

Taylor Wimpey | plc

ANNUAL REPORT  
AND ACCOUNTS 2016



WORKING TOGETHER

## Q&A

### An insight into a selection of questions our Senior Team have been asked in 2016.

Throughout this report we address some key questions from our stakeholders on issues ranging from the risks and opportunities we face through to why sustainability is important to us.

 Read more on pages 13, 20, 31, 35, 39

#### Navigating this report

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

  
Read more

  
Questions and answers

  
Key performance indicators



#### Connect with us

There are several ways you can get in touch with us or follow our news.  
[www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate)



[www.twitter.com/taylorwimpeyplc](https://www.twitter.com/taylorwimpeyplc)



[www.linkedin.com/company/taylor-wimpey](https://www.linkedin.com/company/taylor-wimpey)

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# AT A GLANCE

Taylor Wimpey is defined not only as 'who we are' but also 'what we want to be'. As part of our strategy review process, we took the opportunity to challenge our thinking on brand to ensure it fully reflects our culture today as well as our aspirations for the future. As a result, we evolved the principles that have guided our business over the past five years, and redefined our vision and mission with our key stakeholders in mind.

## WHAT WE DO

We are one of the UK's largest residential developers and our vision is 'Working together to build your dreams'.

We aim to create places that inspire and delight by focusing on key elements of our Business Model:

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

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 the local communities.

Our Business Model is based on a value cycle and each component of the value cycle is important in order to deliver on our strategy.



**i** Read more about our Business Model and our strategy on pages 25 to 41

## OUR CORE VALUES AND CULTURAL PRINCIPLES

### 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

**i** Read more about our brand on pages 19 and 20

## INTEGRATING SUSTAINABILITY

We are committed to being a responsible homebuilder and are continuing to integrate sustainability into our business practices. This approach helps us to create better homes and communities and a stronger business for the long term. Sustainability information and performance data is integrated in our Annual Report and Accounts through each part of our Business Model.

Our sustainability strategy sets out a range of strategic commitments that relate to key social, environmental and economic issues. The strategy works alongside our energy and carbon strategy. Our six sustainability principles apply to all of our business activities, from identifying land through to completing and handing over our developments.



View our Sustainability Report 2016 online at [www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate)

## HOW WE PERFORMED THIS YEAR

Revenue (£m)

**3,676.2**

(2015: 3,139.8)

Operating profit\* (£m)

**764.3**

(2015: 637.0)

Profit before tax and exceptional items (£m)

**733.4**

(2015: 603.8)

Profit for the year (£m)

**589.3**

(2015: 489.8)

Basic earnings per share (p)

**18.1**

(2015: 15.1)

Ordinary dividend per share (p)  
(subject to shareholder approval)

**2.82**

(2015: 1.67)

Tangible net asset value per share† (p)

**88.6**

(2015: 83.5)

Return on net operating assets\*\* (%)

**30.7**

(2015: 27.1)

Year end net cash (£m)

**364.7**

(2015: 223.3)



Definitions can be found in the Group financial review on page 50

## WHERE WE OPERATE

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 island of Mallorca.



### North Division

**£207k**

(Average selling price)

**5,988**

(Completions excluding joint ventures)

### Central and South West Division

**£241k**

(Average selling price)

**4,810**

(Completions excluding joint ventures)

### London and South East Division including Central London

**£373k**

(Average selling price)

**3,010**

(Completions excluding joint ventures)

### UK map key

- Head Office
- North Division Regional Offices
- Central and South West Division Regional Offices
- London and South East Division Regional Offices
- London Market



Read more about our divisional performance on page 50

## WORKING TOGETHER

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# WORKING TOGETHER

### Our vision

Working together to build your dreams.

### Our mission

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

We believe that this new brand strategy will build on our record-breaking financial performance and will truly differentiate us as a company to buy a home from, partner with, engage with, work for and invest in.

 Read more on pages 3 to 11



## BUY A HOME FROM...

Regardless of the role that any Taylor Wimpey employee fulfils in the business, we all contribute to the final result for our customers. We have made great strides in our customer service approach. However, there are things that we can and must do better.

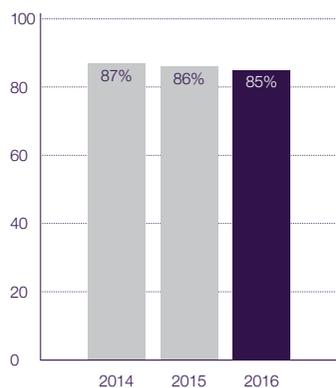
Across our business operations, we want our employees to adopt our customer-centric culture and to understand the important role they play with our customers. Our aim is to keep our customer at the centre of our decisions and coordinate our input to deliver a quality home first time, with great service throughout their Customer Journey. This will help our customers to settle in quickly and make our houses their homes.

We have four Taylor Wimpey customer commitments:

1. Right first time
2. Communicate well
3. Keep promises
4. Find solutions

### Customer satisfaction (%) KPI

# 85



[Read more on pages 25 to 41](#)



## **PARTNER WITH...**

We work in partnership with a wide range of companies, organisations and individuals and aim to be the partner of choice.

Our partners can be divided into three groups:

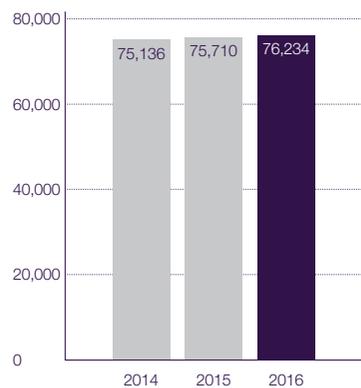
- Landowners – who we buy land from or develop land with
- Delivery partners – who we work with to manage our land and deliver our developments
- Our supply chain – who provide the materials we use and the subcontractors who work on our building sites

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.

### Owned and controlled plots with planning



**76,234**



Read more on pages 25 to 41



# Developing a sustainable community



## Economic sustainability

Investing in sustainable infrastructure and services can create jobs and stimulate economic growth. For example, investing in renewable energy infrastructure can create jobs in manufacturing, construction, and maintenance. Additionally, investing in affordable housing and social services can help reduce poverty and improve the quality of life for all residents.

## Environmental sustainability

Protecting and improving the natural environment is essential for a sustainable community. This includes reducing greenhouse gas emissions, conserving water and energy, and protecting natural resources. For example, promoting energy-efficient buildings and public transportation can help reduce carbon emissions. Additionally, creating green spaces and parks can improve air quality and provide recreational opportunities for residents.



## WORKING TOGETHER

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### ENGAGE WITH...

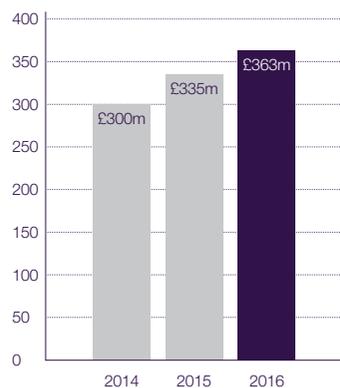
We are committed to working with local people and stakeholders throughout the planning process and we engage with local communities on every development.

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. We have made significant progress in this area over recent years and aim to continue to improve by using all the tools we have developed to help us with this process.

We are committed to supporting charities and local community groups where we operate whether financially, with our time, energy or our leadership. We want to improve the position of the causes that we support and also want to engage our employees in these activities.

#### Contribution to local communities via planning obligations (£m)

# 363



[i](#) Read more on pages 25 to 41



Taylor Wimpey

Taylor Wimpey

Plot  
Site

# Build Quality Checklist

Professional quality assurance checklist

Item	Yes	No
1. Foundations		
2. Groundwork		
3. Structure		
4. External walls		
5. Windows and doors		
6. Roofs		
7. Services		
8. Finishes		
9. External works		
10. Final inspection		

This checklist is to be completed at the end of each stage of construction.

## **WORK FOR...**

Our employees are one of our greatest competitive advantages, 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.

We do that by focusing on how we attract people; what training and development opportunities we offer; and how we recognise people for their contribution and commitment. We have identified the following priorities going forward:

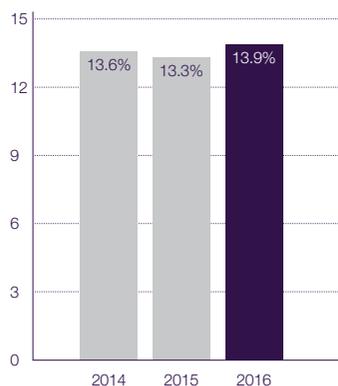
- That we are able to attract and hire a diverse group of capable people at the right time, regardless of the market conditions
- That our employee proposition is attractive and therefore serves to retain our employees whilst at the same time encouraging them to go the extra mile for our customers, now and in the future
- That we offer development opportunities throughout our employees' careers, so that they are motivated to maximise their potential, developing the skills they need to become our future business leaders

This will continue to be a significant area of focus and investment for us in 2017 and beyond.

### Employee turnover (%)



**13.9**



Read more on pages 25 to 41



## INVEST IN...

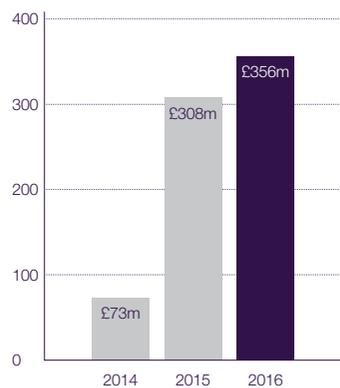
We are a value-driven business, with a long term, sustainable focus.

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 believe that our strategy sets us apart in the following key ways:

- Strategy set to manage through the cycle
- High earnings quality with high margin driven by strong landbank
- Quality business with further continuous operational improvement
- Dual stream dividend underpins value

Total dividends paid in a year (£m)

**356**



**i** Read more on pages 25 to 41

## CHAIRMAN'S STATEMENT

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# WORKING TOGETHER TO DELIVER INCREASED SHAREHOLDER VALUE



**KEVIN BEESTON**  
Chairman



Firstly, and on behalf of your Board, I would like to begin my report to you by thanking each and every employee in the Taylor Wimpey team for their hard work during the year. Working together, we have delivered a strong operational and financial performance in 2016, with continued growth in profitability, building 14,112 new homes across the Group, including Spain (excluding joint ventures), during 2016. More detailed information on our financial performance can be found within the Group financial review on pages 48 to 52. During 2016 we also paid £356 million to shareholders via total dividends and invested £363 million into the communities in which we operate, through planning obligations, providing infrastructure, affordable housing and community facilities, including education facilities, public transport and play areas.

### The EU Referendum

There is no doubt that following the European Union (EU) Referendum result, there was a great deal of initial uncertainty. Share prices in the housebuilding sector and certain other sectors fell dramatically and, whilst it is pleasing to see that our share price has recovered from its low, it serves to highlight that we operate in a cyclical market. Nevertheless, during this period the market has continued to be resilient with continued high levels of customer confidence. You can find more details on market conditions on pages 16 to 17.

As you will know, our strategy does more than just acknowledge that we operate in this cyclical market, it is a fundamental part of it. Therefore, we take a more proactive and flexible approach to managing through the cycle than has been historically done before, with a focus on creating long term value and mitigating future risk. This approach is evident throughout our business and in our performance and outlook. Your Board is confident that because of this strategy, alongside a strong, well-capitalised balance sheet and strategic land pipeline, Taylor Wimpey is optimally positioned for the future, enabling us to perform well through all market conditions.

### A responsible business

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. Whilst our Annual Injury Incidence Rate remains both below the Home Builders Federation (HBF) Homebuilder Average and the Health and Safety Executive (HSE) Construction Industry average, we remain fully committed to reducing this further.

You may also recall last year, I updated you on the steps taken to improve our customer service approach and performance. During 2016 we rolled out a number of changes throughout the business, including enhancing the structure of our Customer Service Teams, through the appointment of a newly created role of Head of Customer Service in each of our 24 regional businesses. This is an area that will take time to fully embed and will remain a priority, however I am pleased to report that we have received good feedback from customers and employees on our new approach and we have seen a positive trend in customer satisfaction scores during the year. We do of course recognise that we still have much work to do in this area and we continue to work hard to improve our performance.

It gives me a great sense of pride to update you on the continued good work of our employees for charities throughout the year. This is deeply ingrained in the culture of Taylor Wimpey. During the year we took the opportunity to revisit our Charity Committee objectives in order to ensure that our support will improve the position of the causes that we support. We also strive to engage our employees in these activities as we recognise that this can be good for personal development and self-awareness. During 2016 we donated and fundraised over £875k for registered charities (2015: over £746k). In addition, a further c.£159k was donated to other organisations (2015: c.£112k), sponsoring community events, local sports teams, social clubs and many other initiatives. More information can be found on page 41 and within our Sustainability Report 2016 which will be available on our website in March 2017.

## Q&A

### What does the Board see as the biggest opportunity and biggest risk in 2017?

Whilst the purpose of the Annual Report and Accounts is to accurately depict the Company's activities during the year in a fair, balanced and understandable way, we recognise that for many of our shareholders their focus will be on the next year and beyond.

As with any business, we face a number of risks and opportunities in the course of our day to day operations. Our risk management process identifies these risks and our procedures help to manage and mitigate these. Our approach to risk management is set out on pages 42 to 47.

The early signs of stability and resilience of the market following the EU Referendum, which were encouraging, continued and we believe the risk of material impact from this in the short term has significantly reduced. In line with our strategy, we will continue to closely monitor market risks, particularly around long term mortgage cost. However we believe that a cautiously regulated market and low interest rate environment is likely to prolong the period of stability that we are seeing in the UK housing market.

Whilst there is wider macro-economic uncertainty, we can see this as a risk or as an opportunity to differentiate ourselves. We have a clear strategy and a strong focus on where we can add further value to the business. We believe that our approach to proactively managing the business through the cycle differentiates Taylor Wimpey and has positioned us to perform well through all market conditions.

#### KEVIN BEESTON

Chairman

## CHAIRMAN'S STATEMENT CONTINUED

## Returns to shareholders

Our dividend return is an inherent part of our strategy and the Board has set out a policy of making cash returns to shareholders through both regular dividend payments and additional special dividends at the appropriate time in the market cycle.

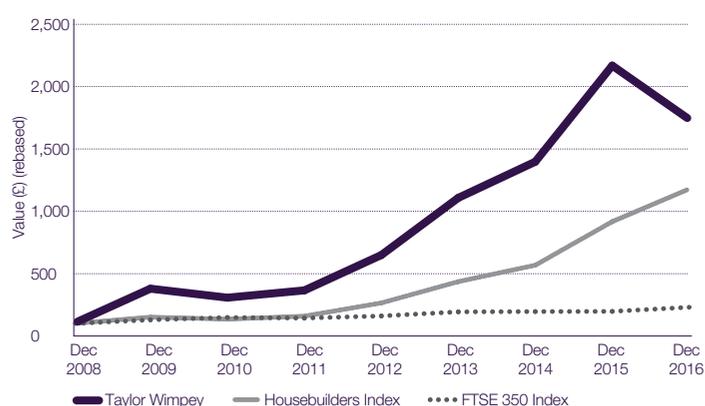
During the year, and following a strategy review, we held a successful Analyst and Investor Day in May where we announced an enhanced Dividend Policy, effective from 2017, in addition to stretching medium term targets which are set out on page 26.

We remain fully committed to the enhancements to the Dividend Policy we announced on 17 May 2016. From 2017, subject to shareholder approval at the Annual General Meeting (AGM), to be held on 27 April 2017, the Company will pay an ordinary dividend of approximately 5% of Group net assets and which will be at least £150 million per annum. This is intended to provide a minimum annual return to shareholders throughout the cycle, including through a 'normal downturn'. This ordinary dividend will be paid equally as a final dividend (in May) and as an interim dividend (in November) each year.

Subject to shareholder approval, the 2016 final ordinary dividend of 2.29 pence per share will be paid on 19 May 2017 to shareholders on the register at the close of business on 18 April 2017 (2015 final dividend: 1.18 pence per share). In combination with the interim dividend of 0.53 pence per share (2015 interim dividend: 0.49 pence per share) this gives a total ordinary dividend for the year of 2.82 pence (2015 total dividend: 1.67 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 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 24 April 2017 in order to be effective for this dividend. Further details can be found on our website [www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate)

## Total shareholder return



Source: Datastream (Thomson Reuters)

Note: The graph shows the value by 31 December 2016, of £100 invested in Taylor Wimpey on 31 December 2008, compared with the value of £100 invested in the FTSE 350 and Housebuilders Indices on the same date. The other points plotted are the values at intervening financial year ends.

Read more about TSR on pages 80 and 89

In addition, on 15 July 2016, we returned £300.1 million to shareholders by way of a special dividend, equating to 9.20 pence per ordinary share. As previously announced in May 2016, we intend to return c.£300 million to shareholders in July 2017, equating to 9.20 pence per ordinary share, subject to shareholder approval at the 2017 AGM. This is proposed to be paid on 14 July 2017 as a cash dividend to all shareholders on the register at close of business on 2 June 2017. Shareholders will also be offered the opportunity to reinvest all of their 2017 special dividend under the DRIP, for which elections to join the Plan must reach the Registrar by 19 June 2017.

Future special dividends will be announced on an annual basis at the half year results and will be paid in the following July, subject to shareholder approval. The next update will therefore be at our 2017 half year results on 1 August 2017 for the 2018 special dividend.

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

We continue to firmly believe that effective corporate governance is an important prerequisite for success, and that this is needed to create the right culture throughout the business and as a foundation for strong financial performance. Accordingly, your Board believes that this requires an approach that not only seeks to comply with corporate governance requirements and best practice but strives to ensure that good governance is embedded throughout the organisation, with a focus on 'doing the right thing'.

As I mentioned in my Chairman's Statement last year, open and transparent disclosure is important to Taylor Wimpey and we take our responsibility to present fair, balanced and understandable information very seriously for the benefit of our shareholders and other stakeholders. We do not prepare our Annual Report to win any awards but nevertheless we were delighted to be Highly Commended by the Investor Relations Society for our 2015 Annual Report and to win the FTSE 100 'Best overall communication of company investment proposition' award. We were also pleased to be Highly Commended for our people reporting by PwC in the 2016 Building Public Trust in Corporate Reporting Awards for 'excellence in reporting'.

Whilst the Board greatly values its relationship with the Operational Team, it is equally important that Non Executive Board Directors have the ability to constructively challenge the Executive Team in order to provide good stewardship that is in the long term interests of our shareholders and our other stakeholders. I am pleased to confirm that, with the experience, independence and range of expertise of its members, this continues to remain the case within the Taylor Wimpey Board.

I am delighted to report that in November we appointed Angela Knight to the Board as an Independent Non Executive Director. Angela brings a wealth of experience both in business and in numerous other areas which will be invaluable to the Board. Margaret Ford decided to stand down from the Board as a Non Executive Director in November, and I would like to take this opportunity to thank her for her much valued contribution, counsel and wisdom and for her chairmanship of the Remuneration Committee.

During the year we carried out a Board evaluation exercise in line with the requirements of the UK Governance Code, which we take very seriously and which demonstrated that the Board continues to operate effectively. Further details are set out in General Board Governance on page 67.

Read more about Corporate Governance on pages 56 to 58

## Our people

During 2016, Pete Redfern and the Senior Management Team presented an update on our business strategy via a series of 12 roadshow sessions across the country, available to all of our employees across our business. Over 4,200 employees attended the sessions, which provided an update on our strategy, progress made and priorities for the future, particularly our commitment to discipline in all market conditions and driving continuous business improvement through a focus on customer service, our people and product.

We believe in investing in our people and developing our internal pipeline of talent to ensure their future success and, in turn, our Company's. An important part of that is our continued investment in the skills and development of our employees across the business and to ensure that Taylor Wimpey attracts and retains the best people in the industry through the cycle.

In the first six months of 2016, we introduced an improved flexible benefit package for all employees and a new approach to flexible working, with maternity, paternity and adoption policies significantly enhanced.

We also encourage employee share ownership and we are pleased to successfully operate two all-employee share plans – Save As You Earn (SAYE) and a Share Incentive Plan (SIP), which are described in the Remuneration Report on page 84. Nearly half of our eligible employees participate in one or both plans or are otherwise already shareholders of the Company. In addition, the Company also offers a scheme whereby employees who do not participate in the senior management incentive arrangements are offered the opportunity each year to exchange any cash bonus awarded for shares of the Company, offering a 20% enhancement to the value if taken entirely in shares and retained for a period. More information can be found within Other Statutory Information on page 99.

We are pleased to embrace the Government's proposed 'employee voice' initiative and we are therefore putting in place a National Employee Forum which will build upon the existing regional Employee Consultative Committee structure so to enhance the dialogue between the Board, Group Management Team and our employees. I look forward to personally engaging with this Forum.

## Diversity

We continue to make progress in the areas of diversity and inclusivity, which have been an important focus for 2016, with diversity and inclusivity training rolled out for all our Management Teams across the business. Overall we have a gender mix of 67.8% male and 32.2% female across the Company with these percentages being 22.2% female on the Board and 30% female in our Group Management Team (GMT). More detail on our gender and wider diversity initiatives are set out in the Nomination Committee Report on page 71.

## Looking forward

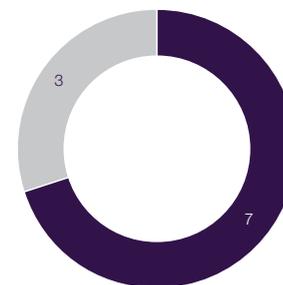
We have a clear strategy and a strong focus on where we can add further value to the business. In this way, we are confident that we can adapt to all market conditions from a position of strength and perform well, underpinning our value proposition to shareholders and other stakeholders. We remain fully committed to the Dividend Policy set out in May 2016 and our objective to provide a consistent and reliable income stream for investors. Our focus remains on adding value and steady sustainable growth as we maximise efficiency through operational excellence and discipline on our sites and throughout our business. We are looking forward to the challenges and opportunities that 2017 will bring and to working together to build the dreams of all our stakeholders.

## Board diversity



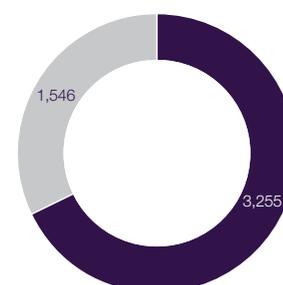
● Male  
● Female

## Group Management Team



● Male  
● Female

## Employee diversity



● Male  
● Female

Note: As at 31 December 2016

**i** Read more about our Board of Directors on pages 54 and 55

**i** Read more about our Group Management Team on pages 22 to 23

# UNDERSTANDING OUR MARKETS

We believe that a long term view and a proactive and flexible approach is needed to manage through the cycle. Our strategy is built on this and so seeks to protect growth whilst mitigating future downside risk.

### OUR PLACE IN THE UK MARKET

New housebuilding accounts for 10-15% of the total housebuilding market. We are one of the largest residential developers in the UK building 13,808 (excluding joint ventures) homes in 2016 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 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

Despite wider macro-economic uncertainty, the market fundamentals remain good. In line with our strategy, we will continue to closely monitor market risks, particularly around long term mortgage cost. However, we believe that a cautiously regulated market and low interest rate environment is likely to prolong the period of stability that we are seeing in the UK housing market.

### GOVERNMENT POLICY AND PLANNING

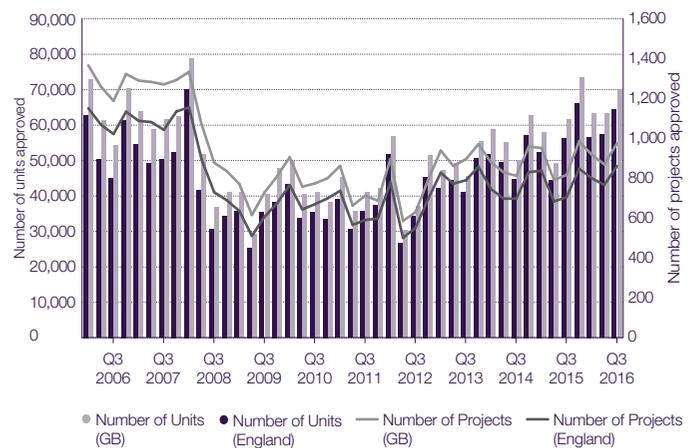
The publication of the Housing White Paper in February 2017 recognises the importance of housing to the UK and the part all housebuilders can play in the economy. Whilst some of the detail is of course to be finalised, we welcome the measures set out in the White Paper which are balanced and aim to sustainably increase the delivery of much-needed homes.

Planning has historically been a constraint on the ability of the industry to build a sufficient number of new homes. The changes to planning policy over the last five years have resulted in an improved environment, however we recognise that we have not seen the full benefits flow through into the planning system yet.

#### Risk

A

### Residential planning approvals for projects of 10 units or more



Source: HBF Housing Pipeline Report / Glenigan

### EU REFERENDUM IMPLICATIONS

Despite the wider uncertainty following the UK's vote to leave the European Union (EU), there was strong demand throughout 2016 in our core geographies and the UK housing market remained resilient. Whilst we saw a small increase in the average cancellation rate immediately following the EU Referendum, this remained low compared to long term historic norms and quickly returned to pre-Referendum levels. However we are naturally cautious and immediately following the EU Referendum result, we increased our required investment margin

and return expectations significantly when purchasing new land and reviewed significant work in progress and infrastructure spend.

The early signs of stability and resilience of the market following the EU Referendum, which were encouraging, continued and we believe the risk of material impact from this in the short term has significantly reduced.

#### Risk

A B C E

## MORTGAGE AVAILABILITY AND AFFORDABILITY

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

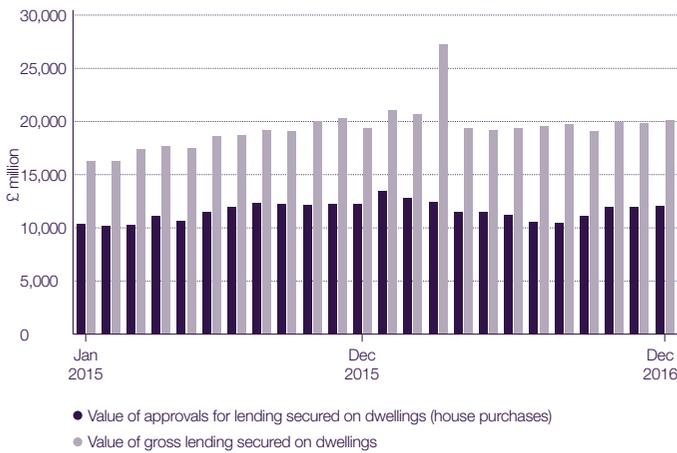
The housing market is underpinned by a competitive mortgage market and low interest rates. During 2016, there remained good accessibility to a wide choice of competitive mortgages. Consumer confidence was strong and interest rates continued to be historically low.

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

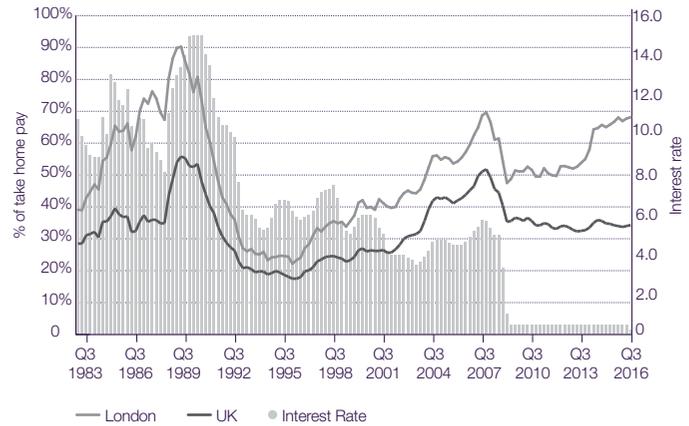
B

### Value of approvals and lending secured on dwellings



Source: Bank of England

### First time buyer mortgage payments as % of pay / interest rates



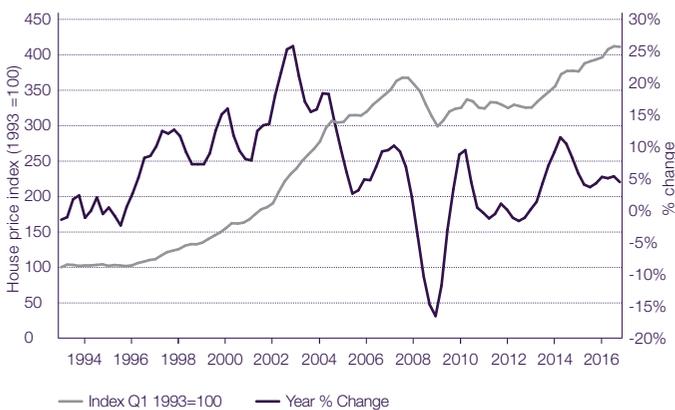
Source: Nationwide / Bank of England

## WIDER HOUSING MARKET

There continues to be a fundamental demand and supply imbalance in the UK. It is estimated that the current UK requirement is to build c.250,000 homes per annum. During 2016, the second hand housing market saw a reduced level of transactions.

In contrast, the new build housing market continued to grow. Help to Buy continued to be a differentiator for new build housing, and remained popular with our customers.

### Quarterly house price inflation



Source: Nationwide

As previously highlighted, whilst the wider London market remained robust and in line with the rest of the UK, the central London market slowed during 2016 at the upper end of the market, with prices softening slightly in the second half of the year.

### Risk

A B C E

Strategic report

## CHIEF EXECUTIVE'S STATEMENT

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# WORKING TOGETHER TO DELIVER QUALITY



**PETE REDFERN**  
Chief Executive



## 2016 market and summary

2016 was a record year for Taylor Wimpey and our aim for 2017 and beyond is to ensure we provide our shareholders with sustainable levels of returns across the cycle.

Despite the wider uncertainty following the UK's vote to leave the European Union (EU), there was strong demand throughout 2016 in our core geographies and the UK housing market remained resilient.

As previously highlighted, whilst the wider London market remained robust and in line with the rest of the UK, the central London market slowed during 2016 at the upper end of the market, with prices softening slightly in the second half of the year. We traded on an average of eight Central London schemes in 2016, of which the average size was 126 plots.

The land market continues to be positive. We continue to believe that the land market is structurally different in the current housing market cycle, evidenced by a land market which has remained historically benign despite house price growth. This has enabled us to continue to buy high-quality land at investment operating profit\* margins which are historically high.

## UK operational performance summary

In 2016, total UK home completions (excluding joint ventures) increased by 4.5% to 13,808 (2015: 13,219). During 2016, we delivered 2,663 affordable homes (2015: 2,509), equating to 19.3% of total completions (2015: 19.0%). Our net private reservation rate for the year was 0.72 homes per outlet per week (2015: 0.73).

Whilst we saw a small increase in the average cancellation rate immediately following the EU Referendum, this remained low compared to long term historic norms and quickly returned to pre-Referendum levels. Overall cancellation rates for the year as a whole remained low at 13% (2015: 12%).

Average selling prices on private completions increased by 12.6% to £286k (2015: £254k), once again benefitting 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 10.9% to £255k (2015: £230k). We estimate that market-led house price growth for our regional mix was c.5% in the 12 months to 31 December 2016 (2015: 6%).

First time buyers accounted for 38% of total sales in 2016 (2015: 36%). Investor sales continued to be at a very low level versus historic norms at 3% (2015: 7%).

Help to Buy continued to be a differentiator for new build housing, and remained popular with our customers. During 2016 approximately c.39% of total sales used the Help to Buy scheme, and we worked with c.5,393 households to take the first step to home ownership or to move up the housing ladder (2015: c.37% and c.5,200). Approximately 77% of sales through Help to Buy in 2016 were to first time buyers (2015: 77%). During the year c.14% of sales in the London market used Help to Buy London, which launched in February 2016.

We believe that quality of location is a key determinant of a home purchase and that this remains true through all market conditions. During 2016 we opened 105 new high-quality outlets (2015: 123) 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 2016 we were operating from 285 outlets (31 December 2015: 297).

As at 31 December 2016 our order book represented 7,567 homes (31 December 2015: 7,484 homes) with a value of £1,682 million (31 December 2015: £1,779 million), excluding joint ventures.

 Definitions can be found in the Group financial review on page 50

As part of our strategy review process, we took the opportunity to challenge our thinking on brand to ensure it fully reflects our culture today as well as our aspirations for the future. During 2016 we worked with employees across the business, customers and other stakeholders to determine our new:

### 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

## Q&amp;A

## What is a brand and why does it matter?

As part of our thorough strategy review process, during 2016 we invested the time to properly define what our brand means to us internally and how we should use it.

This wasn't about questioning whether we should be changing our logo or brand colours. All credible brands are 'grown from within' and are built on the people and processes inside a business. Our Taylor Wimpey brand definition is built on a combination of 'who we are' and 'what we want to be'. We put some structure on this by looking at our vision, mission, core values and cultural principles (which are outlined on page 19). These are simply an evolution of the principles that have guided our business over the last five years but together they set a clear ambition for the future.

If all our people clearly understand what Taylor Wimpey stands for, we will all work much more effectively and collaboratively as one business, and this clearly has a fundamental link to our strategy and success.

### PETE REDFERN

Chief Executive

### Group strategy and returns

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. We believe that a long term view and a proactive and flexible approach is needed to manage through the cycle. Our strategy is built on this and so seeks to protect shareholder value whilst mitigating future downside risk and affords us flexibility to take advantages of opportunities and drive further value from the business.

Our ability to buy good quality land, at the right time in the cycle, enhance it through planning, and realise value through building and selling homes, remains the biggest value driver for the business, despite the relatively positive land market of the last six years. We have been very successful in this area – building and optimising a short term landbank of 76,234 plots, of which 65% is strategically sourced. This has given us the flexibility to be very selective when purchasing land and focus on delivery through increased cash generation.

During 2016, we reviewed our strategy as part of a wider process and confirmed that it remains the right one for the future. Given the strength of the business, we believe we can deliver further continual improvement in every area of the business particularly in long term value added programmes – from employee recruitment, development and engagement through to investment in research and development, customer service and product quality.

We are confident that because of this strategy, alongside a strong, well-capitalised balance sheet and strategic land pipeline, Taylor Wimpey is optimally positioned for the future, enabling us to perform well through all market conditions and take advantage of opportunities as they arise.

### Brand

As part of our strategy review process, we took the opportunity to challenge our thinking on brand to ensure it fully reflects our culture today as well as aspirations for the future.

During 2016 we worked with employees across the business, customers and other stakeholders to determine our new vision of: *'Working together to build your dreams'*.

We believe that this resonates strongly with our customers as it recognises that we are building them more than just a house or apartment; we are building them a home. For our employees we want to be the employer of choice; to support ambitions, development and progress. For local authorities, landowners, communities, investors and others – our vision is one of reassurance, showing our commitment to delivering what we have set out to achieve.

This Working Together approach is fully aligned to our strategy and underpinned by our values as it challenges us to drive continual improvement in all of our business areas by creating great places which inspire and delight. Importantly, it also addresses our key stakeholders. We believe this approach will continue to strengthen Taylor Wimpey's reputation as a Company which people want to buy a home from, work for, partner with and invest in.

### Medium term targets

We are pleased to report good progress against each of the enhanced medium term targets announced in May 2016 in their first year of operation. These targets sit within our long term strategy, ensuring we are focused on operational efficiency as well as strategic investments. Whilst the targets are stretching, we believe these to be the best medium term measures of performance for our business, and they remain appropriate management goals, targeting 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 longer term strategy can be found on pages 26 and 27.

## Dividends

A key part of our investment proposition is our commitment to a reliable dividend stream for our investors through the cycle. We remain confident that we can continue to be significantly cash generative, enabling shareholders to benefit from the success of our strategy in all stages of the cycle by sustaining a significant ordinary dividend to shareholders on an annual basis, including through a 'normal downturn', and an additional special dividend to be paid at appropriate times in the cycle.

During 2016, we significantly enhanced our ordinary dividend and announced further special dividends. Therefore, subject to shareholder approval each year, the Company will pay an ordinary dividend of approximately 5% of Group net assets and which will be at least £150 million 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. After the economic uncertainty of the latter half of 2016, we remain very confident in this policy.

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.

In 2016, shareholders received total dividends (including ordinary and special dividends) of £355.9 million or 10.91 pence per share.

As previously announced, and subject to shareholder approval at the 2017 Annual General Meeting (AGM), we intend to pay c.£300 million to shareholders in July 2017 by way of a special dividend.

Accordingly, subject to shareholder approval at the 2017 AGM, in 2017 shareholders will receive a total dividend of c.£450 million (c.13.8 pence per share), comprising an ordinary dividend of c.£150 million (c.4.6 pence per share) and a special dividend of c.£300 million (9.2 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. I believe we have the best people in the industry, and we want to make Taylor Wimpey the employer of choice and establish a culture where individuals from all backgrounds can reach their full potential. I am particularly pleased to report the progress we have made in this area, following the feedback from our strategy roadshows conducted in 2016 and from the 2015 employee survey. A particular highlight for employees was the enhancement of maternity, paternity and adoption policies and the introduction of a new Volunteering Framework. More information on these areas can be found on pages 26 and 41 and within our Sustainability Report 2016.

## Management changes

After 28 years of outstanding service to the Company, Fergus McConnell, Divisional Chairman North, retired from the business at the end of 2016. Fergus has been replaced by Daniel McGowan, previously Divisional Managing Director (DMD) of the Midlands. Daniel joined the Company in 1999 as Sales and Marketing Director, before moving into a strategic role at Head Office. Daniel was then promoted to the role of Managing Director (MD) at our North Midlands regional business, a position he held for two years, before the role of DMD.

We would like to take the opportunity to thank Fergus for his commitment and contribution to the North Division over the years, as well as his contribution to the wider business.

Ingrid Osborne, MD of our Central London regional business, was also promoted to the new post of DMD for Central and East London in 2017.

Further information on the Group Management Team can be found on pages 22 and 23.

## Leasehold review

In the final quarter of 2016, concern was expressed by some customers about certain leasehold houses and apartments which are subject to leases with doubling ground rent clauses used on some of our developments started between 2007 and 2011. Whilst the clauses are clearly outlined in the lease and customers received independent legal advice, we note the reports of the potential impact of these clauses for our customers. We are therefore in the process of reviewing this matter and working with these customers.

## Sustainability

We are committed to being a responsible homebuilder and to making sustainability part of how we work. This is both the right thing to do and helps us to create better homes and communities and a stronger business for the long term.

To portray a more holistic picture of how we create value for our stakeholders and of the external drivers that could impact our Business Model now and in the medium to long term, in this year's report we have made further strides towards a more integrated approach. This includes interlinking reporting on our financial performance with our non-financial metrics both within this report, and within our Sustainability Report, which will be published on our website in March 2017.

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. During 2016 we carried out a materiality assessment to review our current priorities, to help us better understand stakeholder views on key topics and to identify emerging risks and opportunities. This has shown us that we are largely focused on the right issues but there are also opportunities to do more in key areas and to continue to play an active part in addressing major challenges like access to housing and climate change. We will be using the findings to review and strengthen our approach to sustainability in the year ahead. More information can be found within our Sustainability Report 2016.

**CHIEF EXECUTIVE'S STATEMENT CONTINUED**

**UK current trading and outlook**

We have made a very good start to 2017 and are encouraged by robust trading and levels of demand. The UK housing market fundamentals remain good with strong customer confidence in our core geographies.

The market is underpinned by a competitive mortgage market and low interest rates. Customer interest remains high, with website visits solid and customers continuing to register interest in forthcoming developments and progress their home purchase plans. Whilst the wider London market remains robust, prime central London is softer, as previously highlighted, however house prices are stable, and there are good levels of underlying demand.

The net private sales rate for the year to date (w/e 19 February 2017) has increased to a very strong 0.91 (2016 equivalent period: 0.77).

We continue to focus on building a strong order book for the future. As at 19 February 2017, we were c.49% forward sold for private completions for 2017, with a total order book value of £1,978 million (2016 equivalent period: £2,030 million), excluding joint ventures. This order book represents 8,573 homes (2016 equivalent period: 8,409). 58% of Central London private completions for 2017 are forward sold, as at 19 February 2017 (2016 equivalent period: 76%).

We expect underlying build cost increases during 2017 to be at a similar level to 2016, at around 3-4%.

The publication of the Housing White Paper in February 2017 recognises the importance of housing to the UK and the part all housebuilders can play in the economy. Whilst some of the detail is of course to be finalised, we welcome the measures set out in the White Paper which are balanced and aim to sustainably increase the delivery of much needed homes.

**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**

UK Land Director

**Responsibilities**

Jennie's role focuses on our land and planning strategy, with responsibility for and oversight on wider planning matters, leading our response to the evolving UK planning system. Jennie also oversees our Sustainability, Technical and Design, Land and Planning Teams, and has responsibility for our production and procurement functions.



The early signs of stability and resilience of the market following the EU Referendum, which were encouraging, continued and we believe the risk of material impact from this in the short term has significantly reduced. In line with our strategy, we will continue to closely monitor market risks, particularly around long term mortgage cost. However we believe that a cautiously regulated market and low interest rate environment is likely to prolong the period of stability that we are seeing in the UK housing market.

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 remain fully committed to the Dividend Policy set out in May 2016 and our objective to provide a consistent and reliable income stream for investors. Our focus remains on adding value and steady, sustainable growth as we maximise efficiency through operational excellence and discipline on our sites and throughout our business.

**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.



## 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. This has enabled us to deliver a record operating profit\* margin in 2016 and return £737 million to shareholders since 2014.

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

We have remained disciplined in the implementation of our strategy which has enabled us to make significant progress towards our financial objectives and outperform the pace of performance improvement we targeted. More information on our strategy, updated targets and performance can be found on pages 26 and 27.

Today we have an optimal landbank of c.76k plots underpinned by a strategic pipeline of c.108k potential plots.

