valuation of assets over their estimated useful lives. Other assets are depreciated using the straight-line method, on the following bases:

– Plant and equipment 20-25% per annum
– Computer equipment 33% per annum
– Leasehold improvements over the term of the lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the income statement.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

Impairment of tangible and intangible assets continued

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, impairment losses are allocated first to the intangible assets in the cash-generating unit.

If the full impairment of intangible assets is not sufficient to reduce the carrying value of the cash-generating unit to its recoverable amount, tangible fixed assets must then be impaired. If the recoverable amount of tangible fixed assets exceeds their carrying value, no further impairment is required. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. Trade receivables on extended terms, particularly in respect of land, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Derivative financial instruments are measured at fair value.

Mortgage receivables

Mortgage receivables relate to sales incentives including shared equity loans. The receivable is recorded at amortised cost.

Shared equity loans are separated into a loan receivable and a non-closely related embedded derivative asset for accounting purposes as allowed under IAS 39 'Financial instruments'. The loan is measured at amortised cost and the embedded derivative is measured at fair value through profit or loss with any subsequent impairment charged through profit and loss. The fair value of the derivative is based on a national house price index.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less from inception and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as 'loans and receivables'. Further disclosures relating to financial assets are set out in Note 19.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Parent Company are recorded as the proceeds are received, net of direct issue costs.

Borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs.

Trade payables

Trade payables on normal terms are not interest-bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs.

Derivative financial instruments and hedge accounting

The Group uses foreign currency borrowings and derivatives to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the Parent Company.

Derivative financial instruments are measured at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in other comprehensive income and the ineffective portion, if any, is recognised immediately in the income statement.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the consolidated income statement. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in accumulated other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in accumulated other comprehensive income is transferred to the income statement for the period. If a derivative financial instrument does not meet the specific criteria of IAS 39 'Financial instruments' for hedge accounting it is presented as a held for trading asset or liability.

Customer deposits

Customer deposits are recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

1. Significant accounting policies continued

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is probable that the option will not be exercised.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Share-based payments

The Group has applied the requirements of IFRS 2 ‘Share-based payment’. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 ‘Employee benefits’ (amended 2014). In respect of defined benefit plans, a finance charge is determined on the net defined benefit pension liability. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the service period of employees, past service costs are recognised as an expense at the earlier of when the plan is amended or curtailment occurs, at the same time as which the entity will recognise related restructuring costs or termination benefits. Certain liability management costs and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The retirement benefit obligation recognised in the consolidated statement of financial position represents either the net liability (deficit) position of the scheme or, should the scheme be in an IAS 19 accounting surplus, the IFRIC 14 liability equal to the present value of future committed cash contributions.

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

2. Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

Management have not made any individual critical accounting judgements that are material to the Group, apart from those estimations which are set out below.

Key sources of estimation uncertainty

Key sources of estimation uncertainty are those which present a significant risk of potential material misstatement to carrying amounts of assets or liabilities within the next financial year.

Employee benefits

The value of the defined benefit plan liabilities is determined by using various long term actuarial assumptions, including future rates of inflation, growth, yields, returns on investments and mortality rates. As actual changes in inflation, growth, yields and investment returns may differ from those assumed, this is a key source of estimation uncertainty within the financial statements. Changes in these assumptions over time and differences to the actual outcome will be reflected in the statement of comprehensive income. Note 20 details the main assumptions in accounting for the Group’s defined benefit pension scheme along with sensitivities of the liabilities to changes in these assumptions.

Other sources of estimation uncertainty

Provision for Leasehold

The value of this provision has been established using information available to management at 31 December 2017, together with a range of assumptions including the number of units which have been sold by the original Taylor Wimpey customer and as such are not eligible for the scheme, and the final deed of variation valuations for those freeholders with whom the Group has not yet agreed a settlement.

Cost allocation

In order to determine the profit that the Group is able to recognise on its developments in a specific period, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments, and make estimates relating to future sales price margins on those developments and units. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

2. Critical accounting judgements and key sources of estimation uncertainty continued

Adoption of new and revised standards of interpretation

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

– IAS 7 'Statement of Cash flows' (amendments) – Disclosure Initiative
– Annual Improvements to IFRSs 2014 – 2016 Cycle

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

– IFRS 9 'Financial Instruments'
– IFRS 15 'Revenue from Contracts with Customers'
– IFRS 16 'Leases'
– IFRS 2 'Share-based Payment' (amendments) – classification and measurement of share-based payment transactions
– IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates' (amendments) – sale or contribution of assets between an investor and its associate or joint venture
– Annual Improvements to IFRSs 2014 – 2016 Cycle

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods. Whilst not material the impact of standards being adopted from 1 January 2018 is noted below:

– IFRS 9 'Financial Instruments' was issued in final form incorporating the impairment, classification and measurement requirements in July 2014 and is scheduled to replace IAS 39 'Financial Instruments: Recognition and Measurement' from 1 January 2018.

  IFRS 9 will impact the classification, measurement, impairment and de-recognition of financial instruments as well as introducing a new hedge accounting model. The main impact will be the reclassification of the shared equity portfolio, currently recognised as a debtor with a non-closely related embedded derivative.

  Under IFRS 9 the shared equity portfolio will be treated as Fair Value through Profit and Loss. On restatement of 31 December 2017 results, this change will improve the Group's operating profit margin by 10bps, representing the notional interest previously unwound through finance costs, which under IFRS 9 will be incorporated into the fair value adjustment and so recognised through other income/expense.

  The impairment requirements of the standard require the Group to consider the expected lifetime losses on all financial assets. The Group does not have significant financial assets other than the shared equity portfolio and as such the impact of IFRS 9 on other financial assets is immaterial.

  The requirements of the new hedge accounting model have been reflected in the Group's hedging strategy, policies and documentation from 1 January 2018.

– IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and amended in September 2015. This standard will be applicable to the Group from 1 January 2018. The standard sets out requirements for revenue recognition from contracts with customers. The standard uses a five-step model to apportion revenue to the individual promises, or performance obligations, within a contract.

  The timing of revenue recognition and therefore number of units, on some long-term contracts may be brought forward. The effect of these changes on operating profit margin will be immaterial as the timing of revenue recognition for most of the Group's long-term contracts will not change on adoption of IFRS 15.

  The standard will require presentational changes to the consolidated income statement to show part exchange income and expenses separately below gross margin rather than on a net basis within cost of sales. Part exchange is not a significant element of the Group's operations so as such, this impact will be negligible on gross profit margin and have no impact on operating profit margin.

  Introductory fees are currently deducted from revenue but under the new standard will be recognised in cost of sales. These fees are immaterial to the Group and will not impact operating profit margin.

  The above items will have no effect on the Group's cash flows.

– IFRS 16 'Leases' was issued in January 2016, and although it is not mandatory to adopt until 1 January 2019, the Group has elected to adopt early, so will apply from 1 January 2018.

  The standard specifies how leases are recognised, presented, measured and disclosed.

  On the consolidated statement of financial position, a right of use asset and a corresponding lease liability must be recognised for both operating and finance leases. In the income statement, the existing operating lease charge which is currently recognised within operating profit, will be replaced by a depreciation charge in respect of the right of use asset, and an interest cost in relation to the lease liability.

  The Group's lease commitments will be brought onto the consolidated statement of financial position, as a liability with a corresponding asset valued using a Right of Use method. The value of lease commitments is immaterial in relation to the net assets of the Group. This will impact the timing of the recognition of lease costs within the income statement although it will not affect the Group's cash flows. Based on an analysis of lease commitments held by the Group at 31 December 2017, and utilising estimated discount rates, the approximate net impact on profit in the year is expected to be immaterial to the Group.

  The composition of the Group's lease commitments will change over time and the discount rates applied are required to be updated to reflect the prevailing economic environment.

3. General information

Taylor Wimpey plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 159. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 45.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on page 109.

4. Revenue

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

£ million	2017	2016
Housing:		
Private sales	3,532.2	3,283.9
Partnership housing*	365.6	329.2
Other	27.9	15.0
Total housing	3,925.7	3,628.1
Land sales	39.5	48.1
Revenue for the year	3,965.2	3,676.2

* Partnership housing includes £288.8 million (2016: £245.3 million) recognised under IAS 11 'Construction Contracts'.

Housing revenue includes £239.5 million (2016: £216.4 million) generated where the sale has been achieved using part-exchange incentives. Other revenue includes income from the sale of commercial properties developed as part of larger residential developments and the sale of leasehold properties.

5. Operating segments

The Group operates in two countries, being the United Kingdom and Spain.

The United Kingdom is split into three geographical operating segments, each managed by a Divisional Chairman who sits on the Group Management Team. In addition, there is an operating segment covering the Corporate functions, Major Developments and Strategic Land.

The accounting policies of the reportable segments are the same as the Groups accounting policies described in Note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries and interest cost expense.

Segment information about these businesses is presented below:

For the year to 31 December 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	1,334.5	1,291.2	1,236.3	9.0	94.2	3,965.2
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	295.4	318.0	263.1	(69.7)	26.8	833.6
Share of results of joint ventures	(0.5)	–	8.3	(0.2)	–	7.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	294.9	318.0	271.4	(69.9)	26.8	841.2
Exceptional items (Note 6)	–	–	–	(130.0)	–	(130.0)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	294.9	318.0	271.4	(199.9)	26.8	711.2
Net finance costs						(29.2)
Profit on ordinary activities before taxation						682.0
Taxation (including exceptional tax)						(126.7)
Profit for the year						555.3

As at 31 December 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,192.5	1,233.2	1,501.3	212.7	145.0	4,284.7
Joint ventures	2.1	3.5	42.3	3.0	–	50.9
Segment operating liabilities	(353.9)	(486.9)	(486.9)	(264.2)	(89.6)	(1,681.5)
Group net operating assets	840.7	749.8	1,056.7	(48.5)	55.4	2,654.1
Net current taxation						(57.9)
Net deferred taxation						29.3
Net cash						511.8
Net assets						3,137.3

Notes to the Consolidated Financial Statements continued

5. Operating segments continued

For the year to 31 December 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	0.7	0.7	0.9	1.9	–	4.2
Software development additions	–	–	–	1.5	–	1.5
Property, plant and equipment depreciation	(0.1)	(0.9)	(0.4)	(0.9)	–	(2.3)
Software amortisation	–	–	–	(1.1)	–	(1.1)

For the year to 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	1,239.4	1,204.5	1,137.0	1.7	93.6	3,676.2
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	279.9	280.7	249.3	(67.4)	20.6	763.1
Share of results of joint ventures	0.1	–	1.1	–	–	1.2
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	280.0	280.7	250.4	(67.4)	20.6	764.3
Exceptional items (Note 6)	–	2.2	–	–	(2.7)	(0.5)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	280.0	282.9	250.4	(67.4)	17.9	763.8
Net finance costs						(30.9)
Profit on ordinary activities before taxation						732.9
Taxation (including exceptional tax)						(143.6)
Profit for the year						589.3

As at 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,155.1	1,241.0	1,451.9	215.4	123.7	4,187.1
Joint ventures	2.6	3.3	43.2	1.2	–	50.3
Segment operating liabilities	(341.7)	(514.4)	(459.9)	(304.9)	(76.9)	(1,697.8)
Group net operating assets	816.0	729.9	1,035.2	(88.3)	46.8	2,539.6
Net current taxation						(61.4)
Net deferred taxation						57.4
Net cash						364.7
Net assets						2,900.3

For the year to 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	0.9	0.9	1.0	0.3	–	3.1
Software development additions	–	–	–	2.0	–	2.0
Property, plant and equipment depreciation	(0.3)	(0.7)	(0.2)	(0.9)	–	(2.1)
Software amortisation	–	–	–	(1.2)	–	(1.2)

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

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

£ million	2017	2016
Administration expenses	201.9	189.2
Other expense	8.7	9.5
Other income	(11.2)	(21.4)
Exceptional items	130.0	0.5

Other income includes profits on the sale of property, plant and equipment and the revaluation of certain shared equity mortgage receivables.

Exceptional items: £ million	2017	2016
Net addition to inventory impairments (Note 15)	–	0.5
Exceptional item recognised in relation to leasehold	130.0	–
Exceptional items	130.0	0.5

Leasehold provision

As announced at the AGM on 27 April 2017, we are taking measures which we believe will address our customers' concerns regarding historical lease structures in an appropriate and fair manner. Our review has focused on a specific lease structure which provides that the ground rent doubles every 10 years until the 50th year, at which point the rent is capped. This lease structure was introduced by Taylor Wimpey in good faith in 2007 and was one of a variety of lease types used on new developments during that period until late 2011, when we stopped using them on new developments commenced after that date.

The doubling clauses are considered to be entirely legal and are clearly set out in the relevant lease documentation. In addition, when buying their Taylor Wimpey property, all customers received independent legal advice as part of the standard conveyancing process. In line with normal practice the relevant freehold reversions have been sold to a number of third parties over several years.

We have made good progress in securing agreements with freeholders covering approximately 90% of the properties affected by the doubling ground rent clauses. These agreements enable our customers with a ten-year doubling ground rent lease to convert to an RPI-based structure, should they elect to participate in our assistance scheme. The provision will be utilised as customer applications progress through the scheme.

The exceptional provision of £130.0 million recognised at June 2017 was calculated using a range of assumptions including the total number of properties still owned by the original purchaser and an average valuation per leasehold unit. Following negotiations with freeholders, the valuation on the majority of units has been determined, but the total number of properties and several other assumptions, could still vary over time. However, given the information available at 31 December 2017 it is considered that the original provision recognised of £130.0 million remains appropriate.

We expect the cash outflow to be spread over a number of years; this will be determined by the timing of applications from customers.

Inventory impairment

The markets in our core geographies, which are the primary drivers of our business, continue to trade positively. However, we are alert to the potential risk of a change in customer confidence given the on-going Brexit negotiations.

At 31 December 2017, the Group completed a net realisable value assessment of inventory with these factors in mind. This review did not result in any net change to the total provision (2016: £8.2 million addition and £7.7 million release) but resulted in a reallocation of £2.4 million of historically booked provision between two sites which continue to hold a provision due to poor site location and complex site requirements. There was no further change to the provision because the majority of the remaining impairment provision is on sites which have suffered from adverse planning decisions, or are impacted by other site-specific factors, rather than wider market factors.

The Group undertakes a detailed review on a site by site basis of the net realisable value of its land and work in progress. The results from this review are sensitive to the assumptions used. Therefore, we also consider when the inventory is likely to be realised, and whether there has been a sustained change in market conditions and the wider economic environment existing at the balance sheet date.

At the balance sheet date, the Group held land and work in progress in the UK that had been written down to net realisable value of £69.9 million (2016: £119.6 million) with associated impairments of £46.9 million (2016: £96.8 million). As at 31 December 2017, 2% (31 December 2016: 3%) of our UK short term owned and controlled land is impaired. In the year 5% (2016: 5%) of the Group's UK completions were from pre-2009 impaired sites.

There has been continued improvement in the Spanish housing market during the year. However, this improvement has been on newer sites which have been acquired in better locations. Sales rates and prices on sites which have been previously impaired remain low. In the year, 35 plots (2016: 65) were completed in Spain that had previously been impaired. At 31 December 2017 Spain had land and work in progress that had been written down to net realisable value of £17.7 million (2016: £18.7 million) with associated impairments of £46.4 million (2016: £50.2 million).

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

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

£ million	2017	2016
Cost of inventories recognised as expense in cost of sales, before write-downs of inventories	2,794.6	2,633.3
Reversal of inventory impairment provisions	–	(7.7)
Impairment of inventories	–	8.2
Property, plant and equipment depreciation	2.3	2.1
Net foreign exchange charge/(credit)	0.1	(1.6)
Loss/(gain) on disposal of property, plant and equipment	0.1	(0.3)
Amortisation of intangible assets	1.1	1.2
Payments under operating leases	6.4	6.6

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

£ million	2017	2016
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	0.1	0.1
Fees payable to the Company's auditor and its associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Total audit fees	0.4	0.4
Other services pursuant to legislation	0.1	0.1
Other services	–	–
Total non-audit fees	0.1	0.1
Total fees	0.5	0.5

Non-audit services in 2017 and 2016 predominantly relate to work undertaken as a result of Deloitte LLP's role as auditor, or work resulting from knowledge and experience gained as part of the role. Other services relate to advisory services relating to real estate advisory work. The work was either the subject of a competitive tender or was best performed by the Group's auditor because of its knowledge of the Group.

7. Staff costs

	2017 Number	2016 Number
Average number employed		
United Kingdom	4,893	4,585
Spain	102	88
	4,995	4,673

£ million	2017	2016
Remuneration		
Wages and salaries	235.2	190.0
Redundancy costs	–	0.2
Social security costs	25.8	26.0
Other pension costs	10.4	10.6
	271.4	226.8

The information relating to Director and Senior Management remuneration required by the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority is contained in Note 30 and pages 74 to 92 in the Directors' Remuneration Report.