Our focus remains on adding value and steady 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.

### 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 is 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 16 and 17

### 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, to returns we are expecting to deliver from the sites and in the quality of those locations which we believe will differentiate us irrespective of the cycle.

 Read more on pages 30 and 31

### 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 pages 26 and 27

### 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 page 21

# OUR BUSINESS MODEL IN PRACTICE

We are creating a sustainable new community at our Somerdale development in Keynsham, Somerset, where we are delivering 700 new homes with significant supporting infrastructure on the former Cadbury's chocolate factory site.



## Delivering customer service

*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.*

A new garden neighbourhood, our Somerdale development has been created with placemaking at its heart, attracting a range of customers and communities. This highly popular development offers a range of homes for our customers, designed to meet the needs and aspirations of modern families.



## Selecting 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 at the right point in the cycle is a key driver of shareholder value.*

The project is regenerating a total of 220 acres of land, previously under private ownership. Once complete, Somerdale residents will benefit from living in a peaceful and leafy setting with open parkland right on their doorstep.



## Managing the planning and community engagement process

*Designing a sustainable community that meets the needs of local residents, is attractive to potential customers, and provides good returns for shareholders, requires a consultative and iterative process of community engagement.*

We engaged extensively with local residents and stakeholders to develop the site's masterplan. Through our planning agreement we are creating a new primary school with 210 places as well as upgraded sports facilities. We are also contributing towards a new doctors' surgery building and youth advisory services.



## STAKEHOLDER ENGAGEMENT

We strive to be an open, transparent and responsive company for all of our stakeholders. Stakeholder engagement helps us to understand and address the wider social, economic and environmental impacts resulting from our operations, and to build strong relationships with the communities in which we build.



### Customers

Our aim is to keep our customer at the centre of our decisions and to deliver a great service throughout their Customer Journey.

 Read more on pages 28 and 29



### Other stakeholders

We are committed to working with our charities and local community groups where we operate, whether financially, with our time, energy or leadership. We want to genuinely improve the position of the causes that we support.

 Read more on pages 40 and 41



### Getting the homebuilding basics right

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.

We review flood risk for each of our developments. At Somerdale, which is surrounded by the River Avon on three sides, we designed the development to make sure that its existing sports pitches and meadow land can act as a floodplain if the river rises.



### Our people

*Our employees are our greatest asset. Having great teams improves our business success, and the retention of high-quality trained employees is key to achieving our strategic goals.*

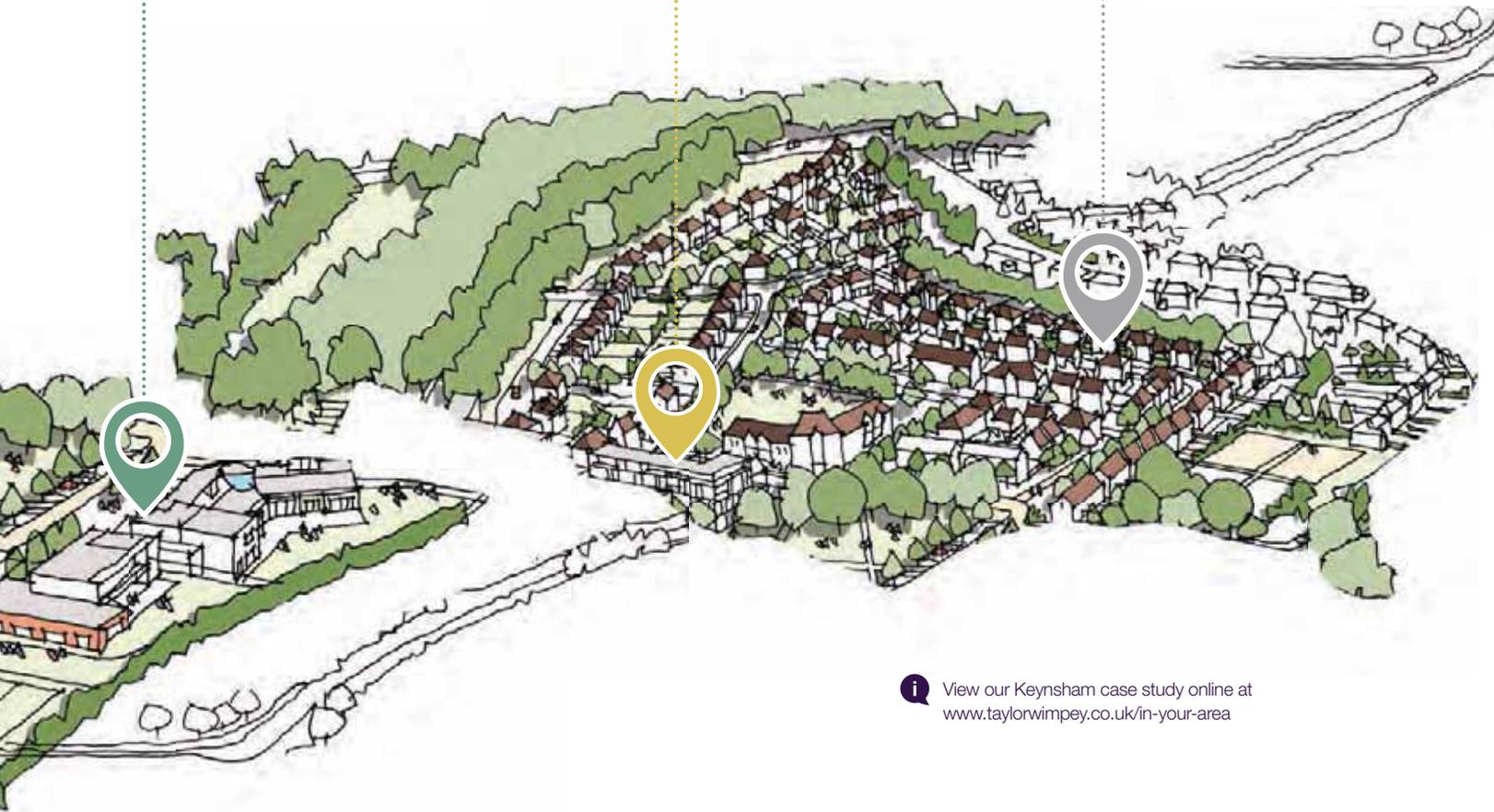
We are working with suppliers and Bath College to provide opportunities for young people to gain valuable work experience. This includes eight apprenticeships to date as well as educational site visits and work placements for local students.



### Optimising value

We seek to maximise the positive value our business brings – from the way we design our homes and communities, to our investments in local facilities, affordable homes and infrastructure, the jobs we support and our charitable donations.

We are investing c.£6.8 million in facilities and off-site works through planning obligations. The site will create around 1,100 jobs and generate around £30 million for the local economy. Around 29% of homes will be affordable including shared ownership and social rent.



**i** View our Keynsham case study online at [www.taylorwimpey.co.uk/in-your-area](http://www.taylorwimpey.co.uk/in-your-area)



### Communities

We engage with local communities on every one of our schemes. We are committed to working with local stakeholders during the planning process and throughout the life of our developments.

**i** Read more on pages 32 and 33



### Employees

Our employees are one of our greatest competitive advantages, crucial to executing our strategy and driving our business success. We strive to continuously improve and make Taylor Wimpey a great place to work.

**i** Read more on pages 38 and 39



### Shareholders

A key part of our approach to running the business in a sustainable way is to give our investors a significant, consistent and reliable dividend stream.

**i** Read more on page 24

## OUR BUSINESS MODEL

# WORKING TOGETHER TO BUILD YOUR DREAMS

Our Business Model 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.



### CORE VALUES AND CULTURAL PRINCIPLES UNDERPIN EVERYTHING THAT WE DO

#### 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

## DEFINING OUR STRATEGY

Our strategy, set out in 2011, 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. Having operated the strategy successfully for five years, in 2016 we began a process of challenging ourselves and the strategy as part of a wider strategy review process. Following a comprehensive review process, we have concluded that the principles of our current strategy remain right for the future, and we are

confident that they will continue to create the best long term value for all of our stakeholders. Moreover, 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
- Increased medium term financial targets (2016-2018)
- Further continuous operational improvement

### Our medium term targets (2016-2018)

An average annual return on net operating assets\*\* of:

**30%**

An average operating profit\* margin of:

**c.22%**

Total dividends to be paid in cash to shareholders over the period:

**£1.3bn**

### How we deliver our strategy through our Business Model



#### DELIVERING CUSTOMER SERVICE

Through our renewed customer service approach we aim to help our customers make our houses their homes.

**i** Read more on pages 28 and 29



#### SELECTING LAND

Our aim is to complete our transition from homebuilder to a value creating developer.

**i** Read more on pages 30 and 31



#### MANAGING THE PLANNING AND COMMUNITY ENGAGEMENT PROCESS

We aim to be the industry leader in all aspects of planning enabling us to respond to a dynamic market and customer base and to deliver quality homes while meeting financial objectives.

**i** Read more on pages 32 and 33



#### GETTING THE HOMEBUILDING BASICS RIGHT

We work with our suppliers and build using carefully sourced materials to ensure that the homes we sell today and tomorrow are of high quality, and are built safely, efficiently, cost effectively and with minimal environmental impact.

**i** Read more on pages 34 to 37



#### OUR PEOPLE

We aim to attract and retain the best people by engaging with our employees and investing in training, development and rewards.

**i** Read more on pages 38 and 39



#### OPTIMISING VALUE

We look to optimise the value of each site not only during the initial acquisition process, but throughout the lifetime of the development. This philosophy extends to our wider partnerships.

**i** Read more on pages 40 and 41

### Progress in 2016

Customer service remained a key priority during 2016. This is reflected in our new Working Together approach, which sets out our mission to create great places to live and deliver excellent service. We continued to embed our customer approach through training and guidance for employees such as our Customer Journey Manual, Home Quality Inspection Guide and Customer Service Manual. All employees working in our Customer Service Teams have been trained on our Customer Journey process. We have launched a series of Training Academies to help further develop the skills and capabilities of our customer-facing teams.

Our future profitability is underpinned by our short term landbank of c.76k plots with 65% sourced from the strategic land pipeline. In 2016, 51% of completions were built on land previously sourced from the strategic pipeline.

In 2016, we contributed £363 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 (2015: £335 million).

We strengthened our quality assurance processes during 2016 to ensure we consistently achieve a high-quality build and get things right first time for customers. We continued to engage with our suppliers with regards to Project 2020 and to test new approaches to design, technology, materials and construction techniques. We have reduced our carbon emissions intensity by 24% since 2013.

We introduced an improved flexible benefit package for all employees and a new approach to flexible working, with maternity, paternity and adoption policies significantly enhanced. Our Senior Management Team presented an update on our business strategy via a series of roadshow sessions across the country, available to all of our employees.

In the year, we achieved a 2.5 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 by over 10%. In 2016 we introduced a new Volunteering Framework which provides employees with two full days or four half-days paid time off to support our network of charities or local community projects as volunteers.

## 2016 performance

Return on net operating assets\*\* of:

**30.7%**

Operating profit\* margin:

**20.8%**

Total dividends returned:

**£355.9m**

Key performance indicators 

KPI link to remuneration

Our long term strategic targets

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)



**85%**

Customer satisfaction

 See page 29



KPI link to remuneration



Priorities for 2017

Strive to improve our customer satisfaction scores. Launch our online Customer Portal to strengthen customer communication and interaction. Launch our Academy of Customer Excellence (ACE) training programme.

**51%**

Strategically sourced completions

 See page 31



**76,234**

Owned and controlled plots with planning or resolution to grant planning

Continue to work with land vendors, communities and local authorities to convert land from the strategic pipeline into the short term landbank. Focus 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.

**9,519**

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

 See page 33



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.

**211**

Annual Injury Incidence Rate

 See page 35



Improve or, as a minimum, maintain the same Annual Injury Incidence Rate (AIIR) achieved in 2016. Introduce a range of standard apartment types. Integrate anti-slavery clauses into our supplier framework agreements and contracts.

**13.9%**

Voluntary employee turnover

 See page 39



Launch our diversity and inclusivity e-learning module for all employees, and our Code of Conduct, which will be updated with our new brand. Update our appraisal framework to assess employees on how they live our values.

**£65.5k**

Contribution per legal completion

 See page 41



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

**54.8%**

Forward order book as a percentage of completions

 For more details on our bonus schemes, please see the Remuneration Committee Report on pages 79 and 88

## BUSINESS MODEL EXPLAINED

# DELIVERING CUSTOMER SERVICE

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.

### 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?

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 APPROACH

We have continued to make good progress in embedding our new customer approach across the business. During 2016 we introduced a number of customer service related changes throughout the business, including the appointment of a newly created role of Head of Customer Service in each of our 24 regional businesses and the introduction of our new Home Quality Inspection (HQI) on all of our sites. Our new customer service approach is an area that will take time to fully embed and will continue to remain a priority as we focus on delivering a consistent standard, engaging contractors and suppliers and managing customer expectations. To date we have received good feedback from customers and employees on our new approach and we have seen a positive trend in customer satisfaction scores during the year.

During 2016 we achieved a customer satisfaction score of 85% (2015: 86%), reflecting the number of customers who were satisfied with the quality of their Taylor Wimpey home, 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.

### WHAT MAKES US DIFFERENT

#### Our strong and sustainable customer base

Over 90% of our customers are owner-occupiers. First time buyers accounted for 38% of total sales in 2016 (2015: 36%). Investor sales continued to be at a very low level at 3% (2015: 7%).

We continue to offer a wide range of products to assist first time buyers. Our prices are set locally and we use targeted customer incentives, on a site by site basis, knowing that our customers' circumstances vary.

Help to Buy continued to be a differentiator for new build housing, and remained popular with our customers. During 2016 approximately c.39% of total sales used the Help to Buy scheme, and we worked with c.5,393 households to take the first step to home ownership or to move up the housing ladder (2015: c.37% and c.5,200). Approximately 77% of sales through Help to Buy in 2016 were to first time buyers (2015: 77%). During the year c.14% of sales in the London market used Help to Buy London, which launched in February 2016.

We believe that quality of location is a key determinant of a home purchase and that this remains true through all market conditions. During 2016 we opened 105 new high-quality outlets (2015: 123) in locations in villages, towns and cities where people want to live, supported by strong demographics and local economies. As at 31 December 2016 we were operating from 285 outlets (31 December 2015: 297).

#### 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.

We have launched a series of Training Academies to help further develop the skills and capabilities of our customer-facing teams. Building on the success of our Sales Academy which we launched in 2012, we launched the Marketing Academy in 2016, which identifies the skills required by our marketing staff and provides a manual of best practice and guidelines.

## 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?

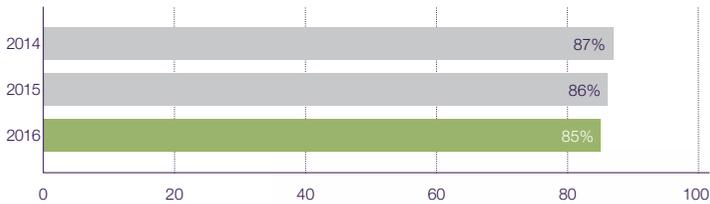
Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor quality work.

KPI

### Looking ahead to 2017 and beyond

We have a number of further customer improvements planned for 2017 including a pilot of our new online Customer Portal, which will guide customers through their Taylor Wimpey Customer Journey. It will provide personalised information for each customer about their new home, inform them of build progress and enable them to select options for their home. Our customers will also be able to use the portal to log any issues or concerns, enabling us to deliver a more personalised service and be more responsive to our customers' individual needs.

Reflecting the success of our academy-based approach in other key areas of the business, our new Academy of Customer Excellence (ACE) will launch 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.



## 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?

The value we create for our shareholders, communities and customers all starts with land and it is the area in which we add most 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.76k plots. Our investment and scale is 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.108k potential plots. With the benefit of this, and having reached our optimum range of short term landbank, we have an extremely selective and targeted approach to land investment. This allows us to focus on where we can add value and maximise our returns.

### OUR APPROACH

Our ability to buy good quality land, at the right time in the cycle, enhance it through planning, and realise value through building and selling homes, remains the biggest value driver for the business, despite the relatively positive land market of the last six years.

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. 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 as we believe that quality of location is a key determinant of value through all market conditions. We therefore have an extremely selective and targeted approach to further land investment, which is broadly at replacement level in the short term land market. This is focused on where we can add value and seek to maximise the returns from our investments, while continuing to ensure that the business is optimally positioned to deliver those returns on a sustainable basis.

### WHAT MAKES US DIFFERENT

#### Short term landbank

Our short term landbank stands at c.76k plots, equating to c.5.5 years of supply at current completion levels as at 31 December 2016. Given the strength and quality of the landbank, we are focused on delivering value and maximising returns from our investments. We have been operating on a broadly replacement basis in the short term landbank for approximately two years and are extremely selective with a targeted approach to further land investment, and a preference for 'land light' structures and active management as we continue to drive a higher return on capital employed\*\*\*.

During 2016 we acquired 6,355 plots (2015: 6,971 plots) at anticipated contribution margins of around 26% and return on capital employed\*\*\* of c.31%.

In the year we achieved a 2.5 percentage points margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition.

## OUR KPIs

### Strategically sourced completions

#### Objective

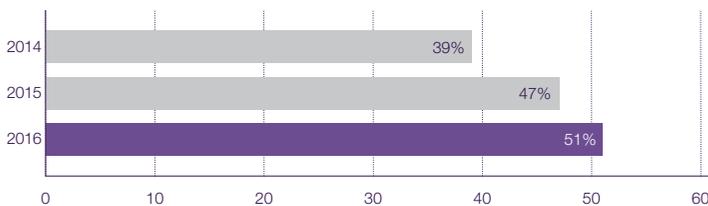
We aim to source more than 40% of our completions from the strategic pipeline per annum in the medium term.

#### 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.



### Owned and controlled plots with planning

#### Objective

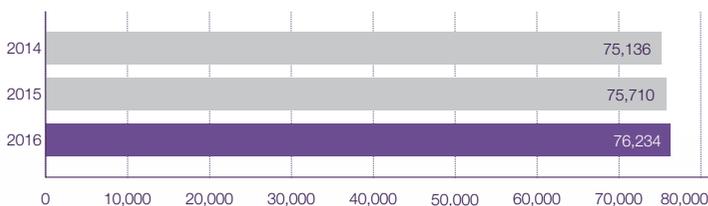
We aim to maintain sufficient land in our portfolio to enable us to remain selective in future purchases.

#### 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?

We operate in a planning constrained environment. 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.



## Q&A

### How long does it take to develop a site?

Firstly, every site is different. The size, complexity and the initial planning status the site has are all major factors. The largest site in our portfolio is Didcot, which was first identified for development in 1982 and has emerged through our strategic land pipeline. Planning was submitted in 2002 and we started on the infrastructure in 2010. The site will take until 2021 to fully develop, even with a number of outlets on site.

Looking at our short term landbank (land with some form of planning but not always implementable planning), the average life cycle of a site is approximately five years, which makes it critically important that we continue to assess the capital lock-up on a regional and Group basis.

#### JENNIE DALY

UK Land Director

The average cost of land as a proportion of average selling price within the short term owned landbank remained low at 15.4% (2015: 16.3%). The average selling price in the short term owned landbank in 2016 increased by 5.7% to £259k (2015: £245k).

### Strategic pipeline in place for long term success

A key strength for Taylor Wimpey is our strategic pipeline. This land, which has no residential planning at the time we take a commercial interest, affords significant protection of future returns with a high embedded margin and, importantly, enhances our short term landbank when converted. We have the largest strategic pipeline in the sector which stood at c.108k potential plots as at 31 December 2016 (31 December 2015: c.107k potential plots). During 2016 we converted a further 9,519 plots from the strategic pipeline to the short term landbank (2015: 8,660 plots). With a significantly lower cost and greater control over the planning permissions we create, we continue to seek new opportunities and added a net 10.8k new potential plots to the strategic pipeline in 2016 (2015: 5.8k). In the year, a record 51% of our completions were sourced from the strategic pipeline (2015: 47%).



# 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?

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 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, both before we submit a planning application and throughout the life of our developments. In this way we can listen to their concerns and, where possible, incorporate these within our plans.

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 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.

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. Our 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.

## 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.

In 2016, we contributed £363 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 (2015: £335 million).

## OUR KPIs

### Conversion of strategic pipeline

#### Objective

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

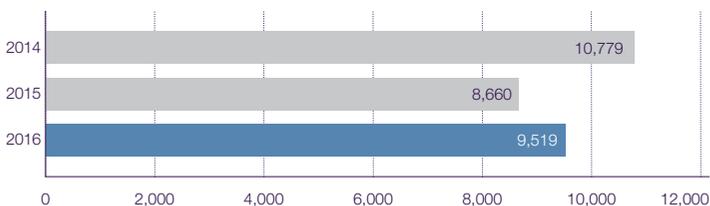
KPI

#### 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 and achieved some form of planning on. 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.



Our operations add significant additional value to the communities in which we build. We help to create sustainable and vibrant communities through job creation, improvements to local environments and infrastructure, as well as contributions to education and community facilities. More information can be found within our Sustainability Report 2016.

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 through the development process. We are developing an online, interactive version of the toolkit that will be launched in 2017.

#### Expertise in planning

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 2016 we worked with communities, planners and landowners to convert a further 9,519 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. As outlined on page 16, we believe that changes to planning policy over the last five years have resulted in an improved environment, however we recognise that we have not seen the full benefits flow through into the planning system yet.



# 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?

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. Operating sustainably is both the right thing to do and makes good business sense.

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

Our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors was 211 in 2016, against a record low of 175 in 2015, with the rate in the second half of the year at a similar level to 2015. Our AIIR for major injuries per 100,000 employees and contractors was 53 in 2016 (2015: 18). Whilst our AIIR has increased, it remains below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average, and we are committed to reducing it further.

## WHAT MAKES US DIFFERENT

### We do not compromise on health and safety

We continue to engage extensively with contractors and operatives on health and safety, working in partnership with them to find safer ways of carrying out their tasks on site.

We continued to embed the Operatives' Journey process to prevent an overload of safety messages, avoid 'safety sign blindness' and engage site workers on safety.

Each site now has a Site Support Team, with representatives from both Taylor Wimpey and our contractor staff. 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 2016 we have been running training sessions and team building events for our 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 strengthened our quality assurance processes during 2016 to ensure we consistently achieve a high-quality build and get things right first time 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 apartments to six-bedroom houses, with prices ranging from under £100k to over £3m. In 2016 the proportion of apartments in our private completions was 14% (2015: 13%). The square footage of our total completions also reduced slightly to 1,021 square feet (2015: 1,029 square feet).

## 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.



We are pleased to report that Taylor Wimpey was once again recognised in the National House-Building Council's (NHBC) Pride in the Job Awards, achieving a total of 57 Quality Awards (2015: 63), 16 Seals of Excellence Awards (2015: 20) and two Regional Awards in 2016 (2015: three). Our West Scotland Site Manager Paul Cunningham was also named the runner-up in the large builder category at the Supreme Awards, the final stage of the Pride in the Job Awards 2016.

Following a detailed review of our standard product specification, during 2016 we introduced a number of changes to our base specification in order to reflect our customer lifestyles and expectations and the quality locations in which we are building. Whilst this resulted in a small increase in build cost, this was offset by a higher average selling price achieved on completions. We also extended our standard house type range in 2016 to include a number of options for larger houses.

Following the success of our standard house type range, which is in place on over 70% of Taylor Wimpey sites, we will be introducing a range of standard apartment types to planning applications in 2017. Our standard house type range offers many advantages, including efficient procurement opportunities, quality of design, and build and cost control within the regulatory framework.

#### Build costs

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

During 2016 underlying build cost per unit increased to £137.2k (2015: £121.9k), reflecting the change in mix of product, higher proportion of homes delivered from strategically sourced sites with higher related infrastructure costs, and changes we have made in specification during 2016. In the period the improved market resulted in underlying build cost

## Q&A

### Why is sustainability important to Taylor Wimpey?

Adopting sustainable practices is not just about doing the right thing, it contributes to our business success today and creates a more resilient business for the longer term.

Integrating sustainability into our design process enables us to create highly desirable places where our customers want to live. Through improving environmental performance and working with subcontractors and suppliers on sustainability, we can promote innovation, reduce costs and business risk. Our investment in skills training and diversity strategy fosters a productive and engaged workforce and, significantly, by listening to and working with our stakeholders, we can access high-quality land and achieve our desired planning consents.

It is these principles which safeguard our reputation and ensure we can build a future legacy.

#### LEE BISHOP

Major Developments Director and Chair of Sustainability Steering Group

increases (excluding house type mix impact) of c.4% year on year (2015: c.5%), with the majority of cost pressures coming from labour. The availability of materials has largely kept pace with the growth of the industry. Whilst we expect to see some impact on input prices from the weaker sterling exchange rate following the EU Referendum result, we do not expect this to be significant due to the low level of direct imports.

During 2016 we launched an open design competition with the Royal Institute of British Architects (RIBA), as part of our long term initiative Project 2020. Project 2020 aims to explore and evaluate the potential trends of future homes. The competition attracted 120 entries from 14 countries. The winning team, which has now been selected, will work with us to enhance and improve the existing typology, helping to build a prototype.

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

#### 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.

## BUSINESS MODEL EXPLAINED CONTINUED

## 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 Next Generation, 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 2016.

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

Category total emissions (tonnes CO <sub>2</sub> e)	2016	2015	2014	2013
Emissions from combustion of fuel (scope 1)	17,983	17,768	16,436	16,107
Emissions from electricity, heat, steam and cooling purchased for own use (scope 2) (market-based method) <sup>(a)</sup>	10,827	12,947	13,326	14,229
Total scope 1 and 2 emissions	28,809	30,716	29,672	30,336
Emissions per 100 sqm of completed homes (scope 1 and 2)	2.13	2.40	2.56	2.82
Percentage reduction in direct carbon emissions intensity (scope 1 and 2) since 2013	24%	15%	9%	–

Notes: Data is provided as tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) 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 2016 (categories: purchased goods and services, business travel, waste generated in operations and fuel and energy related activities).

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), 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.

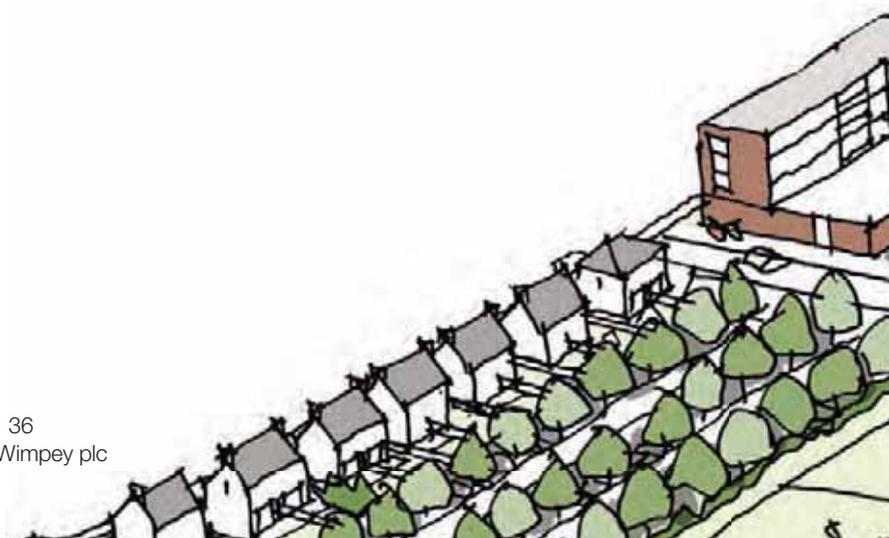
(a) We are now using the market-based method of the revised version of the GHG Protocol Scope 2 Guidance for calculating our scope 2 emissions. This allows us to reflect the carbon intensity of the electricity purchased in our carbon footprint. We have recalculated our data for previous years to reflect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

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](http://www.taylorwimpey.co.uk/corporate/sustainability)



We commissioned an external review of our approach to sustainable procurement during 2016. This identified a number of opportunities to strengthen our approach in areas such as supplier criteria and engagement which we will be reviewing during 2017. We joined the Supply Chain Sustainability School, a membership organisation for companies in the construction, housebuilding, facilities management and infrastructure sectors, to help us develop our approach and share information with suppliers.

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, during 2016 we strengthened oversight of standards in our supply chain to make sure we are selecting partners who share our commitment to responsible business. We will be publishing our first Modern Slavery Act Statement on our website on 17 March 2017. We will be following up with suppliers identified as higher risk for further engagement. Further information can be found on page 100 and on our website.

### **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 2016 our construction waste increased to 5.06 tonnes per 100 square metres of completed build (2015: 4.78 tonnes). Our previous research indicated that nationally there has been upward pressure on waste generation figures, however we have continued our internal investigation on what is happening across our industry and within Taylor Wimpey, including waste audits.

### **Environmentally sustainable homes**

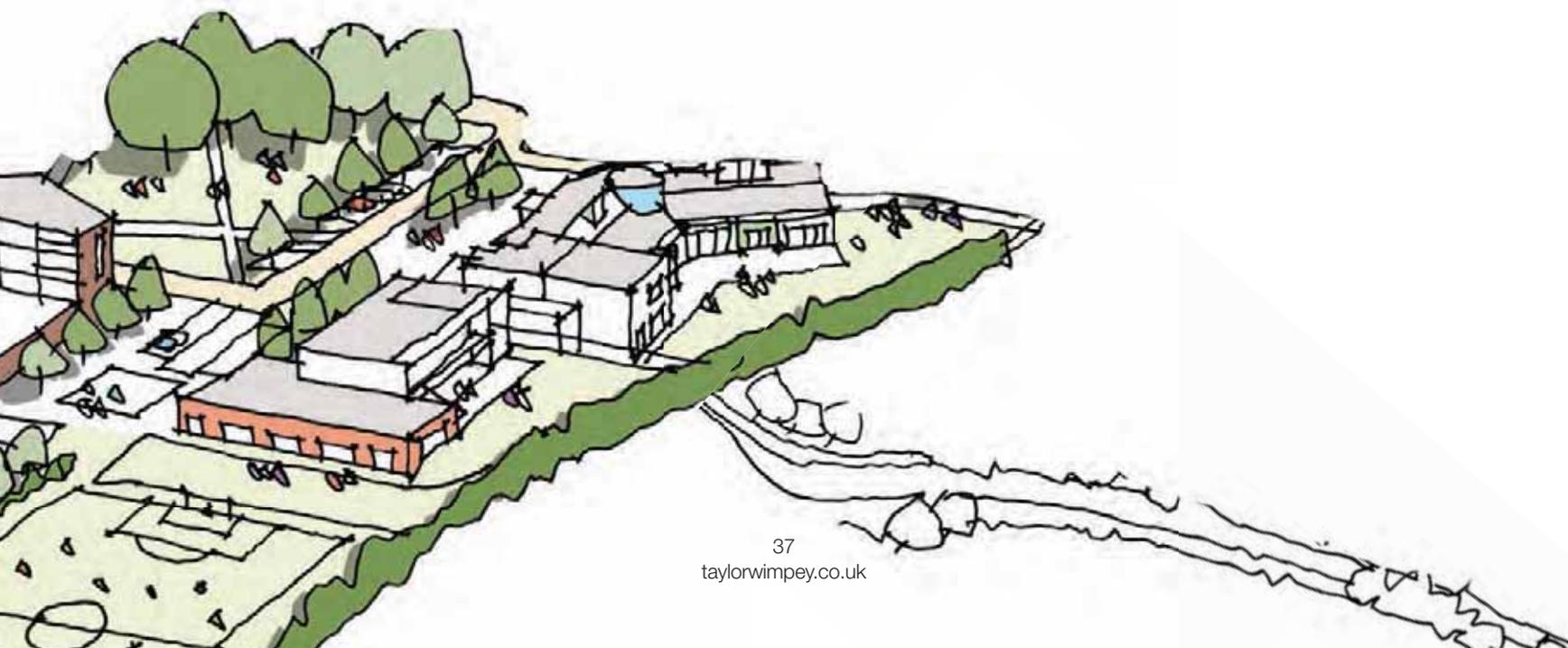
New homes are considerably more energy-efficient than older housing stock, and we are committed to building increasingly energy-efficient homes in line with Government policy and Building Regulations. Our 'fabric first' approach to energy efficiency, which concentrates on highly insulated walls and windows, helps owners to save energy and money. Through our Project 2020 research initiative, we have been piloting smart and intelligent home technologies which can make it easier for customers to control and reduce home energy use and save money on their energy bills. We are rolling out smart thermostats that allow customers to control their heating and hot water remotely in six regional businesses as an option in new homes.

### **Our Greenhouse Gas emissions (GHG)**

We continue to take steps to improve our approach to climate change mitigation, adaptation and transparency. We have reduced scope 1 and 2 carbon emissions intensity by 24% since 2013, including through our energy reduction programmes in place in our offices, on our sites and within our show homes and sales areas and by purchasing green tariff and lower carbon electricity. We are close to meeting our target of a 25% intensity reduction by 2018.

We updated our greenhouse gas data to reflect the Greenhouse Gas Protocol market-based method, introduced in 2015. This allows the carbon intensity of the electricity purchased to be reflected in our greenhouse gas footprint, whereas our previous methodology relied on the UK grid average intensity. We have adjusted our 2013 baseline and data for previous years to reflect this. This work was supported by the Carbon Trust. Our Global Greenhouse Gas emissions data is on page 36.

Our scope 1 and 2 data has been verified by the Carbon Trust for a number of years. During 2016 we 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.



# 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?

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 APPROACH

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

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 2016 we directly employed, on average, 4,697 people across the UK (2015: 4,299) and provided opportunities for a further 12,390 operatives on our sites. Our voluntary employee turnover rate remained low at 13.9% (2015: 13.3%).

## WHAT MAKES US DIFFERENT

### Our people matter

We want to recognise our staff for their contribution and commitment. Flexible working can help us retain talented employees and can be particularly beneficial for working parents. We are piloting a flexible working approach in our Southern Counties regional business, giving employees more control over their working hours. We launched a new Flexible Working Policy to encourage our regional businesses to consider informal, flexible working arrangements where appropriate.

We want to ensure that all staff are recognised and rewarded for their contribution and commitment. Following feedback, in 2016 we introduced an improved flexible benefits package for all employees and a new approach to flexible working, with maternity, paternity and adoption policies significantly enhanced.

### Embedding our strategy within the business

In April 2016, our Senior Management Team presented an update on our business strategy via a series of roadshow sessions across the country, available to all of our employees. Over 4,200 employees attended the sessions, which provided an update on our strategy, progress made and priorities for the future, particularly our commitment to discipline in all market conditions and driving continuous business improvement. These presentations also had an emphasis on how everyone can play a part in our future success.

### 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.

During 2016, we recruited 147 apprentices (including 54 site management apprentices), 30 management trainees and 20 graduates, whilst improving our apprenticeship and trainee schemes across a number of areas (2015 total: 139).



## 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.

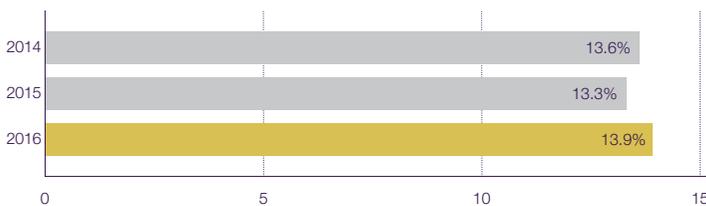
KPI

#### 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%.



Following the continuing success of our Sales Academy model, we designed a Production Academy that launched in 2016 to give our employees a clear career path to site management through a structured programme that aims to develop their technical expertise. We plan to expand this academy model to commercial and land and planning disciplines in the future.

Following the Government's commitment to further reform corporate governance by ensuring the voice of employees is heard in the Boardroom, the Company is putting in place a National Employee Forum which 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.

## Q&A

### Why is rewarding employees important to Taylor Wimpey?

We want to ensure that all staff are recognised and rewarded for their contribution and commitment. We offer attractive remuneration and a range of benefits to help us recruit and retain talented employees. All our employees, whether full or part time, paid weekly or monthly, have comparable core benefits and choice, and we regularly benchmark our approach against others in our sector. In addition to our core benefits (which include healthcare provision for all employees), we have generous house purchase discount schemes with employees able to buy a Taylor Wimpey home at a significant discount and to benefit from savings on options and white goods and to use our negotiated supplier rates. Around 180 employees have reserved homes through our house purchase discount schemes in the last two years.

#### ANNE BILLSON-ROSS

Group Human Resources Director

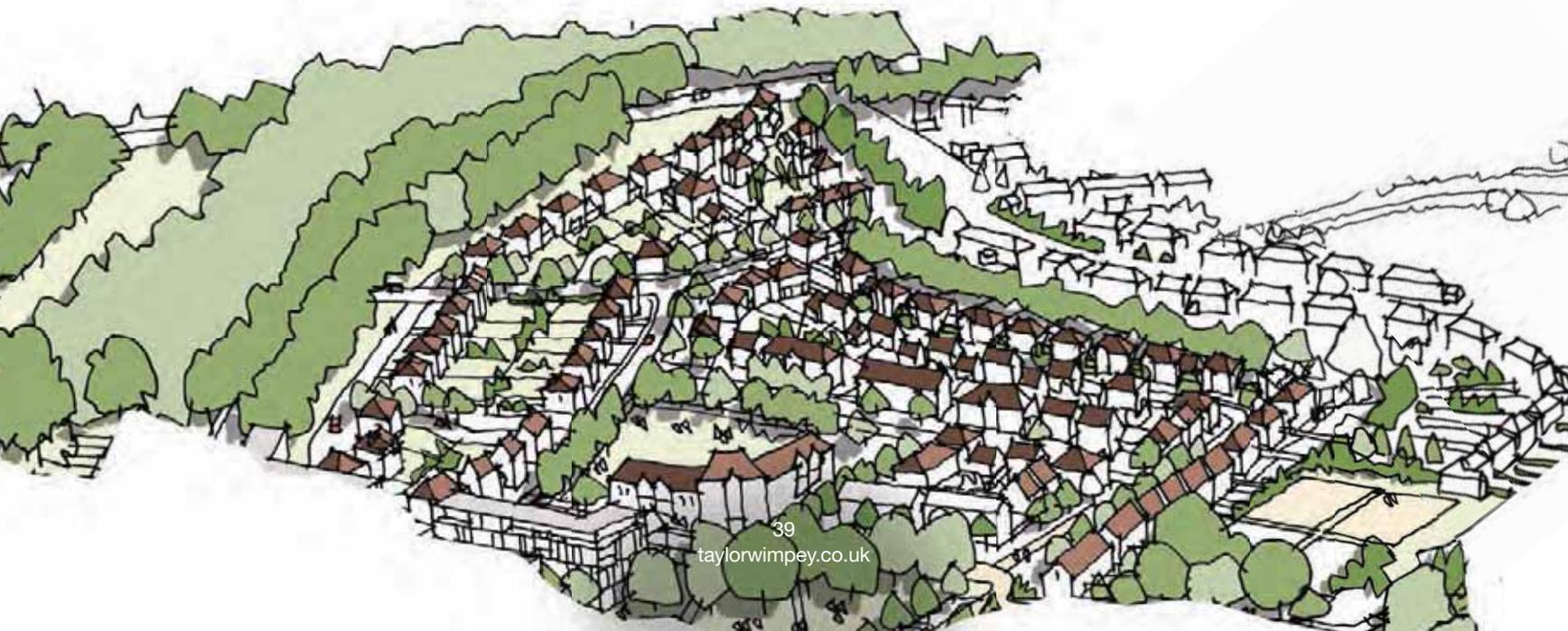
### Striving to become a more diverse business

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 developed a diversity and inclusion strategy during 2016 focusing 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.

**i** More information on diversity can be found on pages 71 and 73

### 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.



## 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, and we aim to add value to the charities we support and to our wider partnerships.

### WHY IS IT IMPORTANT?

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

### 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 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.

### WHAT MAKES US DIFFERENT

#### Capturing value

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 2.5 percentage points margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition.

During 2016 we achieved an average annual return on net operating assets\*\* of 30.7% (2015: 27.1%) 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 1.46 times (2015: 1.34 times), benefitting 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 conversion, particularly in our Central and South West Division. The higher proportion of strategic land conversion results in higher work in progress spend, due to these sites generally requiring greater infrastructure investment.

#### Higher return potential

It is important to 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.

## OUR KPIs

### Contribution per legal completion

#### Objective

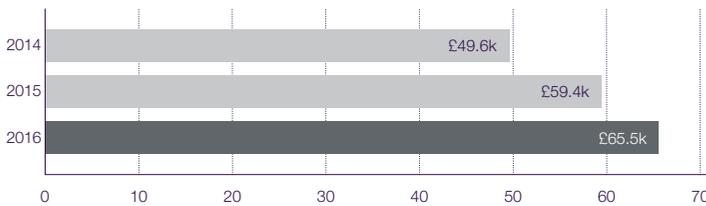
We strive to maximise the level of contribution per home sold.

#### 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.



### Forward order book as a percentage of completions

#### Objective

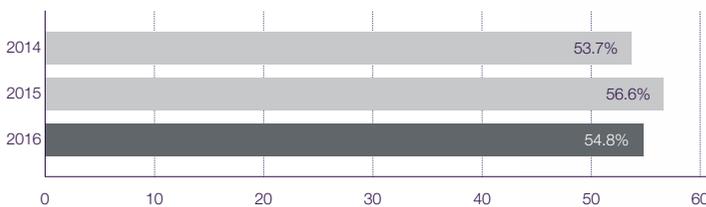
We look to maximise and maintain a strong order book.

#### 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.



## 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. During 2016 we carried out a materiality assessment to review the current social, economic and environmental priorities both for our business and our stakeholders, to help us better understand stakeholder views on key topics and to identify emerging risks and opportunities. This has shown us that we are largely focused on the right issues but there are also opportunities to do more in key areas and to continue to play an active part in addressing major challenges like access to housing and climate change. We will be using the materiality assessment findings to review and strengthen our approach to sustainability during 2017.

As previously highlighted during 2015 we reviewed our charity policy to ensure that it is fully aligned to our values as a business and that we continue to make a difference to the charities that we work with by actively contributing financially, with our time, energy or through leadership. In 2016 we continued to support selected charities at both a national and regional level with a focus on projects which promote aspiration and education in disadvantaged areas and intervening to help tackle homelessness for economically disadvantaged groups in the UK. At the end of 2016 we introduced a new framework which provides employees with two full days or four half-days paid time off to support our network of charities or local community projects as volunteers. This will benefit our charity partners and provide development opportunities for our people.

During 2016, we continued our partnership with our national charities as well as local charity partners across the UK. Our six national charities include 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 2016 we donated and fundraised over £875k for registered charities (2015: over £746k), in addition to c.£159k for other organisations, such as scout groups and other local community causes (2015: c.£112k). More information about our local sponsorships and charity partnerships can be found within our Sustainability Report, which will be published on our website [www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate) in March 2017.

## OUR APPROACH TO RISK MANAGEMENT

# ACTIVELY MANAGING RISKS

As with any business, Taylor Wimpey faces a number of risks and uncertainties in the course of the day to day operations. It is only by effectively identifying and managing these risks that we are able to deliver on our 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 consists of risk registers that are maintained at all organisational levels, which detail the risks faced by the Group, its operating companies and the central teams that support the business and a wider stakeholder group. The registers identify key operational, financial and strategic risks to the business, with strategic risks being identified as part of the business planning process. Our risk registers take into account the significance of health, safety and environmental issues, together with social and governance matters of 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 44 to 47) and other key risks which are monitored closely, and allows the Board to re-evaluate the identified strategic 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 2016.

### OUR RISK ASSESSMENT AND MANAGEMENT PROCESS

#### Group Material Risk Register

The Material Risk Register is maintained by the GMT and reviewed by the Audit Committee with the promotion, removal or change of risks. Views are collated from the bottom up Business Unit risk registers and a top down view of strategic risk formed from horizon scanning the macro-economic environment, the political landscape and developments in specific areas of uncertainty. 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 Business Unit (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.



#### Principal Risks and Uncertainties

The Board, supported by the GMT and the Audit Committee, will 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 given to the risk owners who have been identified to manage 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 regional business unit re-assesses with their Senior Management Team, the risk landscape that the business faces and the risk register is then updated to reflect latest forward views.

**i** Definitions can be found in the Group financial review on page 50

## 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 half yearly. The Board reviews the risk profile of the Group and the significant risks with the mitigating factors.

At the Board meeting in February 2017, 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.

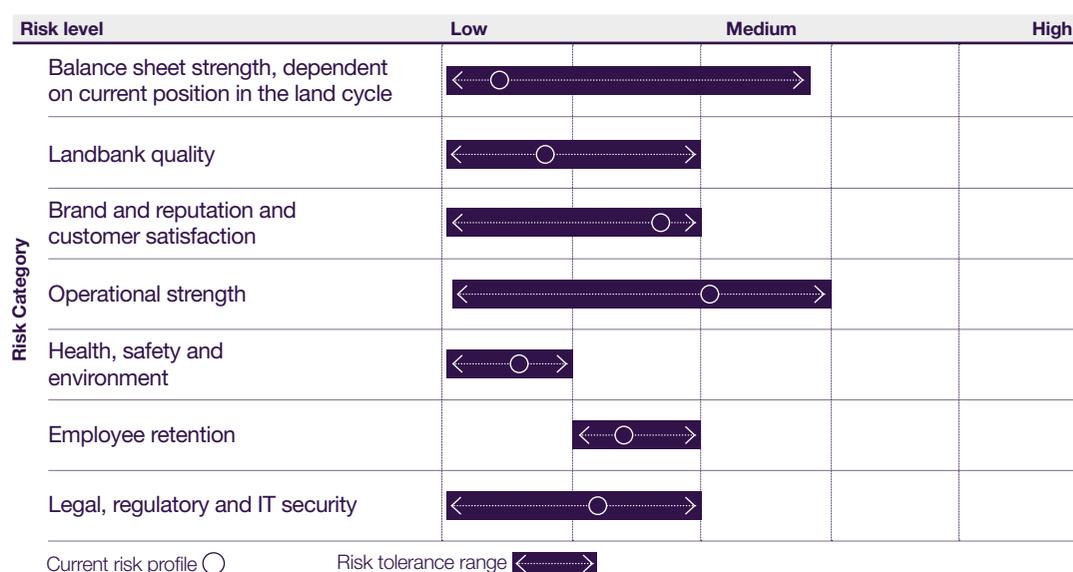
In addition to the principal industry related risks set out in the following pages, we also monitor closely a number of other key internal and external factors. These factors could arise as a result of a combination of unlikely events, which together create a major event, or could be new risks with increasing potential impact or likelihood which are added to our watch list. These include the impact to the Group from the result of the EU Referendum and those factors that are likely to affect our reputation.

Reputational risks could arise from many sources; including IT breaches and from the quality of the home which we sell to our customers. We actively work with our stakeholders to minimise the overall impact of these risks. Specifically, we manage the impact from customer service delivery which falls short of our expectations and from potential cyber-attacks. Our enhanced customer service processes and departments were established by the end of 2016, and whilst they will take time to fully embed, they will ensure that the quality of our homes is delivered to our high standards. We have also invested in IT security to help ensure that we identify any cyber-attacks and respond accordingly.

In the final quarter of 2016, concern was expressed by some customers about certain leasehold houses and apartments which are subject to leases with doubling ground rent clauses used on some of our developments started between 2007 and 2011. Whilst the clauses are clearly outlined in the lease and customers received independent legal advice, we note the reports of the potential impact of these clauses for our customers. We are therefore in the process of reviewing this matter and working with these customers.

### Group Appetite for Risk

Our description of the Group's risk appetite is the bedrock of our Enterprise Risk Management framework. We have identified operational categories against which both our current risk profile and our risk tolerance range have been defined. These risk categories may be 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 its shareholders, regulators and other stakeholders.



### Overall Assessment

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 the effect can be mitigated through some management effort.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Principal Risks and Uncertainties

The table below summarises the Group's principal risks and uncertainties. These are not listed by order of importance. Management of these risks and uncertainties is the responsibility of the Chief Executive and the Group Management Team (GMT), together with the roles noted below. 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 2016 CDP submission. More information is available at [www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate)

Risk	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2016
<p><b>A</b></p> <p><b>Government policy and planning regulations</b></p> <p>The National Planning Policy Framework (NPPF) and the Localism Act 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 the enactment of The Housing and Planning Act 2016 and The Neighbourhood Planning Bill is currently progressing. These seek changes to hasten progress through the planning system and accelerate build. They could also signal potential financial considerations for some sections of our customer base.</p> <p>The new Administration has published a Housing White Paper in February 2017, with several months of consultation to follow. Both the Housing White Paper and the Neighbourhood Planning Bill could have a disruptive effect on the planning system, sales rates, site mixes and customer behaviour.</p> <p>In December 2016, the Housing and Planning Minister issued a Written Ministerial Statement negatively impacting on the provisions of housing land supply set out in the NPPF in instances where there is a Neighbourhood Plan. This could reduce the scale of strategic land conversion in the near term.</p> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>– UK Land Director</li> <li>– Regional Managing Directors</li> </ul>	<p>Our ability to build homes and communities is dependent upon drawing up site proposals which meet the needs and affordability of our customers, obtaining planning permissions in acceptable timeframes and achieving other regulatory requirements and permits.</p> <p>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).</p> <p>As all elements of the anticipated changes from The Housing and Planning Act and the Housing White Paper are clarified, there could be a change in demand for specific products at our planned sites. In turn, this may lead to changes to site mixes, and to extended timeframes to gaining consent.</p>	<ul style="list-style-type: none"> <li>– With the introduction of The Housing and Planning Act, we may be required to meet higher levels of planning obligations and we may incur additional costs to meet increased regulatory requirements.</li> <li>– Unforeseen delays or our inability to obtain suitable consents, could impact on the number or type of homes that we build.</li> <li>– The locally produced CIL charge schedules may increase costs, impacting the viability of current developments. Where CIL charges are not in place, there could be an impact on gaining planning consent or Judicial Review challenge.</li> <li>– This could have a detrimental impact on the contribution per plot.</li> </ul>	<p>We operate within our comprehensive community led planning strategy. This improves communications with all parties, but especially local communities, thereby enhancing our ability to deliver developments that meet local requirements. We consult with Government agencies and opposition parties on housing policy, both directly and indirectly as a member of industry groups, to highlight potential issues and to understand any proposed changes to regulations.</p>	<p>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.</p> <p>We continued our participation in the local Plans Management Group (PMG), via the HBF, to ensure local plans are robust and CIL charge schedules are appropriate. We have met with Government officials and contributed to the HBF submissions in respect of The Housing and Planning Act and the Starter Homes initiative in particular.</p>

B

Risk	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2016
<p><b>Impact of market environment on mortgage availability and demand</b></p> <p>Mortgage availability and affordability constrain the demand for housing. Sustained growth in interest rates and low wage inflation could challenge mortgage affordability, leading to lower selling prices as a result of falling demand.</p> <p>Following the 2014 Mortgage Market Review, stricter guidelines were introduced for lenders to assess mortgage affordability in a rising interest rate environment. In 2015, the Bank of England's Financial Policy Committee gained new powers to set loan-to-value and debt-to-income limits for residential mortgages. The Government has extended the Help to Buy equity loan scheme to 2021. There is uncertainty over the impact when the scheme ends.</p> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>UK Sales and Marketing Director</li> <li>Regional Sales and Marketing Directors</li> </ul>	<p>The majority of the homes that we build are sold to individual purchasers who take on mortgages to finance their purchases. A change in business confidence, employment opportunities or significant changes in the base rate may impact on the demand for housing. In particular, the ability of first time buyers and investors to purchase homes is impacted by changes in mortgage availability at the higher loan-to-value levels, as it would impact on the level of deposits required.</p>	<ul style="list-style-type: none"> <li>A reduction in demand for new homes below normal levels could negatively impact on both profit and cash generation. This would have an adverse effect on return on net operating assets and net cash.</li> </ul>	<p>Our local teams select the locations and home designs that best meet the needs of the local community and customer demand in the present and future. We evaluate new outlet openings on the basis of local market conditions and regularly review the pricing and incentives that we offer. We work closely with the financial services industry to ensure customers receive good advice on the procurement of mortgage products.</p>	<p>We continue to promote the Government backed Help to Buy scheme and have seen strong interest in the scheme amongst our customers.</p> <p>Throughout 2016 we have continued to develop good working relationships with established mainstream lenders and those wishing to increase volume within the new build market.</p>

C

<p><b>Material costs and availability of subcontractors</b></p> <p>A continued increase in housing production may further reduce the 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. Together, this could result in build programme and completion delays and unexpected cost increases.</p> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>Head of Procurement</li> <li>Regional Commercial Directors</li> </ul>	<p>We aim to commence work on new sites as planning consents allow, to accelerate build progress and optimise return on capital employed. The vast majority of work performed on our sites is subcontracted, providing flexibility and supporting our strategy.</p>	<ul style="list-style-type: none"> <li>If the availability of subcontractors or materials is insufficient to meet demand, this could lead to increased build times and costs, thereby reducing profitability and return on capital employed.</li> <li>Lack of skilled subcontractors could also result in higher levels of waste being produced from our sites and lower build quality.</li> </ul>	<p>We maintain regular contact with suppliers and negotiate contract volume, pricing and duration as appropriate. We provide both high level and site specific programme information to aid with demand planning. Competencies are considered as part of our subcontractor selection process, particularly in relation to health and safety, quality, previous performance and financial stability. We are assessing alternative build methods to reduce reliance on traditional brick and block techniques and resources.</p> <p>We work to address the skills shortage with apprenticeship schemes and the Construction Industry Training Board.</p>	<p>Following the recent growth in housebuilding, availability and cost of materials has stabilised and meets current demand. The supply of quality subcontractors remains challenging. The Group has agreed product lines and volumes with key suppliers to mitigate long lead times and shortages.</p> <p>During the year the Group has trialled several different build methods as alternatives to conventional brick and block.</p>
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## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2016
<p><b>D</b></p> <p><b>Ability to attract and retain high-calibre employees</b></p> <p>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.</p> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>– Group HR Director</li> <li>– Every employee managing people</li> </ul>	<p>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.</p>	<ul style="list-style-type: none"> <li>– 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.</li> </ul>	<p>We closely monitor employee turnover levels on a monthly basis and conduct exit interviews, as appropriate, to identify any areas for improvement. We benchmark our remuneration to ensure we are competitive within the industry. Clear succession plans are in place for key roles within the Group. 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.</p>	<p>In 2016, we acted on a comprehensive staff survey, responding to the views and perspectives of our employees. We further developed our training capability and span, by launching an NVQ-accredited Production Academy, additional customer service training and delivered a range of development courses for new managers through to the more experienced leader. We enhanced our careers website to include a wider range of testimonials and content, highlighting the range of diverse career opportunities in the business. Lastly, having extended our performance review approach, we are confident that all staff will undergo a meaningful review to support development and progression.</p>
<p><b>E</b></p> <p><b>Land purchasing</b></p> <p>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.</p> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>– Divisional Managing Directors</li> <li>– Regional Managing Directors</li> <li>– Regional Land and Planning Directors</li> <li>– Strategic Land Managing Directors</li> </ul>	<p>Land is the major 'raw material' for the Group. The limited availability of good-quality land at an attractive price throughout the housing cycle, leads to significant competition. The disciplined purchasing of land of the appropriate quality, on attractive terms at the right time and scale in the economic cycle, will enhance the Group's ability to deliver sustainable margins and return on capital employed through the cycle.</p>	<ul style="list-style-type: none"> <li>– Purchasing poor-quality or mispriced land, or incorrectly timing land purchases would have a detrimental impact on our profitability and return on capital employed.</li> <li>– Acquiring insufficient land would reduce our ability to actively manage the land portfolio and create value for shareholders.</li> </ul>	<p>Our Land Teams select and appraise each site, with the appraisal process ensuring that each project is financially viable, consistent with our strategy and appropriately authorised. We strive to be the developer of choice, through a comprehensive approach encompassing land vendors, land agents, local councils and local communities. Our Strategic Land Teams work alongside regional businesses, to identify and secure land with the potential for future development and to promote it through the planning system.</p>	<p>The short term land market remained benign throughout 2016. We continued to invest in value-creating land opportunities, although adapted our approach immediately following the EU Referendum where, due to market uncertainty, all land opportunities proceeding were carefully reassessed. Going forward, we are mindful of external factors and continue to critically assess opportunities for robustness in changing circumstances. The landbank is now in the optimal size range to deliver our strategy. Together with the strong conversion of the strategic pipeline, our reliance on purchasing short term land is diminished, providing some insulation from land price increases.</p>

F

Risk	Relevance to strategy	Potential impact on KPIs	Mitigation	Progress in 2016
<p><b>Site and product safety</b></p> <p>Building sites are inherently dangerous places. Unsafe practices by our employees or subcontractors have the potential to cause death or serious injury.</p> <p><b>Responsibility</b></p> <ul style="list-style-type: none"> <li>– Director of Health, Safety and Environment</li> <li>– Every employee and subcontractor</li> </ul>	<p>Our operations involve, and interface with, a large number of people. People range from employees and subcontractors, to customers and their families, who live on or visit our sites each day. We want all of these people to go home at the end of the day safe and uninjured.</p>	<ul style="list-style-type: none"> <li>– In addition to the potentially tragic personal impact of an accident on site or after customer completion, there is potential for legal proceedings, financial penalties, reputational damage and delay to the site's progress.</li> </ul>	<p>A comprehensive Health, Safety and Environmental (HSE) Management System is embedded throughout the business. This is supported by our policies and procedures to ensure that we live up to our intention to provide a safe and healthy working environment and that we build homes that comply with the required regulations. We provide extensive HSE training for our employees, providing regular site toolbox talks for our contractors and operatives and HSE induction courses. The 'Creating a Site Team Approach' initiative released in 2016 is designed to embed and train the support 'Blue Hat' team to assist our Site Managers to communicate the HSE ethos, thereby supporting a safe site. All HSE issues are reviewed by the GMT and actions put in place to rectify issues or help prevent a recurrence.</p>	<p>We continue to compare favourably with the UK housebuilding and construction industry in terms of site safety. We have continued to keep our Annual Injury Incidence Rate (AIIR) for reportable injuries at the lower end of the normal range for the industry. 2016 saw a slight increase of AIIR for reportable injuries at 211 per 100,000 employees from 36 injuries (2015: 175 from 29 injuries), as a result of an increase in accidents involving slips, trips and falls and material handling. These also account for the increase in the number of injuries in 2016 being classed as major (18 in 2015 to 53 in 2016). During 2017, there will be increased focus on addressing housekeeping on site to mitigate such injuries.</p> <p>We continued our safety supervisory training, training over 3,200 contractors' ground works supervisors and progressed the HSE training element of our 'Creating a Site Team Approach' initiative to our 'Blue Hat' support workers.</p>

### 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. The Board conducted their review for a period of three years. 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 clear visibility over a three-year time horizon. This period aligns with the average build out time for a development phase with implementable planning permission and all pre-commencement conditions discharged. This period is also in line with the Group's medium term targets and its operational planning and risk management review periods.

This operational plan, including the Group's income statement, balance sheet, cash flows, KPIs and debt covenants, considers the potential impacts which may arise from the Principal Risks of the business as described on pages 44 to 47. It includes macro-economic and industry-wide projections as well as matters specific to the Group.

To mitigate the risks inherent in forward-looking projections, the operational plan is subject to sensitivity analysis on a series of realistically possible changes to principal assumptions, as outlined in the Chief Executive's statement on page 21. This sensitivity analysis flexed a number of the principal assumptions to model a downside scenario, which reflected the potential impact of declining customer confidence and disposable incomes, as may be experienced as a secondary impact to the Group from the UK leaving the EU. Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

# **FOCUSED ON SUSTAINABLE DELIVERY THROUGH THE HOUSING CYCLE**



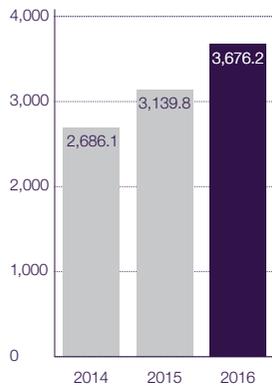
**RYAN MANGOLD**  
Group Finance Director



## HOW WE PERFORMED THIS YEAR

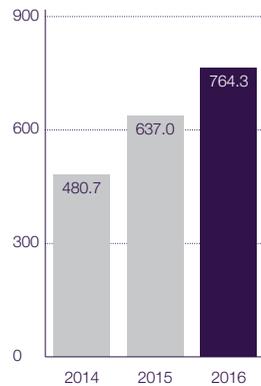
Revenue (£m)

**3,676.2**



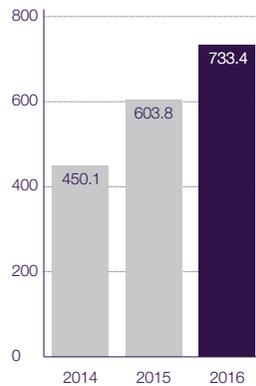
Operating profit\* (£m)

**764.3**



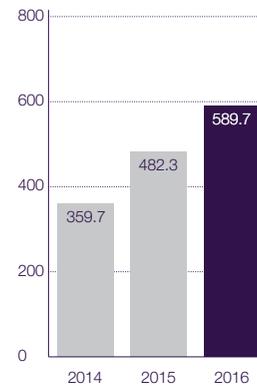
Profit before tax and exceptional items (£m)

**733.4**



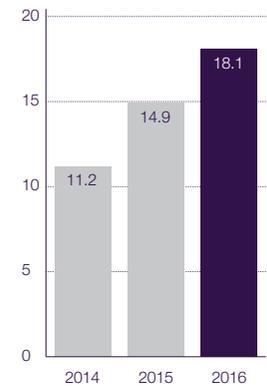
Profit for the year before exceptional items (£m)

**589.7**



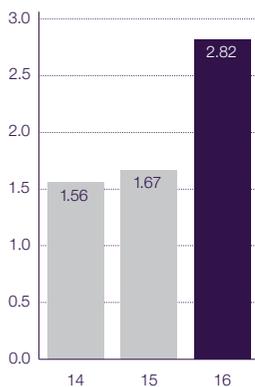
Adjusted basic earnings per share<sup>††</sup> (p)

**18.1**



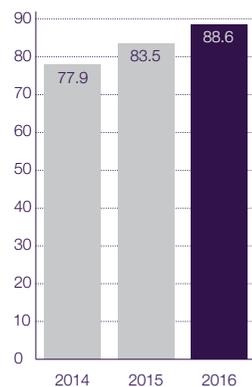
Ordinary dividend (p)  
(subject to shareholder approval)

**2.82**



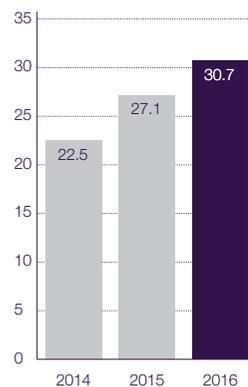
Tangible net asset value per share<sup>†</sup> (p)

**88.6**



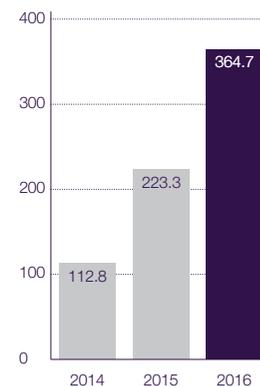
Return on net operating assets<sup>\*\*</sup> (%)

**30.7**



Year end net cash (£m)

**364.7**



**i** Definitions can be found on page 50

### Financial highlights

2016 Group results	UK	Spain	Consolidated
Completions including joint ventures	13,881	304	14,185
Revenue (£m)	3,582.6	93.6	3,676.2
Operating profit* (£m)	743.7	20.6	764.3
Operating profit* margin (%)	20.8	22.0	20.8
Profit before tax and before exceptional items (£m)			733.4
Profit for the year (£m)			589.3
Basic earnings per share (p)			18.1
Adjusted basic earnings per share <sup>††</sup> (p)			18.1
Total dividends paid per share – total (p)			10.91

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

## GROUP FINANCIAL REVIEW CONTINUED

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 Business Model and Group financial review, unless stated otherwise. For the purpose of clarity, joint ventures are separated out in the Group financial review.

Performance of the Group is monitored internally using a variety of statutory performance measures and alternative performance measures. Alternative performance measures are used where they are considered to provide more clarity of underlying trading or in monitoring performance against strategy. Definitions of the alternative performance measures discussed below and a reconciliation to the equivalent statutory measure are detailed in the five-year review on pages 152 and 153.

### Income statement

Group revenue increased by 17.1% to £3,676.2 million in 2016 (2015: £3,139.8 million) from 14,112 completions (2015: 13,470). The increase was driven by improved selling prices in the UK, up 10.9% to £255k (2015: £230k), and UK volume growth of 4.5% to 13,808 completions (2015: 13,219). Average selling prices on private completions increased by 12.6% to £286k (2015: £254k) in the UK, with this increase being a result of both our underlying shift to better quality locations and by capturing market sales price increases.

The UK land cost per unit sold, at £45.4k, is higher than the prior year (2015: £42.4k) due to the continued shift to better quality locations and a higher relative proportion of private sales from the London and

South East region where the land cost per plot is higher. Total UK land cost per completion as a percentage of selling prices was 17.8% (2015: 18.4%).

Underlying build cost per unit in the UK increased to £137.2k (2015: £121.9k), driven by marginal build cost inflation, the impact of higher infrastructure costs due to a higher proportion of strategic sites and specification improvements. Other direct costs and selling expenses per unit increased marginally to £6.2k (2015: £6.0k), but at 2.4% of total revenue (2015: 2.6%) resulted in better recovery of selling expenses in the year.

UK contribution per completion increased by 10.3% to £65.5k for the period (2015: £59.4k), continuing to benefit from improved land mix from completions in the period and improved sales prices partially offset by build cost increases.

Gross profit of £939.9 million (2015: £787.4 million) increased by 19.4% and included positive contribution of £13.1 million (2015: £8.9 million) and an exceptional charge of £0.5 million (2015: £0.6 million). Positive contribution represents previously written down inventory allocated to a plot which has subsequently resulted in a gross profit on completion. This can be due to revenue outperformance, cost efficiencies or product mix improvements. These amounts are stated before the allocation of overheads which are excluded from the Group's net realisable value exercise.

In 2016, 5% (2015: 6%) of the Group's UK completions were from sites that had been previously impaired. In Spain, 65 plots (2015: 53) were completed that had previously been impaired. The Group anticipates that c.4% of UK 2017 completions will come from sites that have been previously impaired.

During the year, completions from joint ventures were 73 (2015: 122). The total order book value of joint ventures as at 31 December 2016 was £52 million (31 December 2015: £60 million), representing 100 homes (31 December 2015: 118). Our share of results of joint ventures in the period was £1.2 million (2015: £4.9 million), which declined mainly due to the timing of the East London schemes.

Operating profit\* increased by 20.0% to £764.3 million (2015: £637.0 million), delivering an operating profit\* margin of 20.8% (2015: 20.3%), which includes c.£10 million charge recognised in the first half of the year as additional one-off remedial costs in relation to certain legacy sites.

On a divisional basis the three UK operating divisions delivered a combined increase of 16.3% in operating profit\* to £811.1 million (2015: £697.4 million). The North Division generated an 11.6% increase in operating profit\* to £280.0 million (2015: £251.0 million), delivering a return on net operating assets\*\* of 34.4%, 260 basis points above prior year (2015: 31.8%). The Central and South West Division increased operating profit\* by 15.4% to £280.7 million (2015: £243.2 million), improving the return on net operating assets\*\* by 500 basis points to 39.1% (2015: 34.1%). The London and South East Division saw strong operating profit\* growth of 23.2% to £250.4 million (2015: £203.2 million), delivering growth of 230 basis points in return on net operating assets\*\* to 24.7% (2015: 22.4%).

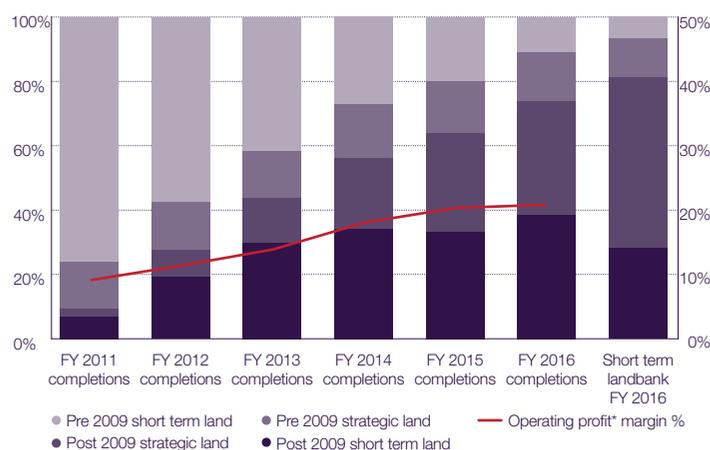
Net finance costs for the period were £30.9 million (2015: £33.2 million). Interest on overdraft, bank and other loans decreased by £0.7 million year on year and benefitted from lower average net debt of £87.4 million (2015: £94.8 million) and the impact of the early redemption of the £100 million loan notes in November 2016. Unwind of the discount on land creditors was £17.7 million (2015: £15.9 million) with the movement due to higher average land creditors year on year. The notional interest on the pension deficit of £6.1 million (2015: £6.0 million) stayed broadly flat year on year.

Pre-exceptional profit before tax for the year from operations increased by 21.5% to £733.4 million (2015: £603.8 million). The pre-exceptional tax charge was £143.7 million (2015: £121.5 million) with an underlying tax rate of 19.6% (2015: 20.1%) that largely reflects the statutory tax rate in the UK.

This resulted in a profit, before exceptional items, for the year of £589.7 million (2015: £482.3 million), 22.3% up on the prior year due to the improvement in the operational result and lower net finance costs.

### Quality of landbank (%)

We believe that the strength and quality of our landbank is the single biggest driver of value and a key strength for Taylor Wimpey. Please see pages 30 to 31 for more information. The chart below shows the source of land for the last five years of completions, and the make up of the short term landbank as at 31 December 2016 by type of land source.



\* 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 on a rolling 12-month basis.

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

†† Adjusted basic earnings per share represents earnings attributed to the shareholders of the parent, excluding exceptional items and tax on exceptional items, divided by the 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.

The review of land and work in progress net realisable values resulted in a net charge of £0.5 million against previously impaired sites. This has been recognised as an exceptional item in the period.

Basic earnings per share was 18.1 pence (2015: 15.1 pence). The adjusted basic earnings per share<sup>††</sup> was 18.1 pence (2015: 14.9 pence), up 21.5%.

### Balance sheet

Net operating assets were £2,539.6 million (31 December 2015: £2,442.6 million), reflecting a net investment of £113.3 million (2015: £269.1 million) year on year in land and work in progress, funded mostly by increased profitability. Return on net operating assets<sup>\*\*</sup> increased by 360 basis points to 30.7% (2015: 27.1%), reflecting improved profitability while maintaining balance sheet discipline. Net operating asset turn<sup>†\*</sup> increased to 1.48 times (2015: 1.33 times).

As at 31 December 2016, the UK held short term owned land valued at £2.3 billion (2015: £2.4 billion), representing 57,287 plots (2015: 61,186). The total controlled short term landbank represented 18,947 plots (31 December 2015: 14,524). The value of long term owned land increased by 22.7% to £135 million (2015: £110 million), representing 27,826 plots (2015: 28,118), with a total controlled strategic pipeline of 80,190 plots (31 December 2015: 78,582). Total potential revenue in the landbank increased to £42 billion in the period (31 December 2015: £40 billion).

Average work in progress (WIP) per UK outlet at 31 December 2016 increased by 21.6% to £4.5 million (2015: £3.7 million), reflecting the high proportion of strategic land conversions which require a greater level of infrastructure investment, combined with build cost inflation, and our 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 3.00 times (2015: 3.10 times).

As at the balance sheet date, the Group held certain land and work in progress that had been written down to net realisable value of £138.3 million (31 December 2015: £175.9 million) of which the balance in the UK was £119.6 million (31 December 2015: £151.6 million). As at 31 December 2016, the associated write-downs were £147.0 million (31 December 2015: £167.7 million) of which the balance in the UK was £96.8 million (31 December 2015: £124.2 million) and principally related to 14 locations.

As at 31 December 2016, in the UK, 3% of our short term owned and controlled land was impaired (31 December 2015: 4%), with 82% of the short term owned and controlled landbank purchased after 2009, 65% of which was sourced through our strategic pipeline, resulting in a land cost to average selling price in the short term owned landbank of 15.4% (31 December 2015: 16.3%).

We continue to use land creditors as a way of funding land acquisitions where this makes the most commercial sense and is value-enhancing for the business. Land creditors decreased to £599.8 million (31 December 2015: £629.8 million) and, combined with net cash, resulted in adjusted gearing of 8.1% (31 December 2015: 14.9%). £286.4 million is expected to be paid within 12 months and £178.7 million between one and two years from balance sheet date. Included within the land creditor balance is £130 million of UK land overage commitments (31 December 2015: £109 million).

The mortgage debtor balance was £78.0 million at 31 December 2016 (31 December 2015: £94.6 million), with the decrease due to redemption receipts of £21.1 million (31 December 2015: £11.3 million), offset by gains (including fair value adjustment) of £0.8 million and interest income of £3.7 million.

Our net deferred tax asset relates principally to our pension deficit and increased to £57.4 million in the period (31 December 2015: £55.7 million). £8.2 million of this asset relates to the temporary differences of our Spanish business, including brought forward trading losses.

Net assets at 31 December 2016 increased by 19.6% to £3,256.2 million, before dividends paid in the period and by 6.5% overall year on year to £2,900.3 million (31 December 2015: £2,723.3 million). The net asset increase from 31 December 2015 was driven by profitability in the period offset by the £355.9 million dividend paid in the year and the pension actuarial assumptions increasing the pension deficit year on year.

### Pensions

Retirement benefit obligations of £234.1 million at 31 December 2016 (31 December 2015: £178.4 million) comprise a defined benefit pension liability of £232.7 million (31 December 2015: £177.1 million) and a post-retirement healthcare liability of £1.4 million (31 December 2015: £1.3 million). The £200 million buy-in completed at the end of 2014, coupled with c.75% liability hedging against interest rates and inflation risk exposure, reduced the volatility of the scheme liabilities over the period. The main drivers for the movement in the deficit since 31 December 2015 were contributions in the period more than offset by actuarial assumptions, most notably a reduction in the discount rate and an increase in inflation. In 2016 we contributed £23.1 million in pension contributions (2015: £23.1 million).

We will be engaging with the Pension Trustees on the next triennial valuation of the pension scheme with an effective date of 31 December 2016 over the coming months. The triennial valuation is expected to be concluded during 2017.

### Cash flow

Net cash increased to £364.7 million at 31 December 2016 from £223.3 million at 31 December 2015, despite returning £355.9 million to shareholders by way of dividends in the year. This improvement in net cash is largely as a result of strong performance in underlying trading and maintaining balance sheet discipline.

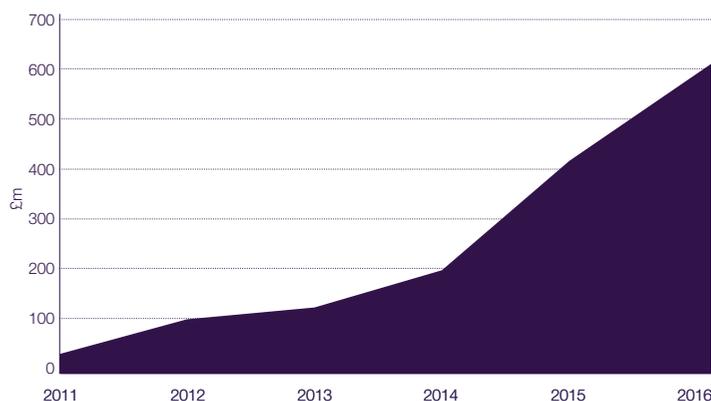
Net land spend, net of movement in land creditors, was £583.2 million (2015: £556.3 million).

The sum of £2,269.8 million has been invested in work in progress in the period (2015: £2,006.4 million). In 2016, we paid £13.5 million in interest costs (2015: £14.5 million) and £355.9 million in dividends (2015: £308.4 million). £10.6 million was spent during the year to acquire shares for satisfying future share scheme awards (31 December 2015: £2.0 million).

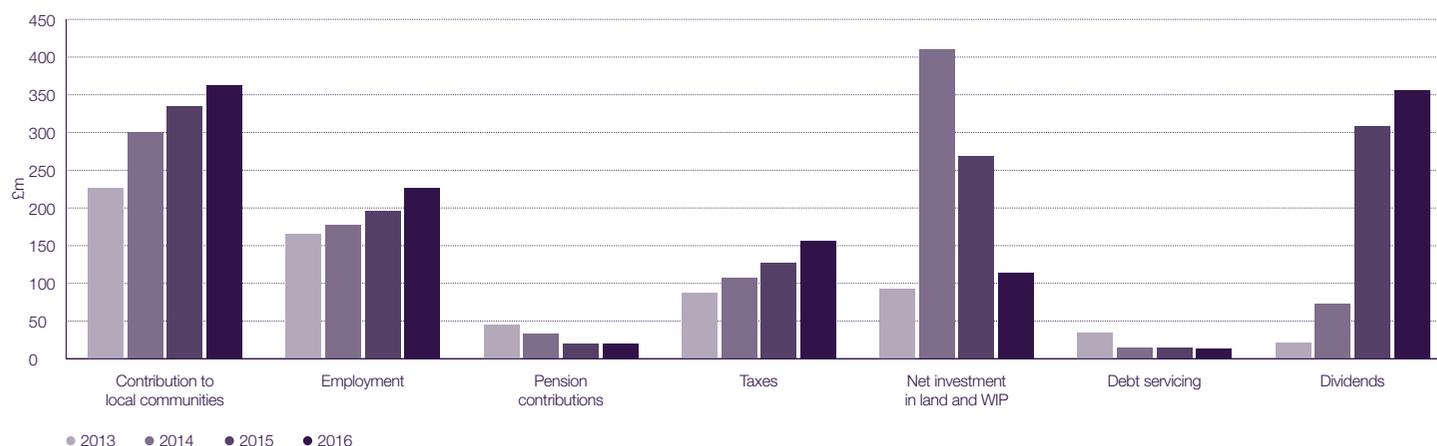
In the 12 months to 31 December 2016 we converted 81.4% of operating profit\* into operating cash flow\*\*\*\* (2015: 67.0%).

### Cash generation (£m)

We are focused on converting a high proportion of our profitability into cash at this stage in the cycle. The chart below shows cash generated by operations on an annual basis.



**Value distributed during 2013-2016 (£m)**



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

**Financing structure**

Our committed borrowing facilities are currently £635.5 million with an average maturity of 3.6 years. Average net debt for 2016 was £87.4 million (2015: £94.8 million).

On 28 June 2016 we completed a Private Placement of €100 million loan notes fixed at 2.02% for seven years, which is used to hedge the investment in our Spanish business. In November 2016 we prepaid our £100 million term loan that was originally due to be repaid in instalments by 2020. As a result, we expect to reduce our financing interest costs in 2017 by at least £4 million.

**Spain**

The Spanish housing market remained positive throughout 2016. Whilst the weak sterling exchange rate has impacted British buyers, with a diverse customer base we continued to achieve a healthy private sales rate through 2016. We completed 304 homes in 2016 (2015: 251) at an average selling price of €358k (2015: €315k). The total order book as at 31 December 2016 was 293 homes (31 December 2015: 270 homes).

The Spanish business delivered a significantly improved operating profit\* of £20.6 million for 2016 (2015: £10.0 million) and an operating profit\* margin of 22.0% (2015: 17.2%). Looking ahead, we remain cautiously optimistic, whilst conscious of the potential implications of the wider macro European economic environment.

**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 2016 that have a material impact on the Group results.

**i** For our viability statement see page 47



**Approval of the Strategic Report**

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

*Pete Redfern*

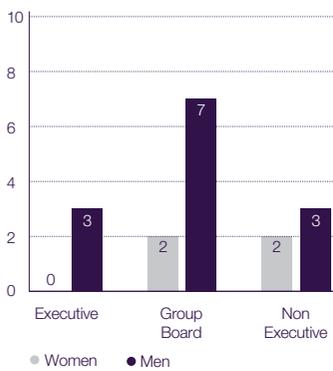
**PETE REDFERN**  
 Chief Executive



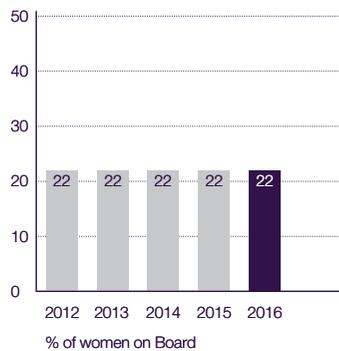
Directors' report: Governance  
**BOARD OF DIRECTORS**



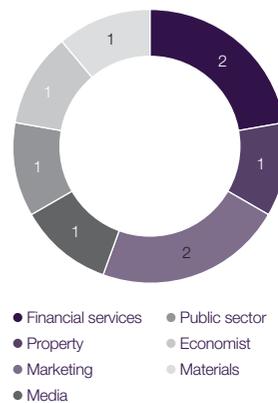
**Board gender diversity**



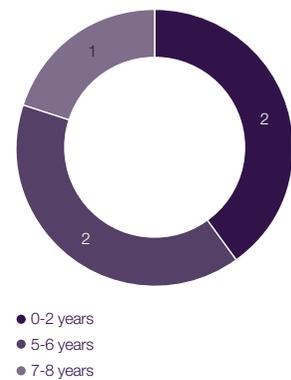
**Board gender diversity (%)**



**Non Executive Director experience**



**Non Executive Board tenure**



**Our Committees**

**i** Read more on our Nomination Committee on page 69

**i** Read more on our Audit Committee on page 74

**i** Read more on our Remuneration Committee on page 78

## 1. KEVIN BEESTON

Chairman

### Committee membership

**N** **R**

### Date of appointment

Joined July 2010

### Skills & experience

Kevin has significant experience of chairing boards of both public and private companies and of being a non executive director and a member of audit, nomination and remuneration committees. 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 Serco Group plc and also of Domestic and General Limited; and was previously a non executive director of IMI plc.

### External appointments

Kevin is Chairman of Equiniti Group plc and is a non executive director of both Severn Trent plc and The Football Association Premier League Limited.

## 2. 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 business.

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 a Trustee of the homelessness charity Crisis and a member of the board of the Home Builders Federation.

## 3. 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 commercial and pensions. 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 Anglo American plc group of companies.

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

## 4. 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 he was appointed to the same position with Taylor Wimpey plc, following the merger. 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.

## 5. KATE BARKER DBE

Independent Non Executive Director

### Committee membership

**N** **A** **R**

### 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 Government, on housing supply and on land use planning. Before joining the MPC, she was Chief Economic Adviser at the CBI. Kate was awarded a CBE in 2005 for services to social housing and a DBE in 2014 for services to the economy.

Kate is an industry-recognised economist who 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.

### External appointments

Kate is a Trustee Director and Chairman of the British Coal Superannuation Scheme; a non executive director of the Yorkshire Building Society; and will join the Board of Man Group plc as a non executive director with effect from 1 April 2017.