8. Finance costs and interest receivable

£ million	2017	2016
External interest receivable	0.8	0.7

Finance costs are analysed as follows:

£ million	2017	2016
Interest on overdrafts, bank and other loans	6.0	10.9
Foreign exchange movements	0.1	(1.6)
	6.1	9.3
Unwinding of discount on land creditors and other items	18.0	16.2
Net notional interest on pension liability (Note 20)	5.9	6.1
	30.0	31.6

9. Taxation

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

£ million		2017	2016
Current tax:			
UK corporation tax:	Current year	**(122.6)**	(136.5)
	Adjustment in respect of prior years	**1.5**	2.5
Foreign tax:	Current year	**(3.3)**	(2.3)
		(124.4)	(136.3)
Deferred tax:			
UK:	Current year	**(2.8)**	(5.7)
	Adjustment in respect of prior years	**–**	(0.4)
Foreign tax:	Current year	**0.5**	(1.2)
		(2.3)	(7.3)
		(126.7)	(143.6)

Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate is 18.6% (2016:19.6%).

The tax charge for the year includes a credit of £25.0 million (2016: £nil) in respect of the exceptional charge relating to the leasehold review and £nil (2016: £0.1 million) in respect of movements in the exceptional impairment provision.

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

£ million	2017	2016
Profit before tax	**682.0**	732.9
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	**(131.3)**	(146.6)
Net over provision in respect of prior years	**1.5**	2.1
Tax effect of expenses that are not deductible in determining taxable profit	**0.2**	0.2
Recognition of deferred tax asset relating to Spanish business	**3.9**	1.1
Other rate impacting adjustments	**(1.0)**	(0.4)
Tax charge for the year	**(126.7)**	(143.6)

10. Earnings per share

	2017	2016
Basic earnings per share	**17.0p**	18.1p
Diluted earnings per share	**16.9p**	17.9p
Adjusted basic earnings per share	**20.2p**	18.1p
Adjusted diluted earnings per share	**20.1p**	18.0p
Weighted average number of shares for basic/adjusted earnings per share – million	**3,264.0**	3,259.7
Weighted average number of shares for diluted basic/adjusted earnings per share – million	**3,280.4**	3,283.2

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

£ million	2017	2016
Earnings for basic and diluted earnings per share	**555.3**	589.3
Adjust for exceptional items (Note 6)	**130.0**	0.5
Adjust for tax on exceptional items (Note 6)	**(25.0)**	(0.1)
Earnings for adjusted basic and adjusted diluted earnings per share	**660.3**	589.7

Million	2017	2016
Weighted average number of shares for basic earnings per share	**3,264.0**	3,259.7
Long term incentive share options	**9.2**	12.3
SAYE options	**7.2**	11.2
Weighted average number of shares for diluted earnings per share	**3,280.4**	3,283.2

Notes to the Consolidated Financial Statements continued

11. Intangible assets

£ million	Brands	Software development costs	Total
Cost			
At 1 January 2016	140.2	8.0	148.2
Additions	–	2.0	2.0
At 31 December 2016	140.2	10.0	150.2
Additions	**–**	**1.5**	**1.5**
At 31 December 2017	**140.2**	**11.5**	**151.7**
Amortisation/impairment			
At 1 January 2016	(140.2)	(5.3)	(145.5)
Charge for the year	–	(1.2)	(1.2)
At 31 December 2016	(140.2)	(6.5)	(146.7)
Charge for the year	**–**	**(1.1)**	**(1.1)**
At 31 December 2017	**(140.2)**	**(7.6)**	**(147.8)**
Carrying amount			
31 December 2017	**–**	**3.9**	**3.9**
31 December 2016	–	3.5	3.5

The Group has assessed its brands and their associated values and has concluded that given the majority of the legacy brands are currently not used, it would not be appropriate to reverse any of the previously recognised impairment charges.

The amortisation of software development costs is recognised within administration expenses in the income statement.

12. Property, plant and equipment

£ million	Freehold land and buildings	Plant, equipment and leasehold improvements	Total
Cost			
At 1 January 2016	14.8	15.4	30.2
Additions	0.2	2.9	3.1
Disposals	–	(1.1)	(1.1)
At 31 December 2016	15.0	17.2	32.2
Additions	**1.4**	**2.8**	**4.2**
Disposals	**–**	**(1.0)**	**(1.0)**
At 31 December 2017	**16.4**	**19.0**	**35.4**
Accumulated depreciation			
At 1 January 2016	(0.7)	(9.5)	(10.2)
Disposals	–	1.1	1.1
Charge for the year	(0.5)	(1.6)	(2.1)
At 31 December 2016	(1.2)	(10.0)	(11.2)
Disposals	**–**	**0.9**	**0.9**
Charge for the year	**(0.5)**	**(1.8)**	**(2.3)**
At 31 December 2017	**(1.7)**	**(10.9)**	**(12.6)**
Carrying amount			
At 31 December 2017	**14.7**	**8.1**	**22.8**
At 31 December 2016	13.8	7.2	21.0

13. Interests in joint ventures

£ million	2017	2016
Aggregated amounts relating to share of joint ventures:		
Non-current assets	6.7	–
Current assets	79.5	66.5
Total assets	86.2	66.5
Current liabilities	(16.6)	(12.3)
Non-current liabilities	(49.3)	(44.3)
Total liabilities	(65.9)	(56.6)
Carrying amount	20.3	9.9
Loans to joint ventures	30.6	40.4
Total interests in joint ventures	50.9	50.3

£ million	2017	2016
Group share of:		
Revenue	90.7	29.1
Cost of sales	(79.6)	(26.5)
Gross profit	11.1	2.6
Net operating expenses	(1.0)	(0.7)
Profit on ordinary activities before finance costs	10.1	1.9
Finance costs	(0.4)	(0.4)
Profit on ordinary activities before tax	9.7	1.5
Taxation	(2.1)	(0.3)
Share of joint ventures' post-tax results for the year	7.6	1.2

The Group has five material (2016: two) joint ventures whose principal activity is residential housebuilding or development. The Group considers a joint venture to be material when it is financially important to the Group. During the year the Group established two new joint venture entities. Winstanley & York Road Regeneration LLP was set up with Wandsworth Council to undertake a significant regeneration project expected to deliver 2,200 homes. The second, Whitehill & Bordon Development Company, Phase 1a Ltd, was set up with Dorchester Living Limited to develop part of the Ministry of Defence's site in Bordon, Hampshire. Whitehill & Bordon Regeneration Company Limited was incorporated in 2015 but only became material to the Group during 2017.

The particulars of the material joint ventures for 2017 are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts	Taylor Wimpey plc interest in the issued ordinary share capital
United Kingdom	Greenwich Millennium Village Limited[(a)]	50%
United Kingdom	Chobham Manor Limited Liability Partnership[(a)]	50%
United Kingdom	Winstanley and York Road Regeneration LLP[(a)]	50%
United Kingdom	Whitehill & Bordon Development Company Phase 1a Limited[(a)]	50%
United Kingdom	Whitehill & Bordon Regeneration Company Limited[(a)]	50%

(a) Interest held by subsidiary undertakings.

Notes to the Consolidated Financial Statements continued

13. Interests in joint ventures continued

The following two tables show summary financial information for the material joint ventures. Unless specifically indicated, this information represents 100% of the joint venture before intercompany eliminations.

£ million	Greenwich Millennium Village 2017	Chobham Manor 2017	Winstanley and York Road Regeneration 2017	Whitehill & Bordon Development Company Phase 1a 2017	Whitehill & Bordon Regeneration Company 2017	Total 2017
Percentage ownership interest	50%	50%	50%	50%	50%	
Non-current assets	1.0	–	–	–	9.9	10.9
Current assets	37.9	29.8	17.4	14.4	16.8	116.3
Cash and cash equivalents	5.5	14.3	0.7	5.9	1.3	27.7
Current financial liabilities	(2.1)	(13.0)	(0.7)	(7.0)	(7.2)	(30.0)
Current other liabilities	(2.2)	–	–	–	–	(2.2)
Non-current financial liabilities*	(6.1)	(34.7)	(18.0)	(13.7)	(20.0)	(92.5)
Net assets/(liabilities) (100%)	34.0	(3.6)	(0.6)	(0.4)	0.8	30.2
Group share of net assets/(liabilities)	17.0	(1.8)	(0.3)	(0.2)	0.4	15.1
Loans to joint ventures	–	16.8	4.7	3.8	2.6	27.9
Total interest in joint ventures	17.0	15.0	4.4	3.6	3.0	43.0
Revenue	69.6	94.9	–	–	17.0	181.5
Interest expense	(0.2)	–	(0.3)	(0.2)	(0.2)	(0.9)
Income tax expense	(2.9)	–	–	–	–	(2.9)
Profit/(loss) for the year	12.4	5.1	(0.5)	(0.5)	(0.4)	16.1
Group share of profit/(loss) for the year	6.2	2.6	(0.3)	(0.2)	(0.2)	8.1

* Non-current financial liabilities include amounts owed to JV partners

During the year, no entity charged depreciation or amortisation. No entity had discontinued operations or items of other comprehensive income.

£ million	Greenwich Millennium Village 2016	Chobham Manor 2016	Total 2016
Percentage ownership interest	50%	50%	
Current assets	53.9	47.5	101.4
Cash and cash equivalents	1.7	11.0	12.7
Current financial liabilities	(3.8)	(17.2)	(21.0)
Current other liabilities	(0.9)	–	(0.9)
Non-current financial liabilities*	(30.2)	(50.0)	(80.2)
Net assets/(liabilities) (100%)	20.7	(8.7)	12.0
Group share of net assets/(liabilities)	10.3	(4.3)	6.0
Loans to joint ventures	12.0	23.2	35.2
Total interest in joint ventures	22.3	18.9	41.2
Revenue	29.3	27.0	56.3
Interest expense	(0.6)	–	(0.6)
Income tax expense	(0.5)	–	(0.5)
Profit/(loss) for the year	4.5	(2.5)	2.0
Group share of profit/(loss) for the year	2.3	(1.3)	1.0

* Non-current financial liabilities include amounts owed to JV partners.

During the year, no entity charged depreciation or amortisation. No entity had discontinued operations or items of other comprehensive income.

13. Interests in joint ventures continued

£ million	2017	2016
Aggregated amounts relating to share of individually immaterial joint ventures		
Non-current assets	**1.2**	–
Current assets	**7.5**	9.4
Total assets	**8.7**	9.4
Current liabilities	**(0.5)**	(1.3)
Non-current liabilities	**(3.0)**	(4.2)
Total liabilities	**(3.5)**	(5.5)
Carrying amount	**5.2**	3.9
Loans to individually immaterial joint ventures	**2.7**	5.2
Total interests in individually immaterial joint ventures	**7.9**	9.1

£ million	2017	2016
Group share of:		
Revenue	**–**	1.0
Cost of sales	**–**	(0.7)
Gross profit	**–**	0.3
Net operating expense	**–**	(0.1)
Profit on ordinary activities before finance costs	**–**	0.2
Finance costs	**(0.1)**	–
(Loss)/profit on ordinary activities before tax	**(0.1)**	0.2
Taxation	**(0.4)**	–
Share of individually immaterial joint ventures results for the year	**(0.5)**	0.2

14. Deferred tax

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

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2016	7.2	4.0	11.4	32.0	1.1	55.7
Credit/(charge) to income	0.6	(0.6)	(3.9)	(2.7)	(0.7)	(7.3)
Credit to other comprehensive income	–	–	–	10.7	–	10.7
Charge to statement of changes in equity	(3.0)	–	–	–	–	(3.0)
Foreign exchange	–	–	1.3	–	–	1.3
At 31 December 2016	4.8	3.4	8.8	40.0	0.4	57.4
(Charge)/credit to income	**(0.2)**	**(0.3)**	**0.3**	**(2.8)**	**0.7**	**(2.3)**
Charge to other comprehensive income	**–**	**–**	**–**	**(26.5)**	**–**	**(26.5)**
Credit to statement of changes in equity	**0.4**	**–**	**–**	**–**	**–**	**0.4**
Foreign exchange	**–**	**–**	**0.3**	**–**	**–**	**0.3**
At 31 December 2017	**5.0**	**3.1**	**9.4**	**10.7**	**1.1**	**29.3**

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the temporary differences have been calculated at rates between 19% and 17% (2016: 20% and 17%).

14. Deferred tax continued

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

£ million	2017	2016
Deferred tax assets	30.9	58.7
Deferred tax liabilities	(1.6)	(1.3)
	29.3	57.4

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £2.8 million (2016: £3.0 million) in the UK and £58.0 million (2016: £70.0 million) in Spain. The UK temporary differences have not been recognised as they are predominantly non-trading in nature and insufficient certainty exists as to their future utilisation. The temporary differences in Spain have not been recognised due to uncertainty of sufficient taxable profits in the future against which to utilise these amounts.

At the balance sheet date, the Group has unused UK capital losses of £269.6 million (2016: £269.5 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2017 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

15. Inventories

£ million	2017	2016
Raw materials and consumables	1.9	1.6
Finished goods and goods for resale	24.0	20.9
Residential developments:		
Land[a]	2,682.6	2,650.9
Development and construction costs	1,360.0	1,307.8
Commercial, industrial and mixed development properties	7.2	2.8
	4,075.7	3,984.0

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

During the year contract costs of £212.2 million (2016: £187.7 million) have been recognised within Cost of Sales in respect of IAS 11 'construction contracts'.

The markets in our core geographies, which are the primary drivers of our business, continue to trade positively. However, we are alert to the potential risk of a change in customer confidence given the on-going Brexit negotiations. At 31 December, the Group completed a net realisable value assessment of inventory with these factors in mind. This review did not result in any net change to the total provision (2016: £8.2 million addition and £7.7 million release) but in a reallocation of £2.4 million of historically booked provision between two sites which continue to hold a provision due to the poor site location and complex site requirements. There was no further change as the majority of the impairment provision remaining is on sites which have suffered from adverse planning decisions or are impacted by other site-specific factors rather than wider market factors.

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

Inventory write-downs £ million	2017	2016
1 January	147.0	167.7
Utilised	(52.9)	(28.3)
Net addition	–	0.5
Foreign exchange	(0.8)	7.1
31 December	93.3	147.0

16. Other financial assets

Trade and other receivables

	Current		Non-current	
£ million	2017	2016	2017	2016
Trade receivables	76.9	65.4	56.4	79.0
Other receivables	45.3	26.0	3.7	8.2
	122.2	91.4	60.1	87.2

An allowance has been made for estimated irrecoverable amounts from trade receivables of £1.1 million (2016: £0.4 million). This allowance has been determined by reference to past default experience.

Included within trade receivables are mortgage receivables of £63.1 million (2016: £78.0 million) including shared equity loans. Shared equity loans are provided to certain customers to facilitate their house purchase. They are accounted for as a host contract representing a loan receivable and a non-closely related embedded derivative asset, as allowed under IAS 39 'Financial instruments'. The loan is measured at amortised cost and the embedded derivative is measured at fair value through profit or loss.

16. Other financial assets continued

The embedded derivative fair value movement is established by reference to a published national house price index. The fair value of the derivative is £(1.8) million (2016: £2.4 million) and is included in the amount above.

Included within trade receivables is £1.3 million (2016: £9.6 million) of retentions in relation to partnership housing contracts.

Cash and cash equivalents

£ million	2017	2016
Cash and cash equivalents (see Note 19)	600.5	450.2

17. Bank and other loans

£ million	2017	2016
Bank loans	–	–
Other loans	88.7	85.5
	88.7	85.5

Other loans relate to €100.0 million 2.02% Senior Loan Notes due to expire in 2023.

£ million	2017	2016
Amount due for settlement after one year	88.7	85.5
Total borrowings	88.7	85.5

£ million	2017	2016
Analysis of borrowings by currency:		
Sterling	–	–
Euros	88.7	85.5
	88.7	85.5

18. Trade and other payables

	Current		Non-current	
£ million	2017	2016	2017	2016
Trade payables	750.7	481.3	324.6	337.5
Customer deposits	75.8	88.7	10.6	9.8
Completed site accruals	128.6	120.1	46.3	57.0
Other payables	69.4	298.0	49.1	38.2
	1,024.5	988.1	430.6	442.5

Other payables includes £48.0 million (2016: £61.4 million) of repayable grants.

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

£ million	2017	2016
Due within one year	319.5	266.3
Due in more than one year	319.6	333.5
	639.1	599.8

Land creditors are denominated as follows:

£ million	2017	2016
Sterling	618.3	577.4
Euros	20.8	22.4
	639.1	599.8

Land creditors of £489.6 million (2016: £276.2 million) are secured against land acquired for development, or supported by bond or guarantee.