## 6. MIKE HUSSEY

Independent Non Executive Director

### Committee membership

**N** **A**

### 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. Prior to that position, Mike was Head of Leasing and Marketing for Canary Wharf Group plc. He has previously held a number of senior positions within the property industry including with the British Council for Offices, the City Property Association, and as Chairman of the Regeneration and Development Committee of the British Property Federation.

Mike has in-depth expertise in land development and marketing, particularly in London, gained from his previous roles.

### 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.

## 7. ANGELA KNIGHT CBE

Independent Non Executive Director

### Committee membership

**N** **A** **R**

### 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 and was also successively Chief Executive of the Association of Private Client Investment Managers and Stockbrokers; the British Bankers' Association; and Energy UK. Angela has extensive non executive director experience and her previous roles have included Lloyds TSB plc; Scottish Widows; Logica plc; and Transport for London.

### 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.

## 8. ROB ROWLEY

Independent Non Executive Director

### Committee membership

**N** **A** **R**

### 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. He 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 UK Corporate Governance Code. Rob was previously Deputy Chairman of Cable and Wireless plc, a director of Reuters Plc, and a non executive director of Prudential plc; Taylor Nelson Sofres plc; and Intu Properties plc.

### External appointments

Rob is the senior independent director of moneysupermarket.com Group PLC; senior independent director and Chairman of the audit committee of Greene King plc; a non executive director and Chairman of the audit committee of Morgan Advanced Materials plc; and Camelot Group.

## 9. HUMPHREY SINGER

Independent Non Executive Director

### Committee membership

**N** **A**

### 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. Humphrey was previously Group Finance Director of Dixons Retail plc and held senior finance-related roles within Dixons, including as Group Financial Controller, and prior to that with Coca Cola Enterprises.

### External appointments

Humphrey is Group Finance Director of Dixons Carphone plc.

**N** **A** **R** represents membership of, respectively, Nomination, Audit and/or Remuneration Committees.

**■** represents chairmanship of the Committee.

## CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE



KEVIN BEESTON, Chairman

### 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 66 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. To demonstrate the Board's proactive approach to corporate governance, 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. The Board receives regular briefings and updates on corporate governance, both at Board and Committee meetings and, where necessary in between such 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 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 our shareholders and their representative bodies, with whom we are always very pleased to engage – and proactively did so again during 2016 and into 2017.

### 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 19 are set by the Board and 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 60;
- the requirement to observe good business practice, including abiding by all applicable laws and regulations that relate to our business. Please see page 62;
- the provision of mandatory training on key legislation and regulations to all of our business units;
- our Group-wide 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 75; and
- encouraging and investigating any disclosures made either directly or through an independent whistleblowing hotline. Please see page 77.

### Governance developments during the period

There were a number of significant developments in the area of corporate governance during 2016. For example, the Government's Department for Business, Energy and Industrial Strategy ('BEIS') announced in September that it is conducting enquiries which will focus on directors' duties; executive pay; and the composition of boardrooms including worker representation and gender balance in executive positions. The Financial Reporting Council ('FRC') updated the Code so as to require, for financial years commencing on or after 17 June 2016, a greater focus on the culture, values and ethics of companies that underpin good corporate

### BOARD HIGHLIGHTS FOR 2016

- Fully met all of the requirements of the UK Corporate Governance Code. Please see page 66
- 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 75
- Made good progress towards achieving our strategy for improving diversity and inclusivity at all levels throughout the Group's businesses. Please see page 73
- Conducted a comprehensive internally-facilitated Board Evaluation during 2016. Please see page 67
- Further developed and enhanced the Company's succession and contingency planning across the Group. Please see page 71
- Implemented immediate and appropriate operational procedures following the outcome of the United Kingdom European Union Referendum. Please see page 16
- In compliance with the Modern Slavery Act 2015, we prepared our first statement and related processes and procedures for the business and its supply chain. Please see page 100
- Conducted an external appraisal of the Company's procedures for dealing in the Company's shares in response to the Market Abuse Regulations which came into effect on 3 July 2016

governance. The FRC and other organisations announced that they are looking for Nomination Committees to be more proactive in managing both short term and longer term succession planning for the Board and the executive levels of senior management immediately below Board level, and also in ensuring that the necessary skill sets are developed to assist the Board in effectively driving the Company's strategy. The Executive Remuneration Working Group also issued recommendations aimed at rebuilding trust in executive pay levels, allied to the subsequent issue of revised guidance in this area by a number of shareholder bodies. The aim of these initiatives is to ensure that good governance goes deeper than simply 'box ticking' and they were all reviewed and welcomed by the Board 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.

### 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 I and all members of the Board take 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 and it was last carried out in this way in 2014. Consequently the evaluation for 2016 was conducted internally by myself and the Company Secretary, and was based on a comprehensive and updated process which involved all Directors.

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 such as diversity and risk.

As part of the Board evaluation, the Board carefully considered the time commitments of all Directors in line with the requirements of the Code. Following its 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 2016 for all Directors, save for Humphrey Singer as noted immediately below), but also for preparation time for meetings, visits to our businesses and other additional requirements that may be required from time to time.

Humphrey Singer missed two meetings of the Board and one meeting of the Audit Committee. In the first case, this was due to an unavoidable clash with a pre-existing commitment which had been discussed and agreed prior to his appointment to the Board in December 2015. In the remaining cases, he missed a Board meeting and the preceding Audit Committee due to an unanticipated commitment at Dixons Carphone plc, where he is Group Finance Director, which occurred following the United Kingdom European Union Referendum. On each occasion Humphrey received the reports for the meeting; was given the opportunity to express his views on the subject matter prior to the meeting; and was comprehensively briefed following the meeting on the main matters arising by the Chairman and the Company Secretary.

Consistent with previous exercises, the 2016 evaluation proved to be very useful. Whilst it was pleasing to note that the exercise concluded that the Board continues to function very well, 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 2017.

Details of this year's evaluation; its outcome; the actions planned by the Board during 2017 to address the issues raised; and the actions taken during 2016 to address the issues raised in the last (also internally facilitated) evaluation conducted in 2015 and reported in last year's Annual Report, are set out on page 67.

## BOARD COMMITTEES



### CHAIRMAN OF THE NOMINATION COMMITTEE

Kevin Beeston

[Read more about this Committee on page 69](#)



### CHAIRMAN OF THE AUDIT COMMITTEE

Rob Rowley

[Read more about this Committee on page 74](#)



### CHAIRMAN OF THE REMUNERATION COMMITTEE

Kate Barker

[Read more about this Committee on page 78](#)

### Board activities

This Report also seeks to explain what your Board of Directors actually 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.

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 services; human resources; diversity; corporate responsibility; community engagement; our financial position and performance; governance, compliance and legal matters; and shareholder-related matters including the make up of our share register and investor relations programme. This is done through the consideration and discussion of regular reports submitted by the Executive Directors and through other 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 very effective.

### Appointments and succession

There were two changes to the composition of the Board during 2016.

On 1 November 2016 Baroness Margaret Ford stepped down as an Independent Non Executive Director after three and a half years' service, including over two years as Chairman of the Remuneration Committee.

We were very pleased to appoint Angela Knight as an Independent Non Executive Director on 1 November 2016. Angela is Chairman of the Office of Tax Simplification in HM Treasury and brings with her a wealth of experience gained at senior level in both public and private sectors. On appointment, she also joined each of the Board Committees, namely, the Audit, Nomination and Remuneration Committees, where her wide experience will be of considerable assistance to the Board and will complement our existing skill sets.

## CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

The Board considers that there is an effective balance with three Executive Directors and five 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 appointment of Angela Knight followed a comprehensive search, assessment and recruitment process, led by the Nomination Committee, the details of which are set out in more detail on page 70.

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 69 to 73.

In accordance with the Code, all Directors will again be subject to election or re-election as appropriate by shareholders at the Annual General Meeting of the Company which is being held on 27 April 2017. Biographical details of each Director can be found on page 55 and also on page 63.

I believe that the new balance and composition of the Board, which includes five 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.

### Diversity

Diversity and inclusivity has continued to be a key item on the overall UK governance agenda during 2016, 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 very much welcomes the increased target which is designed to give greater impetus to the progress of enhanced gender diversity on PLC boards. This, together with other aspects of diversity is very much in the thinking of the Nomination Committee when considering the balance and composition of the Board and the structuring of talent development initiatives across the Group. The Board also notes the recent Parker review and its associated Report into the Ethnic Diversity of Boards.

### 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 pages 26 to 27) within the 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 27 April 2017 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
- Oversees the commercial and pension departments
- In conjunction with the Group Management Team oversees the Company's risk profile

### 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
- Available to shareholders on matters which cannot be resolved otherwise

### GROUP LEGAL DIRECTOR AND COMPANY SECRETARY

- Advising the Board on matters of corporate governance
- As Group Legal Director, being responsible for all legal compliance matters relating to the Group
- Supporting the Chairman and Non Executive Directors
- Ensuring effective support to the Board and its meetings and agendas to enable efficient process
- Working with the Chairman to ensure good governance practices at Board level and throughout the Group
- Point of contact for investors on matters of corporate governance

 Read more about individual Directors' skill sets on page 63

## 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, customer service, legal and corporate governance matters, and compliance updates; and shareholder matters including an update from the Company's stockbroker which details movement in the share register.

Special matters considered during the year at meetings were as follows:



- Reviewed the draft 2015 Annual Report and Accounts and the Sustainability Report
- Established and reviewed action points arising from the 2015 Board evaluation
- Determined the amount of the final ordinary dividend for 2015 and the special dividend for 2016 to be proposed to shareholders at the 2016 AGM
- Approved in principle the draft Full Year Results Statement
- Conducted the annual risk review
- Agreed the amended strategic messages following a strategy review



- Reviewed the draft Trading Update to update shareholders on progress for the year to date
- Reviewed arrangements for the 2016 Annual General Meeting
- Discussion of medium-term strategic targets and dividend strategy announced in May 2016
- Review of proposed issue of Private Placement Notes



- Received a performance and strategic update on Land and Planning



- Considered the potential implications for the business of the EU Referendum result
- Reviewed progress on improving customer service
- Considered the first year-end projection of results for 2016
- Approved revisions to share dealing procedures to reflect the Market Abuse Regulations



- Considered the half year results for 2016
- Determined the level of interim dividend for 2016 and special dividend proposed for 2017
- Considered the half year risk review
- Reviewed the draft Half Year Results Statement



This meeting was held as part of an away day and the Board received updates on the following:

- Operational matters from each Division
- An update from the Taylor Wimpey Midlands regional business
- A briefing on social media
- A briefing on Project 2020



- Reviewed the draft Trading Update
- Received a presentation from the Central London Region
- Received the latest HR update
- Received a briefing on the implication of the Modern Slavery Act 2015
- Received an update on Diversity and Inclusivity



- Detailed discussion on the Group's year-end forecast
- Detailed review of the year end risk management report
- Reviewed the outcome of the Board evaluation for 2016 and agreed action points

## GENERAL BOARD GOVERNANCE

### TAYLOR WIMPEY PLC BOARD



**KEVIN BEESTON**  
Chairman

Board members	number of meetings attended in 2016
<b>KEVIN BEESTON</b> Chairman	8/8
<b>PETE REDFERN</b> Chief Executive	8/8
<b>RYAN MANGOLD</b> Group Finance Director	8/8
<b>JAMES JORDAN</b> Group Legal Director and Company Secretary	8/8
<b>ROB ROWLEY</b> Senior Independent Director	8/8
<b>KATE BARKER</b> Independent Non Executive Director	8/8
<b>MIKE HUSSEY</b> Independent Non Executive Director	8/8
<b>ANGELA KNIGHT<sup>(a)</sup></b> Independent Non Executive Director	1/1
<b>HUMPHREY SINGER<sup>(b)</sup></b> Independent Non Executive Director	6/8
<b>MARGARET FORD<sup>(c)</sup></b> Former Director	7/7

(a) Appointed 1 November 2016.

(b) Two meetings were missed during 2016: one meeting as notified and agreed prior to his appointment to the Taylor Wimpey plc Board; and one meeting by prior agreement with the Board, as explained in more detail on page 57.

(c) Resigned with effect from 1 November 2016.

### The Board and its Committees

As at the date of this Report, the Board consists of nine Directors, namely: the Chairman, three Executive Directors and five Independent Non Executive Directors. Their names, responsibilities and other details appear on page 55. On 1 November 2016, Margaret Ford stood down as an Independent Non Executive Director and Angela Knight was appointed on that date to the Board as an Independent Non Executive Director, after a selection process led by the Nomination Committee as set out on page 70.

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 page 55 and in the Board diversity analysis on page 63. 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 2016 and there was full attendance at all meetings by all Directors except, as explained on page 57, Humphrey Singer missed two meetings, including one he had cleared prior to joining the Board at the end of 2015 and one clash that materialised following the outcome of the United Kingdom European Union Referendum. The Board has considered 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 several 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 69, 74 and 78.

### 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 culture of openness and transparency, which enables opportunities and risks to be assessed and managed. 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

The Board is responsible for the Company's culture and for defining and setting the Company's values and standards, which it does, amongst other things, through a number of policies and codes of conduct, and ensures that its obligations to its shareholders and other stakeholders are clearly understood and met. 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 2016, the Board actively reviewed and monitored several key areas including health, safety, and environmental matters (as set out below), customer service, land and major projects, risk strategy, and diversity and inclusivity. The Board will keep all of these areas under regular review.

### Health, safety and environment

As also set out in our 2016 Sustainability Report, which will shortly be available online at [www.taylorwimpey.co.uk/corporate/sustainability](http://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 36.

## HOW WE ARE GOVERNED

### THE BOARD

- Provides strategic and entrepreneurial leadership within a framework of strong governance and effective controls
- 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 the implementation of changes resulting therefrom
- Reviews the whistleblowing policy and any investigation

 Read more on page 74

#### 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

 Read more on page 69

#### 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

 Read more on page 78

#### 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, the Group HR Director, the Land and Planning 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.

#### Additional information

The following documents are available for review on the Company's website at [www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance](http://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, which are reviewed whenever necessary to take account of developments in corporate governance, changes in legislation and revised processes.

#### 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.

**GENERAL BOARD GOVERNANCE CONTINUED**

The Board took advice during the year from Slaughter and May, on the continued effectiveness of the Company's procedures for dealing in the Company's shares in light of the Market Abuse Regulations which came into force on 3 July 2016, following which the existing guidance was updated and re-issued to all restricted employees.

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.

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.

These policies are available for review on the Company's website at [www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance](http://www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance) and relevant reporting against these is provided to the Audit Committee by the Head of Internal Audit and the Secretary as appropriate.

**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 and take very seriously its responsibility to comply with the recommendations of the Davies Report, encouraging increased participation by women on boards, which was previously targeted at 25% on FTSE 100 boards by 2015 but more recently increased to 33% for FTSE 350 companies by 2020, which the Board welcomes.

The proportion of women on the Taylor Wimpey Board has remained two out of nine (22%) throughout 2016 and as at the date of this Annual Report. The Board will keep its balance and composition under regular review and this was also an action point arising out of the 2016 Board evaluation exercise.

The Board also notes and welcomes the Parker Review and its Report into the Ethnic Diversity of Boards.

**Annual re-election to the Board**

The Code requires every Director to seek election or re-election, as appropriate, at each year's Annual General Meeting (AGM). Accordingly, at the 2017 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 election (in the case of Angela Knight, as she was appointed since the last AGM) or re-election (in the case of all of the other Directors).

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 158 to 159.

As part of the 2016 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. In line with the Code, a rigorous evaluation took place with regard to both Kate Barker and Rob Rowley as they will have served six and seven years respectively by the time of the AGM in 2017.

In addition, the Board re-evaluated each Director's time commitments, and was satisfied that they 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 for preparation time for meetings, visits to businesses (including the annual Board away day / visit) and other additional requirements that may be required from time to time. Recognising the importance of time commitment to shareholders, this will continue to be kept under review during 2017 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 pages 26 to 27. The Chief Executive has responsibility for preparing and reviewing strategic plans for the Group and the annual budgetary process. These are subject to formal approval by the Board.

Budgets are re-examined in comparison with business forecasts throughout the year to ensure they are sufficiently robust 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.

These processes and controls performed strongly during 2016 when they were tested through the swift action taken to apply more stringent controls on planned expenditure during the uncertainty following the United Kingdom European Union Referendum vote in June 2016.

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 2016 the Group's control environment was further enhanced through a robust risk assessment and review led by the Audit Committee.

### 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 of 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.

### This 2016 Annual Report and Accounts

Your Directors have responsibility for preparing this 2016 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 pages 74-77.

The Viability Statement, as required by the September 2014 revision of the Code, appears on page 47.

## 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 during the year. 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 page 55.

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. 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.

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 has also expertise in the areas of both digital solutions and customer services which has already been useful to the Company.

### 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.

**GENERAL BOARD GOVERNANCE CONTINUED**

**Board action and objectives**

	<b>2016 Board objectives</b>	<b>2016 Performance</b>	<b>2017 Board objectives</b>
Strategy and execution	<ul style="list-style-type: none"> <li>- To set the Company's strategic objectives and strategy for their achievement.</li> <li>- To review the Company's performance, resourcing, and achievements affecting its ability to deliver the strategy.</li> <li>- To review and, if necessary, revise the strategy or its objectives in the light of wider economic, financial and market considerations.</li> <li>- To ensure the strategy is sufficiently resilient in different forward looking scenarios.</li> </ul>	<ul style="list-style-type: none"> <li>- The Board regularly reviewed performance to date towards achieving its strategic objectives.</li> <li>- 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.</li> <li>- Detailed scenario planning was reviewed, together with assessments of the strategy's relative robustness in each case.</li> <li>- Presentations were made to the team throughout the business, explaining the strategy; progress achieved to date; and targets for further improvement.</li> </ul>	<ul style="list-style-type: none"> <li>- To ensure the Company's strategy remains robust in the light of any forecast market and wider economic changes.</li> <li>- To ensure the Company's performance remains on schedule to achieve the strategy.</li> <li>- To take all measures to ensure that health and safety remains the Group's top priority and will remain an ongoing area of focus.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>- To review and agree the Company's risk appetite in seeking to achieve its strategic objectives.</li> <li>- To regularly review the robustness of the Company's systems of risk reporting; assessment; and internal controls.</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> <li>- The Board's annual risk review for 2016 was completed at the February 2017 Board meeting following a process embracing all levels of the Group's businesses.</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Governance and values	<ul style="list-style-type: none"> <li>- To comply with the April 2016 revision of the UK Corporate Governance Code (the 'Code').</li> <li>- To fully implement any related governance requirements, which relate to audit and Audit Committee matters.</li> <li>- To fully comply with the updated Guidance on Audit Committees issued by the Financial Reporting Council in April 2016.</li> <li>- To review the remuneration framework to ensure that it remains appropriate, proportionate, and does not encourage excessive risk-taking.</li> <li>- To conduct an annual Board evaluation.</li> <li>- To take account of shareholder guidance and consultation.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company has embraced the key requirements of the revised Code in its 2016 reporting and has now substantially complied in all respects, ahead of the requirement to do so for its 2017 reporting year.</li> <li>- The Company's Remuneration Policy has been reviewed and updated, with advisers, by the Remuneration Committee each year to ensure it remains appropriate and proportionate and helps to drive and reward achievement of the strategy. The revised Policy is recommended to shareholders as Resolution 20 at the 2017 AGM on page 155.</li> <li>- The Board appraisal was conducted internally for 2016 as reported on page 67 (and will be externally-facilitated, as required at least each third year, for 2017).</li> <li>- 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.</li> <li>- Modern Slavery Act 2015: The Company has reviewed its operations and its supply chain and made its first statement in March 2017. The Company has reviewed its policies and procedures so as to reduce the risks of modern slavery and related practices as far as possible. See page 100 for further details.</li> </ul>	<ul style="list-style-type: none"> <li>- To ensure that there is continued full compliance with the Code and with wider statutory and regulatory requirements.</li> <li>- To ensure that remuneration is to remain within the Company's Remuneration Policy and proportionately rewards achievement of the strategy.</li> <li>- To implement the improvements identified on page 67 arising from the 2016 Board appraisal.</li> <li>- To conduct an externally-facilitated Board appraisal.</li> <li>- To monitor shareholder feedback and continue to actively promote wider engagement.</li> <li>- To further embed Modern Slavery Act best practice.</li> </ul>

## Board objectives

	2016 Board objectives	2016 Performance	2017 Board objectives
Organisational capacity	<ul style="list-style-type: none"> <li>- 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.</li> <li>- To ensure that its people are suitably trained and that sufficient provision is being made for succession planning at all levels.</li> </ul>	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> </ul>	<ul style="list-style-type: none"> <li>- To ensure that resourcing remains sufficient to achieve the strategy together with wider diversity considerations.</li> <li>- To ensure that training and development plans support continuous improvement in the team and contribute towards wider diversity improvements.</li> </ul>
Stakeholder engagement	<ul style="list-style-type: none"> <li>- To increase shareholder attendance and voting, including registering proxies, at the AGM.</li> <li>- To keep employees engaged and informed on the Company's performance and prospects.</li> <li>- 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.</li> <li>- To maintain communication and a culture of continuous improvement throughout the Company's supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>- Shareholder communication was conducted through encouraging attendance at the AGM; steadily increasing voting on resolutions proposed thereat; briefings to analysts and the press; and direct consultation on certain special matters.</li> <li>- Employee involvement was promoted through regular briefing material online and in hard copy; interactive online Q&amp;As; strategy updates around the businesses; and explanation of Company performance around half year and full year reporting and trading statements. The Board reviewed the 'employee voice' proposal being put forward by the Government.</li> <li>- Customer Service processes were subject to detailed review and amendment, with the implementation of the improvements subject to Board monitoring throughout the year.</li> <li>- The supply chain received constant feedback from Group businesses, suppliers and subcontractors, which fed into updated arrangements and agreements.</li> </ul>	<ul style="list-style-type: none"> <li>- To actively encourage shareholder participation through clear messaging and reporting and careful review of shareholder feedback.</li> <li>- To monitor the embedding of the Customer Service improvements introduced during 2015 and 2016.</li> <li>- 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.</li> <li>- To implement the employee voice proposals via the proposed National Employee Forum.</li> </ul>

**GENERAL BOARD GOVERNANCE CONTINUED****Adherence to the Code**

The Main Principles of the 2016 Code and guidance on where to find details in these reports on how the Company has complied with it, are 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 60
- 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 63
- The chairman is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. See page 58
- 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 58

**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 62
- There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board. See page 70
- All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively. See page 62
- All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge. See page 70
- 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 70
- The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. See page 67
- All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. See page 58

**Section C: Accountability**

- The board should present a fair, balanced and understandable assessment of the company's position and prospects. See page 77
- 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 page 75
- 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 page 75 to 77

**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 page 79
- 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 82 to 84

**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 page 68
- The board should use general meetings to communicate with investors and to encourage their participation. See page 68

**Statement of compliance**

For the year ended 31 December 2016, 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 at:

- The Code can be found at [www.frc.org.uk](http://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](http://www.handbook.fca.org.uk)
- The BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations can be found at [www.gov.uk](http://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](http://www.frc.org.uk)

## BOARD EVALUATION

The outcome of the 2015 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.

As previously mentioned, the 2016 Board evaluation was also internally facilitated, as set out on page 57.

The 2016 evaluation process consisted of the following:

- A detailed and comprehensive bespoke questionnaire which the Secretary sent individually to all Directors for completion and return to him.
- Collation of the responses by the Secretary.
- Review by the Chairman and the Secretary of each performance area, and of each Director.
- Review by the Senior Independent Director and the Secretary of the performance of the Chairman.
- Presentation of the findings to the Board on a non-attributable basis.
- Preparation of action plans designed to address the findings, as set out in the table below, during 2017.

Feedback was then provided on an individual basis, by the Senior Independent Director to the Chairman (and vice versa); and through the Chairman discussing each individual Director's own performance assessment with the relevant Director on a one-to-one basis.

The recommendations arising from the Board evaluations for 2015 and 2016, together with actions taken during 2016 in relation to the former, and actions planned during 2017 in relation to the latter, are set out in the table below.

2015 Evaluation – Recommendations included	Actions taken during the year
Additional periodic reporting to take place on key areas such as land and planning; marketing-related initiatives; and the Major Developments business.	Additional reporting to the Board on these areas of the business took place at Board meetings during 2016 and will continue in 2017 and beyond.
Greater alignment of reporting on the three Divisions by each Divisional Chairman.	Alignment of reporting was implemented during 2016.
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 2016 and remains so during 2017. The Board's Diversity Policy and details of progress achieved and plans for further progress during 2017, are set out in the Nomination Committee Report on pages 71 to 73.
The inclusion of special topics for presentation to the Board and to make some organisational changes to the Board away day.	A programme of special topics and presenters was compiled, closely related to key strategy aims and business areas, and these have been addressed at Board meetings during 2016. The Board away day structure was improved and has maximised the time the Board spends together.
2016 Evaluation – Recommendations included	Actions being or to be taken during 2017
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 either has or, in some cases, will take place during 2017.
There needs to be continued focus on cyber risk and further improving the Company's defences against the risk.	This remains a key topic for the Board and for the Audit Committee during 2017.
Additional focus to take place on diversity and inclusivity including continued monitoring and review.	There is increased focus on diversity and inclusivity initiatives at all levels of the business including at Board level, particularly with regards to embedding the improvements achieved throughout the business.
	Each of these key areas remains firmly on the Board's agenda during 2017 and an update will be provided in the 2017 Annual Report and Accounts.

# COMMUNICATING WITH OUR SHAREHOLDERS

We actively encourage engagement with our shareholders and stakeholders.

## Shareholder engagement

The Board actively seeks and encourages engagement with major institutional shareholders and other stakeholders. The Board fully supports the principles of the UK 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 issues. This provides the opportunity for meetings with 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.

The Company is, of course, also always very pleased to hear from and engage with our private shareholders.

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 participate in the AGM, which is attended by all Directors. Shareholders' attention is drawn to the Notice of Meeting on pages 154 to 163 which sets out details of the rights of shareholders in connection with the notice of, and participation in, general meetings of the Company. This year, there are 23 resolutions being submitted for shareholder consideration, including Resolution 20 proposing the renewal of the three year approval of the Remuneration Policy and Resolution 21 proposing the approval of revised LTIP rules for the Performance Share Plan.

At the 2016 AGM, shareholders representing 60% of the Company's issued share capital voted in the poll. There was a vote in favour of 13 of the 23 resolutions of in excess of 99% and an average vote in favour across all 23 resolutions of over 97%.

## What our shareholders have asked us this year

During 2016 the Company held over 150 meetings with shareholders holding in aggregate around 34% of the Company's shares, taking the form of group meetings; one to one meetings; telephone calls; and site visits; including around the AGM; the announcement of the Company's full year and half year results; and an Analyst and Investor Day. Key themes discussed included:

- the Company's new medium term targets;
- the Company's enhanced dividend policy;
- the land and planning environment;
- the political implications and likely impact of the United Kingdom European Union Referendum;
- current market conditions, particularly focused on the London market and likely impact post-Referendum; and
- build costs and the likely impact of foreign exchange movements on materials prices.

## More online

Information about the Company, including full year and half year results and other major announcements, and additional information about shareholder facilities, is published on the Company's website [www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate)



# NOMINATION COMMITTEE REPORT



## 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.

## 2016 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, linked to talent development and targeted training programmes, to ensure they remain robust and in line with current Group requirements.
- Reviewed Board composition, balance, diversity and skill sets, as part of the process of appointing a new Non Executive Director to the Board.
- Reviewed the new requirements for reporting any gender pay gap and established a process for disclosing the Group position as is reported on page 71.

## 2017 OBJECTIVES

- To further progress the diversity and inclusivity agenda across the business, including further developing partnering initiatives with selected third parties and ensuring the progress made is embedded within our business.
- Review comments made in the Board Appraisal for 2016 regarding certain skill gaps and consider as part of longer term planning of Board composition.
- To continuously review and enhance our succession and contingency plans.

## 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 <sup>(a)</sup>	0/0
Rob Rowley	2/2
Humphrey Singer	2/2
Margaret Ford <sup>(b)</sup> (Former Director)	2/2

(a) Appointed on 1 November 2016.

(b) Resigned on 1 November 2016.

## 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 2016; 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.

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

The Committee notes the guidance issued during 2016 by the FRC and other key organisations for Nomination Committees generally to 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 unit, in assessing whether each has the necessary skill sets and whether there 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 71.

The Committee made good progress during 2016 and its achievements made during 2016 and its plans for 2017 are set out in the left hand column of this page.

## 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; and
- To drive the Company's diversity and inclusivity agenda across all levels of our business.

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 latest proposals from Lord Davies of Abersoch that the proportion of women on the boards of FTSE 350 companies should increase from 25% to 33% by the end of 2020. We also note and support the 'Beyond One by '21' report and recommendations launched in 2016 from Sir John Parker, which seeks 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 2016 and targets and plans for 2017 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

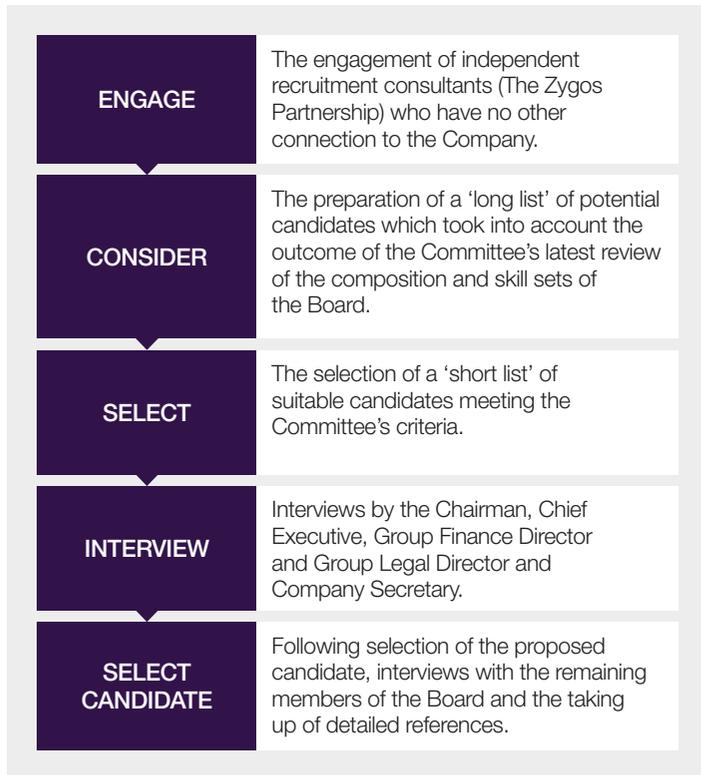
**NOMINATION COMMITTEE REPORT CONTINUED**

**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 both the 2011 report from Lord Davies of Abersoch on Women on Boards (the Davies Report) and the 2015 Report which raised the target from 25% to 33% by the end of 2020.

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 Angela Knight to the Board as an Independent Non Executive Director on 1 November 2016.

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. The process of the appointment of Angela Knight, prior to the decision of the Board, included:



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 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.

As highlighted in the Committee's 2016 performance on page 69, 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 Business Units 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 2016, in addition to overseeing the recruitment of Angela Knight as an Independent Non Executive Director, in succession to Margaret Ford who left the Board during the year, 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.

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 2016, the Board visit encompassed a financial presentation; strategic and performance updates from designated businesses; and a review of developments in social media.

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.

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](http://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 Nomination, Audit 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 resignation of Margaret Ford and the appointment of Angela Knight as an Independent Non Executive Director during the year, the Board consists of nine Directors, two of whom are women, representing 22% of the Board. The Board fully supported the 25% target established by the Davies Report and also fully supports the increased target going forward of 33% by 2020. The Board aspires to increase the current level of representation to at least 25% and will also work towards achieving the higher target of 33% by 2020, 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.

## Succession and contingency planning

During the year, we have increased our emphasis on succession planning for people at all levels of the organisation. 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.

Following the restructuring during 2015 of our UK Housing operations into three Divisions, there is now improved operational control, better targeting of capital allocation, and a wider talent pool with great potential for further development.

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. The Committee notes the publication by the Financial Reporting Council (FRC) of feedback from its consultation around this area and will be monitoring developments carefully.

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 two changes in the composition of the Board during 2016, namely, the resignation of Margaret Ford and the appointment of Angela Knight, in both cases as an Independent Non Executive Director, on 1 November 2016. Angela brings considerable experience and expertise in the areas of finance and remuneration policy and practices from her background as a high-level executive in a number of public and private bodies, and will therefore enhance the overall skill sets of the Board. On her appointment to the Board, Angela joined the Nomination Committee; the Audit Committee; and the Remuneration Committee; where her

experience, including from her service as a Member of Parliament and her current role as Chairman of the Office of Tax Simplification in HM Treasury, will be of considerable benefit.

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 continues to function effectively.

The Committee believes that the balance of the Board, consisting of a Chairman, three Executive Directors and five Independent Non Executive Directors, recently augmented by Angela Knight'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. This will however be kept under regular review in line with the guidance set out in the Code.

At the Annual General Meeting (AGM) of the Company to be held on 27 April 2017, all Directors will again be subject to re-election or, in the case of Angela Knight, to election, by shareholders in accordance with the Code. Biographical details of each Director can be found on page 55.

## Employee diversity

Diversity and inclusion remained an area of clear focus throughout 2016 which will continue into 2017 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 page 73. The strategy focuses on the challenges faced in developing an inclusive and diverse workforce. This includes working with specialist external bodies to maximise all opportunities, including:

- Developing our policy and both raising and meeting the expectations from our employees;
- Enhancing our awareness through a range of training programmes; and
- Improving how we attract and recruit candidates to enable us to create a workforce that is inclusive; has diverse skills; and is creative and innovative.

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 and society as a whole. 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 2016. Within Taylor Wimpey, diversity has remained a key priority for the Board's agenda and this will continue to be the case during 2017. 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 – We continue to work through the data that will drive Gender Pay Gap reporting requirements. Analysis is being carried out to understand the sensitivities in the data that cause variances in results in different reporting periods. For example in the months in which sales bonuses and commission are paid the gender pay gap is smaller when compared to those months where none is paid. This understanding will enable us to form the context behind the eventual reported data.

For good order there is a parallel piece of work which is looking at equal pay at an individual employee level to ensure there are no discrepancies based on gender. This does not impact on the results of the higher level reporting requirements.

## NOMINATION COMMITTEE REPORT CONTINUED

The annual increase to the National Minimum Wage became effective on 1 October 2016. All monthly paid employees are paid the higher National Living Wage or above except a small number (nine people) who are paid between National Minimum Wage and National Living Wage due to age. For our weekly paid employees all Trades and Cleaners are paid above National Living Wage except apprentices who are paid according to a different national pay scale.

Aligning benefits for weekly and monthly paid employees – We now offer increased life cover and healthcare provision for weekly employees.

Revising our Maternity / Paternity Policy – We recognise that many employees choose to combine working and having children and that employees may have family responsibilities and obligations in addition to the responsibilities they have to the Company. Taylor Wimpey therefore wishes to enable employees to fulfil their family responsibilities in relation to the situations set out in the Family Friendly Policy. Employees will be given the appropriate assistance and encouragement to return to the Company after family leave, so that the skills and experience of valuable staff at every level are retained. Close communication is vital in order to discuss and plan the time away from work, the continued communication during absence, and to talk through other issues including settling back into work and access to information regarding statutory rights and the Company's rules, policies and procedures in relation to family leave. We now offer a more competitive reward package which includes enhanced maternity and paternity pay.

Trialling a flexible working policy in our Southern Counties regional business, for which the data and feedback will be available for review during 2017.

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.

The Group has started preliminary work with the Royal National Institute for the Blind ('RNIB') to audit the Company's website for ease of access for visually impaired users.

A key focus during 2017 will be 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.

With regard to gender, as at 31 December 2016:

- The Board consisted of nine Directors, two of whom are women (22%).
- 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%).
- There are two women out of 24 Regional Managing Directors (8%).
- Women across the Group account for 32% (2015: 32%) of the workforce.
- 31% (2015: 27%) of new starters with the Company during 2016 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 2017 to achieve further progress in this area.

### COMMITTEE ACTIVITIES DURING 2016

As noted on page 69, the Committee met on two occasions during 2016 and the activities at each meeting were:



- Review of succession planning progress and further plans, for
  - The Board;
  - The Non Executive Directors;
  - Board Committees; and
  - The Executive levels immediately below the Board.
- Review of progress and plans for developing talent.
- Review of progress and plans for contingency planning.
- Review of Board composition.
- Presentation on research by the Institute of Chartered Secretaries and Administrators / Ernst & Young on proposals by the FRC / The Investment Association regarding Nomination Committee role and visibility generally.



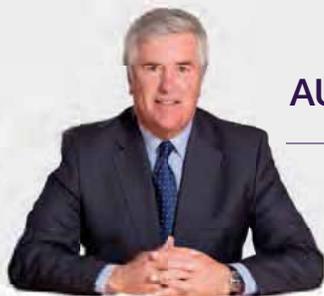
- Oversaw the selection and appointment of Angela Knight in succession to Margaret Ford as an Independent Non Executive Director.
- Received an update of progress around Group succession planning and related development plans.
- Received an update on contingency planning for key Executives below Board level.
- Recommended to the Board, following a review of the individuals' performance, that Kate Barker 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 2017 AGM, should each continue in office and be recommended for re-appointment at the AGM.

## 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.	The Working Party together with our Specialist Consultants completed the Strategy and Action Plan Document in the first quarter of 2016 and, after review by the Board, received approval to implement it. Throughout the year comprehensive training sessions have been delivered to the management teams of our businesses and Head Office functions. In 2017 we plan to cascade the key elements of the training sessions to all employees using e-learning modules. Diversity and inclusivity will become a core training module for all newly-appointed Directors and Managing Directors and will be a key module of our induction programme for new starters.
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.	Following the success of our involvement with the Leonard Cheshire Disability Change 100 programme in 2015, during which one of the students was recruited by us as an Apprentice Site Manager, we further engaged with the charity in 2016 by offering disabled students a summer internship and professional development programme. Once again the scheme proved to be a great success and we will continue our involvement in 2017. 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.
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 continue to work with our recruitment partners to ensure they understand and embrace our diversity and inclusivity agenda. We recruited 147 apprentices (2015: 98), including 54 site management apprentices (2015: 29), 30 management trainees (2015: 22) and 20 graduates (2015: 19). We remain on target with the recruitment of our Site Management Apprentices. 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. We introduced a new HR Information System which we believe will better capture data relating to all aspects of diversity and inclusion. We continued to partner with a number of specific diversity partners in 2016 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. 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. We have also updated the Careers section of our website to include a dedicated Diversity and Inclusion section highlighting our focus on this area.

## AUDIT COMMITTEE REPORT



### 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.

### 2016 PERFORMANCE

- Oversaw compliance with requirements affecting Audit Committee matters in the April 2016 update of The UK Corporate Governance Code ('the 2016 Code').
- Monitored the implementation of IT initiatives, particularly in the area of cyber security.
- Monitored the implementation of the new Group consolidation and reporting system.
- Oversaw the implementation of initiatives relating to the effectiveness of both the Internal Audit function and the Risk Management Framework.
- Considered the Group Fraud Risk Assessment to ensure appropriate measures remain in place.
- Ensured the continuing robustness of the Risk Management Framework to changes in the operating environment.

### 2017 KEY AREAS OF FOCUS

- Oversee 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.
- Monitor planned initiatives to drive enhancements across those core processes that involve both the Finance and Commercial functions to further support operational activity.
- Monitor those significant IT initiatives that are underway to 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.
- Receive the Group Legislative and Regulatory Risk Assessment and ensure that appropriate measures and controls are in place and are robust.

### Audit Committee

The Audit Committee is chaired by Rob Rowley. All members of the Committee are Independent Non Executive Directors as required by the Code. During the year, Angela Knight, who was appointed to the Board on 1 November 2016, joined the Committee on that date and brings a wealth of financial experience and expertise, which will augment the Committee's skill sets. The Board has determined that Rob Rowley (who currently chairs the audit committee at Greene King plc) and Humphrey Singer each have recent and relevant financial experience as required by the Code. In addition, and in line with the 2016 Code, the Board considers that the Audit Committee when considered on a whole has the necessary competence relevant to the housebuilding sector in which the Company operates.

Committee members	Number of meetings attended
Rob Rowley (Chairman)	3/3
Kate Barker	3/3
Mike Hussey	3/3
Angela Knight <sup>(a)</sup>	1/1
Humphrey Singer <sup>(b)</sup>	2/3

(a) Appointed on 1 November 2016.

(b) Due to urgent attendance at another company's meeting, by prior agreement with the Board and the Committee, as explained in more detail on page 57.

### DEAR SHAREHOLDER

I am pleased to be able to take this opportunity 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 2016; and the priorities established for 2017.

The Committee supports 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; 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 2016 it was determined that they remain valid and reflect the Committee's responsibilities under the UK Governance Code ('the Code') and related regulations.

The Committee conducts an annual evaluation of its performance against its key objectives. The evaluation for 2016 was recently formally assessed by the Committee at its February 2017 meeting.

The key performance areas of the Committee during 2016 are set out opposite and described in more detail on page 75.

The Committee's key areas of focus for 2017 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 appointment of Angela Knight to the Committee with effect from 1 November 2016 will provide an additional skill going forward, and meetings with the external auditor and the Head of Internal Audit, independent of the Executive, also assist in ensuring that reporting, forecasting, and risk management processes are subject to rigorous review throughout the year.

In April 2016 the Financial Reporting Council ('FRC') issued guidance on Audit Committees and updated the Code, with the aim of further improving 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. This guidance was very much welcomed and I can assure shareholders that your Committee is well positioned to continue to do this.

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

**ROB ROWLEY**

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.

The Audit Committee met on three occasions during the year. The reports considered at the February 2017 meeting concluded the Committee's activities with regard to the Company's 2016 reporting and have been included on page 75.

At those meetings, the Committee carried out its remit which primarily includes at its February 2016 meeting:

- Reviewing the final draft 2015 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 processes in place to underpin it.
- Reviewing the Group's 2015 draft Full Year Results Statement; and advising the Board regarding the appropriateness of the proposed final dividend on ordinary shares for 2015 and special dividend for 2016.
- Conducting the 2015 year end risk review.
- Leading the appraisal of the external auditor's performance during the audit of the Company's 2015 results.
- Reviewing the Committee's performance against its agreed objectives for 2015 and setting its key objectives and priorities for 2016.
- Holding a private meeting with Deloitte.

at its July 2016 meeting:

- Reviewing the final draft Half Year Statement for 2016 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.
- Conducting the 2016 half year risk review.
- Receiving the Group fraud risk assessment.
- Receiving a detailed presentation on progress to date and plans for further improving the Group's resilience to cyber attacks.
- Advising the Board regarding the appropriateness of the proposed interim ordinary dividend for 2016 and special dividend for 2017.
- Reviewing Deloitte's audit plan for the audit of the Company's 2016 accounts, and report on the progress of the audit to date.
- Holding a private meeting with Deloitte.
- Holding a private meeting with the Head of Internal Audit.

at its December 2016 meeting:

- Reviewing and confirming the processes which allow the Committee to ensure that the 2016 Annual Report and Accounts meets the requirements of Code provision C.1.
- Reviewing and confirming the processes which allow the Committee to assess the performance of Deloitte during the audit of the Company's 2016 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 2017 AGM.
- Receiving a briefing on key accounting judgements with regard to the Company's 2016 accounts.
- Overseeing the process leading to the Board's Viability Statement included in its 2016 reporting.
- Conducting the 2016 year end risk review.
- Receiving a detailed presentation on progress to date and plans for further improving the Group's resilience to cyber attacks and wider IT security generally.

at its February 2017 meeting:

- Reviewing 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; conducting a formal compliance check.
- Reviewing the Group's draft 2016 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.
- Concluding the 2016 year end risk review.
- Holding a private meeting with Deloitte.

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 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 the Company's external auditor. In monitoring the financial reporting practices, the Audit Committee reviewed accounting policies, areas of judgement, the going concern assumptions and compliance with accounting standards and the requirements of the Code. During the year, the Committee reviewed, prior to publication, other statements affecting the Group concerning price sensitive information as necessary.

### **Committee competence**

A key requirement of the FRC's April 2016 guidance on Audit Committees was 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 of both chairing and being a member of Audit Committee. I currently chair the Audit Committee at Greene King plc and previously at moneysupermarket.com Group PLC which gives 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: Kate Barker, who 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; Mike Hussey, who has in-depth experience in land development and marketing; Angela Knight, who joined the Committee on 1 November 2016 and brings experience of financial services and banking; and Humphrey Singer, who is the Group Finance Director of Dixons Carphone plc and has detailed knowledge of financial reporting preparation and compliance for public companies.

Between us, I am confident that the members of the Audit Committee have the necessary competence relevant for the house building sector as envisaged by the 2016 Code.

As described earlier in the Nomination Committee Report on page 70, 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 Humphrey Singer 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. 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 44 to 47, together with information on action taken and / or planned to mitigate each one.

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.

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.

**AUDIT COMMITTEE REPORT CONTINUED****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 undertook a formal assessment of the external audit process during the external audit of the Company's 2016 results and of Deloitte's suitability going forward.

This review took 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 2017 AGM on page 154, that Deloitte LLP should continue as auditor to the Company.

**Tender**

A formal competitive audit tender process was carried out by the Company with regard to the 2008 audit, following which Deloitte was selected to continue as external auditor to the Company. The current lead engagement partner is Edward Hanson, whose responsibility for the audit under Deloitte's partner rotation scheme commenced with the 2014 audit. The Code requires FTSE 350 companies to put the external audit contract out to tender at least once every 10 years. The Company also notes the guidance issued by the FRC by way of transitional arrangements. Therefore, and having due regard to the foregoing, having conducted a tender process in 2007/2008, the Company presently intends to defer tendering again, until completion of Edward Hanson's rotation following the conclusion of the audit of the 2018 accounts in 2019, but 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 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.

The Committee has reviewed this policy in light of the new regulation set out in the EU Audit Directive and Audit Regulation 2014. These Regulations came into force on 17 June 2016 and apply 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 forthcoming new regulation, this policy will be conducive to the maintenance of good governance, best practice and auditor independence and objectivity. Non-audit services in 2016 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 2016, 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 2016 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 2016 (2015: £0.2m) as set out in Note 6 to the Accounts on page 118.

**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. Following each review an Internal Audit report is provided to both the management responsible for the area reviewed and the Group Management Team (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 during 2016 to ensure the Internal Audit function continues to meet both current best practice and the evolving needs of the Group.

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

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.

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 operational risk reviews across the business, led by the GMT. These reviews during 2016 resulted in a number of enhancements to internal controls, designed to reduce or better manage risk across the business. These included issuing of an updated Commercial Manual with improved processes, controls and monitoring; restating the critical elements of the Customer Journey process; and initiating work to strengthen supply chain interfaces.

With regard to cyber risk, the Committee oversees the actions being taken to monitor Information Technology (IT) initiatives which aim to either directly protect and reduce the risk of cyber type attacks and fraud, support and enhance the current IT environment 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 2017, 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 44 to 47 of this Annual Report.

### 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 an exercise is currently underway to update it including the ability for workers to make protected disclosures 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 44 to 47. 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 47 together with details of the processes, assumptions, and testing which underpin it.

## Annual Report and Accounts 2016

### Code provision C.1

The Board has responsibility under 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 on pages 48 to 52.
- Ensured that it correctly reflected the Company's business model, as described on pages 25 to 41.
- Ensured that it correctly described the Company's strategy, as described on pages 26 to 27.
- Ensured that it presented a consistent message throughout.
- 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

As part of the above process, the Committee considered the following significant items in connection with the preparation of the 2016 Annual Report and Accounts:

- That the carrying value of inventory is reflective of the lower of cost and net realisable value and all relevant disclosures are included in the accounts. The Company carries out a net realisable value assessment for inventory every six months, the process and results of which are discussed by the Audit Committee.
- That the assumptions used in calculating the net pension liabilities are reasonable and supported by appropriate data and external advice. The Company takes external advice, including market-wide comparisons, in valuing pension assets and liabilities. These are discussed and agreed by the Committee.
- The Committee also satisfied itself that the underlying business processes that dictate the way in which inventory is costed and allocated remains appropriate.

As part of the year-end process the Audit Committee received updates on other judgemental areas including provisions and taxation. The presentation of exceptional items and changes to IFRS were also considered when reviewing the 2016 Annual Report and Accounts.

### Conclusion

A summary of the process and of the Committee's findings, was considered by the Board at its meeting on 23 February 2017. The outcome of that review was that the Committee confirmed to the Board that the 2016 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 63.

## REMUNERATION COMMITTEE REPORT

### KATE BARKER

Chairman of the  
Remuneration  
Committee



#### MAIN OBJECTIVE

- To establish and maintain formal and transparent procedures for developing policy on executive remuneration; to propose to the Board a suitable remuneration policy which challenges and motivates the senior management team to deliver the Company's strategy and deliver value for our shareholders; to agree the remuneration packages of individual Directors and senior executives; and to monitor and report on them.

#### 2016 DEVELOPMENTS

- Supported delivery of the Company's strategy through a Remuneration Policy allied to robust and stretching targets that ensured that the potential and actual reward available to Executive Directors and wider executive team was closely linked to performance measures reflecting those achievements.
- Reviewed the Remuneration Policy with the support of the Committee advisers and consulted with shareholders and shareholder bodies ahead of the submission of the New Policy to shareholders for approval at the 2017 Annual General Meeting.
- Continued the process of increasing alignment with shareholders through encouraging greater participation in our all-employee share plans and share ownership guidelines at management levels below the senior team.
- In conjunction with the Board, further increased participation by our employees in the all-employee share plans.

#### 2017 OBJECTIVES

- To carefully monitor Company performance in relation to the achievement of its strategic goals, so as to ensure that the potential and actual reward available to Executive Directors and the wider executive team remains closely linked to performance measures reflecting those achievements.
- To prepare for the implementation of the New Remuneration Policy (subject to its approval by shareholders at the 2017 AGM).
- To continue the process of increased alignment with shareholders through increased participation in our all-employee share plans.
- To review ways in which employees and stakeholder views are taken into account at Board level.

#### 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)	2/2
Kevin Beeston (Chairman)	2/2
Angela Knight <sup>(a)</sup>	0/0
Rob Rowley	2/2
Margaret Ford <sup>(b)</sup> (Former Member)	2/2

(a) Appointed on 1 November 2016.

(b) Resigned on 1 November 2016.

#### DEAR SHAREHOLDER

Following my appointment to the position of Chairman of the Remuneration Committee on 1 June 2016, having served on the Committee since April 2011, on behalf of the Board, I am pleased to summarise the Company's current Remuneration Policy ('the Current Policy') and the way it has been implemented during 2016.

Looking ahead, I also explain in this report the Committee's thinking with regard to the design and structure of the revised Remuneration Policy ('the New Policy') which is being put forward to shareholders for approval on a binding basis at the 2017 Annual General Meeting. If approved, the New Policy, will operate from the conclusion of the 2017 AGM until our AGM in 2020.

The Committee continues to remain very mindful of the interest in executive remuneration. The Committee has therefore carefully reviewed and taken into consideration the developments in corporate governance and best practice during the year. In line with this, the Committee has again sought to ensure that the remuneration policies and practices at Taylor Wimpey, and the New Policy being proposed at this year's AGM, are clearly explained and justified such that they will drive behaviour that is both appropriate and in the long term interests of the Company and its shareholders.

The Committee has continued its much-valued and long established practice of engaging and consulting with its key institutional investors and also with shareholder representative bodies with regard to Director remuneration, focusing in particular on obtaining feedback on the proposals for the New Policy. As in previous years, the Committee has considered and taken into account all of the feedback which it has received and is, as ever, very grateful for the constructive engagement that has taken place.

Shareholders approved the Current Policy at the 2014 AGM, with a vote in favour of in excess of 98%. Subsequent years' Remuneration Reports detailing the application year on year of the Current Policy were approved by shareholders with votes in favour of in excess of 99% in 2015 and 98% in 2016. I believe that this level of support indicates that the Current Policy has been appropriate and proportionate and that shareholders have recognised this. Accordingly, the Committee has very much borne this in mind when considering the framework of the New Policy.

The Committee remains firmly committed to ensuring that the remuneration of the Executive Directors and Senior Management Team supports and drives the Taylor Wimpey strategy based on a framework which both challenges and motivates the Senior Management Team to deliver the strategy and value for our shareholders.

A summary of the changes proposed between the Current Policy and the New Policy is set out on page 81 and as can be seen, only limited changes are being proposed for shareholder approval. One change that we are proposing relates to pension contributions: so as to ensure that Directors are treated the same as other senior executives, the pension contributions for any future Director appointed to the Board will be reduced from the current maximum of 30% of salary down to 20%. Secondly, the malus and clawback provisions which were introduced in 2015 so as to apply to the long term incentive plan (in the same way as they already applied to the annual bonus scheme) are now included in the Policy table.

## PERFORMANCE MEASURES AGAINST OUR STRATEGY

The Remuneration Committee closely links performance targets and remuneration with the achievement of the Company's strategic objectives. Those objectives are set out on pages 26 to 27 and the Remuneration Committee was mindful of the Medium Term Strategy

announced by the Company in May 2016 when setting the various performance targets for executive management. The link between performance targets and strategy is set out below and also later in this Report on page 88.

### Measures in our Variable pay plans

### Link to Strategic Priorities

#### Financial measures in Annual Incentive Plans

Revenue, Trading Profit, Cash	To maximise revenue and margin, generally without increasing turnover, and ensure that a significant majority of the profit is available as cash to service dividends to shareholders
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#### Business objectives in Annual Incentive Plans

Re-investment	Provide for replenishment of raw materials for the business, primarily land but also e.g. staff development, whilst remaining within the agreed strategy and budget constraints
Processes	Develop and improve robust processes to deliver the strategy in a safe and environmentally friendly manner
People	Develop the team; spot and encourage talent and progression; maintain robust succession planning; and monitor employees' satisfaction
Customers	Improve quality, reliability and responsiveness to customer concerns

#### Performance measures in our Performance Share Plan

Alignment with shareholder interests	Total Shareholder Return ('TSR') compared to the FTSE 100 and to major UK housebuilders
Efficient use of capital	Improving returns on capital invested in each project; development; and business; ensuring capital allocations encourage efficiency and provide for sufficient return to shareholders
PBIT Margin	Margin is a key indicator, both for investors and for the Company's strategy of driving margin rather than volume
Cash conversion	Ensure that a significant majority of profit is available as cash to service dividends to shareholders

The Remuneration Committee is confident that the New Policy will ensure that the level of remuneration in place and its linkage to the achievement of increasing shareholder value continues to remain appropriate. In particular, the New Policy is designed to: ensure that executive remuneration will continue to be directly related to the achievement of the Company's strategic aims; link a significant proportion of pay to performance, with appropriate and robust performance criteria and targets; directly relate increases in pay and pension to the workforce in general; have no retrospective adjustment or re-testing of performance or related metrics; and remain sufficiently flexible to address changing circumstances as they arise but within carefully agreed parameters. The Remuneration Committee therefore commends the New Policy to shareholders as Resolution 20 at the 2017 AGM as set out in the Notice of Meeting on page 155.

The New Policy is subject to a binding vote of shareholders and is included in this Report in full. The Annual Report on Remuneration, which describes the implementation of the Current Policy during the year, will again be subject to an advisory vote by shareholders. Voting on both the New Policy and the Annual Report on Remuneration, will take place at the forthcoming AGM to be held on 27 April 2017.

The Committee is also proposing at the AGM to seek approval for a new long term incentive plan in the form of a new Performance Share Plan (the 'New Plan'). The New Plan, is intended to operate for a period of ten years and will effectively be based on the Existing Performance Share Plan, other than incorporating some revisions to the Rules in order to bring them into line with current and best practice. Although the Existing Plan's ten year life does not expire until 16 April 2018, having been approved by shareholders in 2008, the Committee considers it to be appropriate to

invite shareholders to vote on the proposed New Plan at the same time as they vote on the introduction of the New Policy referred to earlier. A summary of the rules of the proposed New Plan is set out in the Appendix to the Notice of AGM on pages 161 to 163.

### Salaries

The general annual salary increase being proposed throughout the Company is 2% of salary and it is proposed that this will also apply to the three Executive Directors. As in previous years, salary increases for the year (2017) will take effect from 1 April.

### Annual Bonus Scheme

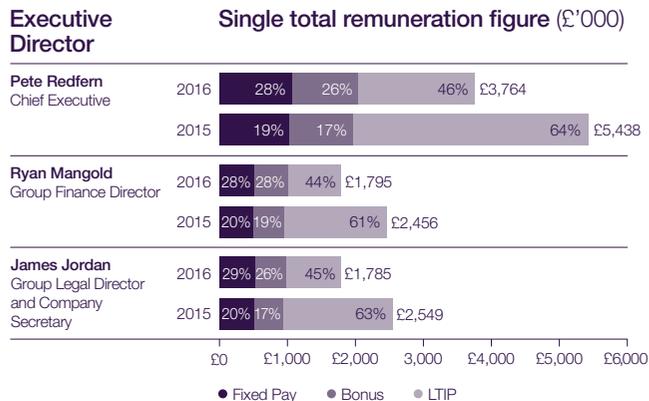
During the year, the Company performed strongly against its financial targets, namely: Earnings Before Interest and Tax, Return on Capital Employed and Cash Conversion. The Company did not however meet the challenging Customer Service target that was set for 2016 and which attracted a 20% weighting. Improving customer service will continue to remain an area of ongoing focus by the management team during 2017. Based on the performance of the Company against its targets, the bonus outturn for 2016 was 120% of the maximum bonus potential of 150% of salary. Consistent with recent practice, one-third of this incentive for the Executive Directors will be deferred into shares to be held on trust for three years without any matching element. For 2017, the Committee is proposing that the structure of the Annual Bonus Scheme in terms of metrics and weightings should remain unchanged.

Full details of the performance targets and the relative achievement against each, are set out in detail on page 92.

## REMUNERATION COMMITTEE REPORT CONTINUED

**Executive Directors' single figure**

The following chart compares the 2016 single figure for total remuneration for each of the Executive Directors with the equivalent figure for 2015. The figures for 2015 have been restated (as explained in note (d) on page 90) so as to provide a more meaningful comparison by only including the 2013 PSP awards that vested in the 2015 figures.

**Long Term Incentive Plan**

The level of vesting under the Performance Share Plan awards made in 2014 reflect the increasingly challenging targets that were set for participants and the impact on the TSR measure of some wider economic uncertainties. However, other key performance metrics continued to perform strongly, including increases in Return on Capital Employed; Operating Profit Margin; and Cash Conversion from 27.1% to 30.7%; 20.3% to 20.8%; and 67.0% to 81.4%, respectively, during the three year performance period to the end of 2016. This improvement in financial performance has contributed, notwithstanding the market uncertainty referred to above, to a c.38% increase in Taylor Wimpey's share price over the same period (from 111.5p on 31 December 2013 to 153.5p on 31 December 2016) and a total shareholder return of c.56% over the same period, which resulted in a significant increase in value for our shareholders commensurate with the level of the awards that have vested.

The Committee believes that the level of achievement under both the Annual Bonus Scheme and the Long Term Incentive Plan reflects the Company's excellent underlying performance, which is described in the Chairman's Statement on page 12 and the Chief Executive's Statement on page 18.

The operation of the incentive arrangements for 2017 will be unchanged structurally. With regard to the Annual Bonus Scheme, this scheme will retain EBIT, ROCE (RONOA) (see page 88), Cash Conversion and Customer Service as measures with the same metrics and weighting.

Subject to shareholder approval, a new Performance Share Plan (the 'New Plan') will be introduced for awards made after 2017. For awards made in 2017 under the Existing Plan, margin on a PBIT basis will be re-introduced as a performance metric. The Committee believes this measure continues to be a key indicator for investors and for the Company's overall strategy of driving margin. To enable this change, Cash Conversion will have a reduced weighting (from 25% to 15%). ROCE will also have a reduced weighting (from 25% to 20%). The ROCE performance measure has itself been stretched from a range of 26% (last year's stretch) to 30%; the Cash Conversion target has been stretched from 65%-70% to 65%-75%; and the new PBIT Margin target is 20%-22% which is designed to broadly reflect the Company's announced medium term strategy in seeking to further increase the expected returns from the business. TSR versus the FTSE 100 and TSR versus the designated industry peer group will remain unchanged.

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 strongly aligned with those of the Company's shareholders in three ways: through the share ownership requirements described on page 94 (the level of which the Committee will keep under regular review); via the requirement to defer each year one third of their annual bonus into shares which are then required to be held on trust for three years (described in more detail on page 83), and through the requirement to retain for one year after vesting, the net post-tax benefit deriving from any vesting of the PSP award for 2014 (rising to a two year retention for awards in 2015 and subsequent years).

The Committee supports the "employee voice" proposals currently under consideration by the Government and in anticipation of this, the Company is already putting in place a National Employee Forum which will build upon the existing regional Employee Consultative Committees. It is intended that both the Chairman and I (from a remuneration perspective) will have some engagement with that Forum, which I very much look forward to.

The Committee believes that both its remuneration framework including the incentives for further improving performance that have been awarded during the year, together with the New Policy and the New Plan being proposed for future years, support the Company's strategy to deliver enhanced returns to shareholders. The Committee also believes that the Annual Bonus Scheme payments and the level of vesting of awards under the Existing Performance Share Plan reflect the Company's success to date in the delivery of that strategy.

I do very much hope that you will again feel able to support the level of remuneration paid with respect to 2016, our remuneration proposals for 2017, and both the proposed New Policy and New Plan at this year's Annual General Meeting.

**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 2016 Remuneration Report includes disclosures which reflect in full the Regulations on remuneration reporting, divided into two sections:

- Remuneration Policy Report: this sets out details of the new Remuneration Policy, describing the framework within which the Company remunerates its Executive Directors and other senior executives (subject to shareholder approval). If approved by shareholders at the 2017 AGM, it will replace the Current Policy (approved by shareholders at the 2014 AGM) and will apply for a period of three years from the date of the 2017 AGM or until a revised Policy is approved by shareholders if sooner. Any existing remuneration commitments or contractual arrangements such as historical share awards, agreed prior to the approval and implementation of this Policy in accordance with any policy in place at the time, namely before 27 April 2017, will be honoured in accordance with their original terms.
- Annual Report on Remuneration: this sets out how the Company's existing Remuneration Policy was applied during 2016 and how the New Policy will be implemented in 2017, subject to shareholder approval of the New Policy at the 2017 AGM. The Annual Report on Remuneration will be subject to an advisory resolution at the AGM on 27 April 2017. Details of the resolution and its status as an advisory vote are set out in the Notes to the Notice of Meeting on page 154.

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 17 April 2014, contains unaudited information. Some elements of the Annual Report on Remuneration, which describes how the Committee has implemented its existing policy in 2016, contain audited information.

## Remuneration Policy Report

### *Unaudited information*

This part of the Report has been prepared in accordance with Part 4 of Schedule 8 set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

The Company's existing Remuneration Policy was subject to a binding shareholder vote at the 2014 Annual General Meeting of the Company and was approved by 98% of shareholders who voted.

The Company is proposing to shareholders the New Policy at the forthcoming 2017 AGM, in order to meet the requirement for such policies to be submitted to shareholders at least every three years. The New Policy is again 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 Senior Management Team to deliver it and drive value for our shareholders. Details of the proposed New Policy and a comparison with the Current Policy are set out on pages 82 to 84.

The main changes proposed in the New Policy, the full text of which is set out on pages 82 to 84, are, for convenience, summarised below:

- The formal inclusion of malus and clawback provisions into the policy table in respect of the Performance Share Plan;
- The reduction in the maximum pension contribution for future Directors;
- The inclusion of reimbursement of reasonable business-related expenses incurred by Non Executive Directors;
- The introduction of the New Performance Share Plan (the 'New Plan') based on the Existing Plan, which is also in the form of a performance share plan.

Malus and clawback provisions have applied to Annual Bonus Scheme awards for a number of years and more recently to awards made under the Long Term Incentive Plan. Where there has been misstatement of results, error in calculating the incentive payment, or misconduct on the part of the individual, the Committee has the ability to seek to recover any overpaid bonus or share plan award. This applies for a period of up to three years following the determination of the performance conditions applying to the award and can be effected by reducing (if necessary to zero) the payment or vesting of any future cash bonus or share plan award or by requiring the individual to repay the overpaid amount.

The Remuneration Policy Report as approved by shareholders at the Company's 2014 AGM is set out on the Company's website at [www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance](http://www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance). The Company's proposed New Policy appears on pages 82 to 84.

## 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 interests of the Company's shareholders. This alignment is achieved through a combination of deferral into shares of a percentage of the Annual Bonus Scheme; a retention period for vested long term incentive awards; and share ownership guidelines which require executives to build up holdings of Taylor Wimpey shares, either directly or by retaining vested long term incentive share awards. These guidelines, which the Committee reviews on a regular basis, require Executive Directors to put in place a plan to accumulate a holding in the Company of twice their basic salary within a specified period.

The Committee's Remuneration Policy ensures that a significant percentage of the overall package of Executive Directors and senior management remains at risk. With all packages for Executive Directors substantially geared towards meeting targets set under the annual bonus and long term incentive schemes, 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 The Investment Association's Guidelines on Responsible Investment Disclosure, 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.

The Committee considers that no element of the remuneration arrangements, which are all very carefully considered, will encourage inappropriate risk taking or behaviour by any executive.

## 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 salaries 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: <ul style="list-style-type: none"> <li>– the performance, role and responsibility of each individual Director;</li> <li>– the economic climate, general market conditions and the performance of the Company;</li> <li>– the level of pay awards across the rest of the business; and</li> <li>– salary levels in comparably-sized companies and other major housebuilders.</li> </ul>	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: <ul style="list-style-type: none"> <li>– increase in scope or responsibilities of the role;</li> <li>– to apply salary progression for a newly / recently appointed Director; and</li> <li>– where the Director's salary has fallen significantly below the market positioning.</li> </ul>	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 <sup>1</sup> , 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: <ul style="list-style-type: none"> <li>– company-provided car or a cash allowance in lieu;</li> <li>– provision of a fuel card;</li> <li>– life assurance;</li> <li>– private medical insurance; and</li> <li>– a 5% discount on the price of a new or part exchange home acquired from the Group in the UK or Spain.</li> </ul> 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	<p>Rewards the achievement of stretching objectives that support the Company's annual and strategic goals.</p> <p>Compulsory deferral in shares (with no matching) is designed to further align the interests of Directors with shareholders.</p>	<p>Bonus awards are determined by the Committee after the year end, based on annual performance against targets set at the beginning of each year.</p> <p>One-third of any bonus payable is deferred into shares for three years and held in trust. No further performance conditions apply.</p> <p>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.</p> <p>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.</p> <p>No element of the Annual Bonus Scheme is pensionable.</p>	<p>The maximum Annual Bonus Scheme opportunity for Executive Directors is set at 150% of base salary. Target is set at 75% of salary and threshold at 0%.</p>	<p>The Annual Bonus Scheme 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.</p> <p>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.</p>
Long Term Incentive Plan (Existing Plan)	<p>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.</p> <p>The use of shares and a post-vesting shareholding period helps align the interests of senior executives with those of the Company's shareholders.</p>	<p>Executive Directors and other designated senior executives can receive annual awards of performance shares.</p> <p>Awards of performance 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.</p> <p>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.</p> <p>Performance measures are currently measured over three financial years.</p> <p>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.</p>	<p>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%.</p>	<p>The targets and weightings for 2017 are described in the Annual Report on Remuneration.</p> <p>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.</p> <p>Awards vest 20% for threshold performance and 100% for maximum performance with straight line vesting in between.</p>
Pension	<p>The Company aims to provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders<sup>3</sup>.</p>	<p>Pension benefits for Executive Directors are provided through one or more of the following arrangements:</p> <ul style="list-style-type: none"> <li>– Personal Choice Plan<sup>4</sup>;</li> <li>– Taylor Wimpey Pension Scheme<sup>5</sup>;</li> <li>– or as cash allowances.</li> </ul>	<p>Pete Redfern: cash allowances of 20% of salary up to a scheme specific cap and 25% of salary above the cap.</p> <p>James Jordan: cash allowances of 20% of salary up to a scheme specific cap and 28% of salary above the cap.</p> <p>Ryan Mangold: 20% of salary, split between a cash allowance and Company pension contribution.</p> <p>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.</p> <p>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.</p>	N/A

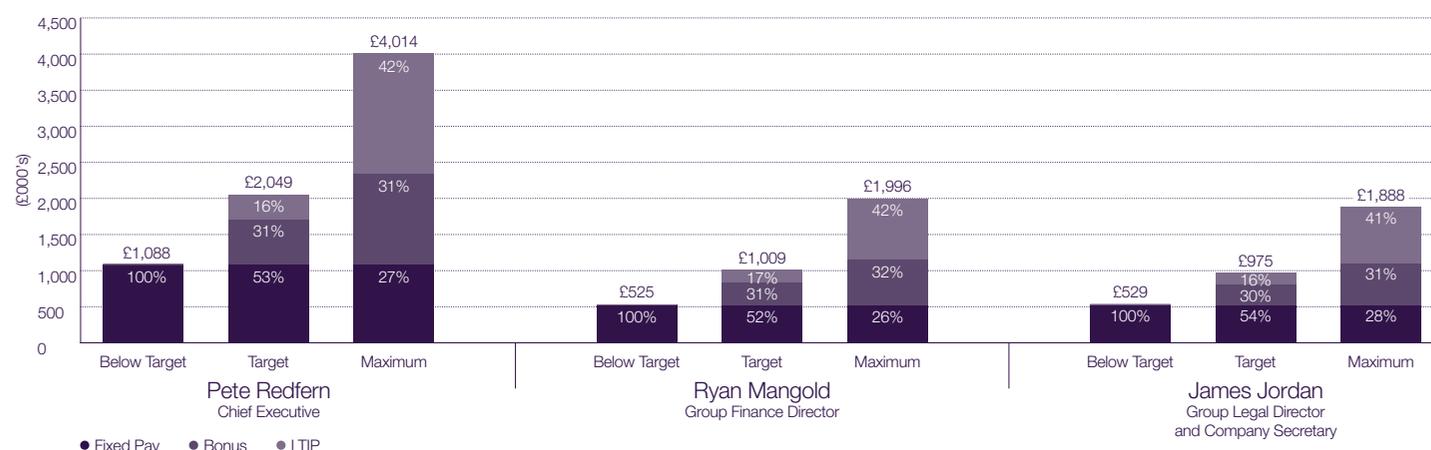
REMUNERATION COMMITTEE REPORT CONTINUED

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) <sup>2</sup> .	N/A

1. The Company makes a contribution to the Chairman's office-related and other expenses, as reported on page 90.
2. 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 performance share plan 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.

Performance criteria pay charts 2017

The charts below illustrate the level and mix of remuneration based on the New Policy depending on the achievement of threshold, target and maximum for the Executive Directors under the policy.



1. Salary is £836,118, £420,240 and £388,198 for Pete Redfern, Ryan Mangold and James Jordan, respectively with effect from 1 April 2017.
2. Benefits are £50,000, £21,000 and £44,000 for Pete Redfern, Ryan Mangold and James Jordan, respectively.
3. Pension is £201,500, £84,048 and £96,647 for Pete Redfern, Ryan Mangold and James Jordan, respectively.
4. For the Annual Bonus Scheme the target and maximum award is 75% and 150% of salary, respectively.
5. For performance share awards under the Long Term Incentive Plan (Existing Plan) the target (assumed for these purposes to be at threshold performance) and maximum are 40% and 200% of 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.

With regard to the Annual Bonus Scheme and Performance Share Plan, 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 82 to 84):

- 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; and
- 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 that 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 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 2016 and included the proposed new Remuneration Policy and the performance targets and weightings of the Annual Bonus Scheme and the Long Term Incentive Plan and salary proposals for 2017 to be proposed in line with the New Policy being submitted to shareholders at the forthcoming AGM.

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 is already putting in place a National Employee Forum

(the 'NEF') which will work with members of the Group Management Team and build upon the existing regional Employee Consultative Committees. During 2017, the NEF will receive updates and provide feedback and input into specific matters such as remuneration, 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 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 Annual Bonus Scheme 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 bonus and include profit before interest and tax as this reflects the Company's strategic objective to increase profit. 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 Long Term Incentive Plan 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 unweighted 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 the 50 companies ranked immediately above and below the Company for 2015 awards; to the FTSE 100 for 2016 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. Only a modest level of rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of our challenging plans approved at the start of each year.

### Additional information – performance metrics for 2017 awards

The Remuneration Committee reviewed the performance metrics and relative weightings for both the Annual Bonus Scheme (annual cash bonus plan) and the Existing Plan. Those for the Annual Bonus Scheme remain unchanged (save for amending the targets).

For the Existing Plan, the two TSR measures are retained, versus FTSE 100 and a peer group, and continue to aggregate 50% of the performance target, reflecting the importance of a direct link to shareholder interests. The ROCE and Cash Conversion targets are also retained, but with lower weightings of 20% (2016 award: 25%) and 15% (25%) respectively. This permits the addition of a fifth metric for 2017, namely, PBIT Margin, which is re-introduced at 15% of the award, having been replaced for the past two years by Cash Conversion. Margin remains a key indicator for investors and directly links to the Company's strategy of driving margin rather than volume.

**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 and Stay Safe Committees. His current fees total £57,000 per annum (2015: £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 remuneration across the Group and for all levels of employee every three years. This review now coincides with the work that is undertaken in connection with the renewal of the three year Remuneration Policy.

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 remain keen to promote.

The Company also offers both Sharesave and SIP schemes to all eligible UK employees with more than three months' service.

In the past, the Company also operated the Land Value Plan (LVP) for senior divisional and functional roles with payouts in shares. The LVP operated from 2012 to 2014 with awards made to participants in each year and was open to designated senior executives below Executive Director level. It was designed to reward participants for managing the landbank in a way which added value, through a combination of managing and adding value to the existing land portfolio and buying land and adding value over and above the base case for each acquisition. Performance was measured over a three year period and awards to senior participants were in shares which were required to then be retained for 12 months. The LVP addressed a strategic imperative for the period in question and has now been withdrawn, with participants instead considered for full participation in the Performance Share Plan. No Executive Director participated in the LVP.

**Remuneration Policy on recruitment or promotion**

Base salary levels will be set in accordance with the Current 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 / arrangements 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 82 to 84. The Company may also apply different performance measures if it feels these appropriately meet the strategic objectives and aims of the Company whilst incentivising the new appointment.

The above policy applies 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) and 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.

Each of the Executive Directors' service contracts provides for:

- The payment of a base salary (details of which are set out on page 88);
- An expensed Company-provided car or a cash allowance in lieu; a fuel allowance; life assurance; and private medical insurance (details of which are set out on page 90);
- Employer's contribution to a pension scheme (details of which are set out on page 90);
- 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 Annual Bonus Scheme; and
- 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 (including, but not limited to, redundancy, ill-health or retirement), no payment would usually be due under the Annual Bonus Scheme unless the individual remains employed and is not under notice at the payment date. Any payment to a 'good leaver' under the Annual Bonus Scheme 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 Annual Bonus Scheme year worked.

Where an Executive Director is considered by the Remuneration Committee to be a good leaver, deferred bonus awards (shares) would vest. In other circumstances, awards would lapse.

With regard to long term incentive plan awards, the rules of the Performance Share Plan 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
- Consistent with market practice 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 election or re-election at the 2017 Annual General Meeting 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.

### 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 Unaudited information

This part of the Report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and 9.8.6R/9.8.8 of the Listing Rules. This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2017 AGM. The information in the Implementation of the Remuneration Policy during 2016 section on pages 90 to 96 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](http://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.

The Committee currently comprises 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 are Kevin Beeston, Angela Knight and Rob Rowley. Membership of the Committee is, and was throughout 2016, in line with the Code. Kate Barker joined the Committee on 17 April 2015 and was appointed Chairman on 1 June 2016 in place of Margaret Ford who stood down from the Board on 1 November 2016. Angela Knight was appointed to the Committee with effect from 1 November 2016.

Details of attendance at Remuneration Committee meetings held during 2016 appear on page 78.

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 continued to retain the services of New Bridge Street, part of Aon PLC.

New Bridge Street is a signatory to the Remuneration Consultants' Group Code of Conduct. It provides no other services to the Company. Although the wider Aon PLC group of companies provide insurance broking and (until 27 March 2017) pension administration support services to the Company, the Committee is entirely satisfied that the provision of such services does not create any conflicts of interest. New Bridge Street was appointed in February 2009 following a comprehensive tendering process. 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 2016 were: New Bridge Street £99,470 (2015: £88,000) representing a full year's appointment. 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	Date of initial letter of appointment	Term of appointment	Notice period by Company (months)	Notice period by Director (months)
Kevin Beeston	1 July 2010	13 May 2010	3 years, reviewed annually	6	6
Kate Barker	21 April 2011	7 February 2011	3 years, reviewed annually	6	6
Mike Hussey	1 July 2011	30 June 2011	3 years, reviewed annually	6	6
Angela Knight	1 November 2016	1 November 2016	3 years, reviewed annually	6	6
Rob Rowley	1 January 2010	1 December 2009	3 years, reviewed annually	6	6
Humphrey Singer	9 December 2015	9 December 2015	3 years, reviewed annually	6	6

## How the Remuneration Policy will be applied in 2017

## Base Salary

The Committee reviewed the Executive Directors' salaries in February 2017 and has decided to award increases of 2% for each Executive Director, with effect from 1 April 2017, in line with the equivalent general increase made to all employees (subject to a very small number of performance related exceptions).

The salaries of the Executive Directors effective from 1 April 2017 will be as follows:

Name	Salary at 1 April 2016	Salary at 1 April 2017	Increase
Pete Redfern	£819,724	£836,118	2%
Ryan Mangold	£412,000	£420,240	2%
James Jordan	£380,586	£388,198	2%

## Annual Bonus Scheme

The Annual Bonus Scheme performance metrics and their weightings for 2017 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	Strategic objective	Weighting
Group EBIT	To increase profit	40%
Cash conversion	Delivering sustainable growth	20%
ROCE	Driving capital efficiency	20%
Customer service	Caring about our customers	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. The Committee believes that these targets remain testing, as evidenced by the performance outturn for 2016 of 80%.

ROCE is Return on Net Operating Assets calculated as operating profit divided by the average of the opening and closing net operating assets, which is in turn, defined as capital employed plus intangibles less tax balances ('ROCE').

## Long Term Incentive Plans

## Taylor Wimpey Performance Share Plan (PSP)

In accordance with the proposed New Policy and subject to shareholder approval of the New Plan at the 2017 AGM, long term incentives will only comprise a PSP award with a maximum award of 200% of base salary (or 300% in exceptional circumstances). The annual awards granted to Executive Directors in 2017 will be made under the Existing Performance Share Plan and will be subject to the following performance conditions:

	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (20% vesting)	Maximum (100% vesting)
TSR v Direct Peer Group Index	30%	Below Index	Equal to Index	Index + 8% p.a.
TSR v FTSE100	20%	Less than median	Median	Upper Quartile
Absolute ROCE in 2019	20%	Less than 26%	26%	30%
PBIT Margin in 2019	15%	Less than 20%	20%	22%
Conversion of operating profit into operating cash flow averaged over a three year performance period (2017-2019)	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 ROCE targets are based on the absolute ROCE in 2019. In order to reflect the improving ROCE of the business, the 2017 ROCE targets will be increased for a second year (from 18% to 26% for the 2016 awards to 26% to 30% for the 2017 awards). As explained on page 80, PBIT Margin will be reintroduced (having been replaced in 2015 and 2016 by Cash Conversion) with a weighting of 15%. To enable this to be done, Cash Conversion will have a reduced weighting (from 25% to 15%) and ROCE will have a reduced weighting (from 25% to 20%).

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 all awards during the performance period and holding period and then be released in cash when, and to the extent that, the relevant awards vest.

### Non Executive Directors' and Chairman's fees

Fees of Non Executive Directors are determined by the Board in their absence taking into account the research carried out by independent remuneration consultants of fees paid to Non Executive Directors. The fees of the Chairman are determined by the Remuneration Committee in his absence. A summary of the current fees is set out below. The fees of the Chairman and the Non Executive Directors are reviewed every other year with any increases taking place with effect from 1 July. The fees of the Non Executive Directors were reviewed in June 2016 (after having remained unchanged since 2013). After taking into account the independent advice received from New Bridge Street, it was agreed that the basic Non Executive Director fee would increase from £55,000 to £60,000 with effect from 1 July 2016:

	Annual Fees as at 1 April 2016	Annual Fees as at 1 April 2017
Chairman	£295,000	£295,000
Basic Non Executive Director fee	£55,000	£60,000
Senior Independent Director fee	£10,000	£10,000
Audit Committee Chairman	£15,000	£15,000
Remuneration Committee Chairman	£15,000	£15,000

All Directors will submit themselves for election or re-election, as appropriate, at the AGM in accordance with the Code.

The Chairman and the Non Executive Directors at the 2017 AGM will each have an unexpired service contract term of six months.

### Payments to former Directors

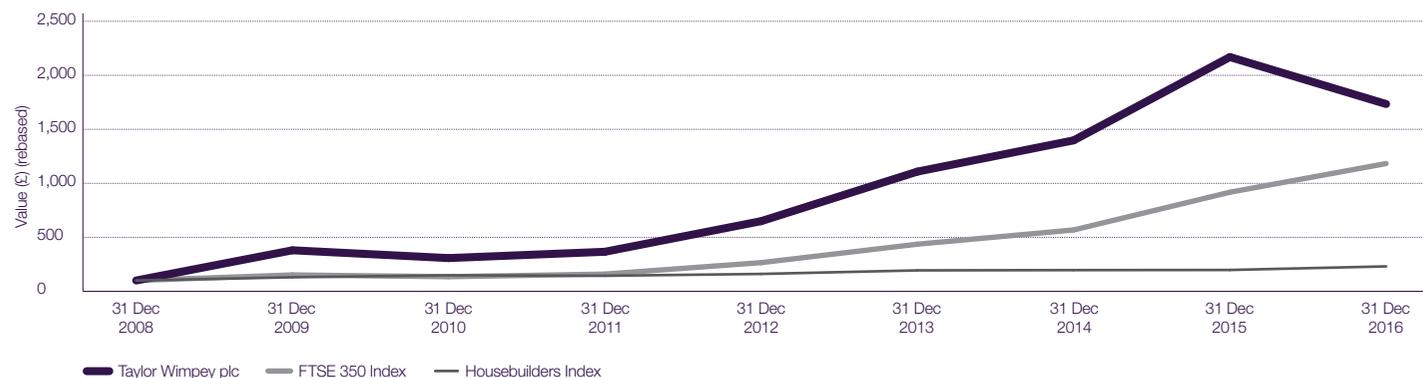
There were no payments to former Directors or payments for loss of office to Directors during 2016.

### Implementation of the Remuneration Policy during 2016

#### Performance graph (unaudited)

This graph shows the value, by 31 December 2016, of £100 invested in Taylor Wimpey plc on 31 December 2008 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 awards onwards.