19. Financial instruments and fair value disclosures

Capital management

The Group's policy is to maintain a strong credit rating for the business and to have an appropriate funding structure. Shareholders' equity and long-term debt are used to finance property, plant and equipment and the medium to long term inventories. Revolving credit facilities are used to fund net current assets including development and construction costs. The Group's financing facilities contain the usual financial covenants including minimum interest cover and maximum gearing. The Group met these requirements throughout the year.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets £ million	Fair value hierarchy	Carrying value 31 December 2017	Carrying value 31 December 2016	Fair value 31 December 2017	Fair value 31 December 2016
Cash and cash equivalents	b	**600.5**	450.2	**600.5**	450.2
Land receivables	b	**13.8**	24.1	**13.8**	24.1
Trade and other receivables	b	**67.2**	44.6	**67.2**	44.6
Mortgage receivables	a	**63.1**	78.0	**63.1**	78.0
		744.6	596.9	**744.6**	596.9

(a) Mortgage receivables relate to sales incentives including shared equity loans which are separated into a loan receivable and a non-closely related embedded derivative asset. The embedded derivative is measured at fair value through profit and loss. The fair value of the derivative is established based on a publicly available national house price index, being significant other observable inputs (level 2).

(b) The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair value.

No financial assets are past due and as such have not been impaired. An allowance is made for the mortgage receivables as described in Note 16.

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts.

Current and non-current trade and other receivables, as disclosed in Note 16, include £38.2 million (2016: £31.9 million) of non-financial assets.

Financial liabilities £ million	Fair value hierarchy	Carrying value 31 December 2017	Carrying value 31 December 2016	Fair value 31 December 2017	Fair value 31 December 2016
Overdrafts, bank and other loans	a	**88.7**	85.5	**87.8**	85.5
Land creditors	b	**639.1**	599.8	**639.1**	599.8
Trade and other payables	b	**690.7**	677.9	**690.7**	677.9
		1,418.5	1,363.2	**1,417.6**	1,363.2

(a) The fair value of the €100 million fixed rate loan notes has been determined by reference to external interest rates and the Directors' assessment of the margin for credit risk (level 2).

Land creditors are included in the balance sheet as trade and other payables for current and non-current amounts. Current and non-current trade and other payables, as disclosed in Note 18, include £125.3 million (2016: £152.9 million) of non-financial liabilities.

The Group has designated the carrying value of €54.0 million of foreign currency borrowings (2016: €54.0 million foreign currency borrowings) as a net investment hedge.

The Group has no other financial instruments with fair values that are determined by reference to significant unobservable inputs (level 3), nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy/(sell) against Sterling: €65.0 million and C$ nil million (2016: €47.5 million and C$(0.4) million). The fair value of the forward contracts is not materially different to their book value as they were entered into on or near 31 December in each year and mature less than one month later, hence the value of the derivative is negligible.

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks using fixed or variable rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group can be exposed to interest rate risk as the Group borrows funds, when required, at variable interest rates. The exposure to variable rate borrowings can fluctuate during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. Group policy is to manage the volatility risk by a combination of fixed rate borrowings and interest rate swaps such that the sensitivity to potential changes in variable rates is within acceptable levels. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility. This policy has not changed during the year.

To measure the risk, variable rate borrowings and the expected interest cost for the year are forecast monthly and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year.

Interest rate sensitivity

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at the balance sheet date, is shown in the table below. The Group does not currently have any outstanding interest rate derivatives. The 0.25% change represents a reasonably possible change in interest rates over the next financial period.

19. Financial instruments and fair value disclosures continued

The table assumes all other variables remain constant in accordance with IFRS 7.

0.25% increase in interest rates £ million	Sensitivity income 2017	Sensitivity equity 2017	Sensitivity income 2016	Sensitivity equity 2016
Derivatives	–	–	–	–
Non-derivatives	1.5	1.5	1.1	1.1
	1.5	1.5	1.1	1.1

0.25% decrease in interest rates £ million	Sensitivity income 2017	Sensitivity equity 2017	Sensitivity income 2016	Sensitivity equity 2016
Derivatives	–	–	–	–
Non-derivatives	(1.5)	(1.5)	(1.1)	(1.1)
	(1.5)	(1.5)	(1.1)	(1.1)

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates. Its Spanish subsidiary is the only foreign operation of the Group.

The Group is not materially exposed to transaction risks as all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is also exposed to the translation risk from accounting for both the income and the net investment held in a functional currency other than Sterling. The net investment risk may be hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates. Income is also measured monthly using the latest exchange rates and compared to a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings, the translation risk of income is not hedged using derivatives. The policy is kept under periodic review and has not changed during the year.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with Group policy. During 2016 foreign currency borrowings replaced forward contracts as the designated financial instrument to hedge the net investment risk in the Spanish operations.

The Group has designated the carrying value of €54.0 million of foreign currency borrowings (2016: €54.0 million borrowings) held at the balance sheet date as a net investment hedge of part of the Group's investment in Euro denominated assets.

The change in the carrying amount of the derivatives which were effective hedging instruments, and the change in the carrying value of the borrowings, offset the exchange movement on the foreign currency net investments and are presented in the Statement of Other Comprehensive Income.

Foreign currency sensitivity

The Group is exposed to the Euro due to its Spanish operations. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis following a 15% change in the currency's value against Sterling, and in accordance with IFRS 7, all other variables remaining constant.

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

£ million	Income sensitivity 2017	Equity sensitivity 2017	Income sensitivity 2016	Equity sensitivity 2016
Euro weakens against Sterling	(1.3)	4.9	(1.0)	5.1
Euro strengthens against Sterling	1.8	(6.6)	1.3	(6.8)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Group policy is that surplus cash, when not used to repay borrowings, is placed on deposit with the Group's main relationship banks and with other banks or money market funds based on a minimum credit rating and maximum exposure. There is no significant concentration of risk to any single counterparty.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that, if the credit risk is not acceptable, then the deferred payment must have adequate security, either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other house builders. Management consider that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk.

Mortgage receivables, including shared equity loans, are in connection with the various historical promotion schemes to support sales on a selective basis. The mortgages are secured by a second charge over the property and are held at amortised cost. The non-closely related embedded derivative related to shared equity is held at fair value.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Notes to the Consolidated Financial Statements continued

19. Financial instruments and fair value disclosures continued

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a minimum of 12 months to maturity. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. The Group's borrowings and facilities have a range of maturities with an average life of 2.6 years (2016: 3.6 years). In February 2018, the Group agreed with its banks, to amend the terms of its £550 million facility on more favourable terms and to extend the maturity date to February 2023. The Group's borrowings and facilities now have an average life of 5.2 years.

In addition to fixed term borrowings, the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £550.0 million (2016: £550.0 million) and cash and cash equivalents were £600.5 million (2016: £450.2 million).

The maturity profile of the anticipated future cash flows, including interest using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

Financial liabilities £ million	**Overdrafts, bank and other loans**	**Land creditors**	**Trade and other payables***	**Currency forward contracts**	**Total**
On demand	–	–	–	–	–
Within one year	**1.8**	**326.6**	**589.1**	**–**	**917.5**
More than one year and less than two years	**1.8**	**201.6**	**61.8**	**–**	**265.2**
More than two years and less than five years	**5.4**	**107.0**	**37.7**	**–**	**150.1**
In more than five years	**89.6**	**35.7**	**2.1**	**–**	**127.4**
31 December 2017	**98.6**	**670.9**	**690.7**	**–**	**1,460.2**

* Excludes land creditors.

Financial liabilities £ million	Overdrafts, bank and other loans	Land creditors	Trade and other payables*	Currency forward contracts	Total
On demand	–	–	–	–	–
Within one year	1.7	286.4	577.1	0.3	865.5
More than one year and less than two years	1.7	178.7	45.8	–	226.2
More than two years and less than five years	5.2	143.0	43.9	–	192.1
In more than five years	88.0	21.3	10.8	–	120.1
31 December 2016	96.6	629.4	677.6	0.3	1,403.9

* Excludes land creditors.

Lease commitments are disclosed in Note 28.

20. Retirement benefit obligations

Retirement benefit obligations comprise a defined benefit pension liability of £63.7 million (2016: £232.7 million) and a post-retirement healthcare liability of £1.1 million (2016: £1.4 million).

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

Defined contribution pension plan

A defined contribution plan is a pension plan under which the Group pays contributions to an independently administered fund – such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's defined contribution plan, the Taylor Wimpey Personal Choice Plan (TWPCP), is offered to all new and existing monthly paid employees. The People's Pension is used for auto enrolment purposes for weekly and monthly paid employees not participating in the TWPCP. The People's Pension is provided by B&CE, one of the UK's largest providers of financial benefits to construction industry employers and individuals.

The Group made contributions to its defined contribution arrangements of £10.4 million in 2017 (2016: £10.6 million), which is included in the income statement charge. The Group expects to make contributions of around £10.6 million in 2018.

Defined benefit pension schemes

The Group's defined benefit pension scheme in the UK is the TWPS. The TWPS is a funded defined benefit pension scheme which provides benefits to beneficiaries in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. Pension payments are generally increased in line with inflation.

20. Retirement benefit obligations continued

The Scheme was formed by the merger of the Taylor Woodrow Group Pension and Life Assurance Fund and the George Wimpey Staff Pension Scheme in 2013. The Scheme is closed to new members and future accrual.

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

The TWPS Trustee's other duties include managing the investment of scheme assets, administration of scheme benefits and exercising of discretionary powers. The Group works closely with the Trustee to manage the TWPS. The Trustee of the TWPS owes fiduciary duties to the TWPS' beneficiaries. The appointment of the Directors to the Trustee Board is determined by the TWPS trust documentation.

During 2017 we engaged with the Pension Trustee on the triennial valuation of the pension scheme with a reference date of 31 December 2016. The table below sets out the key assumptions agreed as part of this valuation.

Assumptions

Discount rate (pre-retirement)	4.20%
Discount rate (post-retirement)	2.35%
RPI inflation	3.50%
CPI inflation	2.70%
Mortality	100% of S2PXA tables, CMI_2016 improvements with 1.50% trend rate and a smoothing factor of 7.5

The result of this valuation is a Technical Provisions deficit at 31 December 2016 of £222.0 million. Strong investment returns on the Scheme's assets over 2017 have reduced this deficit to approximately £30.0 million at 31 December 2017.

A revised funding plan, based on the results of the triennial valuation, has been agreed since the Balance Sheet date. This plan commits the Group to cash contributions of £47.1 million per annum for four years, including £5.1 million per annum from the Pension Funding Partnership (as described below) and £2.0 million per annum to cover scheme expenses. However, £40 million per annum of cash contributions are only required whilst the Scheme remains in a Technical Provisions deficit position. Should the Scheme become fully funded, then these cash contributions will be suspended until such time that the Scheme's Technical Provision funding level falls to below 96%.

During 2017, as part of the triennial valuation, each of the assumptions were reviewed, with a focus on demographic assumptions. In order to review the mortality base table assumption for the Scheme, three different investigations were carried out. Firstly, the Scheme Actuary of the TWPS analysed actual mortality experience for the Scheme over the period from 2014 to 2016 inclusive. Secondly the Company commissioned a postcode mortality analysis of the Scheme population from an independent actuary. Finally, the Company, in collaboration with the Trustee, commissioned a review to assess the current health of existing scheme members through questionnaires and telephone interviews. This approach, referred to as a Medically Underwritten Mortality Study ("MUMS"), allowed for more detailed investigation of the health profile of the Scheme, and has been adopted for other pension schemes in recent years. The Company and Trustee wrote to approximately 3,200 members aged between 55 and 80 who together covered 45% of overall scheme liabilities. Of these members, approximately 60% responded to the survey. The responses were then analysed by experienced medical underwriters to translate them into loadings to be applied to standard mortality base tables. The results of the MUMS investigation, the postcode analysis and the scheme specific experience analysis were then 'blended' to form an overall mortality assumption. This blending applied different weightings to each study for each sub-Group of scheme members, reflecting the perceived relevance of each study to each sub-Group.

This resulted in an overall loading to be applied to the S2P base tables of 107% for the IAS 19 accounting valuation, and resulted in a reduction in life expectancy of around 0.5 years to 1 year relative to the mortality base table assumption adopted in the previous year.

The revised, scheme specific, mortality assumption resulted in a reduction in the deficit (before IFRIC 14 adjustment) of approximately £60 million which, combined with asset outperformance has resulted in an IAS 19 accounting surplus of £23.9 million. The terms of the Scheme are such that the Group does not have an unconditional right to a refund of surplus. As a result, the Group has recognised an adjustment to this surplus of £87.6 million, resulting in an IFRIC 14 deficit of £63.7 million, which represents the present value of future contributions under the current 2013 funding plan.

In 2013, the Group introduced a £100.0 million Pension Funding Partnership utilising show homes, as well as seven offices which are owned, in a sale and leaseback structure. This provides an additional £5.1 million of annual funding for the TWPS. The assets held within this scheme do not affect the IAS 19 figures as they remain assets of the Group, and are not assets of the TWPS. As at 31 December 2017, there was £101.5 million of property and £9.5 million of cash held within the structure (2016: £101.4 million of property and £9.6 million of cash). The terms of this Funding Partnership are such that, should the Scheme be in a Technical Provisions deficit at 2028, then a bullet payment will be due equal to the lower of £100.0 million or the Technical Provisions deficit. The IFRIC 14 deficit at 31 December 2017 does not include any value in respect of this bullet payment as modelling undertaken by an independent actuary indicates that the Scheme is expected to be fully funded by 2028 and therefore no bullet payment is expected to be required.

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The Scheme assets are approximately 80% hedged against changes in both interest rates and inflation expectations on the Scheme's long-term, 'self-sufficiency' basis. The Scheme also benefits from a bulk annuity contract which covers some of the largest liabilities in the Scheme, providing protection against interest rate, inflation and longevity risk.

20. Retirement benefit obligations continued

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

Assumptions	TWPS
RPI inflation	3.40%
Discount rate – pre/post-retirement	6.05%/4.05%
General pay inflation	n/a
Real pension increases	0.00%

Valuation results	TWPS
Market value of assets	£1,921m
Past service liabilities	£2,112m
Scheme funding levels	91%
Deficit repair contributions (per annum)	£16.0m
Period of payment	Until November 2018

The defined benefit obligation is measured using the projected unit actuarial cost method.

The duration, or average term to payment for the benefits due, weighted by liability, is approximately 16 years for the TWPS.

Accounting assumptions

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

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds with regard for the duration of the TWPS. The assumption for RPI inflation is set by reference to the Bank of England's implied inflation curve with regard for the duration of the TWPS, with appropriate adjustments to reflect distortions due to supply and demand for inflation-linked securities. CPI inflation is set by reference to RPI inflation as no CPI-linked bonds exist to render implied CPI inflation directly observable.

The life expectancies have been derived using mortality assumptions that were based on the results of a Medically Underwritten Mortality Study conducted by the Group during 2017, combined with experience data. Using the results from this study the mortality assumption is based on 107% of S2PXA tables, CMI_2016 improvements with a 1.25% trend rate and smoothing factor of 7.5. The base tables used in 2016 were the S2NXA tables with CMI_2015 improvements and 1.25% trend rate, including actual 2013 to 2015 death data.

	TWPS	
Accounting valuation assumptions	2017	2016
As at 31 December:		
Discount rate for scheme liabilities	2.55%	2.70%
General pay inflation	n/a	n/a
Deferred pension increases	2.20%	2.25%
Pension increases*	2.10%-3.65%	2.15%-3.70%

* Pension increases depend on the section of the scheme each member is a part of.

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

	2017		2016	
Life expectancy	Male	Female	Male	Female
Member currently aged 65	87	88	87	89
Member currently aged 45	88	90	89	91

The pension liability is the difference between the scheme assets and liabilities. The liability is sensitive to the assumptions used. The table below shows the impact to the liability of movement in key assumptions, measured using the same method as the defined benefit scheme.

Assumption	Change in assumption	Impact on defined benefit obligation	Impact on defined benefit obligation (%)
Discount rate	Decrease by 0.1% p.a.	Increase by £34m	1.5
Rate of inflation*	Increase by 0.1% p.a.	Increase by £20m	0.9
Life expectancy	Members live 1 year longer	Increase by £89m	3.8

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

The sensitivity of increasing life expectancy has been reduced by a medically underwritten buy-in. See the section on additional areas of risk management at the end of this Note.

20. Retirement benefit obligations continued

The fair value of the assets of the TWPS is set out below:

	£ million	Percentage of total scheme assets held
At 31 December 2017		
Assets:		
Equities(b)	**199.8**	**8.8%**
Corporate bonds(b)	**578.8**	**25.6%**
Fixed-index Government bonds(b)	**701.7**	**31.0%**
Index-linked Government bonds(b)	**1,236.3**	**54.6%**
Hedge funds	**528.0**	**23.3%**
Property	**42.2**	**1.9%**
Other(a)	**(1,264.7)**	**(55.9)%**
Cash	**27.5**	**1.2%**
Insurance policies in respect of certain members	**213.9**	**9.5%**
	2,263.5	**100.0%**

	£ million	Percentage of total scheme assets held
At 31 December 2016		
Assets:		
Equities(b)	188.0	8.8%
Corporate bonds(b)	583.5	27.3%
Fixed-index Government bonds(b)	778.3	36.4%
Index-linked Government bonds(b)	1,108.7	51.9%
Hedge funds	289.0	13.5%
Property	53.8	2.5%
Other(a)	(1,280.0)	(59.9)%
Cash	163.1	7.7%
Insurance policies in respect of certain members	251.7	11.8%
	2,136.1	100.0%

(a) Consists of repurchase agreements of £1,150.1 million (2016: £1,147.7 million) and other financial derivatives (swaps, futures and forwards on equities and bonds) of £114.6 million (2016: £132.3 million). These are used to hedge against movements in scheme assets to reduce the volatility of the scheme deficit.

(b) Fair values available

The value of the annuities held by the Scheme are set equal to the value of the liabilities which these annuities match. All other fair values are provided by the fund managers and collated by Northern Trust as custodian, who independently price the securities from their preferred vendor sources where the data is publicly available and rely on investment manager data where this information is not available. Where available, the fair values are quoted prices (e.g. listed equity). Unlisted investments (e.g. private equity) are included at values provided by the fund manager in accordance with relevant guidance. Other significant assets are valued based on observable inputs.

There are no investments in respect of the Group's own securities.

Notes to the Consolidated Financial Statements continued

20. Retirement benefit obligations continued

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

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2017	**(2,368.8)**	**2,136.1**	**(232.7)**
Current service cost	–	–	–
Administration expenses	–	(3.0)	(3.0)
Interest (expense)/income	(62.0)	56.1	(5.9)
Total amount recognised in income statement	**(62.0)**	**53.1**	**(8.9)**
Return on scheme assets not included in income statement	–	193.7	193.7
Change in demographic assumptions	78.9	–	78.9
Change in financial assumptions	(44.1)	–	(44.1)
Experience gains	13.9	–	13.9
Adjustment to liabilities for IFRIC 14	(87.6)	–	(87.6)
Total remeasurements in other comprehensive income	**(38.9)**	**193.7**	**154.8**
Employer contributions	–	23.1	23.1
Employee contributions	–	–	–
Benefit payments	142.5	(142.5)	–
At 31 December 2017	**(2,327.2)**	**2,263.5**	**(63.7)**

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2016	(2,066.2)	1,889.1	(177.1)
Current service cost	–	–	–
Administration expenses	–	(3.3)	(3.3)
Interest (expense)/income	(74.4)	68.3	(6.1)
Total amount recognised in income statement	(74.4)	65.0	(9.4)
Return on scheme assets not included in income statement	–	271.7	271.7
Change in demographic assumptions	71.2	–	71.2
Change in financial assumptions	(431.4)	–	(431.4)
Experience gains	19.2	–	19.2
Total remeasurements in other comprehensive income	(341.0)	271.7	(69.3)
Employer contributions	–	23.1	23.1
Employee contributions	–	–	–
Benefit payments	112.8	(112.8)	–
At 31 December 2016	(2,368.8)	2,136.1	(232.7)

Accounting valuation

£ million	2017	2016
Fair value of scheme assets	**2,263.5**	2,136.1
Present value of scheme obligations	**(2,239.6)**	(2,368.8)
IAS 19 surplus/(deficit) before IFRIC 14 adjustment	**23.9**	(232.7)
IFRIC 14 adjustment	**(87.6)**	–
IAS 19 deficit after IFRIC 14 adjustment	**(63.7)**	(232.7)

20. Retirement benefit obligations continued

Risks and risk management

The TWPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Although investment decisions in the UK are the responsibility of the Trustees, the Group takes an active interest to ensure that the pension scheme risks are managed efficiently. The Group has regular meetings with the Trustees to discuss investment performance, regulatory changes and proposals to actively manage the position of the Scheme.

Risk	Description
Asset volatility	Building on the implementation of the Scheme's Strategic Asset Allocation review in 2016, the Trustee agreed to two new allocations in 2017. The first, a new allocation of US$145 million (c. £110 million) was approved in October 2017 to the KKR Private Credit Opportunities Partners II fund, an illiquid credit mandate. The allocation will provide a high return with sufficient liquidity remaining across the rest of the portfolio given that existing illiquid allocations are expected to fall in the near future as the mangers (Ares, M&G and Highbridge) return more capital. As this fund is a drawdown-type structure, the Scheme will be investing over time, the first capital call occurred in February 2018. The investment will be funded from excess collateral within the liability-hedging portfolio and the Scheme's remaining holdings in investment grade corporate bonds. In November 2017, the Trustee agreed to diversify their Diversified Risk Premia ("DRP") allocation between two managers, disinvesting half of the current DRP allocation with AQR, and allocating this to the Bridgewater Optimal fund. This transition occurred on 1 February 2018 and will lead to greater diversification and reduced manager concentration risk. In addition to the investments outlined above, the Scheme's strategy is well diversified through its exposure to a range of asset classes, including protected equities, commercial real estate debt, direct loans, hedge funds, government bonds and a broad spectrum of corporate bonds and other fixed income exposures. The Scheme does not target a specific asset allocation but instead bases its strategic asset allocation on the return objectives and risk constraints agreed upon by the Trustees.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in bond and liability-matching derivatives offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.
Investing in foreign currency	In order to maintain appropriate diversification of investments within the Scheme's assets and to take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies while having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.
Asset/liability mismatch	In order to manage the Scheme's economic exposure to interest rates and inflation rates, a liability-hedging programme has been put in place. Derivatives are being used to hedge changes in the Scheme's funding level from changes in its liabilities in an unfunded way, substantially reducing asset/liability mismatch risk.
Illiquidity	Insurance policies, real estate and illiquid debt (which include commercial real estate debt and direct lending bonds) make up £366 million (16%) of the asset portfolio of the Scheme. Excluding these amounts, approximately 76% of assets are managed either in segregated accounts or daily/weekly dealt pooled funds and can therefore be realised within a few business days under normal market conditions. Of the remaining investments, a further 19% are in pooled funds with monthly redemption dates. The remainder of 5% could be redeemed within approximately three months of notification in normal market conditions.
Life expectancy	The majority of the TWPS' obligations are to provide a pension for the life of the member on retirement, so increases in life expectancy will result in an increase in the TWPS' liabilities. The inflation-linked nature of the majority of benefit payments from the TWPS increases the sensitivity of the liabilities to changes in life expectancy. During 2014, the Group reached agreement with Partnership Life Assurance Company Limited to insure the benefits of 10% of members with the greatest anticipated liabilities through a medically underwritten buy-in. By insuring these members, the Group has removed more than 10% of risk from the scheme by significantly reducing the longevity of a large proportion of the liabilities.

Notes to the Consolidated Financial Statements continued

21. Provisions

£ million	Leasehold provision (Note 6)	North America disposal	Other	Total
At 1 January 2016	–	11.8	22.2	34.0
Additional provision in the year	–	–	10.3	10.3
Utilisation of provision	–	(1.3)	(5.9)	(7.2)
Released	–	–	(4.0)	(4.0)
At 31 December 2016	–	10.5	22.6	33.1
Additional provision in the year	**130.0**	**–**	**11.9**	**141.9**
Utilisation of provision	**(2.4)**	**(0.8)**	**(5.7)**	**(8.9)**
Released	**–**	**–**	**(4.5)**	**(4.5)**
At 31 December 2017	**127.6**	**9.7**	**24.3**	**161.6**

£ million	2017	2016
Current	**87.3**	28.0
Non-current	**74.3**	5.1
31 December	**161.6**	33.1

Other provisions consist of a remedial work provision covering various obligations on a limited number of sites across the Group. Other provisions also includes provisions for legal claims, onerous leases and other contract-related costs associated with various matters arising across the Group, the majority of which are anticipated to be settled within a three year period; however, there is some uncertainty regarding the timing of these outflows due to the nature of the claims and the length of time it can take to reach settlement. Onerous leases and vacant property costs included in this provision are expected to be utilised within approximately five years.

22. Share capital

£ million	2017	2016
Authorised:		
22,200,819,176 (2016: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2016: 1,158,299,201) deferred ordinary shares of 24p each	**278.0**	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2016	3,270,272,102	288.4
Ordinary shares issued in the year	**5,146,228**	**0.1**
31 December 2017	**3,275,418,330**	**288.5**

During the year the Company issued an additional 5.1 million (2016: 11.6 million) ordinary shares in order to satisfy option exercises.

During the year, options were exercised over 9,298,098 ordinary shares (2016: 12,813,881) the majority of which were met from new issues of share capital with the balance being met from our holding of shares in our Employee Share Ownership Trusts (ESOTs) at varying prices from nil pence to 159.12 pence per share. Under the Group's performance share plan, employees held conditional awards at 31 December 2017 in respect of up to 18,568,767 shares, subject to achievement of performance tests (2016: 17,088,352) at nil pence per share nominally exercisable up to September 2020.

Under the Group's savings-related share option schemes, employees held options at 31 December 2017 to purchase 17,149,237 shares (2016: 19,235,549) at prices between 46.04 pence and 159.12 pence per share exercisable up to May 2023. Under the Group's share incentive plan, employees held conditional awards at 31 December 2017 in respect of 5,086,637 shares (2016: 5,571,219) at nil pence per share.

23. Share premium account

£ million	2017	2016
At 1 January and 31 December	762.9	762.9

24. Reserves

£ million	Retained earnings	Capital redemption reserve	Translation reserve	Other	Total other reserves
Balance at 1 January 2016	1,632.7	31.5	5.5	4.9	41.9
Exchange differences on translation of foreign operations	–	–	6.3	–	6.3
Movement in fair value of hedging derivatives and loans	–	–	(5.0)	–	(5.0)
Actuarial loss on defined benefit pension schemes	(69.3)	–	–	–	–
Deferred tax credit on defined benefit movement	10.7	–	–	–	–
Cash cost of satisfying share options	0.7	–	–	–	–
Share-based payment credit	9.8	–	–	–	–
Tax charge on items taken directly to statement of changes in equity	(0.7)	–	–	–	–
Dividends approved and paid	(355.9)	–	–	–	–
Profit for the year	589.3	–	–	–	–
Balance at 31 December 2016	1,817.3	31.5	6.8	4.9	43.2
Exchange differences on translation of foreign operations	–	–	2.2	–	2.2
Movement in fair value of hedging loans	–	–	(1.2)	–	(1.2)
Actuarial gain on defined benefit pension schemes	154.8	–	–	–	–
Deferred tax charge on defined benefit movement	(26.5)	–	–	–	–
Cash cost of satisfying share options	(0.7)	–	–	–	–
Share-based payment credit	11.5	–	–	–	–
Tax credit on items taken directly to statement of changes in equity	1.8	–	–	–	–
Dividends approved and paid	(450.5)	–	–	–	–
Profit for the year	555.3	–	–	–	–
Balance at 31 December 2017	**2,063.0**	**31.5**	**7.8**	**4.9**	**44.2**

Other reserves

Capital redemption reserve

The capital redemption reserve arose on the historical redemption of Parent Company shares, and is not distributable.

Translation reserve

The translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging derivatives where such instruments are designated and effective as hedges of investment in overseas operations.

Other reserve

The Group issued 57.9 million of warrants with a fair value of £5.5 million in 2009 as part of its debt refinancing agreement. The full cost of the warrants was recognised in the other reserve on their issuance.

25. Own shares

£ million	
Balance at 1 January 2016	3.2
Shares acquired	10.6
Disposed of on exercise of options	(1.6)
Balance at 31 December 2016	12.2
Shares acquired	13.3
Disposed of on exercise of options	(4.2)
Balance at 31 December 2017	**21.3**

25. Own shares continued

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market, those held as treasury shares and those held by the Taylor Wimpey Employee Share Ownership Trusts to satisfy options and conditional share awards under the Group's share plans.

	2017 Number	2016 Number
Ordinary shares held in trust for bonus, option and performance award plans	13.1	10.2m

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

During the year, Taylor Wimpey plc purchased £13.3 million of its own shares which are held in the ESOTs (2016: £10.6 million).

The ESOTs' entire holding of shares at 31 December 2017, aggregating 13.1 million shares (2016: 10.2 million), was covered by outstanding options and conditional awards over shares at that date.

26. Notes to the cash flow statement

£ million	2017	2016
Profit on ordinary activities before finance costs	703.6	762.6
Adjustments for:		
Depreciation of buildings, plant and equipment	2.3	2.1
Net addition of inventory write-downs	–	0.5
Amortisation of software development	1.1	1.2
Pension contributions in excess of charge to the income statement	(20.1)	(20.1)
Share-based payment charge	11.5	9.8
Loss/(gain) on disposal of property, plant and equipment	0.1	(0.3)
Increase/(decrease) in provisions	128.5	(0.9)
Operating cash flows before movements in working capital	827.0	754.9
Increase in inventories	(61.7)	(113.3)
(Increase)/decrease in receivables	(12.9)	42.3
Decrease in payables	(16.5)	(61.7)
Cash generated by operations	735.9	622.2
Income taxes paid	(126.7)	(71.0)
Interest paid	(5.1)	(13.5)
Net cash from operating activities	604.1	537.7

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

Movement in net cash/(debt)

£ million	Cash and cash equivalents	Overdrafts, banks and other loans	Total net cash/(debt)
Balance 1 January 2016	323.3	(100.0)	223.3
Net cash flow	130.5	17.0	147.5
Foreign exchange	(3.6)	(2.5)	(6.1)
Balance 31 December 2016	450.2	(85.5)	364.7
Net cash flow	148.5	–	148.5
Foreign exchange	1.8	(3.2)	(1.4)
Balance 31 December 2017	600.5	(88.7)	511.8

Changes in liabilities arising from financing activities

There have been no changes in liabilities due to financing activity in the year. The movement of £3.2 million on the bank loan is due to changes in the Euro exchange rate during the year and is shown in the net cash/(debt) reconciliation above.

27. Contingent liabilities and capital commitments

General

The Group in the normal course of business has given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed.

The Group has no material capital commitments as at 31 December 2017 (2016: none).

28. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for offices and equipment, which fall due as follows:

£ million	2017	2016
Within one year	8.7	6.1
In more than one year but not more than five years	15.8	14.5
After five years	0.7	2.6
	25.2	23.2

29. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the Remuneration Report on page 74 to 92.

	2017		2016	
Schemes requiring consideration from participants:	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	24,914,877	0.84	28,573,712	0.76
Granted during the year	6,186,031	1.59	6,891,621	1.31
Forfeited during the year	(2,641,339)	1.21	(2,387,382)	1.30
Exercised during the year	(6,223,695)	0.71	(8,163,074)	0.45
Outstanding at the end of the year	22,235,874	1.33	24,914,877	0.84
Exercisable at the end of the year	4,063,350	0.84	5,335,117	0.17

The table above includes shares which are granted to employees on a matching basis. When the employee joins the scheme, purchased shares are matched on a 1:1 basis. 5,086,637 of these awards, which do not expire, were in issue at 31 December 2017 (2016: 5,571,219). The remaining options outstanding at 31 December 2017 had a range of exercise prices from £0.46 to £1.59 (2016: £0.24 to £1.59) and a weighted average remaining contractual life of 2.57 years (2016: 2.44 years).

	2017		2016	
Schemes not requiring consideration from participants:	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	17,088,352	–	17,119,676	–
Granted during the year	6,443,624	–	6,780,661	–
Forfeited during the year	(1,888,806)	–	(2,161,178)	–
Exercised during the year	(3,074,403)	–	(4,650,807)	–
Outstanding at the end of the year	18,568,767	–	17,088,352	–
Exercisable at the end of the year	–	–	–	–

These conditional awards outstanding at 31 December 2017 had a weighted average remaining contractual life of 1.69 years (2016: 1.79 years).

The average share price at the date of exercise across all options exercised during the period was £1.88 (2016: £1.70).

Notes to the Consolidated Financial Statements continued

29. Share-based payments continued

For share plans with no market conditions granted during the current and preceding year, the fair value of the awards at the grant date was determined using the Binomial model. The inputs into that model were as follows:

	2017	2016
Weighted average share price	£1.94	£1.63
Weighted average exercise price	£0.98	£0.83
Expected volatility	36%	38%
Expected life	3/5 years	3/5 years
Risk free rate	0.6%	0.1%
Expected dividend yield	2.02%	1.81%

The weighted average fair value of share awards granted during the year is £1.10 (2016: £0.95).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

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

	2017	2016
Weighted average share price	£1.86	£1.76
Weighted average exercise price	Nil	Nil
Expected volatility	38%	31%
Expected life	0.8/3 years	0.8/3 years
Risk free rate	0.1%	0.4%
Expected dividend yield	0.0%	0.0%

The weighted average fair value of share options granted during the year is £1.21 (2016: £0.92).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term. The expected life used in the model is based on historical exercise patterns.