#### Total shareholder return



## REMUNERATION COMMITTEE REPORT CONTINUED

*Chief Executive remuneration (unaudited)*

The table below shows the total remuneration figure for the Chief Executive over the same eight year period as is reflected in the TSR graph on page 89. The total remuneration figure includes the Annual Bonus Scheme and LTIP awards which vested based on performance in those years. The Annual Bonus Scheme and LTIP percentages show the payout for each year as a percentage of the maximum.

	Year ending 31 December							<b>2016</b>
	2009	2010	2011	2012	2013	2014	2015	
Total Remuneration (£'000)	£1,657	£1,542	£1,674	£3,009	£6,724	£6,250 <sup>(a)</sup>	£6,888 <sup>(b) (c)</sup>	<b>£3,764</b>
Annual Bonus Scheme (%) <sup>(d)</sup>	100%	85%	82%	95%	90%	90%	78%	<b>80%</b>
LTIP vesting (%)	0%	0%	0%	40%	85%	94%	100%	<b>81%</b>

- (a) As the 2012 PSP award did not vest until March 2015, the final value of the ROCE and Margin elements of this award were not known at the time the 2014 report was prepared and therefore an estimate of the share price at vesting was used. The 2014 single figure includes £2,402,000 in respect of the ROCE and Margin elements of the 2012 PSP award and £1,613,115 in respect of the TSR elements of the 2011 PSP award (as TSR was measured from date of grant for the 2011 and 2012 PSP awards).
- (b) The 2015 single figure includes £2,143,460 in respect of the ROCE and Margin elements of the 2013 PSP award, £1,488,085 in respect of the TSR elements of the 2012 PSP award (as TSR was measured from date of grant for the 2012 PSP award); and £1,428,977 in respect of the TSR elements of the 2013 PSP award (as TSR was measured from 1 January 2013 for the 2013 PSP award).
- (c) The 2015 figure has been restated using the actual share price on the date of vesting – 1 March 2016 (187.2p).
- (d) A portion of the Annual Bonus is deferred into shares each year as stated on page 90.
- (e) In order to show a more meaningful comparison of the total figures, the chart included in the Chairman's letter on page 80 only includes the 2013 PSP award that vested in the 2015 figure but no part of the 2012 PSP award.

**Audited information****Director emoluments**

£'000	Year	Fees & Salary	Benefits <sup>(a)</sup>	Annual Bonus Scheme <sup>(c)</sup>	LTIP <sup>(d)</sup>	Pension <sup>(e)</sup>	All employee schemes <sup>(f)</sup>	Total
<b>Executive</b>								
Pete Redfern	2016	814	50	984	1,698	196	22	<b>3,764</b>
	2015	790	47	931	4,930	190	–	6,888
Ryan Mangold	2016	409	21	494	782	82	7	<b>1,795</b>
	2015	389	21	468	2,089	78	–	3,045
James Jordan	2016	378	44	457	788	94	24	<b>1,785</b>
	2015	367	43	432	2,289	91	–	3,222
<b>Non Executive</b>								
Kevin Beeston <sup>(b)</sup>	2016	295	1	–	–	–	–	<b>296</b>
	2015	271	1	–	–	–	–	272
Kate Barker	2016	66	–	–	–	–	–	<b>66</b>
	2015	55	–	–	–	–	–	55
Mike Hussey	2016	58	–	–	–	–	–	<b>58</b>
	2015	55	–	–	–	–	–	55
Angela Knight (appointed 1 November 2016)	2016	10	–	–	–	–	–	<b>10</b>
	2015	–	–	–	–	–	–	–
Rob Rowley	2016	83	–	–	–	–	–	<b>83</b>
	2015	80	–	–	–	–	–	80
Humphrey Singer (appointed 9 December 2015)	2016	58	–	–	–	–	–	<b>58</b>
	2015	3	–	–	–	–	–	3
Margaret Ford (resigned 1 November 2016)	2016	54	–	–	–	–	–	<b>54</b>
	2015	70	–	–	–	–	–	70
	2016	<b>2,225</b>	<b>116</b>	<b>1,935</b>	<b>3,268</b>	<b>372</b>	<b>53</b>	<b>7,969</b>
	2015	2,080	112	1,831	9,308	359	–	13,690

- (a) Benefits include non-cash payments such as private medical insurance, life insurance, company car provision, fuel allowances, and cash payments such as car allowance taken in lieu of a car.
- (b) The Company also paid £nil (2015: £2,000) as a contribution towards the Chairman's annual office and related administration costs incurred in carrying out his role.
- (c) One-third of any bonus payable is deferred into shares for three years. No further performance conditions apply.
- (d) This column shows the vesting during 2016 and 2015 of LTIPs as set out in the table at the top of page 92 and includes the dividends accrued during the performance period and payable on vesting. The 2015 figures have been restated using the actual share price when the award vested on 1 March 2016.
- (e) These figures represent the cash allowances payable as described in the Remuneration Policy 'Pension' section. For Pete Redfern this is 20% of salary up to a scheme specific cap (notional earnings cap) and 25% of salary above the cap; for Ryan Mangold this is 20% of salary, split between a cash allowance and Company pension contribution as reported in Non-Group Pension Arrangements on page 96; and for James Jordan this is 20% of salary up to a scheme specific cap (notional earnings cap) and 28% of salary above the cap.
- (f) 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 grossed-up for Income Tax and National Insurance.
- (g) The fees of the Non Executive Directors were increased by £5,000 per annum (2015: £0) with effect from 1 July 2016 as reported on page 89.

#### LTIP awards included in 2015 single figure

LTIP award	Performance target	Weighting	% Vesting (max 100%)	Date of end of performance period	Date of vesting	Share price at vesting (pence)
2012 PSP	TSR FTSE	20%	100%	04/03/2015	05/03/2015	149.0
	TSR Peer Group	20%	71.8%	04/03/2015	05/03/2015	149.0
2013 PSP <sup>(a)</sup>	TSR FTSE	20%	100%	31/12/2015	01/03/2016	187.2 <sup>(a)</sup>
	TSR Peer Group	20%	100%	31/12/2015	01/03/2016	187.2 <sup>(a)</sup>
	ROCE	30%	100%	31/12/2015	01/03/2016	187.2 <sup>(a)</sup>
	Margin	30%	100%	31/12/2015	01/03/2016	187.2 <sup>(a)</sup>

(a) The share price shown is the closing middle market share price on the date of vesting – 1 March 2016. See note (a) on page 90 for an explanation on why more than one year of LTIP awards has been included in the single figure.

#### LTIP awards included in 2016 single figure

LTIP award	Performance target	Weighting	% Vesting (max 100%)	Date of end of performance period	Date of vesting	Share price at vesting (pence)
2014 PSP <sup>(a)</sup>	TSR FTSE	20%	100%	31/12/2016	04/03/2017	148.98 <sup>(a)</sup>
	TSR Peer Group	30%	36.5%	31/12/2016	04/03/2017	148.98 <sup>(a)</sup>
	ROCE	25%	100%	31/12/2016	04/03/2017	148.98 <sup>(a)</sup>
	Margin	25%	100%	31/12/2016	04/03/2017	148.98 <sup>(a)</sup>

(a) The share price shown is the average of the share prices for the dealing days in the last three months (October to December 2016).

#### Annual Bonus Scheme in respect of 2016

For 2016, 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 88, 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) £704m	£764m	40	26.67	13.33
			Target (50% vesting) £729m				
			Stretch (100% vesting) £754m				
ROCE	Driving capital efficiency	20%	Entry (10% vesting) 27.5%	30.7%	20	13.33	6.67
			Target (50% vesting) 28.5%				
			Stretch (100% vesting) 29.5%				
Cash conversion	Driving increased cash generation and retention as a proportion of PBIT	20%	Entry (10% vesting) 60%	81.4%	20	13.33	6.67
			Target (50% vesting) 62.5%				
			Stretch (100% vesting) 67.5%				
Customer Service	Improving and delivering customer service	20%	Entry (10% vesting) 83%	75.8%	0	0	0
			Target (50% vesting) 86%				
			Stretch (100% vesting) 89%				
<b>Total</b>		<b>100%</b>			<b>80</b>	<b>53.33</b>	<b>26.67</b>

The amounts paid to Pete Redfern, Ryan Mangold and James Jordan in respect of 2016 are set out in the remuneration table on page 90.

## REMUNERATION COMMITTEE REPORT CONTINUED

## Vesting of long term incentive awards in 2016

The performance period for all elements of the 2014 award ended on 31 December 2016 and the final measurement was undertaken based on this date, with the performance outcome being independently calculated by New Bridge Street and as part of the overall audit process.

The outcomes were as follows:

Award	Measure	Weighting	Vesting scale	Performance achieved	% of this award vesting
4 March 2014 <sup>(a)</sup>	TSR FTSE <sup>(b)</sup>	20%	No vesting below median, 20% vests at median, 100% vests at upper quartile. Pro-rata vesting in between	48 <sup>th</sup> out of 250	100%
	TSR Peer <sup>(c)</sup> Group	30%	No vesting below median, 20% vests at Index TSR, 100% vests at Index TSR + 8% p.a. (multiplicative). Pro-rata vesting in between	47% above Peer Group index	36.5%
	ROCE <sup>(a)</sup>	25%	No vesting below median, 20% vests at 10% ROCE, 100% vests at 20% ROCE. Pro-rata vesting in between	30.6%	100%
	Margin <sup>(a)</sup>	25%	No vesting below median, 20% vests at 14% margin, 100% vests at 18.5% margin. Pro-rata vesting in between	20.8%	100%

(a) All outcomes are as at 31 December 2016.

(b) Median target is 104 ranking and upper quartile target is 52.25 ranking as averaged for dealing days in last three months of the performance period ended 31 December 2016.

(c) Median is placing 48.9% and upper quartile is placing 87.6% as averaged for dealing days in last three months of the performance period ended 31 December 2016.

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 LTIPs and therefore determined that the 2014 LTIP should vest at 80.95% 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)

	2016	2015	Change (%)
Profit before tax, interest and exceptional items	<b>£764.3m</b>	£637.0m	20.0
Dividends paid per ordinary share	<b>12.02p</b>	9.35p	28.6
– interim 2016 / interim 2015 (0.53p / 0.49p)			
– final 2016 / final 2015 (2.29p / 1.18p)			
– special 2016 / special 2015 (9.2p / 7.68p)			
Employee pay in aggregate (see Note 7 to the financial statements)	<b>£200.6m</b>	£195.4m	2.7
Employee pay average per employee (see Note 7 to the financial statements)	<b>£38,422</b>	£37,191	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 2015 and 2016 for the Chief Executive compared to the average pay of Taylor Wimpey employees during the year.

	Salary	Benefits	Annual Bonus Scheme
Pete Redfern	3.0%	6.4%	2.6%
Average pay of Taylor Wimpey employees	3.0%	3.0%	6%

## Directors' share-based rewards and options

Performance awards were made in the year under the TWSPS scheme as summarised below:

	Award	Type	Number of shares	Face value (% of salary)	Performance conditions	Performance period	% vesting at threshold performance
Pete Redfern	TWSPS	Nil cost options	888,720	£1,591,698 (200%)	25% on ROCE; 25% on cash conversion; 20% on TSR v FTSE100; 30% on TSR v Peer Group index	01/01/2016 – 31/12/2018	20%
Ryan Mangold	TWSPS	Nil cost options	446,677	£799,999 (200%)	As above	As above	As above
James Jordan	TWSPS	Nil cost options	412,619	£739,001 (200%)	As above	As above	As above

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 2016	Granted/ Awarded in 2016 (number)	Dividend re-investment shares added during 2016 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2016	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	269,339	–	–	269,339	–	–	–	206.0	25.03.13	26.03.16	25.09.16
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	315,024	–	22,736	–	–	337,760	–	–	25.03.14	26.03.17	25.09.17
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	232,967	–	16,815	–	–	249,782	–	–	25.03.15	26.03.18	25.09.18
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	–	163,358 <sup>(b)</sup>	11,788	–	–	175,146	–	–	24.03.16	25.03.19	24.09.19
Performance Share Plan <sup>(c)</sup>	1,859,095	–	–	1,859,095	–	–	–	186.6	06.03.13	06.03.16 <sup>(e)</sup>	05.09.16
Performance Share Plan <sup>(c)</sup>	1,222,746	–	–	–	–	1,222,746 <sup>(f)</sup>	–	–	04.03.14	04.03.17 <sup>(e)</sup>	03.09.17
Performance Share Plan <sup>(c)</sup>	1,035,958	–	–	–	–	1,035,958	–	–	09.03.15	09.03.18 <sup>(d)</sup>	08.09.18
Performance Share Plan <sup>(c)</sup>	–	888,720 <sup>(f)</sup>	–	–	–	888,720	–	–	07.03.16	07.03.19 <sup>(d)</sup>	06.09.19
Sharesave Plan <sup>(a)</sup>	63,331	–	–	63,331	–	–	24.04 <sup>(h)</sup>	149.7	11.10.11	01.12.16	31.05.17
Sharesave Plan <sup>(a)</sup>	10,000	–	–	–	–	10,000	90.00 <sup>(h)</sup>	–	07.10.14	01.12.17	31.05.18
<b>Total</b>	<b>5,008,460</b>	<b>1,052,078</b>	<b>51,339</b>	<b>2,191,765</b>	<b>–</b>	<b>3,920,112</b>					

#### Ryan Mangold

Plan	Outstanding shares at 1 January 2016	Granted/ Awarded in 2016 (number)	Dividend re-investment shares added during 2016 (number)	Exercised/ vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2016	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/ capable of vesting	Expiry date
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	116,078	–	–	116,078	–	–	–	189.8	25.03.13	26.03.16	25.09.16
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	145,039	–	10,468	–	–	155,507	–	–	25.03.14	26.03.17	25.09.17
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	107,260	–	7,741	–	–	115,001	–	–	25.03.15	26.03.18	25.09.18
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	–	82,105 <sup>(b)</sup>	5,926	–	–	88,031	–	–	24.03.16	25.03.19	24.09.19
Performance Share Plan <sup>(c)</sup>	801,224	–	–	801,224	–	–	–	186.6	06.03.13	06.03.16 <sup>(e)</sup>	05.09.16
Performance Share Plan <sup>(c)</sup>	562,963	–	–	–	–	562,963 <sup>(f)</sup>	–	–	04.03.14	04.03.17 <sup>(e)</sup>	03.09.17
Performance Share Plan <sup>(c)</sup>	476,965	–	–	–	–	476,965	–	–	09.03.15	09.03.18 <sup>(d)</sup>	08.09.18
Performance Share Plan <sup>(c)</sup>	–	446,677 <sup>(f)</sup>	–	–	–	446,677	–	–	07.03.16	07.03.19 <sup>(d)</sup>	06.09.19
Sharesave Plan <sup>(a)</sup>	10,623	–	–	10,623	–	–	84.72 <sup>(h)</sup>	149.7	08.10.13	01.12.16	31.05.17
Sharesave Plan <sup>(a)</sup>	10,000	–	–	–	–	10,000	90.00 <sup>(h)</sup>	–	07.10.14	01.12.17	31.05.18
Sharesave Plan <sup>(a)</sup>	–	6,876 <sup>(g)</sup>	–	–	–	6,876	130.88 <sup>(h)</sup>	–	05.10.16	01.12.19	31.05.20
<b>Total</b>	<b>2,230,152</b>	<b>535,658</b>	<b>24,135</b>	<b>927,925</b>	<b>–</b>	<b>1,862,020</b>					

## REMUNERATION COMMITTEE REPORT CONTINUED

## James Jordan

Plan	Outstanding shares at 1 January 2016	Granted/Awarded in 2016 (number)	Dividend re-investment shares added during 2016 (number)	Exercised/vested (number)	Lapsed (number)	Outstanding shares as at 31 December 2016	Exercise price (pence)	Market price on exercise (pence)	Date of grant	Date from which exercisable/capable of vesting	Expiry date
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	125,051	–	–	125,051	–	–	–	189.8	25.03.13	26.03.16	25.09.16
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	146,262	–	10,555	–	–	156,817	–	–	25.03.14	26.03.17	25.09.17
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	108,163	–	7,808	–	–	115,971	–	–	25.03.15	26.03.18	25.09.18
Deferred Shares (Annual Bonus Scheme) <sup>(a)</sup>	–	75,844 <sup>(b)</sup>	5,473	–	–	81,317	–	–	24.03.16	25.03.19	24.09.19
Performance Share Plan <sup>(c)</sup>	863,151	–	–	863,151	–	–	–	186.6	06.03.13	06.03.16 <sup>(e)</sup>	05.09.16
Performance Share Plan <sup>(c)</sup>	567,703	–	–	–	–	567,703 <sup>(f)</sup>	–	–	04.03.14	04.03.17 <sup>(e)</sup>	03.09.17
Performance Share Plan <sup>(c)</sup>	480,980	– <sup>(g)</sup>	–	–	–	480,980	–	–	09.03.15	09.03.18 <sup>(d)</sup>	08.09.18
Performance Share Plan <sup>(c)</sup>	–	412,619 <sup>(f)</sup>	–	–	–	412,619	–	–	07.03.16	07.03.19 <sup>(d)</sup>	06.09.19
Sharesave Plan <sup>(a)</sup>	63,331	–	–	63,331	–	–	24.04 <sup>(h)</sup>	149.7	11.10.11	01.12.16	31.05.17
Sharesave Plan <sup>(a)</sup>	10,000	–	–	–	–	10,000	90.00 <sup>(h)</sup>	–	07.10.14	01.12.17	31.05.18
Sharesave Plan <sup>(a)</sup>	–	6,876 <sup>(g)</sup>	–	–	–	6,876	130.88 <sup>(h)</sup>	–	05.10.16	01.12.19	31.05.20
<b>Total</b>	<b>2,364,641</b>	<b>495,339</b>	<b>23,836</b>	<b>1,051,533</b>	<b>–</b>	<b>1,832,283</b>					

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 2016 was 186.8 pence.  
(c) Vesting is subject to the achievement of performance conditions.  
(d) Or later publication of the preliminary full year or half year results announcement on which the associated performance condition will be calculated.  
(e) At later publication of the preliminary full year or half year results announcement on which the associated performance condition will be calculated.  
(f) Market value per share on date of grant 7 March 2016 was 175.9 pence.  
(g) Market value per share on date of the grant 5 October 2016 was 155.4 pence.  
(h) These prices represent a 20% discount to market price at the offer date.  
(i) A proportion of the award (19.05%) will lapse, representing 232,933, 107,244 and 108,147 shares respectively for Pete Redfern, Ryan Mangold and James Jordan.

Vesting will be 20% for the 2016 award (2015 award: 20%) for threshold performance (50<sup>th</sup> percentile for TSR for FTSE Group, Index TSR for Housebuilder Index; 18% ROCE (2015 award: 16%); 65% cash conversion (2015 award: 65%)) (and 100% (2015 award: 100%) for upper quartile performance (75<sup>th</sup> percentile for TSR vs FTSE Group; index + 8% p.a. (multiplicative) for Housebuilder Index, 26% ROCE (2015 award: 24%); 70% cash conversion (2015 award: 70%)) with straight line vesting between these two thresholds.

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 2016 was 153.5 pence and the range during the year was 115.8 pence to 210.3 pence. Details of any share awards made to Executive Directors during 2017 will be included in the 2017 Remuneration Report.

## Directors' interests in shares of the Company

### Share ownership guidelines

These Taylor Wimpey share ownership guidelines are designed to encourage greater levels of shareholding 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 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, thus the Executive Directors' deferred portion of Annual Bonus Scheme vestings are excluded. Members of the Group Management Team (GMT) and other designated executives are currently expected to maintain a shareholding generally in direct proportion to their level of participation in the Company's discretionary share plans. Each participant will be required to retain at least 50% of shares vesting or acquired net of taxes pursuant to the Company's Long Term Incentive Plans until such guidelines are met. The Committee will keep the guidelines under regular review.

As mentioned earlier in this Report, any shares that vest under the 2014 PSP award must, as a standard requirement, be retained by executives for at least 12 months and for at least 24 months under later awards. 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) ordinary shares are as set out in the table below:

Director	Beneficially owned		Outstanding interests in share plans				Share interests expressed as a percentage of salary			
	at 1/1/16 (ordinary shares) <sup>(a)(e)</sup>	at 31/12/16 (ordinary shares) <sup>(e)</sup>	Annual Bonus Scheme <sup>(b)</sup>	TWPS	TWSOP	Sharesave	Value of shares (including any SIP shares) as at 31/12/16; salary as at 31/12/16 <sup>(c)</sup>		Value of shares (including any SIP shares) as at 24/02/17; salary as at 1/4/17 <sup>(d)</sup>	
							Excluding Cash Bonus Scheme shares v the shareholding guidelines	Including Cash Bonus Scheme shares (for information only) <sup>(e)</sup>	Excluding Cash Bonus Scheme shares v the shareholding guidelines	Including Cash Bonus Scheme shares (for information only) <sup>(e)</sup>
Kevin Beeston	1,155,562	1,155,562	–	–	–	–				
Pete Redfern	3,330,956	1,740,528	404,224	3,147,424	–	10,000	326%	402%	368%	454%
Ryan Mangold	892,399	966,388	190,026	1,486,605	–	16,876	360%	431%	407%	487%
James Jordan	1,561,034	1,110,213	187,676	1,461,302	–	16,876	448%	523%	506%	592%
Kate Barker	40,000	60,000	–	–	–	–				
Mike Hussey	150,000	150,000	–	–	–	–				
Angela Knight	0	0	–	–	–	–				
Rob Rowley	200,000	200,000	–	–	–	–				
Humphrey Singer	25,000	25,000	–	–	–	–				
Margaret Ford (former Director) <sup>(f)</sup>	84,940	112,460 <sup>(f)</sup>	–	–	–	–				

(a) Or date of appointment.

(b) Only the net amount of shares has been included in this column.

(c) This is the percentage of shareholding achieved at 31 December 2016 towards the targets described above calculated on 2016 salary and at 31 December 2016 share price. Salaries as at 31 December 2016 for Pete Redfern, Ryan Mangold and James Jordan were £819,724, £412,000 and £380,586 respectively.

(d) This is the percentage of shareholding achieved at 31 December 2016 towards the targets described above calculated on 1 April 2017 salary and at 24 February 2017 share price. Salaries as at 1 April 2017 for Pete Redfern, Ryan Mangold and James Jordan will be £836,118 £420,240 and £388,198 respectively.

(e) Including partnership and matching shares held under the Share Incentive Plan (SIP) described on page 84.

(f) Shareholding as at 1 November 2016.

Note: The share price on 31 December 2016 and used in the above calculation was 153.5 pence per share and on 24 February 2017 was 177.1 pence per share.

Note: The above table does not include the deferral into shares of 33% of the 2016 Annual Bonus Scheme for any Executive Director.

The only changes to the Directors' interests as set out above during the period between 31 December 2016 and 27 February 2017 were the regular monthly purchases of shares and 1:1 matching by the Company under the Share Incentive Plan by Pete Redfern (352 shares) and James Jordan (352 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 31/12/15	Increase in accrued pension from 31/12/15 to 31/12/16	Accrued pension as at 31/12/16 <sup>(a)</sup>	Transfer value gross of Director's contributions at 31/12/16 <sup>(b)</sup>	Transfer value gross of Director's contributions at 31/12/15 <sup>(b)</sup>	Increase (decrease) in transfer value from 31/12/15 to 31/12/16 less Director's contributions <sup>(c)</sup>	Increase in transfer value from 31/12/15 to 31/12/16 less inflation	Transfer value of accrued pension increase less Director's contributions
Pete Redfern	62	14,642	27	14,669	291,057	236,626	54,431	–	–
James Jordan	62	27,077	58	27,135	670,417	576,448	93,969	–	–

(a) The George Wimpey Staff Pension Scheme (GWSPS) closed to future accrual on 31 August 2010 so pension accrual ceased on that date. Members of the GWSPS were transferred into the TWPS on 1 October 2013 and there was no change to members' benefit entitlement. Pension accrual shown above is the amount which would be paid annually on retirement based on service to 31 August 2010. 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. We have only taken into account defined benefits accrued over the period to 31 August 2010 and have 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: The GWSPS closed to future accrual on 31 August 2010 and so no contributions were made after 31 August 2010.

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:

	2016 (£)	2015 (£)
Ryan Mangold	<b>27,500</b>	40,000

Notes: Ryan Mangold also received a pension allowance of £64,300 in 2016 (2015: £37,787) in lieu of Company pension contributions over the Tapered Annual Allowance limit introduced in April 2016.

Ryan Mangold elected to have £10,000 (2015: £nil) of the non-deferred portion of his Annual Bonus Scheme cash bonus, earned for 2015 performance and paid in 2016, paid as additional pension contribution.

Pete Redfern and James Jordan received cash allowances of £197,400 (2015: £190,000) and £94,500 (2015: £91,000) respectively in lieu of Company pension contributions.

**Statement of shareholder voting (unaudited)**

At the 2016 Annual General Meeting, the result of the shareholders' vote on the Company's Remuneration Report for 2015 was:

	2016 (Votes)	2015 (Votes)
For	<b>1.9 billion (98%)</b>	1.9 billion (99%)
Against	<b>30 million (2%)</b>	18.9 million (1%)
Withheld	<b>3 million</b>	35 million

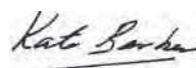
At the 2014 Annual General Meeting, the result of the shareholders' vote on the Company's existing Remuneration Policy was:

	2014 (Votes)
For	1.8 billion (98%)
Against	33 million (2%)
Withheld	44 million

As stated earlier, the Remuneration Committee has consulted further with our shareholders on remuneration matters during the year. We hope that shareholders will, again, support the new Remuneration Policy and the Remuneration Report at the AGM on 27 April 2017.

**Approval**

This Remuneration Report was approved by the Board of Directors on 27 February 2017 and signed on its behalf by the Remuneration Committee Chairman:


**KATE BARKER**

27 February 2017

## 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	12 to 52
– 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	106 and 111 to 153
– The Company's Viability Statement	47
– The Remuneration Report	78 to 96
– Details of the Company's long-term incentive schemes as required by LR 9.4.3 R are set out in the Remuneration Report	78 to 96
– The reporting on the Company's carbon footprint	36
– 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	101 and 149 to 152
– Changes in asset values are set out in the consolidated balance sheet and in the Notes to the accounts	108 and 111 to 153
– 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	127 to 130
– 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	98
– A statement that this Annual Report and Accounts meets the requirements of Provision C.1.1 of the UK Corporate Governance Code (the 'Code'), is set out in the Corporate Governance Report	63

### 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;

Rob Rowley, Independent Non Executive Director and the designated Senior Independent Director; and

Humphrey Singer, Independent Non Executive Director.

In addition to the above, Angela Knight was appointed to the Board as an Independent Non Executive Director and Margaret Ford, Independent Non Executive Director, stood down from the Board, in each case on 1 November 2016.

The Directors together with their biographical information are shown on pages 54 and 55.

### 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 62 of the General Board 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 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. The Board evaluation process did not include Angela Knight as she was appointed to the Board at a time when the 2016 process was nearing conclusion. Angela Knight was, nevertheless, subject to a detailed appraisal of her suitability as part of the appointment process and participated in the Board evaluation discussions which took place at the December 2016 and February 2017 Board meetings. Further information relating to the evaluation, and the process followed with regard to Angela Knight's appointment, is set out in the Nomination Committee Report on page 70.

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 76, 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 notes the new regulation set out on page 76 which will apply 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

**STATUTORY, REGULATORY AND OTHER INFORMATION CONTINUED**

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 118.

**Annual General Meeting**

The AGM will be held at 11:00 am on 27 April 2017 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 154 to 155 and on the Company's website at [www.taylorwimpey.co.uk](http://www.taylorwimpey.co.uk). 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 2016 Annual Report and Accounts) are available electronically through the Company's website.

Over 80% 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 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 page 164 and the inside back cover.

**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 136.

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 28 April 2016 for the Company to purchase a maximum of 326,432,300 of its own shares remained valid at 31 December 2016. The authority was not exercised during 2016 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 page 84. 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 2017, 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. The Board strongly believes in the alignment of interests between senior management and the Company's shareholders.

**Substantial interests in the Company's shares as at 27 February 2017**

Name	Number of shares held (millions)	Percentage of issued voting share capital
BlackRock, Inc.	182.5	5.58
The Capital Group Companies, Inc.	172.9	5.29
Legal & General Group Plc	98.5	3.02
Standard Life Investments Limited	96.4	3.02

**Dividend**

An interim ordinary dividend of 0.53 pence per ordinary share was paid on 7 October 2016 and the Directors recommend a final ordinary dividend of 2.29 pence per ordinary share which, together with the interim dividend, increases the total ordinary dividend for the year to 2.82 pence (2015: 1.67 pence). Information relating to the recommended 2016 final ordinary dividend is set out in the Chairman's Statement on page 14 and in the notes to resolution 2 on page 158 in the Notes to the Notice of Annual General Meeting.

The Directors also recommend a special dividend for 2017 of 9.2 pence per ordinary share (2015: 9.2 pence). Information relating to the recommended 2017 special dividend is set out in the Chairman's Statement on page 14 and in the notes to resolution 3 on page 158 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 164 of this Annual Report. The DRIP will operate automatically in respect of the 2016 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 10,219,541 shares. More details of these ESOTs are contained in Note 25 on pages 137 to 138.

## Research and development

Our Research and Development initiatives ('Project 2020') continued throughout 2016 with its focus on four key areas: Alternative Build Methodology, Consumer Research, Smart Home Technologies and a Design Competition. A key workstream of Project 2020 is the evaluation of alternative build methods and during the year we have trialled and evaluated timber frame, closed panel timber frame, Structural Insulated Panels, Porotherm (thin joint masonry), Twin Wall Concrete and Lightweight Galvanised Steel Frame.

During the course of 2017 and 2018 we plan to evaluate Cross Laminated Timber, Volumetric (Pods), and Large Panel Aerated blocks. The research will enable us to assess the merits of the numerous alternatives that are available to us, in addition to the conventional masonry approach (brick and block).

During 2016, we spent a considerable amount of time researching existing and potential customers in an attempt to further enhance our knowledge of customer lifestyles, customer needs, customer expectations and customer aspirations. Extensive research was done with our clients and sales executives, including an in depth post occupancy review. This information has proved to be extremely useful and has been used in part to help produce the brief for the Design Competition which was launched in Spring 2016.

In conjunction with the Royal Institute of British Architects ('RIBA') we launched a Design Competition with the aim of engaging with professional Architects to help us design our future house type range. From the 120 entries received from 14 different countries, six finalists were chosen by the judging panel. The final entrants were interviewed and judged in December 2016 and the winning team, which has now been selected, will work with us to build the prototype in 2018. The judging panel consisted of Pete Redfern and the Company's Design Director and Sales Director, plus two highly acclaimed judges appointed by RIBA.

Energy efficiency and Smart Home Technologies feature highly in the requirements of our customers and future customers, and during 2016 we began to evaluate some of the leading smart energy systems such as Nest, Hive, Evo Home and Fibaro. We are currently trialling products in six of our subsidiaries, potentially with a view to a wider 'roll out' in 2017. We are also looking at the voice activated smart technologies that are coming to the market. Renewable energy remains a key area of focus and particular interest was given to the launch in 2016 of the 'Zero Bills House' at the Building Research Establishment in Watford. We also attended 'Intersolar' in Munich which is one of Europe's largest annual renewable energy conventions specialising in Solar/PV/Electrical Energy Storage Systems.

We continue to work on a number of additional sustainability initiatives that relate to green infrastructure. We have supported 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 infrastructure throughout the site, and will be extended to become a tool and to review the whole life of energy technologies. We continue to partner in Newcastle University's SUCCESS (Sustainable Urban Carbon Capture: Engineering Soils for Climate Change) project. This project is investigating the performance of soils to act as a carbon sink and how to maximise sequestration of atmospheric carbon dioxide through natural soil processes including 'Carbon Capture Gardens'.

## 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 2016 we have continued to introduce changes both nationally and locally following the feedback from the 2015 'Talkback' Survey. This has included enhanced maternity and paternity benefits, increased flexible working arrangements, and an improved learning and development offer.

We believe that inviting and listening to employee feedback is essential and we will be conducting a further survey in 2017 and the continued feedback from employees will further shape our plans and priorities for the future.

We have 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 2015 we introduced a new customer services forum on our intranet and invited employees to voice their thoughts, concerns, ideas and initiatives on key customer questions. Employees could post comments within the forum or send an email to our Chief Executive or Customer Director.

As reported elsewhere, the Company welcomes the 'employee voice' initiatives currently under consideration by the Government and in anticipation of this, the Company is already putting in place a National Employee Forum (the 'NEF') which will work with members of the Group Management Team and build upon the existing regional Employee Consultative Committees as referred to below. During 2017, the NEF will receive updates and provide feedback and input into specific matters such as remuneration, 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 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 Consultative 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.

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 78 to 96, 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 2016 resulted in 333,307 shares (2015: 481,160) being acquired by 281 employees (2015: 301).

**STATUTORY, REGULATORY AND OTHER INFORMATION CONTINUED**

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. Around half of our eligible employees participate in one or both plans or are otherwise already shareholders of the Company.

**Equal opportunities**

We strive to treat our employees fairly and with respect at all times. We have updated our relevant policies and processes during 2016 to ensure they remain current and relevant so that we continue to 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 diversity is also promoted through awareness training locally and by its inclusion as a business priority at presentations around the business.

Our Diversity Policy can be found on the Company's website at [www.taylorwimpey.co.uk/corporate/sustainability/our-policies](http://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 2016 has been very positive and we intend to engage with the programme further during 2017.

**Modern Slavery Act**

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and is taking its responsibilities under the Act very seriously. A dedicated team, assisted by external advisors, has reviewed our businesses and our supply chain, so as to enable the Company to produce its first statement under the Modern Slavery Act 2015. It will be available on our website at [www.taylorwimpey.co.uk](http://www.taylorwimpey.co.uk)

**Charitable donations**

We support charities and local groups in the communities where we operate. We aim to make a positive impact through donations of time, money and materials and through encouraging our people 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 prioritise causes that are relevant to our business, the communities in which we operate, our business partners and our people.

Our charitable donations are overseen and prioritised by our Charity Committee, whose members include Anne Billson-Ross our Group Human Resources Director, James Jordan our Group Legal Director and Company Secretary as well as employees from across the business including our Group Financial Controller, Head of Sales and Marketing, Communication Manager, Land Managers, Personal Assistants, Executive Secretaries and a graduate trainee.

Our focus areas are:

- 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; and
- local projects: initiatives that have a direct link with our regional businesses and developments.

We encourage our employees to get involved as volunteers and fundraisers. This is good for charities who benefit from our people's expertise and enthusiasm, supports our employees' personal and professional development and contributes to good employee engagement.

During the year, Group companies donated £763,000 (2015: £559,424) to various charities in the UK. In addition, with the introduction of a new Volunteering Policy, 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 CentrePoint; The Youth Adventure Trust; and Crisis UK which raised a further £270,000.

Further information on the Group's donations, activities and initiatives can be found in Our Business Model on page 25 and in the Sustainability Report 2016 which will shortly be available on the Company's website: [www.taylorwimpey.co.uk/corporate/sustainability](http://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 2017 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 the inside back cover.

### Important events since the year end

There have been no important events affecting the Company or any of its subsidiary undertakings since 31 December 2016.

### 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 77.

### 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 2017.



### JAMES JORDAN

Group Legal Director and Company Secretary  
Taylor Wimpey plc  
27 February 2017

## 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 2016 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 (IFRS) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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.

The financial statements comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- notes 1 to 31 relating to the Consolidated financial statements and 1 to 15 relating to 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 IFRS 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

### Summary of our audit approach

The key risks that we identified in the current year were inventory costing and margin recognition, the net realisable value of inventory, and defined benefit pension scheme accounting.

The materiality that we used in the current year was £36.0 million which was determined on the basis of pre-tax profit for the year, excluding exceptional items.

Based on our scoping assessment, our group audit has been primarily focused on the UK Housing division (excluding joint ventures), with our Spanish component auditors reporting to us on the risk in relation to the net realisable value of the inventory located in Spain.

Further details of how materiality was calculated and how we determine the scoping of the audit is provided below.

### Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules 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 Risk Section on page 47.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Directors' confirmation on pages 47 and 77 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 disclosures on pages 42 to 47 that describe those risks and explain how they are being managed or mitigated;
- 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's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation on page 47 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.

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.

### Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

### Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These risks remain consistent with the prior period, with the exception of revenue recognition which has been excluded in the current period following our reassessment of the areas which significantly influence the allocation of resources in our audit. For the risks reported, we have further refined the significant judgements and related procedures performed in the current year.

As part of our audit of the Group, in addition to substantive tests, we also evaluate the design and implementation of internal controls over financial reporting in each of the risk areas.

Risk	How the scope of our audit responded to the risk
<p><b>Inventory Costing</b>  Refer to page 77 (Audit Committee Report) page 114 (Critical accounting judgements and key sources of estimation uncertainty) and page 125 (Financial statements disclosures).</p> <p>The value for inventory as at 31 December 2016 is £3,984.0 million (2015: £3,891.2 million) and as such is the most significant value on the Balance Sheet (page 108). 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.</p> <ul style="list-style-type: none"> <li>– 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. 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 an area of significant risk.</li> </ul> <p>There is significant judgement in:</p> <ul style="list-style-type: none"> <li>– 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;</li> <li>– appropriately allocating costs such as shared infrastructure costs so that the gross profit margin (in % terms) achieved on each individual plot is equal; and</li> <li>– recording the cost when deviation from the initial budget occurs and ensuring they are appropriately spread across the remainder of the development.</li> </ul> <p>These judgements impact the carrying value of inventory in the balance sheet and therefore the profit recognised on each plot sold.</p>	<p>We tested a sample of sites as part of our visits to the Group’s business units. As part of these visits we tested the operating effectiveness of controls in relation to:</p> <ul style="list-style-type: none"> <li>– the preparation and approval of site budgets;</li> <li>– the regular review meetings where Management reviews actual costs against detailed site budgets; and</li> <li>– the approval of journal transfers to allocate costs across sites or phases of a site’s development.</li> </ul> <p>We have also performed substantive testing as noted below:</p> <p>For a sample of sites we have analysed completions in the period and compared the achieved margin to the initial equalised margin determined at the date of setting the site budget. Where differences fell outside of an acceptable threshold, we performed corroborative inquiries with Management and obtained evidence supporting the variance.</p> <p>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.</p> <p>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 require corroboration from Management.</p> <p>We have also performed a review of sites where the initial site budget was created a number of years ago. Given the age of these sites, we held inquiries with Management where additional costs have not been recognised, or where savings are assumed.</p> <p>For a 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.</p>
<p><b>Net realisable value of inventory</b>  Refer to page 77 (Audit Committee report), page 114 (Critical accounting judgements and key sources of estimation uncertainty) and page 125 (Financial statements disclosures).</p> <p>At the balance sheet date the Group held gross inventory of £285.3 million (2015: £343.6 million), which had associated impairments of £147.0 million (2015: £167.7 million). During the year the Group recorded a net exceptional expense of £0.5 million (2015: net exceptional expense of £0.6 million) due to developments in the year relating to site specific factors. The net addition in the inventory provision has been recognised as an exceptional item.</p> <p>The carrying value of inventory at the lower of cost and net realisable value (NRV) is dependent on key judgements and estimates that are made by Management. The cyclical nature of the industry, combined with the inherent judgements involved in forecasting increases the risk of estimation error. Such judgements and estimates include:</p> <ul style="list-style-type: none"> <li>– an estimation of expected sales prices, which are based on recent sales prices achieved;</li> <li>– an estimation of costs to complete;</li> <li>– the outcome of applications for planning consent; and</li> <li>– the consideration of other site-specific factors.</li> </ul> <p>Changes to these assumptions could result in a material change in the carrying value of inventory and the associated movements recorded in the income statement. We assess the sites forecasting or achieving lower margins to be the most susceptible to impairment, as minor changes in the estimates above could impact the provision required.</p>	<p>Management has conducted a detailed exercise in assessing the carrying value of inventory. This exercise is undertaken by each regional business unit and then subject to review and challenge by Head Office Management. We assess the process by which Management estimates the level of any provision that is required and the inputs that form part of this.</p> <p>We tested the inventory NRV model and critically assessed the judgements that had been made. This included:</p> <ul style="list-style-type: none"> <li>– checking the arithmetic accuracy of the calculations within the model and identifying any anomalies;</li> <li>– performing a sensitivity analysis on the key judgements relating to the future expected sales price and costs to complete;</li> <li>– assessing the estimated sales prices used by Management by testing the historical sales prices that have been achieved;</li> <li>– testing a sample of inputs into the Management prepared model by reference to internal site specific information such as the costs incurred to date and the estimation of costs required to complete the sites;</li> <li>– obtaining evidence to support the current status of a sample of sites, including agreeing to planning consent and assessing whether the site specific developments are reflected in the valuation;</li> <li>– for sites where there has been a release or write-back we have obtained the specific calculation prepared by Management, corroborated the specific developments at the site that led to the release/write-back and recalculated the value that should have been recorded as income; and</li> <li>– we engage with internal specialists who are quantity surveyors to assess the costs to complete included within a sample of models and whether, based on this specialist’s opinion, the assumptions used by Management are reasonable.</li> </ul> <p>We have considered the adequacy of the Group’s disclosures regarding the carrying value of land, work in progress and the write-off to inventory.</p>

Financial Statements  
**INDEPENDENT AUDITOR'S REPORT CONTINUED**

Risk	How the scope of our audit responded to the risk
<p><b>Defined benefit pension scheme accounting</b>  <i>Refer to page 77 (Audit Committee report), page 114 (Critical accounting judgements and key sources of estimation uncertainty) and page 131 (Financial statements disclosures).</i></p> <p>The total value of the defined benefit pension scheme at the balance sheet date is a liability of £232.7 million (2015: £177.1 million) and the liabilities specifically are valued at £2,368.8 million (2015: £2,066.2 million).</p> <p>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 position on the Group's balance sheet.</p> <p>These accounting judgements are inherently complex, require a high level of Management judgement and specialist actuarial input.</p>	<p>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'.</p> <p>We engaged our internal actuarial specialists to assess the appropriateness of the methodology and 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.</p> <p>We performed procedures to assess the underlying data provided to the actuary in determining the underlying value of the liabilities. This includes an assessment of the membership data provided.</p>

The description of the risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 77.