The Group recognised a total expense of £11.5 million related to equity-settled share-based payment transactions in 2017 (2016: £9.8 million).

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in Note 20. Transactions between the Group and its joint ventures are disclosed below. The Group has loans with joint ventures that are detailed in Note 13.

The following transactions are all with Taylor Wimpey UK Ltd:

On 1 November 2014, the Chief Executive was appointed as a non executive director of Travis Perkins plc. During the year, the Group directly purchased from Travis Perkins plc goods to the value of £20.2 million (2016: £18.4 million). In addition, indirect purchases through sub-contractors amounted to £27.8 million (2016: £18.1 million). Any residual purchases made at a local level are not material to either party. All transactions were completed on an arms-length basis.

Trading transactions

During the year, Group purchases from joint ventures totalled £6.8 million (2016: £nil), and sales to joint ventures totalled £2.1 million (2016: £2.3 million).

30. Related party transactions continued

Remuneration of key management personnel

The key management personnel of the Group are the members of the Group Management Team (GMT) as presented on page 17. The remuneration information for the three Executive Directors is set out in the Remuneration Report on page 86. The aggregate compensation for the other seven (2016: eight) members of the GMT is as follows:

£000	2017	2016
Short term employee benefits	4,040	4,867
Post-employment benefits	311	326
Total (excluding share-based payments charge)	4,351	5,193

In addition to the amounts above, a share-based payment charge of £1,494,673 (2016: £1,033,340) related to share options held by members of the GMT.

31. Dividends

£ million	2017	2016
Proposed		
Interim dividend 2017: 2.30p (2016: 0.53p) per ordinary share of 1p each	75.2	17.3
Final dividend 2017: 2.44p (2016: 2.29p) per ordinary share of 1p each	80.0	74.9
	155.2	92.2
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2016: 2.29p (2015: 1.18p) per ordinary share of 1p each	74.8	38.5
Interim dividend 2017: 2.30p (2016: 0.53p) per ordinary share of 1p each	75.2	17.3
Special dividend 2017: 9.20p (2016: 9.20p) per ordinary share of 1p each	300.5	300.1
	450.5	355.9

The Directors recommend a final dividend for the year ended 31 December 2017 of 2.44 pence per share (2016: 2.29 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£80.0 million (2016: £74.9 million). The final dividend will be paid on 18 May 2018 to all shareholders registered at the close of business on 6 April 2018.

The Directors additionally recommend a special dividend of c.£340.0 million (2016: c.£300.0 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 13 July 2018 to all shareholders registered at the close of business on 1 June 2018.

In accordance with IAS 10 'Events after the balance sheet date' the proposed final or special dividends have not been accrued as a liability as at 31 December 2017.

32. Post balance sheet events

Since the Balance Sheet date, the pensions 2016 triennial valuation has been completed and a new funding plan agreed. The triennial valuation (technical) deficit was £222 million at the reference date of 31 December 2016, although this deficit reduced to c.£30 million by 31 December 2017. This plan commits the Group to cash contributions of £47.1 million per annum (2016: £23.1 million per annum), including £5.1 million per annum from the Pension Funding Partnership and £2.0 million per annum to cover scheme expenses. However, £40.0 million per annum of cash contributions are only required whilst the scheme remains in a Technical Provisions deficit which will be tested quarterly. Once the scheme is fully funded, these cash contributions will be suspended until such time that the Scheme's Technical Provision funding level falls to below 96%.

In February 2018, the Group agreed with its banks, to amend the terms of its £550 million facility on more favourable terms and to extend the maturity date to February 2023.

Company Balance Sheet at 31 December 2017

£ million	Note	2017	2016
Non-current assets			
Investments in Group undertakings	4	**2,405.8**	2,394.3
Trade and other receivables	5	**1.7**	3.1
		2,407.5	2,397.4
Current assets			
Trade and other receivables	5	**2,589.3**	2,590.1
Cash and cash equivalents		**583.5**	466.1
		3,172.8	3,056.2
Current liabilities			
Trade and other payables	6	**(1,627.0)**	(1,610.4)
		(1,627.0)	(1,610.4)
Net current assets		**1,545.8**	1,445.8
Total assets less current liabilities		**3,953.3**	3,843.2
Non-current liabilities			
Trade and other payables	6	**(1.3)**	–
Bank and other loans	7	**(88.7)**	(85.5)
Provisions		**(0.6)**	(0.6)
Net assets		**3,862.7**	3,757.1
Equity			
Share capital	8	**288.5**	288.4
Share premium account	9	**762.9**	762.9
Own shares	10	**(21.3)**	(12.2)
Other reserves	11	**36.0**	36.0
Retained earnings	12	**2,796.6**	2,682.0
Total equity		**3,862.7**	3,757.1

As permitted by Section 408 of the Companies Act 2006, Taylor Wimpey plc has not presented its own income statement. The profit of the Company for the financial year was £553.3 million (2016: £514.8 million).

The financial statements were approved by the Board of Directors and authorised for issue on 27 February 2018. They were signed on its behalf by:

P Redfern
Director

R Mangold
Director

Company Statement of Changes in Equity for the year to 31 December 2017

For the year to 31 December 2017 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2017	288.4	762.9	(12.2)	36.0	2,682.0	3,757.1
Profit for the year	–	–	–	–	553.3	553.3
Total comprehensive income for the year	–	–	–	–	553.3	553.3
New share capital subscribed	0.1	–	–	–	–	0.1
Own shares acquired	–	–	(13.3)	–	–	(13.3)
Utilisation of own shares	–	–	4.2	–	–	4.2
Cash cost of satisfying share options	–	–	–	–	0.3	0.3
Capital contribution on share-based payments	–	–	–	–	11.5	11.5
Dividends approved and paid	–	–	–	–	(450.5)	(450.5)
Total equity	288.5	762.9	(21.3)	36.0	2,796.6	3,862.7

For the year to 31 December 2016 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2016	288.3	762.9	(3.2)	36.0	2,511.3	3,595.3
Profit for the year	–	–	–	–	514.8	514.8
Total comprehensive income for the year	–	–	–	–	514.8	514.8
New share capital subscribed	0.1	–	–	–	–	0.1
Own shares acquired	–	–	(10.6)	–	–	(10.6)
Utilisation of own shares	–	–	1.6	–	–	1.6
Cash cost of satisfying share options	–	–	–	–	2.0	2.0
Capital contribution on share-based payments	–	–	–	–	9.8	9.8
Dividends approved and paid	–	–	–	–	(355.9)	(355.9)
Total equity	288.4	762.9	(12.2)	36.0	2,682.0	3,757.1

Notes to the Company Financial Statements for the year to 31 December 2017

1. Significant accounting policies

The following accounting policies have been used consistently, unless otherwise stated, in dealing with items which are considered material.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The principal accounting policies adopted are set out below.

Going concern

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified on pages 36 to 41. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

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

Investments in Group undertakings

Investments are included in the balance sheet at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is expensed immediately; if the impairment is not considered to be a permanent diminution in value, it may reverse in a future period to the extent it is no longer considered necessary.

The Company values its investments in subsidiary holding companies based on a comparison between the net assets recoverable by the subsidiary company and the investment held. Where the net assets are lower than the investment an impairment is recorded. For trading subsidiaries, the investment carrying value in the Company is assessed against the net present value of the discounted cash flows from the subsidiary.

Borrowing costs

Capitalised finance costs are held in other receivables and amortised over the period of the facility.

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 temporary 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.

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

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are recorded in Sterling at actual rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates after the date of the transaction is included as an exchange gain or loss in profit and loss. Unrealised exchange differences on intercompany long term loans and foreign currency borrowings, to the extent that they hedge the Company's investment in overseas investments, are taken to the translation reserve.

Derivative financial instruments and hedge accounting

The Company uses foreign currency borrowings to hedge its investment in overseas operations. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of investment in overseas operations are recognised directly in other comprehensive income and the ineffective portion, if any, is recognised immediately in the income statement. The hedged items are adjusted for changes in exchange rates, with gains or losses from re-measuring the carrying amount being recognised directly in other comprehensive income.

Share-based payments

The Company issues equity-settled share-based payments to certain employees of its subsidiaries. Equity-settled share-based payments are measured at fair value at the grant date. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. The cost of equity-settled share-based payments granted to employees of subsidiary companies is borne by the employing company, without recharge. As such the Company's investment in the subsidiary is increased by an equivalent amount.

1. Significant accounting policies continued

Provisions

Provisions are recognised at the Directors' best estimate when the Company has a present obligation as a result of a past event and it is probable that the Company will have to settle the obligation.

Own shares

The cost of the Company's investment in its own shares, which comprise shares held in treasury by the Company and shares held by employee benefit trusts for the purpose of funding certain of the Company's share option plans, is shown as a reduction in shareholders' equity.

Dividends paid

Dividends are charged to the Company's retained earnings reserve in the period of payment in respect of an interim dividend, and in the period in which shareholders' approval is obtained in respect of the Company's final dividend.

2. Particulars of employees

	2017 Number	2016 Number
Directors	3	3

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 74 to 92 from Taylor Wimpey UK Limited. This remuneration is reflective of the Directors' service to the Company and all its subsidiaries.

3. Auditor's remuneration

£ million	2017	2016
Total audit fees	0.1	0.1
Non-audit fees	–	–
Total	0.1	0.1

A description of other services is included in Note 6 on page 116 to the Group financial statements.

4. Investments in Group undertakings

£ million	Shares	Loans	Total
Cost			
1 January 2017	5,268.5	–	5,268.5
Capital contribution relating to share-based payments	11.5	–	11.5
31 December 2017	5,280.0	–	5,280.0
Provision for impairment			
1 January 2017	2,874.2	–	2,874.2
Charge for the year	–	–	–
31 December 2017	2,874.2	–	2,874.2
Carrying amount			
31 December 2017	2,405.8	–	2,405.8
31 December 2016	2,394.3	–	2,394.3

All investments are unlisted and information about all subsidiaries is listed on pages 144 to 147.

5. Trade and other receivables

	Current		Non-current	
£ million	2017	2016	2017	2016
Due from Group undertakings	2,587.0	2,588.5	–	–
Other receivables	2.3	1.6	1.7	3.1
	2,589.3	2,590.1	1.7	3.1

Notes to the Company Financial Statements continued

6. Trade and other payables

	Current		Non-current	
£ million	2017	2016	2017	2016
Due to Group undertakings	1,623.7	1,606.4	–	–
Other payables	2.3	3.6	1.3	–
Corporation tax creditor	1.0	0.4	–	–
	1,627.0	1,610.4	1.3	–

7. Bank and other loans

£ million	2017	2016
Other loans	88.7	85.5
Other loans are repayable as follows:		
Amounts due for settlement after one year	88.7	85.5

At 31 December 2017, other loans relate to €100.0 million 2.02% Senior Loan Notes.

8. Share capital

£ million	2017	2016
Authorised:		
22,200,819,176 (2016: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2016: 1,158,299,201) deferred ordinary shares of 24p each	278.0	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2016	3,270,272,102	288.4
Ordinary shares issued in the year	5,146,228	0.1
31 December 2017	3,275,418,330	288.5

During the year the Company issued an additional 5.1 million (2016: 11.6 million) ordinary shares in order to satisfy option exercises.

During the year, options were exercised over 9,298,098 ordinary shares (2016: 12,813,881) the majority of which were met from new issues of share capital with the balance being met from our holding of shares in our Employee Share Ownership Trusts (ESOTs) at varying prices from nil pence to 159.12 pence per share. Under the Group's performance share plan, employees held conditional awards at 31 December 2017 in respect of up to 18,568,767 shares, subject to achievement of performance tests (2016: 17,088,352) at nil pence per share nominally exercisable up to September 2020.

Under the Group's savings-related share option schemes, employees held options at 31 December 2017 to purchase 17,149,237 shares (2016: 19,235,549) at prices between 46.04 pence and 159.12 pence per share exercisable up to May 2023. Under the Group's share purchase plan, employees held conditional awards at 31 December 2017 in respect of 5,086,637 shares (2016: 5,571,219) at nil pence per share.

9. Share premium account

£ million	2017	2016
At 1 January and 31 December	762.9	762.9

10. Own shares

£ million	2017	2016
Own shares	21.3	12.2

These comprise ordinary shares of the Company:	Number	Number
Shares held in trust for bonus, options and performance award plans	13.1m	10.2m

The market value of the shares at 31 December 2017 was £27.0 million (2016: £15.7 million) and their nominal value was £0.1 million (2016: £0.1million).

Dividends on these shares have been waived except for 0.01p per share in respect of the shares held in trust.

10. Own shares continued

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

During the year, Taylor Wimpey plc purchased £13.3 million of its own shares which are held in the ESOTs (2016: £10.6 million).

The ESOTs' entire holding of shares at 31 December 2017, aggregating 13.1 million shares (2016: 10.2 million), was covered by outstanding options and conditional awards over shares at that date.

11. Other reserves

£ million	2017	2016
At 31 December	36.0	36.0

Other reserves includes £31.5 million (2016: £31.5 million) in respect of the historical redemption of Parent Company shares which is non distributable.

12. Retained earnings

Retained earnings of £2,796.6 million (2016: £2,682.0 million) includes profit for the year and dividends received from subsidiaries of £500.0 million (2016: £490.4 million). Included in retained earnings is £668.1 million (2016: £625.1 million) which is not distributable.

13. Share-based payments

Details of share awards granted by the Company to employees of subsidiaries, and that remain outstanding at the year end over the Company's shares, are set out in Note 29 to the Group financial statements. The Company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

14. Contingent liabilities

The Company has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts.

Provision is made for the Directors' best estimate of known legal claims and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, the action is unlikely to succeed.

The Company issued a guarantee in respect of the TWPS, which had a deficit under IAS 19 of £63.7 million at 31 December 2017 (2016: £232.7 million). The guarantee commits the Company to ensure that the participating subsidiaries make deficit repair contributions in accordance with a schedule agreed with the Trustee of £18.0 million per annum including reimbursement of administrative costs. Since the year end a new funding plan has been agreed (Note 32 of the Group accounts).

15. Dividend

£ million	2017	2016
Proposed		
Interim dividend 2017: 2.30p (2016: 0.539p) per ordinary share of 1p each	75.2	17.3
Final dividend 2017: 2.44p (2016: 2.29p) per ordinary share of 1p each	80.0	74.9
	155.2	92.2
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2016: 2.29p (2015: 1.18p) per ordinary share of 1p each	74.8	38.5
Interim dividend 2017: 2.30p (2016: 0.53p) per ordinary share of 1p each	75.2	17.3
Special dividend 2017: 9.20p (2016: 9.20p) per ordinary share of 1p each	300.5	300.1
	450.5	355.9

The Directors recommend a final dividend for the year ended 31 December 2017 of 2.44 pence per share (2016: 2.29 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£80.0million (2016: £74.9 million). The final dividend will be paid on 18 May 2018 to all shareholders registered at the close of business on 6 April 2018.

The Directors additionally recommend a special dividend of c.£340.0 million (2016: c.£300.0 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 13 July 2018 to all shareholders registered at the close of business on 1 June 2018.

In accordance with IAS 10 'Events after the balance sheet date' the proposed final or special dividends have not been accrued as a liability as at 31 December 2017.

Particulars of Subsidiaries, Associates and Joint Ventures

Country of incorporation and principal operations	Taylor Wimpey plc interest is 100% in the issued ordinary share capital of these undertakings included in the consolidated accounts	Activity	Registered office
United Kingdom	Taylor Wimpey Holdings Limited	Holding company	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
United Kingdom	George Wimpey Limited	Holding company	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
United Kingdom	Taylor Wimpey UK Limited[(a)]	United Kingdom housebuilder	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
United Kingdom	Taylor Wimpey Developments Limited[(a)]	Holding company	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
Spain	Taylor Wimpey de España S.A.U.[(a)(b)]	Spanish housebuilder	C/Aragó, 223 223A, 07008, Palma de Mallorca, Baleares, Spain

(a) Interests held by subsidiary undertakings.

(b) 9% cumulative, redeemable preference shares are additionally held.

The entries listed below are companies incorporated in the United Kingdom and registered in England & Wales and the registered office is Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR. All of the below are 100% subsidiaries of Group companies and only have ordinary share capital unless otherwise stated.

Admiral Developments Limited
Admiral Homes (Eastern) Limited
Admiral Homes Limited
Ashton Park Limited
BGS (Pentian Green) Holdings Limited
Broadleaf Park LLP
Bryad Developments Limited
Bryant Country Homes Limited
Bryant Group Services Limited
Bryant Homes Central Limited
Bryant Homes East Midlands Limited
Bryant Homes Limited
Bryant Homes North East Limited
Bryant Homes Northern Limited
Bryant Homes South West Limited
Bryant Homes Southern Limited
Bryant Properties Developments Limited
Bryant Properties Limited
Canberra (Southern) Limited
Canberra Investment Co. Limited
Candlemakers (TW) Limited
Clipper Investments Limited
Compine Developments (Wootton) Limited
Dormant Nominees One Limited
Dormant Nominees Two Limited
Egerton Contracts Limited
Farrods Water Engineers Limited
Flyover House Limited
Foray Properties Limited
George Wimpey Bristol Limited
George Wimpey City 2 Limited
George Wimpey City Limited
George Wimpey East Anglia Limited
George Wimpey East London Limited
George Wimpey East Midlands Limited
George Wimpey Manchester Limited
George Wimpey Midland Limited
George Wimpey North East Limited
George Wimpey North London Limited
George Wimpey North Midlands Limited
George Wimpey North West Limited
George Wimpey North Yorkshire Limited
George Wimpey Pension Trustees Limited
George Wimpey South East Limited
George Wimpey South Midlands Limited
George Wimpey South West Limited
George Wimpey South Yorkshire Limited
George Wimpey Southern Counties Limited
George Wimpey West London Limited
George Wimpey West Midlands Limited
George Wimpey West Yorkshire Limited
Globe Road Limited
Gotheridge & Sanders Limited
Grand Union Vision Limited
Groveside Homes Limited
Hamme Construction Limited
Hanger Lane Holdings Limited
Harrock Limited
Hassall Homes (Cheshire) Limited
Hassall Homes (Mercia) Limited
Hassall Homes (Southern) Limited
Hassall Homes (Wessex) Limited
Jim 1 Limited
Jim 2 Limited
Jim 3 Limited
Jim 4 Limited
Jim 5 Limited
L. & A. Freeman Limited
Laing Homes Limited
Laing Land Limited
Land Trust Developments Limited
Leawood (Management) Company Limited
Linton Fuels Limited
MCA Developments Limited
MCA East Limited
MCA Holdings Limited
MCA Land Limited
MCA Leicester Limited
MCA London Limited
MCA North East Limited
MCA Northumbria Limited
MCA Partnership Housing Limited
MCA South West Limited
MCA West Midlands Limited
MCA Yorkshire Limited
McLean Homes Bristol & West Limited
McLean Homes Southern Limited
Melbourne Investments Limited
Pangbourne Developments Limited
Pennant Investments Limited
Prestoplan Limited
River Farm Developments Limited
South Bristol (Ashton Park) Limited
Spinks & Denning Limited
St. Katharine By The Tower Limited
St. Katharine Haven Limited
Tawnywood Developments Limited
Taylor Wimpey 2007 Limited
Taylor Wimpey Capital Developments Limited
Taylor Wimpey Commercial Properties Limited
Taylor Wimpey Europe
Taylor Wimpey Garage Nominees No 1 Limited
Taylor Wimpey Garage Nominees No 2 Limited
Taylor Wimpey International Limited
Taylor Wimpey IP (Holdings) 2005 Limited
Taylor Wimpey Property Company Limited
Taylor Wimpey Property Management Limited
Taylor Wimpey SH Capital Limited
Thameswey Homes Limited
The Garden Village Partnership Limited
The Lifebuilding Company Limited
The Wilson Connolly Employee Benefit Trust Limited
This is G2 Limited
Thomas Lowe and Sons, Limited
Thomas Lowe Homes Limited
TW NCA Limited
Wain Estates Limited
Wainhomes (Chester) Limited
Wainhomes (Northern) Limited
Wainhomes (Southern) Limited
Wainhomes (Yorkshire) Limited
Wainhomes Group Limited
Wainhomes Holdings Limited
Wainhomes Limited
Whelmar (Chester) Limited
Whelmar (Lancashire) Limited
Whelmar (North Wales) Limited
Whelmar Developments Limited
White House Land Limited
Wilcon Construction Limited
Wilcon Homes Anglia Limited
Wilcon Homes Eastern Limited

Wilcon Homes Midlands Limited
Wilcon Homes Northern Limited
Wilcon Homes Southern Limited
Wilcon Homes Western Limited
Wilcon Lifestyle Homes Limited
Wilfrid Homes Limited
Wilson Connolly Holdings Limited
Wilson Connolly Investments Limited
Wilson Connolly Limited
Wilson Connolly Logistics Limited
Wilson Connolly Properties Limited
Wilson Connolly Quest Limited
Wimgrove Developments Limited
Wimgrove Property Trading Limited
Wimpey Construction Developments Limited
Wimpey Construction Iran Limited
Wimpey Corporate Services Limited
Wimpey Dormant Investments Limited
Wimpey Geotech Limited
Wimpey Group Services Limited
Wimpey Gulf Holdings Limited
Wimpey Overseas Holdings Limited

The entries listed below are companies incorporated in the United Kingdom and registered in England & Wales and the registered office is Two Snowhill, Birmingham, B4 6GA. All of the below are 100% subsidiaries of Group companies and only have ordinary share capital unless otherwise stated.

Ashfield Investments Limited
Banorgrove Limited
Bracken Homes Limited
Corney Reach Limited
Cross Point Land Limited
Egerton Construction Co. Limited
Ettingshall Developments Limited
IVA (Midlands) Limited
MCA Thames Valley Limited
MCA West Limited
McLean Homes Holdings Limited
McLean Homes Limited
Showpine Limited
St Anne's Village Limited
Taylor Insurance Brokers Limited
Wimpey Finance plc
Woranes Investments Limited
Laing Retirement Homes Limited
Wimpey Engineering Limited

Particulars of Subsidiaries, Associates and Joint Ventures continued

Company Name	% Owned	Registered Office
Academy Central LLP	62%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Bishops Park Limited	50%	The Manor House, North Ash Road, New Ash Green, Longfield, Kent, DA3 8HQ, United Kingdom
Bishop's Stortford North Consortium Limited	33.33%	The Manor House, North Ash Road, New Ash Green, Longfield, Kent, DA3 8HQ, United Kingdom
Bromley Park (Holdings) Limited	50%	Kent House, 14-17 Market Place, London, W1W 8AJ, United Kingdom
Bromley Park Limited	50%	Kent House, 14-17 Market Place, London, W1W 8AJ, United Kingdom
Bryant Homes Scotland Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Capital Court Property Management Limited	17.17%	4 Capital Court, Bittern Road, Sowton Industrial Estate, Exeter, Devon, EX2 7FW, United Kingdom
Chobham Manor LLP	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Compine Developments (Mundford) Limited	50%	Two Snowhill, Birmingham, B4 6GA, United Kingdom
Compine Developments Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Countryside 27 Limited	50%	Countryside House, The Drive Great Warley, Brentwood, Essex, CM13 3AT, United Kingdom
DFE TW Residential Limited	50%	7 Whiteladies Road, Clifton, Bristol, BS8 1NN, United Kingdom
Emersons Green Urban Village Limited	54.44%	135 Aztec West, Almondsbury, Bristol, Avon, BS32 4UB, United Kingdom
Falcon Wharf Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Gallagher Bathgate Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
George Wimpey East Scotland Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
George Wimpey West Scotland Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
GN Tower Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Greenwich Millennium Village Limited	50%	Countryside House, The Drive Great Warley, Brentwood, Essex, CM13 3AT, United Kingdom
GW City Ventures Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
GWNW City Developments Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Haydon Development Company Limited	19.27%	6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL, United Kingdom
Laing Wimpey Alireza Limited	33.33%	PO Box 2059, Jeddah, CR9483, Saudi Arabia
London and Clydeside Estates Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
London and Clydeside Holdings Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Lynmouth Management Company Limited	20%	2 Hills Road, Cambridge, Cambridgeshire, CB2 1JP, United Kingdom
MacKenzie Developments (Linlithgow) Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Morrison Land Development Inc	100%	9366, 49St NW, Edmonton, AB T6B 2L7, Canada
North Swindon Development Company Limited	16.79%	6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL, United Kingdom
Padyear Limited	50%	Hanson House, 14 Castle Hill, Maidenhead, SL6 4JJ, United Kingdom
Paycause Limited	66.67%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Phoenix Birmingham Latitude Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Quedgeley Urban Village Limited	50%	135 Aztec West, Almondsbury, Bristol, Avon, BS32 4UB, United Kingdom
Rockhold Land Limited	100%	Two Snowhill, Birmingham, B4 6GA, United Kingdom
St George Little Britain (No.1) Limited	50%	Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG, United Kingdom
St George Little Britain (No.2) Limited	50%	Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG, United Kingdom
Strada Developments Limited	50%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Taylor Wimpey (General Partner) Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Taylor Wimpey (Initial LP) Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Taylor Wimpey Pension Trustees Limited	99%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Taylor Wimpey Scottish Limited Partnership	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Taylor Woodrow (Gibraltar) Holdings 2004 Limited	100%	10 / 8 International Commercial Centre, Casemates Square, Gibraltar, United Kingdom
Taylor Woodrow (Gibraltar) Limited	100%	17 Bayside Road, Gibraltar, United Kingdom

Company Name	% Owned	Registered Office
Triumphdeal Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
TW Cavendish Holdings Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Vantage West Limited	100%	Two Snowhill, Birmingham, B4 6GA, United Kingdom
Weaver Developments (Woodfield Plantation) Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Whatco England Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Whitehill & Bordon Regeneration Company Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Whitehill & Bordon Development Company phase 1a Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Wilcon Homes Scotland Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Wimpey Engineering Limited	100%	Two Snowhill, Birmingham, B4 6GA, United Kingdom
Wimpey Laing Iran Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Wimpey Laing Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Wimpey Saudi Company Limited	75%	PO Box 90, Alkhobar, 31952, Saudi Arabia
Winstanley & York Road Regeneration LLP	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom

Five Year Review and Alternative Performance Measures

The Group uses a number of Alternative Performance Measures (APMs) which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures should be considered alongside the IFRS measures. Reconciliations from Statutory Performance Measures to the APMs are shown following the five-year review.

£ million	2017	2016	2015	2014	2013
Revenue – continuing operations	**3,965.2**	3,676.2	3,139.8	2,686.1	2,295.5
Profit on ordinary activities before finance costs and tax	**703.6**	762.6	631.5	496.8	355.3
Adjust for: Share of results of joint ventures	**7.6**	1.2	4.9	2.6	3.2
Adjust for: Exceptional items	**130.0**	0.5	0.6	(18.7)	(45.6)
Operating profit*	**841.2**	764.3	637.0	480.7	312.9
Net finance costs excluding exceptional items	**(29.2)**	(30.9)	(33.2)	(30.6)	(44.5)
Profit for the financial year before taxation and exceptional items*	**812.0**	733.4	603.8	450.1	268.4
Adjust for: Exceptional items	**(130.0)**	(0.5)	(0.6)	18.7	37.8
Taxation charge including taxation on exceptional items	**(126.7)**	(143.6)	(113.4)	(94.4)	(66.4)
Profit for the year from discontinued operations	**–**	–	–	–	31.3
Profit for the financial year	**555.3**	589.3	489.8	374.4	271.1
Balance sheet					
Intangible assets	**3.9**	3.5	2.7	2.5	4.2
Property, plant and equipment	**22.8**	21.0	20.0	16.8	8.3
Interests in joint ventures	**50.9**	50.3	27.1	38.6	34.7
Non-current trade and other receivables	**60.1**	87.2	95.4	111.1	110.8
Non-current assets (excluding tax)	**137.7**	162.0	145.2	169.0	158.0
Inventories	**4,075.7**	3,984.0	3,891.2	3,490.1	2,928.8
Other current assets (excluding tax and cash)	**122.2**	91.4	114.0	102.6	118.5
Trade and other payables excluding land creditors	**(705.0)**	(721.8)	(750.7)	(681.6)	(584.6)
Land creditors	**(319.5)**	(266.3)	(342.7)	(228.4)	(209.3)
Provisions	**(87.3)**	(28.0)	(31.1)	(40.4)	(28.3)
Net current assets (excluding tax and cash)	**3,086.1**	3,059.3	2,880.7	2,642.3	2,225.1
Trade and other payables excluding land creditors	**(111.0)**	(109.0)	(114.9)	(102.2)	(54.0)
Land creditors	**(319.6)**	(333.5)	(287.1)	(259.3)	(139.7)
Retirement benefit obligations	**(64.8)**	(234.1)	(178.4)	(183.8)	(183.8)
Provisions	**(74.3)**	(5.1)	(2.9)	(1.0)	(6.0)
Non-current liabilities (excluding debt)	**(569.7)**	(681.7)	(583.3)	(546.3)	(383.5)
Cash and cash equivalents	**600.5**	450.2	323.3	212.8	105.4
Bank and other loans	**(88.7)**	(85.5)	(100.0)	(100.0)	(100.0)
Taxation balances	**(28.6)**	(4.0)	57.4	157.5	246.8
Basic net assets	**3,137.3**	2,900.3	2,723.3	2,535.3	2,251.8

Statistics					
Basic earnings per share – continuing operations	**17.0p**	18.1p	15.1p	11.6p	7.5p
Adjusted basic earnings per share* – continuing operations	**20.2p**	18.1p	14.9p	11.2p	6.7p
Tangible net assets per share	**95.7p**	88.6p	83.5p	77.9p	69.6p
Dividends paid (pence per share)	**13.79**	10.91	9.49	2.25	0.65
Number of shares in issue at the year end (millions)	**3,275.4**	3,270.3	3,258.6	3,253.5	3,237.0
UK short term landbank (plots)	**74,849**	76,234	75,710	75,136	70,628
UK average selling price £'000	**264**	255	230	213	191
UK completions (homes including JVs)	**14,541**	13,881	13,341	12,454	11,696

* Denotes APMs which have been referred to throughout the Annual Report and Accounts.

Profit before taxation and exceptional items and profit for the period before exceptional items

The Directors consider the removal of exceptional items from the reported results provides more clarity on the performance of the Group. They are reconciled to profit before tax and profit for the period respectively, on the face of the Consolidated Income Statement.

Operating profit and operating profit margin

Throughout the Annual Reports and Accounts operating profit is used as one of the main measures of performance, with operating profit margin being a Key Performance Indicator (KPI). Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures. The Directors consider this to be an important measure of underlying performance of the Group. Operating profit margin is calculated as operating profit divided by total Group revenue. The Directors consider this to be a metric which reflects the underlying performance of the business.

Operating profit to profit before interest and tax reconciliation

	2017			2016		
	Profit £m	**Revenue £m**	**Margin %**	Profit £m	Revenue £m	Margin %
Profit before interest and tax	**703.6**	**3,965.2**	**17.7**	762.6	3,676.2	20.7
Adjusted for:						
Share of results of joint ventures	**7.6**	**–**	**0.2**	1.2	–	0.1
Exceptional items	**130.0**	**–**	**3.3**	0.5	–	–
Operating profit	**841.2**	**3,965.2**	**21.2**	764.3	3,676.2	20.8

Net operating assets and return on net operating assets

Net operating assets is defined as basic net assets less net cash, excluding net taxation balances and accrued dividends. Return on net operating assets, another KPI, is defined as 12-month operating profit divided by the average of the opening and closing net operating assets. The Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

Net operating assets

£million	**2017**	2016	2015
Basic net assets	**3,137.3**	2,900.3	2,723.3
Average basic net assets	**3,018.8**	2,811.8	
Adjusted for:			
Cash	**(600.5)**	(450.2)	(323.3)
Borrowings	**88.7**	85.5	100.0
Net taxation	**28.6**	4.0	(57.4)
Accrued dividends	**–**	–	–
Net operating assets	**2,654.1**	2,539.6	2,442.6
Average net operating assets	**2,596.9**	2,491.1	

Return on net operating assets

	2017			2016		
	Net assets £m	**Profit £m**	**Return on net assets %**	Net assets £m	Profit £m	Return on net assets %
Average basic net assets	**3,018.8**	**703.6**	**23.3**	2,811.8	762.6	27.1
Adjusted for:						
Average cash	**(525.4)**	**–**	**4.7**	(386.8)	–	4.3
Average borrowings	**87.1**	**–**	**(0.8)**	92.8	–	(1.0)
Average taxation	**16.4**	**–**	**(0.1)**	(26.7)	–	0.3
Share of results of joint ventures	**–**	**7.6**	**0.3**	–	1.2	-
Exceptional items	**–**	**130.0**	**5.0**	–	0.5	-
Average net operating assets	**2,596.9**	**841.2**	**32.4**	2,491.1	764.3	30.7

Tangible net assets per share

This is calculated as net assets before any accrued dividends excluding goodwill and intangible assets divided by the number of ordinary shares in issue at the end of the period. The Directors consider this to be a good measure of the value intrinsic within each ordinary share.

Tangible net assets per share

	2017			2016		
	Net assets £m	**Ordinary shares in issue**	**Net assets per share pence**	Net assets £m	Ordinary shares in issue	Net assets per share pence
Basic net assets	**3,137.3**	**3,275.4**	**95.8**	2,900.3	3,270.3	88.7
Adjusted for:						
Intangible assets	**(3.9)**	**–**	**(0.1)**	(3.5)	–	(0.1)
Tangible net assets	**3,133.4**	**3,275.4**	**95.7**	2,896.8	3,270.3	88.6

Five Year Review and Alternative Performance Measures continued

Adjusted basic earnings per share

This is calculated as earnings attributed to the shareholders, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares. The Directors consider this provides an important measure of the underlying earnings capacity of the Group. Note 10 shows a reconciliation from basic earnings per share to adjusted basic earnings per share.