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.

**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 Group to be £36.0 million (2015: £29.0 million), which is calculated based on 5% (2015: 5%) of pre-tax profit for the year, excluding exceptional items, of £733.4 million (2015: £603.8 million) as described on page 106. The increase in materiality is directly attributable to the increased underlying pre-tax profit for the Group. 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.

We use performance materiality to detect misstatements at a lower level of precision; for the current year this is set at £25.2 million (2015: £20.3 million). 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 £1.00 million (2015: £0.58 million), 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 profit before tax 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 misstatements 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% (2015: 98%) of the Group's net operating assets, 97% (2015: 98%) of the Group's revenue and 98% (2015: 98%) of the Group's pre-tax profit before exceptional expense.

We audit all of the Group's UK subsidiaries, which are subject to audit at a statutory materiality level, which in most cases is substantially lower than Group materiality. This is performed subsequent to the audit of the Group accounts.

For the Spanish operations, component auditors report to us on the risk in relation to the net realisable value of the inventory located in Spain. This was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations within Spain.

For joint ventures, specified audit procedures are conducted by the UK team. This is based on our assessment of risk within these entities.

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.

### **An overview of the scope of our audit continued**

The audit is performed centrally and includes all of the 24 regional business units within the Group's UK Housing segment. 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 locations (2015: five). 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 five locations (2015: four).

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and 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 arising from these matters.

#### **Corporate Governance Statement**

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

### **Our duty to read other information in the Annual Report**

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

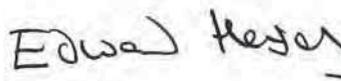
### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

### **Scope of the audit of the financial statements**

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



### **EDWARD HANSON (SENIOR STATUTORY AUDITOR)**

for and on behalf of Deloitte LLP Chartered Accountants and Statutory Auditor, London, United Kingdom

27 February 2017

**CONSOLIDATED INCOME STATEMENT**

for the year to 31 December 2016

£ million	Note	Before exceptional items 2016	Exceptional items 2016 (Note 6, 9 and 15)	Total 2016	Before exceptional items 2015	Exceptional items 2015 (Note 6, 9 and 15)	Total 2015
<b>Continuing operations</b>							
<b>Revenue</b>	4	<b>3,676.2</b>	–	<b>3,676.2</b>	3,139.8	–	3,139.8
Cost of sales		<b>(2,735.8)</b>	<b>(0.5)</b>	<b>(2,736.3)</b>	(2,351.8)	(0.6)	(2,352.4)
Gross profit before positive contribution		<b>927.3</b>	<b>(0.5)</b>	<b>926.8</b>	779.1	(0.6)	778.5
Positive contribution from written down inventory		<b>13.1</b>	–	<b>13.1</b>	8.9	–	8.9
Gross profit		<b>940.4</b>	<b>(0.5)</b>	<b>939.9</b>	788.0	(0.6)	787.4
Net operating expenses	6	<b>(177.3)</b>	–	<b>(177.3)</b>	(155.9)	–	(155.9)
<b>Profit on ordinary activities before finance costs</b>		<b>763.1</b>	<b>(0.5)</b>	<b>762.6</b>	632.1	(0.6)	631.5
Interest receivable	8	<b>0.7</b>	–	<b>0.7</b>	0.7	–	0.7
Finance costs	8	<b>(31.6)</b>	–	<b>(31.6)</b>	(33.9)	–	(33.9)
Share of results of joint ventures	13	<b>1.2</b>	–	<b>1.2</b>	4.9	–	4.9
<b>Profit on ordinary activities before taxation</b>		<b>733.4</b>	<b>(0.5)</b>	<b>732.9</b>	603.8	(0.6)	603.2
Taxation (charge)/credit	9	<b>(143.7)</b>	<b>0.1</b>	<b>(143.6)</b>	(121.5)	8.1	(113.4)
<b>Profit for the year</b>		<b>589.7</b>	<b>(0.4)</b>	<b>589.3</b>	482.3	7.5	489.8
Attributable to:							
Equity holders of the parent				<b>589.3</b>			490.1
Non-controlling interests				–			(0.3)
				<b>589.3</b>			489.8

	Note	2016	2015
Basic earnings per share	10	<b>18.1p</b>	15.1p
Diluted earnings per share	10	<b>17.9p</b>	14.9p
Adjusted basic earnings per share	10	<b>18.1p</b>	14.9p
Adjusted diluted earnings per share	10	<b>18.0p</b>	14.7p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year to 31 December 2016

£ million	Note	2016	2015
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations	24	6.3	(1.5)
Movement in fair value of hedging derivatives and loans	24	(5.0)	1.5
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial loss on defined benefit pension schemes	20	(69.3)	(8.6)
Tax credit/(charge) on items taken directly to other comprehensive income	14	10.7	(0.7)
<b>Other comprehensive expense for the year net of tax</b>		<b>(57.3)</b>	<b>(9.3)</b>
Profit for the year		589.3	489.8
<b>Total comprehensive income for the year</b>		<b>532.0</b>	<b>480.5</b>
Attributable to:			
Equity holders of the parent		532.0	480.8
Non-controlling interests		–	(0.3)
		<b>532.0</b>	<b>480.5</b>

Financial Statements  
**CONSOLIDATED BALANCE SHEET**  
at 31 December 2016

£ million	Note	2016	2015
<b>Non-current assets</b>			
Intangible assets	11	3.5	2.7
Property, plant and equipment	12	21.0	20.0
Interests in joint ventures	13	50.3	27.1
Trade and other receivables	16	87.2	95.4
Deferred tax assets	14	57.4	55.7
		<b>219.4</b>	<b>200.9</b>
<b>Current assets</b>			
Inventories	15	3,984.0	3,891.2
Trade and other receivables	16	91.4	114.0
Tax receivables		0.2	1.7
Cash and cash equivalents	16	450.2	323.3
		<b>4,525.8</b>	<b>4,330.2</b>
<b>Total assets</b>		<b>4,745.2</b>	<b>4,531.1</b>
<b>Current liabilities</b>			
Trade and other payables	18	(988.1)	(1,093.4)
Tax payables		(61.6)	–
Provisions	21	(28.0)	(31.1)
		<b>(1,077.7)</b>	<b>(1,124.5)</b>
<b>Net current assets</b>		<b>3,448.1</b>	<b>3,205.7</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	(442.5)	(402.0)
Bank and other loans	17	(85.5)	(100.0)
Retirement benefit obligations	20	(234.1)	(178.4)
Provisions	21	(5.1)	(2.9)
		<b>(767.2)</b>	<b>(683.3)</b>
<b>Total liabilities</b>		<b>(1,844.9)</b>	<b>(1,807.8)</b>
<b>Net assets</b>		<b>2,900.3</b>	<b>2,723.3</b>
<b>Equity</b>			
Share capital	22	288.4	288.3
Share premium account	23	762.9	762.9
Own shares	25	(12.2)	(3.2)
Other reserves	24	43.2	41.9
Retained earnings	24	1,817.3	1,632.7
<b>Equity attributable to parent</b>		<b>2,899.6</b>	<b>2,722.6</b>
<b>Non-controlling interests</b>		<b>0.7</b>	<b>0.7</b>
<b>Total equity</b>		<b>2,900.3</b>	<b>2,723.3</b>

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 27 February 2017. 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 2016

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
<b>Other comprehensive income/(expense) for the year net of tax</b>	-	-	-	1.3	(58.6)	(57.3)
Profit for the year	-	-	-	-	589.3	589.3
<b>Total comprehensive income for the year</b>	-	-	-	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)
<b>Equity attributable to parent</b>	<b>288.4</b>	<b>762.9</b>	<b>(12.2)</b>	<b>43.2</b>	<b>1,817.3</b>	<b>2,899.6</b>
Non-controlling interests	-	-	-	-	-	0.7
<b>Total equity</b>						<b>2,900.3</b>

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

**CONSOLIDATED CASH FLOW STATEMENT**

for the year to 31 December 2016

£ million	Note	2016	2015
<b>Net cash from operating activities</b>	26	<b>537.7</b>	406.9
<b>Investing activities</b>			
Interest received		0.7	0.6
Dividends received from joint ventures		–	0.8
Proceeds on disposal of property, plant and equipment		0.3	0.7
Purchases of property, plant and equipment	12	(3.1)	(5.6)
Purchases of software	11	(2.0)	(1.5)
Amounts (invested in)/repaid by joint ventures		(22.0)	15.6
<b>Net cash (used in)/generated from investing activities</b>		<b>(26.1)</b>	10.6
<b>Financing activities</b>			
Repayment of bank loans		(100.0)	–
Proceeds from other loans		83.0	–
Proceeds from sale of own shares		0.1	–
Cash received on exercise of share options		2.3	2.4
Purchase of own shares		(10.6)	(2.0)
Dividends paid		(355.9)	(308.4)
<b>Net cash used in financing activities</b>		<b>(381.1)</b>	(308.0)
<b>Net increase in cash and cash equivalents</b>		<b>130.5</b>	109.5
<b>Cash and cash equivalents at beginning of year</b>		<b>323.3</b>	212.8
Effect of foreign exchange rate changes		(3.6)	1.0
<b>Cash and cash equivalents at end of year</b>	26	<b>450.2</b>	323.3

# 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 42 to 47. 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 to direct the relevant activities of an investee entity and obtain variable returns from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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 sit 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 2016 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**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 enters into forward contracts in order to hedge its exposure to certain foreign exchange transaction risks relating to the relevant functional currency in accordance with Group policy. It also uses foreign currency borrowings and derivatives to hedge its net investment exposure to certain overseas subsidiaries (see page 113 for details of the Group's accounting policies in respect of such derivative 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.

## 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 forward exchange contracts to hedge transactions denominated in foreign currencies. The Group also 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**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 payments'. 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 2011). 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 lives of employees; and 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.

Payments to defined contribution schemes are charged as an expense as they fall due.

**2. Critical accounting judgements and key sources of estimation uncertainty****Carrying value of inventory and cost allocation**

In order to assess the appropriateness of the carrying value of inventory, the Group is required to make estimations of sales prices, costs and margins expected on sites in order to determine whether any write-downs or reversals are required to ensure inventory is stated at the lower of cost and net realisable value.

Following previous significant impairments of inventories, the Group has again undertaken a detailed review on a site-by-site basis of the net realisable value of its land and work in progress. The net realisable value exercise is highly sensitive to the assumptions used and we therefore also consider when the inventory is likely to be realised, whether or not there has been a sustained change in market conditions that previously caused the inventory to be impaired and the wider economic environment existing at the balance sheet date. Details of the sensitivity of the carrying value of inventory is detailed in Note 15.

The Group has a net addition of £0.5 million (2015: £0.6 million) of inventory impairments in the year. The net reversal in the UK of £2.2 million consists of reversals of £7.7 million (2015: £6.6 million) and further write-downs of £5.5 million (2015: £7.2 million). The UK reversal is offset by a further write-down of a previously impaired site in Spain of £2.7 million (2015: £nil). See Note 6.

In addition to the estimation uncertainty in relation to the net realisable value of inventory, the allocation of these across sites, phases and plots is an area of accounting judgement. In order to ensure correct allocation and phasing, regular reviews of the components of the inventory balance are undertaken, along with central controls around cost allocation across developments.

## 2. Critical accounting judgements and key sources of estimation uncertainty continued

### Employee benefits

The value of the defined benefit plan assets and 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 schemes along with sensitivities of the liabilities to changes in these assumptions.

### 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 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 11 'Joint Arrangements' – accounting for acquisitions of interests in joint operations
- Amendments to IAS 1 'Presentation of Financial Statements' – disclosure initiative
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' – equity method in separate financial statements
- Annual Improvements to IFRSs 2012-2014 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
- IAS 7 'Statement of Cash Flows' (amendments) – disclosure initiative
- IAS 12 'Income Taxes' (amendments) – recognition of deferred tax assets for unrealised losses
- 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

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, except as noted below:

- IFRS 9 'Financial Instruments' is scheduled to replace IAS 39 'Financial Instruments: Recognition and Measurement' from 1 January 2018. IFRS 9 will impact both the measurement and disclosures of financial instruments. The Group is currently assessing the impact of the revisions on the Group's results and financial position. To date it is considered that the main impact will be on the treatment and valuation of mortgage debtors held by the Group.
- IFRS 15 'Revenue from Contracts with Customers' sets out revenue recognition conditions for the Group and will be applicable from 1 January 2018. The standard remains subject to industry interpretations and consensus. To date, we expect the standard may delay the recognition of revenue from construction contracts and may impact upon historical warranty obligations, although neither of these will affect the Group's cash flows. In addition, the standard will require presentational changes to our Income Statement. The financial impact of the adoption of IFRS 15 will mainly be on the long term and partnership housing contracts which the Group enters into. This is currently c.10% of our revenue stream, not all of which will be impacted.
- IFRS 16 'Leases' was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how leases are recognised, presented, measured and disclosed. It is expected that the Group's lease commitments will be brought onto the Balance Sheet together with corresponding assets. This is likely to impact on the timing of the recognition of lease costs within the Income Statement although it will not affect the Group's cash flows.
- Amendments to IAS 7 'Statement of Cash Flows' was issued in January 2016 and will be applicable to the Group from 1 January 2017. The Amendment requires enhanced disclosures of changes in financing liabilities.

## 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 165. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 52.

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 112.

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#### 4. Revenue

An analysis of the Group's continuing revenue is as follows:

£ million	2016	2015
Housing:		
Private sales	3,283.9	2,780.9
Partnership housing*	329.2	311.7
Other	15.0	11.3
<b>Total housing</b>	<b>3,628.1</b>	<b>3,103.9</b>
Land sales	48.1	35.9
<b>Revenue for the year</b>	<b>3,676.2</b>	<b>3,139.8</b>

\* Partnership housing includes £245.3 million (2015: £241.9 million) recognised under IAS 11 'Construction Contracts'.

Housing revenue includes £35.9 million (2015: £50.1 million) in respect of the value of properties accepted in part exchange by the Group.

#### 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 sit on the Group Management Team. In addition there is an operating segment covering the Corporate functions, Major Developments and Strategic Land.

Segment information about these businesses is presented below:

For the year to 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
<b>Revenue</b>						
External sales	1,239.4	1,204.5	1,137.0	1.7	93.6	3,676.2
<b>Result</b>						
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)
<b>Profit for the year</b>						<b>589.3</b>

As at 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
<b>Assets and liabilities</b>						
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
<b>Net assets</b>						<b>2,900.3</b>

## 5. Operating segments continued

For the year to 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
<b>Other information</b>						
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)

For the year to 31 December 2015 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
<b>Revenue</b>						
External sales	1,093.8	1,075.4	911.6	0.9	58.1	3,139.8
<b>Result</b>						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	251.1	243.2	198.2	(70.4)	10.0	632.1
Share of results of joint ventures	(0.1)	–	5.0	–	–	4.9
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	251.0	243.2	203.2	(70.4)	10.0	637.0
Exceptional items (Note 6)	(0.5)	2.0	(2.1)	–	–	(0.6)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	250.5	245.2	201.1	(70.4)	10.0	636.4
Net finance costs						(33.2)
Profit on ordinary activities before taxation						603.2
Taxation (including exceptional tax)						(113.4)
<b>Profit for the year</b>						489.8

As at 31 December 2015 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
<b>Assets and liabilities</b>						
Segment operating assets	1,198.0	1,273.8	1,417.0	148.0	86.5	4,123.3
Joint ventures	2.2	3.0	21.4	0.3	0.2	27.1
Segment operating liabilities	(387.2)	(571.7)	(444.2)	(260.6)	(44.1)	(1,707.8)
Group net operating assets	813.0	705.1	994.2	(112.3)	42.6	2,442.6
Net current taxation						1.7
Net deferred taxation						55.7
Net cash						223.3
<b>Net assets</b>						2,723.3

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**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	2016	2015
Administration expenses	189.2	172.1
Other expense	9.5	6.5
Other income	(21.4)	(22.7)
Exceptional items	0.5	0.6

Other income includes profits on the sale of property, plant and equipment, and revaluation of certain shared equity mortgage receivables.

Exceptional items: £ million	2016	2015
Net addition to inventory impairments (Note 15)	0.5	0.6
Exceptional items charged to cost of sales	0.5	0.6

The Group has seen sustained improvement in the UK housing market and improvement in confidence in the wider economy, driven by continued low interest rates, improved mortgage availability and Government incentives, including the 'Help to Buy' scheme. This has resulted in a net UK release of £2.2 million (2015: £0.6 million addition) to the provision. This net reversal consists of £7.7 million of releases (2015: £6.6 million) and additional write-downs on previously impaired sites, due to site specific rather than market factors, of £5.5 million (2015: £7.2 million). An additional write-down of £2.7 million to a previously impaired site in Spain has also been made (2015: £nil) resulting in a total net addition of £0.5 million (2015: £0.6 million) for the Group.

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

£ million	2016	2015
Cost of inventories recognised as expense in cost of sales, before write-downs of inventories	2,633.3	2,261.8
Reversal of inventory impairment provisions	(7.7)	(6.6)
Impairment of inventories	8.2	7.2
Property, plant and equipment depreciation	2.1	2.0
Net foreign exchange (credit)/charge	(1.6)	0.7
Gain on disposal of property, plant and equipment	(0.3)	(0.5)
Amortisation of intangible assets	1.2	1.3
Payments under operating leases	1.7	2.0

The remuneration paid to Deloitte LLP, the Group's external auditor, is as follows:

£ million	2016	2015
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	–	0.1
Total non-audit fees	0.1	0.2
Total fees	0.5	0.6

Non-audit services in 2016 and 2015 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

	2016 Number	2015 Number
<b>Average number employed</b>		
United Kingdom	4,585	4,177
Spain	88	83
	<b>4,673</b>	<b>4,260</b>

<b>£ million</b>	2016	2015
<b>Remuneration</b>		
Wages and salaries	190.0	185.4
Redundancy costs	0.2	0.4
Social security costs	26.0	25.0
Other pension costs	10.6	10.0
	<b>226.8</b>	<b>220.8</b>

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 78 to 96 in the Directors' Remuneration Report.

## 8. Finance costs and interest receivable

<b>£ million</b>	2016	2015
External interest receivable	0.7	0.7

Finance costs are analysed as follows:

<b>£ million</b>	2016	2015
Interest on overdrafts, bank and other loans	10.9	11.6
Foreign exchange movements	(1.6)	0.7
	<b>9.3</b>	<b>12.3</b>
Unwinding of discount on land creditors and other items	16.2	15.6
Net notional interest on pension liability (Note 20)	6.1	6.0
	<b>31.6</b>	<b>33.9</b>

## 9. Taxation

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

<b>£ million</b>	2016	2015
<b>Current tax:</b>		
UK corporation tax:		
Current year	(136.5)	(11.2)
Prior years	2.5	(0.8)
Foreign tax:		
Current year	(2.3)	(0.7)
Prior years	–	–
	<b>(136.3)</b>	<b>(12.7)</b>
<b>Deferred tax:</b>		
UK:		
Current year	(5.7)	(107.8)
Prior years	(0.4)	(0.9)
Foreign tax:		
Current year	(1.2)	8.0
Prior years	–	–
	<b>(7.3)</b>	<b>(100.7)</b>
	<b>(143.6)</b>	<b>(113.4)</b>

Corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year includes a credit in respect of movements in the exceptional impairment provision of £0.1 million (2015: £0.1 million). In 2015 the Group recognised an £8.0 million exceptional credit in relation to the recognition of Spanish temporary differences.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**9. Taxation continued**

The income statement charge for 2016 includes a charge of £nil (2015: £0.6 million) relating to the impact on the deferred tax asset of the 1% reduction in UK corporation tax from 18% to 17% (2015: 2% reduction from 20% to 18%).

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

£ million	2016	2015
Profit before tax	<b>732.9</b>	603.2
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	<b>(146.6)</b>	(122.1)
Net over provision in respect of prior years	<b>2.1</b>	0.5
Tax effect of expenses that are not deductible in determining taxable profit	<b>0.2</b>	0.3
Unrecognised temporary differences utilised	–	2.0
Impact of corporate tax rate reduction on deferred tax	–	(0.6)
Recognition of deferred tax asset relating to Spanish business	<b>1.1</b>	8.0
Other rate impacting adjustments	<b>(0.4)</b>	(1.5)
Tax charge for the year	<b>(143.6)</b>	(113.4)

**10. Earnings per share**

	2016	2015
Basic earnings per share	<b>18.1p</b>	15.1p
Diluted earnings per share	<b>17.9p</b>	14.9p
Adjusted basic earnings per share	<b>18.1p</b>	14.9p
Adjusted diluted earnings per share	<b>18.0p</b>	14.7p
Weighted average number of shares for basic/adjusted earnings per share – million	<b>3,259.7</b>	3,247.3
Weighted average number of shares for diluted basic/adjusted earnings per share – million	<b>3,283.2</b>	3,278.8

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	2016	2015
Earnings for basic and diluted earnings per share	<b>589.3</b>	490.1
Adjust for exceptional net addition of inventory write-downs (Note 15)	<b>0.5</b>	0.6
Adjust for tax on exceptional items (Note 9)	<b>(0.1)</b>	(0.1)
Adjust for exceptional deferred tax credit (Note 9)	–	(8.0)
Earnings for adjusted basic and adjusted diluted earnings per share	<b>589.7</b>	482.6

## 11. Intangible assets

£ million	Brands	Software development costs	Total
<b>Cost</b>			
At 1 January 2015	140.2	6.5	146.7
Additions	–	1.5	1.5
At 31 December 2015	140.2	8.0	148.2
Additions	–	2.0	2.0
<b>At 31 December 2016</b>	<b>140.2</b>	<b>10.0</b>	<b>150.2</b>
<b>Amortisation/impairment</b>			
At 1 January 2015	(140.2)	(4.0)	(144.2)
Charge for the year	–	(1.3)	(1.3)
At 31 December 2015	(140.2)	(5.3)	(145.5)
Charge for the year	–	(1.2)	(1.2)
<b>At 31 December 2016</b>	<b>(140.2)</b>	<b>(6.5)</b>	<b>(146.7)</b>
<b>Carrying amount</b>			
<b>31 December 2016</b>	<b>–</b>	<b>3.5</b>	<b>3.5</b>
31 December 2015	–	2.7	2.7

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
<b>Cost</b>			
At 1 January 2015	11.0	14.5	25.5
Additions	4.0	1.6	5.6
Disposals	(0.2)	(0.7)	(0.9)
At 31 December 2015	14.8	15.4	30.2
Additions	0.2	2.9	3.1
Disposals	–	(1.1)	(1.1)
<b>At 31 December 2016</b>	<b>15.0</b>	<b>17.2</b>	<b>32.2</b>
<b>Accumulated depreciation</b>			
At 1 January 2015	(0.2)	(8.5)	(8.7)
Disposals	–	0.5	0.5
Charge for the year	(0.5)	(1.5)	(2.0)
At 31 December 2015	(0.7)	(9.5)	(10.2)
Disposals	–	1.1	1.1
Charge for the year	(0.5)	(1.6)	(2.1)
<b>At 31 December 2016</b>	<b>(1.2)</b>	<b>(10.0)</b>	<b>(11.2)</b>
<b>Carrying amount</b>			
<b>At 31 December 2016</b>	<b>13.8</b>	<b>7.2</b>	<b>21.0</b>
At 31 December 2015	14.1	5.9	20.0

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**13. Interests in joint ventures**

£ million	2016	2015
Aggregated amounts relating to share of joint ventures:		
Current assets	66.5	52.9
Total assets	66.5	52.9
Current liabilities	(12.3)	(28.8)
Non-current liabilities	(44.3)	(15.6)
Total liabilities	(56.6)	(44.4)
Carrying amount	9.9	8.5
Loans to joint ventures	40.4	18.6
Total interests in joint ventures	50.3	27.1

£ million	2016	2015
Group share of:		
Revenue	29.1	38.3
Cost of sales	(26.5)	(30.7)
Gross profit	2.6	7.6
Net operating expenses	(0.7)	(1.0)
Profit on ordinary activities before finance costs	1.9	6.6
Finance costs	(0.4)	(0.5)
Profit on ordinary activities before tax	1.5	6.1
Taxation	(0.3)	(1.2)
Share of joint ventures' post-tax results for the year	1.2	4.9

The Group has two material (2015: four) joint ventures whose principal activity is residential house building. The Group considers a joint venture to be material when it is financially important to the Group. During the year Academy Central LLP and Strada Developments Limited completed the construction and sale of all units on the site and therefore the results are no longer material to the Group. Loans to joint ventures have increased significantly in the year as the level of development activity has increased at Greenwich Millennium Village and Chobham Manor.

The particulars of the material joint ventures for 2016 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 <sup>(a)</sup>	50%
United Kingdom	Chobham Manor Limited Liability Partnership <sup>(a)</sup>	50%

(a) Interest held by subsidiary undertakings.

### 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 2016	Chobham Manor 2016	Total 2016
<b>Percentage ownership interest</b>	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
<b>Group share of net assets/(liabilities)</b>	<b>10.3</b>	<b>(4.3)</b>	<b>6.0</b>
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
<b>Group share of profit/(loss) for the year</b>	<b>2.3</b>	<b>(1.3)</b>	<b>1.0</b>

\* 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	Strada 2015	Greenwich Millennium Village 2015	Chobham Manor 2015	Academy Central 2015	Total 2015
<b>Percentage ownership interest</b>	50%	50%	50%	62%	
Current assets (including cash and cash equivalents)	4.3	49.1	40.8	1.9	96.1
Current financial liabilities	–	(11.3)	(39.3)	–	(50.6)
Current other liabilities	(0.5)	(1.3)	–	–	(1.8)
Non-current financial liabilities*	(0.5)	(22.2)	(7.7)	(0.7)	(31.1)
Net assets/(liabilities) (100%)	3.3	14.3	(6.2)	1.2	12.6
<b>Group share of net assets/(liabilities)</b>	<b>1.7</b>	<b>7.1</b>	<b>(3.1)</b>	<b>0.8</b>	<b>6.5</b>
Loans to joint ventures	–	1.0	13.8	0.2	15.0
Total interest in joint ventures	1.7	8.1	10.7	1.0	21.5
Revenue	–	50.2	6.7	15.6	72.5
Interest income	–	–	–	–	–
Income tax expense	–	(2.6)	–	–	(2.6)
(Loss)/profit for the year	(0.2)	9.8	(1.6)	1.1	9.1
<b>Group share of (loss)/profit for the year</b>	<b>(0.1)</b>	<b>4.9</b>	<b>(0.8)</b>	<b>0.7</b>	<b>4.7</b>
Dividends received from the joint venture during the year	0.8	–	–	5.5	6.3

\* Non-current financial liabilities include amounts owed to JV partners.

During the year, no entity charged depreciation, amortisation or interest expense. No entity had discontinued operations or items of other comprehensive income.

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**13. Interests in joint ventures continued**

£ million	2016	2015
Aggregated amounts relating to share of individually immaterial joint ventures		
Current assets	9.4	4.6
Total assets	9.4	4.6
Current liabilities	(1.3)	(2.6)
Non-current liabilities	(4.2)	–
Total liabilities	(5.5)	(2.6)
Carrying amount	3.9	2.0
Loans to individually immaterial joint ventures	5.2	3.6
Total interests in individually immaterial joint ventures	9.1	5.6

£ million	2016	2015
Group share of:		
Revenue	1.0	0.2
Cost of sales	(0.7)	–
Gross profit	0.3	0.2
Net operating expense	(0.1)	–
Profit on ordinary activities before finance costs	0.2	0.2
Finance costs	–	–
Profit on ordinary activities before tax	0.2	0.2
Taxation	–	–
Share of individually immaterial joint ventures results for the year	0.2	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 2015	7.6	4.5	110.2	35.5	(0.3)	157.5
(Charge)/credit to income	–	(0.5)	(98.8)	(2.8)	1.4	(100.7)
(Charge)/credit to equity	(0.4)	–	–	(0.7)	–	(1.1)
At 31 December 2015	7.2	4.0	11.4	32.0	1.1	55.7
Credit/(charge) to income	0.6	(0.6)	(3.9)	(2.7)	(0.7)	(7.3)
(Charge)/credit to equity	(3.0)	–	–	10.7	–	7.7
Foreign exchange	–	–	1.3	–	–	1.3
<b>At 31 December 2016</b>	<b>4.8</b>	<b>3.4</b>	<b>8.8</b>	<b>40.0</b>	<b>0.4</b>	<b>57.4</b>

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the temporary differences have been calculated at rates between 20% and 17% (2015: 20% and 18%). The effect of the reduction in the UK corporation tax rate from 18% to 17% is £nil (2015: £0.6 million) in the income statement and £3.2 million (2015: £2.5 million) in the statement of comprehensive income and statement of changes in equity.

#### 14. Deferred tax continued

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

£ million	2016	2015
Deferred tax assets	58.7	57.1
Deferred tax liabilities	(1.3)	(1.4)
	57.4	55.7

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £3.0 million (2015: £3.5 million) in the UK and £70.0 million (2015: £68.4 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 £269.5 million (2015: £264.3 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2016 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

#### 15. Inventories

£ million	2016	2015
Raw materials and consumables	–	–
Finished goods and goods for resale	20.9	17.1
Residential developments:		
Land <sup>(a)</sup>	2,652.5	2,743.7
Development and construction costs	1,307.8	1,128.3
Commercial, industrial and mixed development properties	2.8	2.1
	3,984.0	3,891.2

(a) Details of land creditors are in Note 18.

During the year contract costs of £187.7 million (2015: £181.0 million) have been recognised within Cost of Sales in respect of IAS 11 'Construction contracts'.

The Group has seen sustained improvement in the UK housing market and improvement in confidence in the wider economy, driven by continued low interest rates, improved mortgage availability and Government incentives, including the 'Help to Buy' scheme. This has resulted in a net UK release of £2.2 million (2015: £0.6 million addition) to the provision. This net release consists of £7.7 million of releases (2015: £6.6 million) and additional write-downs on previously impaired sites, due to site specific rather than market factors, of £5.5 million (2015: £7.2 million). An additional write-down of £2.7 million to a previously impaired site in Spain has also been made (2015: £nil) resulting in a total net addition of £0.5 million (2015: £0.6 million) for the Group.

In the year 5% (2015: 6%) of the Group's UK completions were from pre-2009 impaired sites.

At the balance sheet date the Group held inventory in the UK that had been written down to net realisable value of £119.6 million (2015: £151.6 million) with associated impairments of £96.8 million (2015: £124.2 million).

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

£ million	+1% selling price	-1% selling price	+1% build cost	-1% build cost
31 December 2016	6.0	(8.1)	(8.4)	3.1
31 December 2015	10.9	(11.4)	(11.1)	9.2

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, 65 plots (2015: 53) were completed in Spain that had previously been impaired. In Spain, there was inventory written down to net realisable value of £18.7 million as at 31 December 2016 (2015: £24.3 million), with associated impairments of £50.2 million (2015: £43.5 million).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**

### 15. Inventories continued

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

Inventory write-downs £ million	2016	2015
1 January	167.7	206.2
Utilised	(28.3)	(35.6)
Net addition	0.5	0.6
Foreign exchange	7.1	(3.5)
31 December	147.0	167.7

### 16. Other financial assets

#### Trade and other receivables

£ million	Current		Non-current	
	2016	2015	2016	2015
Trade receivables	65.4	80.6	79.0	94.4
Other receivables	26.0	33.4	8.2	1.0
	91.4	114.0	87.2	95.4

The average credit period taken on sales is 8 days (2015: 11 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £0.4 million (2015: £1.2 million). This allowance has been determined by reference to past default experience and relates mainly to provisions against mortgage debtors.

Included within trade receivables are mortgage receivables of £78.0 million (2015: £94.6 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.

The embedded derivative fair value movement is established by reference to a published national house price index. The fair value of the derivative is £2.4 million (2015: £7.2 million) and is included in the amount above.

Included within trade receivables is £9.6 million (2015: £9.5 million) of retentions in relation to partnership housing contracts.

#### Cash and cash equivalents

£ million	2016	2015
Cash and cash equivalents (see Note 19)	450.2	323.3

### 17. Bank and other loans

£ million	2016	2015
Bank overdrafts repayable on demand	–	–
Bank loans	–	–
Other loans	85.5	100.0
	85.5	100.0

During the year the £100.0 million variable rate term loan outstanding at 31 December 2015 was fully redeemed without penalty. At 31 December 2016, other loans relate to €100.0 million 2.02% Senior Loan Notes.

£ million	2016	2015
Amount due for settlement after one year	85.5	100.0
Total borrowings	85.5	100.0

£ million	2016	2015
Analysis of borrowings by currency:		
Sterling	–	100.0
Euros	85.5	–
	85.5	100.0

## 18. Trade and other payables

£ million	Current		Non-current	
	2016	2015	2016	2015
Trade payables	481.3	598.1	337.5	291.7
Other payables	506.8	495.3	105.0	110.3
	988.1	1,093.4	442.5	402.0

Other payables include customer deposits for reserving plots of £98.5 million (2015: £118.9 million), £177.1 million (2015: £151.0 million) relating to certain accruals associated with completed sites, and £61.4 million (2015: £83.8 million) of repayable grants.

Land creditors (included within trade payables) are due as follows:			
£ million		2016	2015
Due within one year		266.3	342.7
Due in more than one year		333.5	287.1
		599.8	629.8

Land creditors are denominated as follows:			
£ million		2016	2015
Sterling		577.4	622.5
Euros		22.4	7.3
		599.8	629.8

Land creditors of £276.2 million (2015: £334.8 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		Fair value	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash and cash equivalents	b	450.2	323.3	450.2	323.3
Land receivables	b	24.1	17.8	24.1	17.8
Trade and other receivables	b	44.6	64.8	44.6	64.8
Mortgage receivables	a	78.0	94.6	78.0	94.6
		596.9	500.5	596.9	500.5

(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.

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 £31.9 million (2015: £32.2 million) of non-financial assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 19. Financial instruments and fair value disclosures continued

Financial liabilities £ million	Fair value hierarchy	Carrying value		Fair value	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Overdrafts, bank and other loans	b	85.5	100.0	85.5	100.0
Land creditors	b	599.8	629.8	599.8	629.8
Trade and other payables	b	677.9	711.1	677.9	711.1
		<b>1,363.2</b>	1,440.9	<b>1,363.2</b>	1,440.9

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 £152.9 million (2015: £154.5 million) of non-financial liabilities.

The Group has designated the carrying value of €54.0 million of foreign currency borrowings (2015: €34.0 million foreign currency forward contracts) as a net investment hedge. The fair value of the forward contract is based on observable forward exchange rates at the end of the period taking into account any adjustment required for credit risk (level 2).

The Group has no 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.

The Group has the following types of derivatives:

	2016 Notional amount	2016 Weighted average fixed	2015 Notional amount	2015 Weighted average fixed
Designated as hedging instruments:				
Currency forward contract to sell € against £	–	–	€34.0m	n/a

In addition, forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy/(sell) against Sterling: €47.5 million and C\$(0.4) million (2015: €5.3 million and C\$(0.6) million). The fair value of the forward contracts are 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 by the use of fixed or variable rate borrowings, foreign currency borrowings and derivative financial instruments.

**(a) Interest rate risk management**

The Group is exposed to interest rate risk as the Group borrows funds at variable interest rates. The exposure to variable rate borrowings fluctuates 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.

In order to measure the risk, variable rate borrowings and the expected interest cost for the year are forecast on a monthly basis 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 issued €100 million fixed rate loan notes during 2016 and does not currently have any outstanding interest rate derivatives.

The table assumes all other variables remain constant in accordance with IFRS 7.

0.25% increase in interest rates £ million	Sensitivity income 2016	Sensitivity equity 2016	Sensitivity income 2015	Sensitivity equity 2015
Derivatives	–	–	–	–
Non-derivatives	1.1	1.1	0.6	0.6
	<b>1.1</b>	<b>1.1</b>	0.6	0.6

0.25% decrease in interest rates £ million	Sensitivity income 2016	Sensitivity equity 2016	Sensitivity income 2015	Sensitivity equity 2015
Derivatives	–	–	–	–
Non-derivatives	(1.1)	(1.1)	(0.6)	(0.6)
	<b>(1.1)</b>	<b>(1.1)</b>	(0.6)	(0.6)

## 19. Financial instruments and fair value disclosures continued

### (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.

The Group's exposure to foreign currency risk has changed in the year as a result of the €100 million 2.02% loan notes issued during 2016, to manage the exposure to movements in the net assets of the Spanish operation as a result of fluctuations in the Euro exchange rate against Sterling. Previously this was done using foreign currency forward contracts.

#### *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 (2015: €34.0 million foreign currency forward contracts) 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 2016	Equity sensitivity 2016	Income sensitivity 2015	Equity sensitivity 2015
Euro weakens against Sterling	1.0	5.1	(0.9)	(2.4)
Euro strengthens against Sterling	(1.3)	(6.8)	1.2	3.3

#### **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.

#### **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 borrowings have a range of maturities with an average life of 3.6 years (2015: 4.0 years).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**19. Financial instruments and fair value disclosures continued**

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 (2015: £550.0 million) and cash and cash equivalents were £450.2 million (2015: £323.3 million).

On 28 June 2016 the Group issued €100 million loan notes at a fixed rate of 2.02% maturing 28 June 2023 and in November 2016 pre-paid the £100.0 million term loan maturing in November 2020.

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	1.7	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
<b>31 December 2016</b>	<b>96.6</b>	<b>629.4</b>	<b>677.6</b>	<b>0.3</b>	<b>1,403.9</b>

\* 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	5.0	355.7	625.8	28.6	1,015.1
More than one year and less than two years	29.8	166.0	42.7	–	238.5
More than two years and less than five years	82.0	126.7	33.7	–	242.4
In more than five years	–	12.2	9.0	–	21.2
<b>31 December 2015</b>	<b>116.8</b>	<b>660.6</b>	<b>711.2</b>	<b>28.6</b>	<b>1,517.2</b>

\* Excludes land creditors.

Lease commitments are disclosed in Note 28.

## 20. Retirement benefit obligations

Retirement benefit obligations comprise a defined benefit pension liability of £232.7 million (2015: £177.1 million) and a post-retirement healthcare liability of £1.4 million (2015: £1.3 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 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 £10.6 million in 2016 (2015: £10.0 million), which is included in the income statement charge. The Group expects to make contributions of around £10.7 million in 2017.

### *Defined benefit pension schemes*

The Group's defined benefit pension scheme in the UK is the TWPS. The TWPS is a funded defined benefit pension scheme which provides benefits to beneficiaries in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. Pension payments are generally increased in line with inflation.

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

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

The Trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out using prudent assumptions. The first funding valuation of the TWPS was performed during 2014, with an effective date of 31 December 2013. Subsequently, the Group agreed to make contributions of £18.0 million in 2016, including reimbursement of administrative costs of the scheme. Contributions to the TWPS pension scheme are not considered to be significant enough to negatively impact future cash flows of the Group. The next triennial valuation is currently being undertaken with an effective date of 31 December 2016.

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 2016, there was £101.4 million of property and £9.6 million of cash held within the structure (2015: £91.1 million of property and £19.9 million of cash).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**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.

<b>Assumptions</b>	<b>TWPS</b>
RPI inflation	3.40%
Discount rate – pre/post-retirement	6.05%/4.05%
General pay inflation	n/a
Real pension increases	0.00%

<b>Valuation results</b>	<b>TWPS</b>
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 15 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 recent investigation into the mortality experience of the scheme. The base tables used for 2016 was the S2NXA tables with CMI\_2015 improvements and 1.25% trend rate, including actual 2013 to 2015 death data. For 2015 the S2NXA tables with CMI\_2013 improvements and 1.25% trend rate was used.

<b>Accounting valuation assumptions</b>	<b>TWPS</b>	
	<b>2016</b>	<b>2015</b>
As at 31 December:		
Discount rate for scheme liabilities	<b>2.70%</b>	3.70%
General pay inflation	<b>n/a</b>	n/a
Deferred pension increases	<b>2.25%</b>	1.95%
Pension increases	<b>2.15%-3.70%</b>	2.05%-3.55%

## 20. Retirement benefit obligations continued

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

Life expectancy	2016		2015	
	Male	Female	Male	Female
Member currently aged 65	87	89	88	90
Member currently aged 45	89	91	89	92

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 £41m	1.7
Rate of inflation*	Increase by 0.1% p.a.	Increase by £29m	1.2
Life expectancy	Members live 1 year longer	Increase by £125m	5.3

\* 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.