Net operating asset turn

This is defined as total Group revenue divided by the average of opening and closing net operating assets. The Directors consider this to be a good indicator of how efficiently the Group is utilising its assets to generate value for the shareholders.

Net operating asset turn

	2017			2016		
	Net assets £m	Revenue £m	Net asset turn	Net assets £m	Revenue £m	Net asset turn
Average basic net assets	3,018.8	3,965.2	1.31	2,811.8	3,676.2	1.31
Adjusted for:						
Average cash	(525.4)	–	0.27	(386.8)	–	0.21
Average borrowings	87.1	–	(0.04)	92.8	–	(0.05)
Average taxation	16.4	–	(0.01)	(26.7)	–	0.01
Average net operating assets	2,596.9	3,965.2	1.53	2,491.1	3,676.2	1.48

Net cash

Net cash is defined as total cash less total financing. This is considered by the Directors to be the best indicator of the financing position of the Group. This is reconciled in Note 26.

Cash conversion

This is defined as cash generated from operations divided by operating profit. The Directors consider this measure to be a good indication of how efficiently the Group is turning profit into cash.

Cash conversion

	2017			2016		
	Profit £m	Cash generated from operations £m	Cash conversion %	Profit £m	Cash generated from operations £m	Cash conversion %
Profit before interest and tax	703.6	735.9	104.6	762.6	622.2	81.6
Adjusted for:						
Share of results of joint ventures	7.6	–	(0.9)	1.2	–	(0.1)
Exceptional items	130.0	–	(16.2)	0.5	–	(0.1)
Operating profit	841.2	735.9	87.5	764.3	622.2	81.4

Adjusted gearing

This is defined as adjusted net debt divided by basic net assets. The Directors consider this to be a more representative measure of the Group's gearing levels. Adjusted net debt is defined as net cash less land creditors.

Adjusted gearing

	2017 £m	2016 £m
Cash	600.5	450.2
Private placement loan notes	(88.7)	(85.5)
Net cash	511.8	364.7
Land creditors	(639.1)	(599.8)
Adjusted net debt	(127.3)	(235.1)
Basic net assets	3,137.3	2,900.3
Adjusted gearing	4.1%	8.1%

Notice of Annual General Meeting

This notice of meeting is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from a stockbroker, solicitor, bank manager, accountant, or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Taylor Wimpey plc (the 'Company'), please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares. If you have sold or transferred part only of your holding of shares in the Company, please consult the person who arranged the sale or transfer.

Notice is hereby given of the eighty third Annual General Meeting of the Company to be held on 26 April 2018 at 11:00 am at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP for the following purposes:

Ordinary Business

Ordinary Resolutions:

1. To receive the Directors' Report, Directors' Remuneration Report, Strategic Report, Auditor's Report and Financial Statements for the year ended 31 December 2017.
2. To declare due and payable on 18 May 2018 a final dividend of 2.44 pence per ordinary share of the Company for the year ended 31 December 2017 to shareholders on the register at close of business on 6 April 2018.
3. To declare due and payable on 13 July 2018 a special dividend of 10.4 pence per ordinary share of the Company to shareholders on the register at close of business on 1 June 2018.
4. To re-elect as a Director, Kevin Beeston.
5. To re-elect as a Director, Pete Redfern.
6. To re-elect as a Director, Ryan Mangold.
7. To re-elect as a Director, James Jordan.
8. To re-elect as a Director, Kate Barker DBE.
9. To re-elect as a Director, Mike Hussey.
10. To re-elect as a Director, Angela Knight CBE.
11. To re-elect as a Director, Humphrey Singer.
12. To elect as a Director, Gwyn Burr.
13. To re-appoint Deloitte LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
14. Subject to the passing of resolution 13, to authorise the Audit Committee to determine the remuneration of the auditor on behalf of the Board.
15. That the Board be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:
    (A) up to a nominal amount of £10,920,922 (such amount to be reduced by any allotments or grants made under paragraph (B) below, in excess of £10,920,922); and
    (B) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £21,841,845 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:
        (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
        (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the Annual General Meeting of the Company in 2019 (or, if earlier, until the close of business on 25 July 2019) but, in each case, so that the Company may make offers and enter into agreements during this period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends; and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

Special Resolutions:

16. That if resolution 15 is passed, the Board be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and / or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:
    (A) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 15, by way of a rights issue only):
        (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
        (ii) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,

    and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matters; and

    (B) in the case of the authority granted under paragraph (A) of resolution 15 and / or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount of £1,638,138.

    Such power to apply until the end of the next Annual General Meeting of the Company (or, if earlier, until the close of business on 25 July 2019) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Notice of Annual General Meeting continued

17. That if resolution 15 is passed, the Board be given the power in addition to any power granted under resolution 16 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority granted under paragraph (A) of resolution 15 and / or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be:
    (A) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £1,638,138; and
    (B) used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice or for the purposes of refinancing such a transaction within six months of its taking place.

    Such power to apply until the end of the next Annual General Meeting of the Company (or, if earlier, until the close of business on 25 July 2019) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.
18. That the Company be authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of the ordinary shares of 1 pence each of the Company (ordinary shares), provided that:
    (A) the maximum number of ordinary shares hereby authorised to be purchased shall be 327,627,600;
    (B) the minimum price (exclusive of expenses) which may be paid for ordinary shares is 1 pence per ordinary share;
    (C) the maximum price (exclusive of expenses) which may be paid for an ordinary share is the highest of:
        (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which such ordinary share is purchased; and
        (ii) the higher of the price of the last independent trade and the highest independent bid on the trading venues where the purchase is carried out;
    (D) the authority hereby conferred shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2018 and 25 October 2019 unless such authority is renewed prior to such time; and
    (E) the Company may make contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may purchase ordinary shares in pursuance of any such contracts, as if the authority conferred by this resolution had not expired.

Special Business

Ordinary Resolutions:

19. That the Directors' Remuneration Report for the year ended 31 December 2017, as set out on pages 74 to 92 of the Report and Accounts for the financial year ended 31 December 2017, be approved in accordance with section 439 of the Companies Act 2006.
20. That in accordance with Sections 366 and 367 of the Companies Act 2006, the Company and all companies which are its subsidiaries when this resolution is passed are authorised to:
    (A) make political donations to political parties and / or independent election candidates not exceeding £250,000 in aggregate;
    (B) make political donations to political organisations other than political parties not exceeding £250,000 in aggregate; and
    (C) incur political expenditure not exceeding £250,000 in aggregate, during the period beginning with the date of passing this resolution and the conclusion of the Annual General Meeting of the Company in 2019.

    For the purposes of this resolution the terms 'political donations', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' have the meanings given by Sections 363 to 365 of the Companies Act 2006.

Special Resolution:

21. That a general meeting other than an Annual General Meeting of the Company may continue to be called on not less than 14 clear days' notice.

Explanatory notes relating to each of the above resolutions are set out on pages 155 to 157.

Action to be taken

If you wish to attend and vote at the Annual General Meeting in person, please bring with you the attendance card accompanying this document. It will help to authenticate your right to attend, speak and vote, and will help us to register your attendance without delay. Registration will be available from 9:30 am on the day of the Meeting. For the safety and comfort of those attending the Meeting, large bags, cameras, recording equipment and similar items will not be allowed into the building and in the interests of security, by attending the Meeting, upon request, you hereby agree to be searched together with any bags and other possessions. The Meeting will commence at 11:00 am and light refreshments will be available from 9:30 am and also after the conclusion of the Meeting. There is wheelchair access to the venue for shareholders who require it or those with reduced mobility. However, where required, attendees are strongly advised to bring their own carers to assist with their general mobility around the venue. An induction loop system operates in the meeting room. Directions to the venue can be found on the reverse of your attendance card.

If you would like to vote on the resolutions but cannot come to the Annual General Meeting, please complete the proxy form sent to you with this notice and return it to our registrar as soon as possible. In order for it to count, the registrar must receive it by no later than 11:00 am on 24 April 2018. If you prefer, you can submit your proxy electronically either via the internet at www.signalshares.com or, if you are a CREST member, through the CREST system by completing and transmitting a CREST proxy instruction as described in the procedural notes below.

Recommendation

Your Directors are of the opinion that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend you to vote in favour of them. Each Director will be doing so in respect of all of his or her own beneficial shareholding.

Inspection of documents

The following documents will be available for inspection at the Company's registered office, Gate House, Turnpike Road, High Wycombe, Buckinghamshire HP12 3NR during normal business hours from the date of this Notice of Meeting until the date of the Annual General Meeting and at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP from 15 minutes before the Annual General Meeting until it ends:

- copies of the Executive Directors' service contracts;
- copies of the letters of appointment of the Chairman and the Independent Non Executive Directors; and
- a copy of the full Annual Report and Financial Statements of the Company for the year ended 31 December 2017, including the Directors' Remuneration Report referred to in resolution 19. This document is also available on our website at www.taylorwimpey.co.uk/corporate

By Order of the Board

James Jordan
Group Legal Director and Company Secretary

Taylor Wimpey plc
Registered Office:
Gate House
Turnpike Road
High Wycombe
Buckinghamshire HP12 3NR

(Registered in England and Wales under number 296805)

8 March 2018

Procedural notes

1. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes which shareholders may cast), shareholders must be registered in the Register of Members of the Company by 6:00pm on 24 April 2018 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Shareholders then on the Register of Members shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after that deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. As at 5 March 2018 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 3,276,276,755 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 5 March 2018 were 3,276,276,755.
3. If you are a shareholder of the Company at the time and date set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend and to speak and vote on your behalf at the Meeting. Shareholders may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company but must attend the Annual General Meeting to represent you. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Link Asset Services as soon as possible on +44 (0) 871 664 0300 (calls cost 12p per minute plus your phone company's access charge); from overseas +44 (0)371 664 0300 (calls outside the United Kingdom will be charged at the applicable international rate). Link Asset Services is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holdings (the first-named being the most senior).
4. To be valid, any proxy form or other instrument appointing a proxy must be received by Link Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, or, if you want to use an envelope the address to use is FREEPOST PXS, 34 Beckenham Road, BR3 9ZA or, if you prefer, electronically via the internet at www.signalshares.com or, if you are a member of CREST, via the service provided by Euroclear UK and Ireland Limited at the electronic address provided in Note 9, in each case no later than 11:00 am on 24 April 2018. Please note that all forms of proxy received after this time will be void. A form of proxy sent electronically at any time that is found to contain any virus will not be accepted.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as further described in Notes 8 and 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he / she wishes to do so.

Notice of Annual General Meeting continued

6. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him / her and the shareholder by whom he / she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he / she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Such persons should direct any communications and enquiries to the registered holder of the shares by whom they were nominated and not to the Company or its registrar.
7. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 3 and 4 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, it must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11:00 am on 24 April 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his / her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
    (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the Annual General Meeting; or
    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

    The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
14. Any member attending the Meeting has the right to ask questions and participate in the Meeting. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
15. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found at www.taylorwimpey.co.uk/corporate
16. Voting on all resolutions at this year's Annual General Meeting will be conducted by way of a poll, rather than on a show of hands. The Board believes that a poll is more representative of shareholders' voting intentions because it gives as many shareholders as possible the opportunity to have their votes counted (whether their votes are tendered by proxy in advance of, or in person at, the Annual General Meeting). The results of the poll will be announced via a Regulatory Information Service and made available at www.taylorwimpey.co.uk/corporate as soon as practicable after the Annual General Meeting.

Notes to the Notice of Annual General Meeting

Explanatory notes to the resolutions

Ordinary Business

Ordinary Resolutions
Ordinary resolutions require more than half of the votes cast to be in favour.

Resolution 1: To receive the annual report and financial statements
English company law requires the Directors to lay the Financial Statements of the Company for the year ended 31 December 2017 and the reports of the Directors, namely the Strategic Report, Directors' Report, Directors' Remuneration Report, and Auditor's Report; before a general meeting of the Company (the Annual Report).

Resolution 2: To declare a final dividend
The Directors recommend the payment of a final dividend of 2.44 pence per share in respect of the year ended 31 December 2017. If approved at the Annual General Meeting, the dividend will be paid on 18 May 2018 to shareholders who are on the Register of Members at the close of business on 6 April 2018.

Resolution 3: To declare a special dividend
The Company has announced its intention to return cash to its shareholders, through the payment of annual special dividends, always subject to market and performance fluctuations. Due to the size of these special dividends, the Company believes it is appropriate to seek prior shareholder approval for its payment, as it has done at the last four Annual General Meetings for such dividends.

Further details on the rationale for paying special dividends and the link to the Company's current strategy, can be found on page 8.

The aggregate cost of the special dividend for 2018 will be around £340 million and will be met from profits and surplus cash generated during 2017. If approved, it will be paid on 13 July 2018 to shareholders on the register at the close of business on 1 June 2018.

Dividend Re-Investment Plan

Subject to shareholders approving either or both of the dividends as set out in Resolutions 2 and 3 at the Annual General Meeting scheduled for 26 April 2018, the Company will be offering a Dividend Re-Investment Plan (DRIP) on each one. The DRIP is provided and administered by the DRIP plan administrator, Link Market Services Trustees Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). The DRIP offers shareholders the opportunity to elect to invest cash dividends received on their ordinary shares, in purchasing further ordinary shares of the Company. These shares would be bought in the market, on competitive dealing terms.

The DRIP will operate automatically in respect of the Final Dividend for 2017 (unless varied beforehand by shareholders) and all future dividends, including special dividends, until such time as you withdraw from the DRIP or the DRIP is suspended or terminated in accordance with the Terms and Conditions.

Shareholders are again reminded to check the position with regard to any dividend mandates that are in place, should you either wish to participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

CREST

For shares held in uncertificated form (CREST), please note that elections continue to apply only to one dividend and a fresh election must be made, via CREST, for each dividend.

Full details of the terms and conditions of the DRIP and the actions required to make or revoke an election, both in respect of maintenance dividends (i.e. in this case, the 2017 final dividend) and any special dividends, are available at www.signalshares.com or on request from the Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, email: shares@linkgroup.co.uk or call +44 (0)371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Registrar is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales.

Resolution 4-12: Election of Directors
In accordance with the UK Corporate Governance Code (the 'Code') which states that all directors of FTSE 350 companies should be subject to annual election by shareholders, the Board has resolved that all Directors of the Company will retire and, being eligible, offer themselves for re-election or election, as appropriate, by shareholders at the Annual General Meeting.

Details of the Directors' service contracts, remuneration and interests in the Company's shares and other securities are given in the Directors' Remuneration Report to shareholders on pages 74 to 92 of the Report and Accounts. Full biographical information concerning each Director can be found on pages 46 to 47 of the Report and Accounts.

The following summary information is given in support of the Board's proposal for the re-election or election, as appropriate, of the Directors of the Company:

Kevin Beeston – offers himself for re-election.
Kevin has been Chairman of the Board since July 2010. The Board is satisfied that he continues to carry out his duties to a very high standard including at meetings of the Board and of the Nomination Committee (which he Chairs) and the Remuneration Committee, and that he will be able to allocate sufficient time to the Company to discharge his responsibilities. His biography appears on page 46 and there is additional information on page 58.

Pete Redfern – offers himself for re-election.
Pete has been Chief Executive since July 2007 and was previously Group Chief Executive of George Wimpey Plc. His biography appears on page 46 and there is additional information on page 58.

Ryan Mangold – offers himself for re-election.
Ryan has been Group Finance Director since November 2010. His biography appears on page 46 and there is additional information on page 58.

James Jordan – offers himself for re-election.
James has been Group Legal Director since July 2011 and is also the Group Company Secretary, a position he has held since 2007. Prior to 2007 he held the same role, pre-merger, with George Wimpey Plc. His biography appears on page 46 and there is additional information on page 58.

Kate Barker DBE – offers herself for re-election.
Kate has been an Independent Non Executive Director since April 2011 and will become the Company's Senior Independent Director with effect from the conclusion of the 2018 AGM. The Board is satisfied that she continues to be independent in character and judgement in applying her expertise at meetings of the Board and of the Remuneration Committee (which she Chairs) and the Audit and Nomination Committees, and will do so going forward as Senior Independent Director, and that she will be able to allocate sufficient time to the Company to discharge her responsibilities. Her biography appears on page 46 and there is additional information on page 58.

Notes to the Notice of Annual General Meeting continued

Mike Hussey – offers himself for re-election.
Mike has been an Independent Non Executive Director since July 2011. The Board is satisfied that he is independent in character and judgement in applying his expertise at meetings of the Board and of the Audit and Nomination Committees, and that he will be able to allocate sufficient time to the Company to discharge his responsibilities effectively. His biography appears on page 47 and there is additional information on page 58.

Angela Knight CBE – offers herself for re-election.
Angela has been an Independent Non Executive Director since November 2016. The Board is satisfied that she is independent in character and judgement in applying her expertise at meetings of the Board and of the Audit, Nomination and Remuneration Committees, and that she will be able to allocate sufficient time to the Company to discharge her responsibilities effectively. Her biography appears on page 47 and there is additional information on page 58

Humphrey Singer – offers himself for re-election.
Humphrey has been an Independent Non Executive Director since December 2015. The Board is satisfied that he is independent in character and judgement in applying his expertise at meetings of the Board and of the Audit Committee (which he Chairs) and the Nomination Committee, and that he will be able to allocate sufficient time to the Company to discharge his responsibilities effectively. His biography appears on page 47 and there is additional information on page 58.

Gwyn Burr – offers herself for election.
Gwyn has been an Independent Non Executive Director since 1 February 2018, having been appointed by the Board since the last AGM. The Board is satisfied that she is independent in character and judgement in applying her expertise at meetings of the Board and of the Nomination and Remuneration Committees, and that she will be able to allocate sufficient time to the Company to discharge her responsibilities effectively. Her biography appears on page 47 and there is additional information on page 58.

The Board confirms that each of the above Directors (other than Gwyn Burr due to her appointment on 1 February 2018 and as explained on page 59) has recently been subject to formal performance evaluation, details of which are set out in the Corporate Governance Report in the Report and Accounts on page 61, and that each continues to demonstrate commitment and to be an effective member of the Board.

In compliance with provision B.7.2 of the Code, the Chairman hereby confirms that, following the formal performance evaluation referred to above, the performance of each of the Non Executive Directors continues to be effective and that each continues to demonstrate commitment to the role.

Resolution 13: Re-appointment of Deloitte LLP (Deloitte) as auditor of the Company
The Company is required to appoint auditors at each general meeting at which accounts are laid before the shareholders. It is therefore proposed that the auditor is appointed from the conclusion of the 2018 Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before shareholders. Following an annual review of Deloitte's performance, details of which are set out on page 65, and following consideration of the guidance on the timing of the rotation of the external auditor, details of which are set out on page 65, the Board recommends the re-appointment of Deloitte as the Company's auditor.

Resolution 14: Authorisation of the Audit Committee to agree on behalf of the Board the remuneration of Deloitte as auditor
The Board seeks shareholders' authority for the Audit Committee to determine on behalf of the Board the remuneration of Deloitte for their services. The Board has adopted a procedure governing the appointment of Deloitte to carry out non-audit services, details of which are given in the Audit Committee Report. Details of non-audit services performed by Deloitte in 2017 are given in Note 6 on page 116 of the Report and Accounts.

Resolution 15: Authority to allot shares
The Directors wish to renew the existing authority to allot unissued shares in the Company, which was granted at the Company's last Annual General Meeting held on 27 April 2017 and is due to expire at the conclusion of this Annual General Meeting. Accordingly, Paragraph (A) of resolution 15 would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £10,920,922 (representing 1,092,092,200 ordinary shares). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 5 March 2018, the latest practicable date prior to publication of this Notice of Meeting.

In line with guidance issued by The Investment Association (formerly the Association of British Insurers) (TIA), paragraph (B) of resolution 15 would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £21,841,845 (representing 2,184,184,500 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (A) of resolution 15. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 5 March 2018, the latest practicable date prior to publication of this Notice of Meeting.

The Company does not hold any shares in treasury.

The authorities sought under paragraphs (A) and (B) of resolution 15 will expire at the earlier of 25 July 2019 and the conclusion of the Annual General Meeting of the Company to be held in 2019.

The Directors have no present intention to exercise either of the authorities sought under this resolution. However, if they do exercise the authorities, the Directors intend to follow TIA recommendations concerning their use (including as regards the Directors standing for re-election in certain cases).

Special Resolutions
Special resolutions require at least a 75% majority of votes cast to be cast in favour.

Resolutions 16 and 17: Authority to dis-apply pre-emption rights
Resolutions 16 and 17 will be proposed as special resolutions, each of which requires a 75% majority of the votes to be cast in favour. They would give the Directors the power to allot ordinary shares (or sell any ordinary shares which the Company holds in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

The power set out in resolution 16 would be, similar to previous years, limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares, or as the Board otherwise considers necessary, or (b) otherwise up to an aggregate nominal amount of £1,638,138 (representing 163,813,800 ordinary shares).

This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 5 March 2018, the latest practicable date prior to publication of this Notice.

In respect of the power under resolution 16 (B), the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders.

Resolution 17 is intended to give the Company flexibility to make non pre-emptive issues of ordinary shares in connection with acquisitions and other capital investments as contemplated by the Pre-emption Group's Statement of Principles. The power under resolution 17 is in addition to that proposed by resolution 16 and would be limited to allotments or sales of up to an aggregate nominal amount of £1,638,138 (representing 163,813,800 ordinary shares) in addition to the power set out in resolution 16. This aggregate nominal amount represents an additional 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 5 March 2018, the latest practicable date prior to publication of this Notice.

The powers under resolutions 16 and 17 will expire at the earlier of 25 July 2019 and the conclusion of the Annual General Meeting of the Company held in 2019.

Resolution 18: Authority to make market purchases of shares

Any purchases under this authority would be made in one or more tranches and would be limited in aggregate to 10% of the ordinary shares of the Company in issue at the close of business on 5 March 2018.

The minimum price (exclusive of expenses) which may be paid for an ordinary share is 1 pence per ordinary share. The maximum price to be paid on any exercise of the authority would not exceed the highest of (i) 105% of the average of the middle market quotations for the Company's ordinary shares for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out. Shares purchased pursuant to these authorities could be held as treasury shares, which the Company can re-issue quickly and cost-effectively, and provides the Company with additional flexibility in the management of its capital base. The total number of shares held as treasury shall not at any one time exceed 10% of the Company's issued share capital. Accordingly, any shares bought back over the 10% limit will be cancelled. The Company currently holds no shares in treasury.

This is a standard resolution, sought by the majority of public listed companies at Annual General Meetings. The Board's current intention of utilising this authority is generally limited to acquiring shares for the various share scheme arrangements. The Board would only consider a more formal share purchase programme if it would result in an increase in earnings per share and was in the best interests of shareholders generally, having regard to all relevant circumstances.

The total number of options and conditional share awards to subscribe for ordinary shares outstanding as at the close of business on 5 March 2018 was 37,779,438, representing approximately 1.2% of the issued ordinary share capital of the Company as at that date and approximately 1.3% of the Company's issued ordinary share capital following any exercise in full of this authority to make market purchases.

This authority will last until the earlier of 25 October 2019 and the conclusion of the Company's Annual General Meeting in 2019.

Special Business

Ordinary Resolutions

Resolution 19

The Remuneration Committee of the Board (the 'Committee') is seeking shareholders' approval of the Directors' Remuneration Report (the 'Directors' Remuneration Report') in Resolution 19, which will be proposed as an ordinary resolution.

The Directors are required to prepare the Directors' Remuneration Report, comprising an annual report detailing the remuneration of the Directors and a statement by the Chairman of the Remuneration Committee. The Company is required to seek shareholders' approval in respect of the contents of this report on an annual basis (excluding the part containing the Directors' Remuneration Policy, which was approved by shareholders at the Company's 2017 Annual General Meeting when it was proposed for its latest three-yearly vote). The vote on the Directors' Remuneration Report is an advisory one.

Resolution 20: Authority to make political donations

In order to comply with its obligations under the Companies Act 2006 and to avoid any inadvertent infringement of that Act, the Board wishes to renew its existing authority for a general level of political donation and / or expenditure. Resolution 20 seeks to renew the existing authority for the Company to make political donations and incur political expenditure. The Companies Act 2006 requires this authority to be divided into three heads (as set out in Resolution 20) with a separate amount specified as permitted for each. An amount not exceeding £250,000 for each head of the authority has been proposed. In accordance with the Companies Act 2006, Resolution 20 extends approval to all of the Company's subsidiaries.

This authority will expire at the conclusion of the Annual General Meeting of the Company in 2019, unless renewal is sought at that meeting.

The Company and the Group do not make any donations to political parties or organisations and do not intend to going forward, but do support certain industry-wide bodies such as the Home Builders Federation in the UK. Whilst the Board does not regard this as political in nature, in certain circumstances such support together with donations made for charitable or similar purposes could possibly be treated as a donation to a political organisation under the relevant provisions of the Companies Act 2006. For example, a donation to a humanitarian charity which may also operate as a political lobby, sponsorship, subscriptions, paid leave to employees fulfilling public duties and payments to industry representative bodies could constitute a donation to a political organisation within the current definitions in the Companies Act 2006.

Details of the Company's and the Group's charitable donations appear on pages 96 to 97 of the Report and Accounts.

Special Resolution

Resolution 21: Notice of general meetings

Special resolutions require at least a 75% majority of votes cast to be cast in favour.

This resolution will be proposed as a special resolution and therefore requires a 75% majority of votes to be cast in favour. The Companies (Shareholders' Rights) Regulations 2009 have increased the notice period required for general meetings of the Company to 21 clear days unless shareholders agree to a shorter notice period, which cannot be less than 14 clear days. At the 2017 Annual General Meeting, a resolution was passed approving the Company's ability to call general meetings (other than Annual General Meetings, which will continue to be held on at least 21 clear days' notice) on not less than 14 clear days' notice. As this approval will expire at the conclusion of this Annual General Meeting, Resolution 21 proposes its renewal. The shorter notice period of 14 clear days would not be used as a matter of routine for any general meeting, but only where the flexibility is merited by the business of a particular meeting and is thought to be to the advantage of shareholders as a whole. The renewed approval will be effective until the Company's Annual General Meeting in 2019, when it is intended that a similar resolution will be proposed.

Note that in order to be able to call a general meeting on less than 21 clear days' notice, the Company must in respect of that meeting make available electronic voting to all shareholders.

Shareholder Facilities

Shareholders' services

Web communications

Shareholders have previously passed a resolution enabling the Company to make documents and information available to shareholders by electronic means and via a website, rather than by sending hard copies. This way of communicating is enabled in accordance with the Companies Act 2006, Rule 6 of the Disclosure and Transparency Rules and the Company's Articles of Association.

Making documents and information available electronically:

- Enables the Company to reduce printing and postage costs.
- Allows faster access to information and enables shareholders to access documents on the day they are published on the Company's website.
- Reduces the amount of resources consumed, such as paper, and lessens the impact of printing and mailing activities on the environment.

The Company provides hard copy documentation to those shareholders who have requested this and is, of course, happy to provide hard copies to any shareholders upon request.

The Company's website is www.taylorwimpey.co.uk and shareholder documentation made available electronically is generally accessible at www.taylorwimpey.co.uk/corporate/shareholder-information

Electronic communications

The Company also encourages shareholders to elect to receive notification of the availability of Company documentation by means of an email. Shareholders can sign up for this facility by logging onto our website at www.taylorwimpey.co.uk/corporate/shareholder-information/electronic-communications

Online facilities for shareholders

You can access our Annual and Interim Reports and copies of recent shareholder communications online at: www.taylorwimpey.co.uk/corporate/investor-relations/reporting-centre

To register for online access, go to www.taylorwimpey.co.uk/corporate/shareholder-information and click on the service you require. To access some of these services you will first be required to apply online.

Once you have registered for access, you can make online enquiries about your shareholding and advise the Company of changes in personal details.

Dividend Re-Investment Plan

You can choose to invest your cash dividends, including any special dividend, in purchasing Taylor Wimpey shares on the market under the terms of the Dividend Re-Investment Plan ('DRIP'). For further information on the Plan and how to join, contact Link Asset Services.

Shareholders are again reminded to check the position with regard to any dividend mandates that are in place, should you either wish to participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

CREST

The Company offers shareholders who hold their Taylor Wimpey shares in CREST a facility for the receipt of dividends through the CREST system.

For shares held in uncertificated form (CREST), please note that elections continue to apply only to one dividend and a fresh election must be made, via CREST, for each dividend.

Full details of the terms and conditions of the DRIP and the actions required to make or revoke an election, both in respect of maintenance dividends (i.e. in this case, the 2017 final dividend) and any special dividends, are available at www.signalshares.com or on request from the Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, email: shares@linkgroup.co.uk tel: +44 (0)371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 am and 5:30 pm Monday to Friday excluding public holidays in England and Wales.

Dividend mandates

We strongly encourage all shareholders to receive their cash dividends by direct transfer to a bank or building society account. This ensures that dividends are credited promptly to shareholders without the cost and inconvenience of having to pay in dividend cheques at a bank. If you wish to use this cost-effective and simple facility, complete and return the dividend mandate form attached to your dividend cheque. Additional mandate forms may be obtained from Link Asset Services.

Duplicate share register accounts

If you are receiving more than one copy of our Report and Accounts, it may be that your shares are registered in two or more accounts on our Register of Members. You might wish to consider merging them into one single entry. Please contact Link Asset Services who will be pleased to carry out your instructions in this regard.

Share dealing services

We have arranged both telephone and online share dealing services. Link Share Dealing Services allows you to buy and sell shares in a large number of companies that have Link as their registrar. The services are operated by Link Asset Services. To use the services either visit www.linksharedeal.com or telephone +44 (0)371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8:00 am and 5:30 pm Monday to Friday excluding public holidays in England and Wales. To deal, you will need to provide your surname, postcode, date of birth and investor code (which can be found on your share certificate or any form of proxy you have been sent). Shareholders are not in any way obliged to use this service when dealing in the Company's shares.

Taylor Wimpey and CREST

Taylor Wimpey shares can be held in CREST accounts, which do not require share certificates. This may make it quicker and easier for some shareholders to settle stock market transactions. Shareholders who deal infrequently may, however, prefer to continue to hold their shares in certificated form and this facility will remain available for the time being, pending the likely general introduction of dematerialised shareholdings in due course.

Taylor Wimpey share price

Our share price is printed in many of the UK daily newspapers and is also available on our website at www.taylorwimpey.co.uk/corporate. It appears on BBC Text and other digital television interactive services. It may also be obtained by telephoning the FT Cityline service on telephone +44 (0)9058 171690 and ask for 'Taylor Wimpey' on the voice activated response (calls cost 75p per minute from a BT landline, other networks may vary).

Gifting shares to charity

If you have a small holding of Taylor Wimpey plc shares, you may wish to consider gifting them to charity. You can do so through 'ShareGift', which is administered by a registered charity, Orr Mackintosh Foundation Limited. Shares gifted are re-registered in the name of the charity, combined with other donated shares and then sold through stockbrokers who charge no commission. The proceeds are distributed to a wide range of recognised charities. For further details, please contact Link Asset Services or approach ShareGift directly on www.sharegift.org or telephone them on +44 (0)20 7930 3737.

Unsolicited approaches to shareholders and 'Boiler Room' scams

We receive reports from time to time from Taylor Wimpey shareholders who have each received what appear to be fraudulent approaches from third parties with respect to their shareholding in the Company. In some cases these are 'cold calls' and in others correspondence. They generally purport to be from a firm of solicitors or an investment company and offer, or hold out the prospect of, large gains on Taylor Wimpey shares or other investments you may hold.

The approaches normally include the seeking of an advance payment from the shareholder, the disclosure of the shareholder's bank details or the sale of an unrelated investment. Shareholders are advised to be extremely wary of such approaches and advised to only deal with firms authorised by the UK Financial Conduct Authority (FCA). More information is available on our website www.taylorwimpey.co.uk/corporate/shareholder-information/boiler-room-scams and you can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/consumers or by calling +44 (0)800 111 6768.

Annual General Meeting

11:00 am on 26 April 2018 at:

The British Medical Association, BMA House,
Tavistock Square, London, WC1H 9JP.

Latest date for receipt of proxy instructions for the 2018 Annual General Meeting: 11:00 am on 24 April 2018.

Group Legal Director and Company Secretary and Registered Office

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Registrar

For any enquiries concerning your shareholding or details of shareholder services, please contact:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
E-mail: enquiries@linkgroup.co.uk
Tel: 0871 664 0300 (UK)
Tel: +44 (0) 371 664 0300 (from overseas)

Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 am and 5:30 pm Monday to Friday, excluding public holidays in England and Wales.

Auditors

Deloitte LLP

Solicitors

Slaughter and May

Stockbrokers

J.P. Morgan Cazenove
Jefferies Hoare Govett

PRINCIPAL OPERATING ADDRESSES

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Website: www.taylorwimpey.co.uk

Registered in England
and Wales number 296805

Details of all our operating locations are available on our website www.taylorwimpey.co.uk

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More Information Online

more online

View our Annual Report and Accounts online: www.taylorwimpey.co.uk/corporate

Further information about our sustainability activities and policies can be found within our dedicated Sustainability Report on our website. www.taylorwimpey.co.uk/corporate

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Taylor Wimpey plc

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