The fair value of the assets of the TWPS is set out below:

	£ million	Percentage of total scheme assets held
<b>At 31 December 2016</b>		
Assets:		
Equities	188.0	8.8%
Corporate bonds	583.5	27.3%
Fixed-index Government bonds	778.3	36.4%
Index-linked Government bonds	1,108.7	51.9%
Hedge funds	289.0	13.5%
Property	53.8	2.5%
Other <sup>(a)</sup>	(1,280.0)	(59.9)%
Cash	163.1	7.7%
Insurance policies in respect of certain members	251.7	11.8%
	<b>2,136.1</b>	<b>100.0%</b>

At 31 December 2015

Assets:		
Equities	753.0	39.9%
Corporate bonds	470.3	24.9%
Fixed-index Government bonds	467.8	24.8%
Index-linked Government bonds	542.0	28.6%
Hedge funds	118.4	6.2%
Property	45.6	2.4%
Other <sup>(a)</sup>	(820.4)	(43.4)%
Cash	76.8	4.1%
Insurance policies in respect of certain members	235.6	12.5%
	<b>1,889.1</b>	<b>100.0%</b>

(a) Consists of repurchase agreements of £1,147.7 million (2015: £737.0 million) and other financial derivatives (swaps, futures and forwards on equities and bonds) of £132.3 million (2015: £83.4 million). These are used to hedge against movements in scheme assets in order to reduce the volatility of the scheme deficit.

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
<b>At 1 January 2016</b>	<b>(2,066.2)</b>	<b>1,889.1</b>	<b>(177.1)</b>
Current service cost	–	–	–
Administration expenses	–	(3.3)	(3.3)
Interest (expense)/income	(74.4)	68.3	(6.1)
<b>Total amount recognised in income statement</b>	<b>(74.4)</b>	<b>65.0</b>	<b>(9.4)</b>
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
<b>Total remeasurements in other comprehensive income</b>	<b>(341.0)</b>	<b>271.7</b>	<b>(69.3)</b>
Employer contributions	–	23.1	23.1
Employee contributions	–	–	–
Benefit payments	112.8	(112.8)	–
<b>At 31 December 2016</b>	<b>(2,368.8)</b>	<b>2,136.1</b>	<b>(232.7)</b>

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
<b>At 1 January 2015</b>	<b>(2,186.2)</b>	<b>2,003.8</b>	<b>(182.4)</b>
Current service cost	–	–	–
Administration expenses	–	(3.2)	(3.2)
Interest (expense)/income	(74.3)	68.3	(6.0)
<b>Total amount recognised in income statement</b>	<b>(74.3)</b>	<b>65.1</b>	<b>(9.2)</b>
Return on scheme assets not included in income statement	–	(72.5)	(72.5)
Change in demographic assumptions	–	–	–
Change in financial assumptions	49.2	–	49.2
Experience gains	14.7	–	14.7
<b>Total remeasurements in other comprehensive income</b>	<b>63.9</b>	<b>(72.5)</b>	<b>(8.6)</b>
Employer contributions	–	23.1	23.1
Employee contributions	–	–	–
Benefit payments	130.4	(130.4)	–
<b>At 31 December 2015</b>	<b>(2,066.2)</b>	<b>1,889.1</b>	<b>(177.1)</b>

**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 on page 135.

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 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 deficit.

## 20. Retirement benefit obligations continued

The key risks of the defined benefit pension scheme are detailed below along with the Group's approach to them.

Risk	Description
<b>Asset volatility</b>	<p>The TWPS undertook a strategic asset allocation review at the end of 2015, with the aim of increasing investment returns whilst decreasing overall risk. This was implemented over the course of 2016 and involved:</p> <ul style="list-style-type: none"> <li>– Increasing the hedging strategies to further minimise risk to the deficit from changes in interest rates and inflation.</li> <li>– Transitioning the TWPS' physical equities to synthetic, risk-managed equity exposure that combines a volatility-targeting mechanism with put option downside protection.</li> <li>– Investing into a pooled fund of "diversified risk premia" with a view to broadening exposure to a range of less-correlated risk premia to reduce reliance on equity markets for closing the deficit.</li> </ul> <p>With these changes, the funding level is now expected to be less volatile than previously. However, there is still some risk persistent in the TWPS' assets, which could potentially result in short term cash requirements and an increase in the net defined benefit liability recorded on the balance sheet.</p> <p>In addition to the investments outlined above, the TWPS' strategy is well diversified through its exposure to a range of asset classes, including commercial real estate debt, direct lending bonds, hedge funds, government bonds and a broad spectrum of corporate bonds and other fixed income exposures.</p> <p>Furthermore, there are a number of hedging strategies in place (these are mentioned below). TWPS 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.</p>
<b>Changes in bond yields</b>	<p>Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in corporate and government bonds 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.</p>
<b>Investing in foreign currency</b>	<p>In order to maintain appropriate diversification of investments within the TWPS' 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.</p>
<b>Asset/liability mismatch</b>	<p>In order to manage the TWPS' 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 TWPS' funding level from changes in its liabilities in an unfunded way, substantially reducing asset/liability mismatch risk.</p>
<b>Illiquidity</b>	<p>Insurance policies, real estate and illiquid debt (which include commercial real estate debt and direct lending bonds) make up £387 million (18%) of the asset portfolio of TWPS. Excluding these amounts, approximately 74% 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 20% are in pooled funds with monthly redemption dates. The remainder of 6% could be redeemed within approximately three months of notification in normal market conditions.</p>
<b>Life expectancy</b>	<p>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.</p>

### *Additional areas of risk management*

During the last quarter of 2014, the Group reached agreement with Partnership Life Assurance Company Limited to insure the benefits of certain members through a medically underwritten buy-in. These members represent the 10% of members with the greatest anticipated liability of the scheme. 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. The Group remains ultimately liable for the payments, and as such the obligation is unchanged; however the medically underwritten insurance policy has been recognised as a scheme insured asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 21. Provisions

£ million	Housing maintenance	Restructuring	North America disposal	Other	Total
At 1 January 2015	0.8	1.0	11.8	27.8	41.4
Additional provision in the year	0.4	–	–	3.8	4.2
Utilisation of provision	(0.3)	(0.4)	–	(8.2)	(8.9)
Released	–	(0.3)	–	(2.4)	(2.7)
At 31 December 2015	0.9	0.3	11.8	21.0	34.0
Additional provision in the year	<b>1.9</b>	–	–	<b>8.4</b>	<b>10.3</b>
Utilisation of provision	<b>(0.2)</b>	<b>(0.1)</b>	<b>(1.3)</b>	<b>(5.6)</b>	<b>(7.2)</b>
Released	–	–	–	<b>(4.0)</b>	<b>(4.0)</b>
<b>At 31 December 2016</b>	<b>2.6</b>	<b>0.2</b>	<b>10.5</b>	<b>19.8</b>	<b>33.1</b>

£ million	2016	2015
Current	<b>28.0</b>	31.1
Non-current	<b>5.1</b>	2.9
<b>31 December</b>	<b>33.1</b>	34.0

Other provisions consist of a remedial work provision, provisions for legal claims, onerous leases and other contract-related costs. The remedial work provision covers various obligations, including aftercare of our Oxley Woods development. Also included in other provisions are amounts for legal claims and 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	2016	2015
Authorised:		
22,200,819,176 (2015: 22,200,819,176) ordinary shares of 1p each	<b>222.0</b>	222.0
1,158,299,201 (2015: 1,158,299,201) deferred ordinary shares of 24p each	<b>278.0</b>	278.0
	<b>500.0</b>	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2015	3,258,633,430	288.3
Ordinary shares issued in the year	<b>11,638,672</b>	<b>0.1</b>
<b>31 December 2016</b>	<b>3,270,272,102</b>	<b>288.4</b>

During the year the Company issued an additional 11.6 million ordinary shares in order to satisfy option exercises.

During the year, options were exercised over 12,813,881 ordinary shares (2015: 16,064,888) 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 executive share option plans, employees held options at 31 December 2016 to purchase up to 108,109 shares, subject to achievement of performance tests (2015: 153,600) at a price of 39.34 pence per share nominally exercisable up to 7 August 2019. Under the Group's performance share plan, employees held conditional awards at 31 December 2016 in respect of up to 17,088,352 shares, subject to achievement of performance tests (2015: 17,119,676) at nil pence per share nominally exercisable up to 3 September 2019.

Under the Group's savings-related share option schemes, employees held options at 31 December 2016 to purchase 19,235,549 shares (2015: 22,590,040) at prices between 24.04 pence and 159.12 pence per share exercisable up to 31 May 2022. Under the Group's share purchase plan, employees held conditional awards at 31 December 2016 in respect of 5,571,219 shares (2015: 5,830,072) at nil pence per share.

### 23. Share premium account

£ million	2016	2015
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 2015	1,451.9	31.5	5.5	4.9	41.9
Exchange differences on translation of foreign operations	–	–	(1.5)	–	(1.5)
Movement in fair value of hedging derivatives and loans	–	–	1.5	–	1.5
Actuarial loss on defined benefit pension schemes	(8.6)	–	–	–	–
Deferred tax charge on defined benefit movement	(0.7)	–	–	–	–
Cash cost of satisfying share options	(7.2)	–	–	–	–
Share-based payment credit	7.3	–	–	–	–
Tax credit on items taken directly to statement of changes in equity	8.3	–	–	–	–
Dividends approved and paid	(308.4)	–	–	–	–
Profit for the year	490.1	–	–	–	–
Balance at 31 December 2015	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	–	–	–	–
<b>Balance at 31 December 2016</b>	<b>1,817.3</b>	<b>31.5</b>	<b>6.8</b>	<b>4.9</b>	<b>43.2</b>

#### 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 2015	10.8
Shares acquired	2.0
Disposed of on exercise of options	(9.6)
Balance at 31 December 2015	3.2
Shares acquired	10.6
Disposed of on exercise of options	(1.6)
<b>Balance at 31 December 2016</b>	<b>12.2</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**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.

	2016 Number	2015 Number
Ordinary shares held in trust for bonus, option and performance award plans	<b>10.2m</b>	4.3m

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 Purchase Plan.

During the year, Taylor Wimpey plc purchased £10.6 million of its own shares which are held in the ESOTs (2015: £2.0 million).

The ESOTs' entire holding of shares at 31 December 2016, aggregating 10.2 million shares (2015: 4.3 million), was covered by outstanding options and conditional awards over shares at that date.

**26. Notes to the cash flow statement**

£ million	2016	2015
Profit on ordinary activities before finance costs	<b>762.6</b>	631.5
Adjustments for:		
Depreciation of buildings, plant and equipment	<b>2.1</b>	2.0
Net addition of inventory write-downs	<b>0.5</b>	0.6
Amortisation of software development	<b>1.2</b>	1.3
Pension contributions in excess of charge to the income statement	<b>(20.1)</b>	(19.9)
Share-based payment charge	<b>9.8</b>	7.3
Profit on disposal of property, plant and equipment	<b>(0.3)</b>	(0.5)
Decrease in provisions	<b>(0.9)</b>	(7.4)
<b>Operating cash flows before movements in working capital</b>	<b>754.9</b>	614.9
Increase in inventories	<b>(113.3)</b>	(269.1)
Decrease in receivables	<b>42.3</b>	13.0
(Decrease)/increase in payables	<b>(61.7)</b>	68.1
<b>Cash generated by operations</b>	<b>622.2</b>	426.9
Income taxes paid	<b>(71.0)</b>	(5.5)
Interest paid	<b>(13.5)</b>	(14.5)
<b>Net cash from operating activities</b>	<b>537.7</b>	406.9

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
Balance 1 January 2015	212.8	(100.0)	112.8
Cash flow	109.5	–	109.5
Foreign exchange	1.0	–	1.0
Balance 31 December 2015	323.3	(100.0)	223.3
Net cash flow	<b>130.5</b>	<b>17.0</b>	<b>147.5</b>
Foreign exchange	<b>(3.6)</b>	<b>(2.5)</b>	<b>(6.1)</b>
<b>Balance 31 December 2016</b>	<b>450.2</b>	<b>(85.5)</b>	<b>364.7</b>

## 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 2016 (2015: 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	2016	2015
Within one year	6.1	5.6
In more than one year but not more than five years	14.5	9.6
After five years	2.6	0.8
	<b>23.2</b>	<b>16.0</b>

## 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 pages 78 to 96.

	2016		2015	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
<b>Schemes requiring consideration from participants:</b>				
Outstanding at beginning of year	28,573,712	0.76	34,126,334	0.46
Granted during the year	6,891,621	1.31	5,310,398	1.59
Lapsed during the year	(1,068,195)	1.08	(1,455,884)	0.23
Exercised during the year	(8,163,074)	0.45	(8,928,412)	0.30
Cancellations during the year	(1,319,187)	1.44	(478,724)	0.87
Outstanding at the end of the year	24,914,877	0.84	28,573,712	0.76
Exercisable at the end of the year	5,335,117	0.17	5,405,996	0.37

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. 5,571,219 of these awards, which do not expire, were in issue at 31 December 2016 (2015: 5,830,072). The remaining options outstanding at 31 December 2016 had a range of exercise prices from £0.24 to £1.59 (2015: £0.23 to £1.59) and a weighted average remaining contractual life of 1.08 years (2015: 1.14 years).

	2016		2015	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
<b>Schemes not requiring consideration from participants:</b>				
Outstanding at beginning of year	17,119,676	–	16,706,261	–
Granted during the year	6,780,661	–	8,112,869	–
Lapsed during the year	(2,156,563)	–	(562,978)	–
Exercised during the year	(4,650,807)	–	(7,136,476)	–
Cancellations during the year	(4,615)	–	–	–
Outstanding at the end of the year	17,088,352	–	17,119,676	–
Exercisable at the end of the year	–	–	–	–

These conditional awards outstanding at 31 December 2016 had a weighted average remaining contractual life of 0.9 years (2015: 1.9 years).

The average share price at the date of exercise across all options exercised during the period was £1.70 (2015: £1.53).

## 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:

	2016	2015
Weighted average share price	<b>£1.63</b>	£1.74
Weighted average exercise price	<b>£0.83</b>	£0.83
Expected volatility	<b>38%</b>	28%
Expected life	<b>3/5 years</b>	3/5 years
Risk free rate	<b>0.1%</b>	0.9%
Expected dividend yield	<b>1.81%</b>	6.0%

The weighted average fair value of share awards granted during the year is £0.95 (2015: £0.27).

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:

	2016	2015
Weighted average share price	<b>£1.76</b>	£1.48
Weighted average exercise price	<b>Nil</b>	Nil
Expected volatility	<b>31%</b>	32%
Expected life	<b>0.8/3 years</b>	0.8/3 years
Risk free rate	<b>0.44%</b>	0.9%
Expected dividend yield	<b>0.0%</b>	0.0%

The weighted average fair value of share options granted during the year is £0.92 (2015: £0.91).

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 £9.8 million related to equity-settled share-based payment transactions in 2016 (2015: £7.3 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 £18.4 million (2015: £17.6 million). In addition, indirect purchases through sub-contractors amounted to £18.1 million (2015: £17.3 million). Any residual purchases made at a local level are not material to either party. All transactions were completed on an arms-length basis.

The Chief Executive purchased two properties for €278,000 and €356,250 respectively on one of the Group's Spanish developments under the staff discount scheme. The properties were sold on the same terms available to all employees pursuant to the Company's Staff House purchase scheme and the transaction was approved by Shareholders at the Company's 2016 Annual General Meeting, in accordance with S.190 and S.191 of the Companies Act 2006 which relate to substantial property transactions between directors and companies.

The Group Finance Director purchased a property for £648,964 on one of the Group's UK developments under the staff discount scheme. The property was sold on the same terms available to all employees pursuant to the Company's Staff House purchase scheme and the transaction was approved by Shareholders at the Company's 2016 Annual General Meeting, in accordance with S.190 and S.191 of the Companies Act 2006 which relate to substantial property transactions between directors and companies.

**Trading transactions**

During the year, Group companies' purchases from joint ventures totalled £nil (2015: £nil) and sales to joint ventures totalled £2.3 million (2015: £19.8 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 pages 22 to 23. The remuneration information for the three Executive Directors is set out in the Remuneration Report on page 90. The aggregate compensation for the other eight (2015: seven) members of the GMT is as follows:

£000	2016	2015
Short term employee benefits	4,867	4,160
Post-employment benefits	326	371
Termination benefits	–	221
Total (excluding share-based payments charge)	5,193	4,752

During the year Fergus McConnell retired as Divisional Chairman of the North Division. He was replaced by Daniel McGowan.

In addition to the amounts above, a share-based payments charge of £1,033,340 (2015: £851,900) related to share options held by members of the GMT.

### 31. Dividends

£ million	2016	2015
Proposed		
Interim dividend 2016: 0.53p (2015: 0.49p) per ordinary share of 1p each	17.3	15.9
Final dividend 2016: 2.29p (2015: 1.18p) per ordinary share of 1p each	74.9	38.6
	92.2	54.5
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2015: 1.18p (2014: 1.32p) per ordinary share of 1p each	38.5	42.9
Interim dividend 2016: 0.53p (2015: 0.49p) per ordinary share of 1p each	17.3	15.9
Special dividend 2016: 9.20p (2015: 7.68p) per ordinary share of 1p each	300.1	249.6
	355.9	308.4

The Directors recommend a final dividend for the year ended 31 December 2016 of 2.29 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£74.9 million (2015: £38.6 million). The final dividend will be paid on 19 May 2017 to all shareholders registered at the close of business on 18 April 2017.

The Directors additionally recommend a special dividend of c.£300.0 million (2015: c.£300.0 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 14 July 2017 to all shareholders registered at the close of business on 2 June 2017.

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 2016.

Financial Statements  
**COMPANY BALANCE SHEET**  
at 31 December 2016

£ million	Note	2016	2015
<b>Non-current assets</b>			
Investments in Group undertakings	4	2,394.3	2,447.4
Trade and other receivables	5	3.1	4.6
Deferred tax		–	1.0
		<b>2,397.4</b>	2,453.0
<b>Current assets</b>			
Trade and other receivables	5	2,590.1	2,621.8
Cash and cash equivalents		466.1	306.1
		<b>3,056.2</b>	2,927.9
<b>Current liabilities</b>			
Trade and other payables	6	(1,610.4)	(1,684.9)
		<b>(1,610.4)</b>	(1,684.9)
<b>Net current assets</b>			
		<b>1,445.8</b>	1,243.0
<b>Total assets less current liabilities</b>			
		<b>3,843.2</b>	3,696.0
<b>Non-current liabilities</b>			
Bank and other loans	7	(85.5)	(100.0)
Provisions		(0.6)	(0.7)
<b>Net assets</b>			
		<b>3,757.1</b>	3,595.3
<b>Equity</b>			
Share capital	8	288.4	288.3
Share premium account	9	762.9	762.9
Own shares	10	(12.2)	(3.2)
Other reserves	11	36.0	36.0
Retained earnings	12	2,682.0	2,511.3
<b>Total Equity</b>			
		<b>3,757.1</b>	3,595.3

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 £514.8 million (2015: £436.6 million).

The financial statements were approved by the Board of Directors and authorised for issue on 27 February 2017. 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 2016

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
<b>Total comprehensive income for the year</b>	-	-	-	-	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)
<b>Total equity</b>	<b>288.4</b>	<b>762.9</b>	<b>(12.2)</b>	<b>36.0</b>	<b>2,682.0</b>	<b>3,757.1</b>

For the year to 31 December 2015 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2015	288.3	762.9	(10.8)	34.5	2,382.6	3,457.5
Movement in fair value of hedging derivatives and loans	-	-	-	1.5	-	1.5
Other comprehensive income for the year net of tax	-	-	-	1.5	-	1.5
Profit for the year	-	-	-	-	436.6	436.6
Total comprehensive income for the year	-	-	-	1.5	436.6	438.1
New share capital subscribed	-	-	-	-	-	-
Own shares acquired	-	-	(2.0)	-	-	(2.0)
Utilisation of own shares	-	-	9.6	-	-	9.6
Cash cost of satisfying share options	-	-	-	-	(6.8)	(6.8)
Capital contribution on share-based payments	-	-	-	-	7.3	7.3
Dividends approved and paid	-	-	-	-	(308.4)	(308.4)
Total equity	288.3	762.9	(3.2)	36.0	2,511.3	3,595.3

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year to 31 December 2016

## 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. As the Company is a qualifying entity it has also applied the exemption from the requirement of IFRS 1 to present an opening statement of financial position.

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 42 to 47. 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 subsequent to 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 and currency swaps 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

	2016 Number	2015 Number
Directors	3	3

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 78 to 96, 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	2016	2015
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 118 to the Group financial statements.

## 4. Investments in Group undertakings

£ million	Shares	Loans	Total
<b>Cost</b>			
1 January 2016	5,258.7	–	5,258.7
Capital contribution relating to share-based payments	9.8	–	9.8
<b>31 December 2016</b>	<b>5,268.5</b>	<b>–</b>	<b>5,268.5</b>
<b>Provision for impairment</b>			
1 January 2016	2,811.3	–	2,811.3
Charge for the year	62.9	–	62.9
<b>31 December 2016</b>	<b>2,874.2</b>	<b>–</b>	<b>2,874.2</b>
<b>Carrying amount</b>			
<b>31 December 2016</b>	<b>2,394.3</b>	<b>–</b>	<b>2,394.3</b>
31 December 2015	2,447.4	–	2,447.4

All investments are unlisted and information about all subsidiaries is listed on pages 148 to 151.

## 5. Trade and other receivables

£ million	2016	2015
Amounts falling due within one year:		
Due from Group undertakings	2,588.5	2,620.4
Other receivables	1.6	1.4
	<b>2,590.1</b>	<b>2,621.8</b>
Amounts falling due in over one year:		
Other receivables	3.1	4.6
Deferred tax	–	1.0
	<b>3.1</b>	<b>5.6</b>

Financial Statements  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED**

**6. Trade and other payables: amounts falling due within one year**

£ million	2016	2015
Due to Group undertakings	1,606.4	1,682.8
Other payables	3.6	1.7
Corporation tax creditor	0.4	0.4
	<b>1,610.4</b>	<b>1,684.9</b>

**7. Bank and other loans**

£ million	2016	2015
Other loans	85.5	100.0
Other loans are repayable as follows:		
Amounts due for settlement after one year	85.5	100.0

During the year the £100.0 million variable rate term loan outstanding at 31 December 2015 was fully redeemed without penalty. At 31 December 2016, other loans relates to €100.0 million 2.02% Senior Loan Notes.

**8. Share capital**

£ million	2016	2015
Authorised:		
22,200,819,176 (2015: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2015: 1,158,299,201) deferred ordinary shares of 24p each	278.0	278.0
	<b>500.0</b>	<b>500.0</b>

	Number of shares	£ million
Issued and fully paid:		
31 December 2015	3,258,633,430	288.3
Ordinary shares issued in the year	11,638,672	0.1
<b>31 December 2016</b>	<b>3,270,272,102</b>	<b>288.4</b>

During the year the Company issued an additional 11.6 million ordinary shares in order to satisfy option exercises.

During the year, options were exercised over 12,813,881 ordinary shares (2015: 16,064,888) 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 executive share option plans, employees held options at 31 December 2016 to purchase up to 108,109 shares, subject to achievement of performance tests (2015: 153,600) at a price of 39.34 pence per share nominally exercisable up to 7 August 2019. Under the Group's performance share plan, employees held conditional awards at 31 December 2016 in respect of up to 17,088,352 shares, subject to achievement of performance tests (2015: 17,119,676) at nil pence per share nominally exercisable up to 3 September 2019.

Under the Group's savings-related share option schemes, employees held options at 31 December 2016 to purchase 19,235,549 shares (2015: 22,590,040) at prices between 24.04 pence and 159.12 pence per share exercisable up to 31 May 2022. Under the Group's share purchase plan, employees held conditional awards at 31 December 2016 in respect of 5,571,219 shares (2015: 5,830,072) at nil pence per share.

**9. Share premium account**

£ million	2016	2015
At 1 January and 31 December	762.9	762.9

**10. Own shares**

£ million	2016	2015
Own shares	12.2	3.2

These comprise ordinary shares of the Company:	Number	Number
Shares held in trust for bonus, options and performance award plans	10.2m	4.3m

The market value of the shares at 31 December 2016 was £15.7 million (2015: £8.7 million) and their nominal value was £0.1 million (2015: £0.04 million). 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 Purchase Plan.

During the year, Taylor Wimpey plc purchased £10.6 million of its own shares which are held in the ESOTs (2015: £2.0 million).

The ESOTs' entire holding of shares at 31 December 2016, aggregating 10.2 million shares (2015: 4.3 million), was covered by outstanding options and conditional awards over shares at that date.

## 11. Other reserves

£ million	2016	2015
<b>At 31 December</b>	<b>36.0</b>	36.0

Other reserves includes £31.5 million (2015: £31.5 million) in respect of the historical redemption of Parent Company shares which is non distributable.

## 12. Retained earnings

Retained earnings of £2,682.0 million (2015: £2,511.3 million) includes profit for the year, dividends received from subsidiaries of £490.4 million (2015: £350.0 million). Included in retained earnings is £625.1 million (2015: £563.1 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 £232.7 million at 31 December 2016 (2015: £177.1 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.

## 15. Dividend

£ million	2016	2015
Proposed		
Interim dividend 2016: 0.53p (2015: 0.49p) per ordinary share of 1p each	<b>17.3</b>	15.9
Final dividend 2016: 2.29p (2015: 1.18p) per ordinary share of 1p each	<b>74.9</b>	38.6
	<b>92.2</b>	54.5
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2015: 1.18p (2014: 1.32p) per ordinary share of 1p each	<b>38.5</b>	42.9
Interim dividend 2016: 0.53p (2015: 0.49p) per ordinary share of 1p each	<b>17.3</b>	15.9
Special dividend 2016: 9.20p (2015: 7.68p) per ordinary share of 1p each	<b>300.1</b>	249.6
	<b>355.9</b>	308.4

The Directors recommend a final dividend for the year ended 31 December 2016 of 2.29 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£74.9 million (2015: £38.6 million). The final dividend will be paid on 19 May 2017 to all shareholders registered at the close of business on 18 April 2017.

The Directors additionally recommend a special dividend of c.£300.0 million (2015: c.£300.0 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 14 July 2017 to all shareholders registered at the close of business on 2 June 2017.

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 2016.

## 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 <sup>(a)</sup>	United Kingdom housebuilder	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
United Kingdom	Taylor Wimpey Developments Limited <sup>(a)</sup>	Holding company	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
Spain	Taylor Wimpey de España S.A.U. <sup>(a)(b)</sup>	Spanish housebuilder	C/Aragó, 223 223A, 07008, Palma de Mallorca, Balears, 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	George Wimpey Pension Trustees Limited
Admiral Homes (Eastern) Limited	George Wimpey South East Limited
Admiral Homes Limited	George Wimpey South Midlands Limited
Ashton Park Limited	George Wimpey South West Limited
BGS (Pentian Green) Holdings Limited	George Wimpey South Yorkshire Limited
Bryad Developments Limited	George Wimpey Southern Counties Limited
Bryant Country Homes Limited	George Wimpey West London Limited
Bryant Group Services Limited	George Wimpey West Midlands Limited
Bryant Homes Central Limited	George Wimpey West Yorkshire Limited
Bryant Homes East Midlands Limited	Globe Road Limited
Bryant Homes Limited	Gotheridge & Sanders Limited
Bryant Homes North East Limited	Grand Union Vision Limited
Bryant Homes Northern Limited	Groveside Homes Limited
Bryant Homes South West Limited	Hamme Construction Limited
Bryant Homes Southern Limited	Hanger Lane Holdings Limited
Bryant Properties Developments Limited	Harrock Limited
Bryant Properties Limited	Hassall Homes (Cheshire) Limited
Canberra (Southern) Limited	Hassall Homes (Mercia) Limited
Canberra Investment Co. Limited	Hassall Homes (Southern) Limited
Candlemakers (TW) Limited	Hassall Homes (Wessex) Limited
Clipper Investments Limited	Jim 1 Limited
Compine Developments (Wootton) Limited	Jim 2 Limited
Dormant Nominees One Limited	Jim 3 Limited
Dormant Nominees Two Limited	Jim 4 Limited
Egerton Contracts Limited	Jim 5 Limited
Farrods Water Engineers Limited	L. & A. Freeman Limited
Flyover House Limited	Laing Homes Limited
Foray Properties Limited	Laing Land Limited
George Wimpey Bristol Limited	Land Trust Developments Limited
George Wimpey City 2 Limited	Leawood (Management) Company Limited
George Wimpey City Limited	MCA Developments Limited
George Wimpey East Anglia Limited	MCA East Limited
George Wimpey East London Limited	MCA Holdings Limited
George Wimpey East Midlands Limited	MCA Land Limited
George Wimpey Manchester Limited	MCA Leicester Limited
George Wimpey Midland Limited	MCA London Limited
George Wimpey North East Limited	MCA North East Limited
George Wimpey North London Limited	MCA Northumbria Limited
George Wimpey North Midlands Limited	MCA Partnership Housing Limited
George Wimpey North West Limited	MCA South West Limited
George Wimpey North Yorkshire 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
Los Arqueros Gulf and Country Club S.A.	74.67%	Carretera de Ronda A-397; Km. 44,5, Benahavis, Málaga, Spain
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

Company Name	% Owned	Registered Office
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
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
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

## FIVE YEAR REVIEW AND ALTERNATIVE PERFORMANCE MEASURES

The Group uses a number of alternative performance measures 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 Alternative Performance Measures (APMs) are shown in the below table.

£ million	2016	2015	2014	2013	2012 <sup>(a)</sup>
Revenue – continuing operations	<b>3,676.2</b>	3,139.8	2,686.1	2,295.5	2,019.0
Profit on ordinary activities before finance costs and tax	<b>762.6</b>	631.5	496.8	355.3	223.7
Adjust for: Share of results of joint ventures	<b>1.2</b>	4.9	2.6	3.2	2.4
Adjust for: Exceptional cost of sales items	<b>0.5</b>	0.6	(18.7)	(45.6)	–
Operating profit*	<b>764.3</b>	637.0	480.7	312.9	226.1
Net finance costs excluding exceptional items	<b>(30.9)</b>	(33.2)	(30.6)	(44.5)	(44.3)
Profit for the financial year before taxation and exceptional items*	<b>733.4</b>	603.8	450.1	268.4	181.8
Adjust for: Exceptional items	<b>(0.5)</b>	(0.6)	18.7	37.8	22.4
Taxation (charge)/credit including taxation on exceptional items	<b>(143.6)</b>	(113.4)	(94.4)	(66.4)	24.4
Profit for the year from discontinued operations	<b>–</b>	–	–	31.3	–
Profit for the financial year	<b>589.3</b>	489.8	374.4	271.1	228.6
<b>Balance sheet</b>					
Intangible assets	<b>3.5</b>	2.7	2.5	4.2	5.2
Property, plant and equipment	<b>21.0</b>	20.0	16.8	8.3	7.1
Interests in joint ventures	<b>50.3</b>	27.1	38.6	34.7	31.5
Non-current trade and other receivables	<b>87.2</b>	95.4	111.1	110.8	102.0
Non-current assets (excluding tax)	<b>162.0</b>	145.2	169.0	158.0	145.8
Inventories	<b>3,984.0</b>	3,891.2	3,490.1	2,928.8	2,788.8
Other current assets (excluding tax and cash)	<b>91.4</b>	114.0	102.6	118.5	96.0
Trade and other payables excluding land creditors	<b>(721.8)</b>	(750.7)	(681.6)	(584.6)	(532.5)
Land creditors	<b>(266.3)</b>	(342.7)	(228.4)	(209.3)	(240.1)
Provisions	<b>(28.0)</b>	(31.1)	(40.4)	(28.3)	(84.4)
Net current assets (excluding tax and cash)	<b>3,059.3</b>	2,880.7	2,642.3	2,225.1	2,027.8
Trade and other payables excluding land creditors	<b>(109.0)</b>	(114.9)	(102.2)	(54.0)	(55.9)
Land creditors	<b>(333.5)</b>	(287.1)	(259.3)	(139.7)	(134.9)
Retirement benefit obligations	<b>(234.1)</b>	(178.4)	(183.8)	(183.8)	(244.2)
Provisions	<b>(5.1)</b>	(2.9)	(1.0)	(6.0)	(10.7)
Non-current liabilities (excluding debt)	<b>(681.7)</b>	(583.3)	(546.3)	(383.5)	(445.7)
Cash and cash equivalents	<b>450.2</b>	323.3	212.8	105.4	190.4
Bank and other loans	<b>(85.5)</b>	(100.0)	(100.0)	(100.0)	(249.4)
<i>Memo: net cash/(net debt)*</i>	<b>364.7</b>	223.3	112.8	5.4	(59.0)
Taxation balances	<b>(4.0)</b>	57.4	157.5	246.8	320.6
Basic net assets	<b>2,900.3</b>	2,723.3	2,535.3	2,251.8	1,989.5
Deduct intangible assets	<b>(3.5)</b>	(2.7)	(2.5)	(4.2)	(5.2)
Tangible net assets*	<b>2,896.8</b>	2,720.6	2,532.8	2,247.6	1,984.3
Add back intangible assets	<b>3.5</b>	2.7	2.5	4.2	5.2
(Deduct net cash)/add back net debt	<b>(364.7)</b>	(223.3)	(112.8)	(5.4)	59.0
Add back net taxation liability/(deduct net taxation asset)	<b>4.0</b>	(57.4)	(157.5)	(246.8)	(320.6)
Net operating assets*	<b>2,539.6</b>	2,442.6	2,265.0	1,999.6	1,727.9
Deduct intangible assets	<b>(3.5)</b>	(2.7)	(2.5)	(4.2)	(5.2)
(Deduct net taxation liability)/add back net taxation asset	<b>(4.0)</b>	57.4	157.5	246.8	320.6
Capital employed*	<b>2,532.1</b>	2,497.3	2,420.0	2,242.2	2,043.3
<i>Average basic net assets</i>	<b>2,811.8</b>	2,629.3	2,393.6	2,120.7	1,912.3
<i>Average net operating assets</i>	<b>2,491.1</b>	2,353.8	2,132.3	1,863.8	1,698.3
<i>Average capital employed</i>	<b>2,514.7</b>	2,458.7	2,331.1	2,142.8	1,995.1
<i>Adjusted net debt*</i>	<b>(235.1)</b>	(406.5)	(374.9)	(343.6)	(434.0)

\* Denotes APMs which have been referred to throughout the Annual Report and Accounts.

(a) The results for 2012 have been restated to reflect the adoption of IAS19 'Employee Benefits' (amended 2011).

Statistics	2016	2015	2014	2013	2012 <sup>(a)</sup>
Basic earnings per share – continuing operations	<b>18.1p</b>	15.1p	11.6p	7.5p	7.2p
Adjusted basic earnings per share* – continuing operations	<b>18.1p</b>	14.9p	11.2p	6.7p	4.6p
Dividend per share – paid in the year	<b>10.91p</b>	9.49p	2.25p	0.65p	0.57p
Margin on ordinary activities before finance costs and tax	<b>20.7%</b>	20.1%	18.5%	15.5%	11.1%
Operating profit margin*	<b>20.8%</b>	20.3%	17.9%	13.6%	11.2%
Number of shares in issue at the year end (millions)	<b>3,270.3</b>	3,258.6	3,253.5	3,237.0	3,228.3
Net assets per share	<b>88.7p</b>	83.6p	77.9p	69.6p	61.6p
Tangible net assets per share*	<b>88.6p</b>	83.5p	77.9p	69.4p	61.5p
Return on net assets	<b>27.2%</b>	24.2%	20.9%	16.9%	11.8%
Return on net operating assets*	<b>30.7%</b>	27.1%	22.5%	16.8%	13.3%
Return on capital employed*	<b>30.4%</b>	25.9%	20.6%	14.6%	11.3%
Growth in basic net assets	<b>6.5%</b>	7.4%	12.6%	13.2%	8.4%
Cash generated from operations £ million	<b>622.2</b>	426.9	207.2	132.4	108.7
Cash conversion*	<b>81.4%</b>	67.0%	43.1%	42.3%	48.1%
Adjusted gearing*	<b>8.1%</b>	14.9%	14.8%	15.3%	21.8%

\* Denotes APMs which have been referred to throughout the Annual Report and Accounts.

(a) The results for 2012 have been restated to reflect the adoption of IAS19 'Employee Benefits' (amended 2011).

### Profit before taxation and exceptional items and Profit for the year before exceptional items

The Directors consider the removal of exceptional items from the reported results provide more clarity on the performance of the Group. They are reconciled to profit before tax and profit for the year respectively, on the face of the Consolidated Income Statement.

### Operating profit and operating profit margin

Throughout the Annual Report and Accounts, operating profit is used as one of the main measures of performance, with operating profit margin (defined below) 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.

### Return on net operating assets

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, which is defined as basic net assets less net cash, excluding net taxation balances and any accrued dividends. The Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

### Return on capital employed

The Directors consider return on capital employed is the most appropriate measure to use when appraising sites ahead of purchase and is defined as 12-month operating profit divided by the average of the opening and closing capital employed. Capital employed is defined as net operating assets less intangible assets, including net taxation balances.

### 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.

### 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.

### 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.

### 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 plus land creditors.

### 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 earning capacity of the Group. Note 6 shows a reconciliation from basic earnings per share to adjusted basic earnings per share.

## 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 second Annual General Meeting of the Company to be held on 27 April 2017 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, the Auditor's Report and the Financial Statements for the year ended 31 December 2016.
2. To declare due and payable on 19 May 2017 a final dividend of 2.29 pence per ordinary share of the Company for the year ended 31 December 2016 to shareholders on the register at close of business on 18 April 2017.
3. To declare due and payable on 14 July 2017 a special dividend of 9.20 pence per ordinary share of the Company to shareholders on the register at close of business on 2 June 2017.
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, Robert Rowley.
11. To re-elect as a Director, Humphrey Singer.
12. To elect as a Director, Angela Knight CBE.
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 £10,904,533 (such amount to be reduced by any allotments or grants made under paragraph (B) below, in excess of £10,904,533); and
  - (B) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £21,809,067 (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 2018 (or, if earlier, until the close of business on 26 July 2018) 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 £1,635,680.
 

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 26 July 2018) 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.

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 £1,635,680; 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 26 July 2018) 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 327,136,000;
- (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 26 October 2018 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 (other than the part containing the Directors' Remuneration Policy) for the year ended 31 December 2016, as set out on pages 78 to 96 of the Report and Accounts for the financial year ended 31 December 2016, be approved in accordance with section 439 of the Companies Act 2006.
- 20. That the Directors' Remuneration Policy, the full text of which is set out on pages 82 to 84 of the Report and Accounts for the financial year ended 31 December 2016, be approved in accordance with section 439A of the Companies Act 2006, to take effect from the date of the 2017 Annual General Meeting.
- 21. That the rules of the Taylor Wimpey 2017 Performance Share Plan (the 'New Plan'), the principal terms of which are summarised in the Appendix to this Notice of Annual General Meeting, and produced in draft to this meeting and, for the purposes of identification, are initialled by the Chairman of the meeting, be and are hereby approved and the Directors be authorised to:
  - (A) do all such other acts and things as they may consider appropriate to implement the New Plan; and
  - (B) establish further plans based on the New Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any Shares made available under such further plans are treated as counting against the limits on individual or overall participation in the New Plan.
- 22. 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 2018.

For the purposes of this resolution the terms 'political donations', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by Sections 363 to 365 of the Companies Act 2006.

### Special Resolution:

- 23. 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 158 to 163.

### 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

**NOTICE OF ANNUAL GENERAL MEETING CONTINUED**

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 25 April 2017. If you prefer, you can submit your proxy electronically either via the internet at [www.capitashareportal.com](http://www.capitashareportal.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;
- a copy of the full Annual Report and Financial Statements of the Company for the year ended 31 December 2016, including the Directors' Remuneration Report, the current Directors' Remuneration Policy, and the proposed new Directors' Remuneration Policy, referred to in resolutions 19 and 20. This document is also available on our website at [www.taylorwimpey.co.uk/corporate](http://www.taylorwimpey.co.uk/corporate); and
- copies of the rules of the New Plan will be available for inspection at the registered office of the Company and at the offices of New Bridge Street (an Aon Hewitt Ltd company) at 10 Devonshire Square, London EC2M 4YP during normal business hours on any weekday (Saturdays and English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

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)

9 March 2017

**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 close of business on 25 April 2017 (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 2 March 2017 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 3,271,360,183 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 2 March 2017 were 3,271,360,183.
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 Capita 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). Capita 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 Capita 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 simply FREEPOST CAPITA PXS, or, if you prefer, electronically via the internet at [www.capitashareportal.com](http://www.capitashareportal.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 25 April 2017. 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.

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](http://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 25 April 2017. 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](http://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](http://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 2016 and the reports of the Directors, namely the Strategic Report, Directors' Report and the Directors' Remuneration Report, and the 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 2.29 pence per share in respect of the year ended 31 December 2016. If approved at the Annual General Meeting, the dividend will be paid on 19 May 2017 to shareholders who are on the Register of Members at the close of business on 18 April 2017.

**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 dividends, the Company believes it is appropriate to seek prior shareholder approval for its payment, as it has done at the last three Annual General Meetings.

Further details on the rationale for paying special dividends and the link to the Company's current strategy, can be found on page 13.

The aggregate cost of the special dividend for 2017 will be around £300 million and will be met from profits and surplus cash generated during 2016. If approved, it will be paid on 14 July 2017 to shareholders on the register at the close of business on 2 June 2017.

**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 27 April 2017, 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, Capita IRG 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 2016 (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 2016 final dividend) and any special dividends, are available at [www.capitashareportal.com](http://www.capitashareportal.com) or on request from the Registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, email: [shares@capita.co.uk](mailto:shares@capita.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 78 to 96 of the Report and Accounts. Full biographical information concerning each Director can be found on page 55 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 his other commitments do not detract from the extent or quality of time which he is able to devote to the Company. His biography appears on page 55 and there is additional information on page 63.

**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 55 and there is additional information on page 63.

**Ryan Mangold – offers himself for re-election.**

Ryan has been Group Finance Director since November 2010. His biography appears on page 55 and there is additional information on page 63.

**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 55 and there is additional information on page 63.

**Kate Barker DBE – offers herself for re-election.**

Kate has been an Independent Non Executive Director since April 2011. 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 that her other commitments do not detract from the extent or quality of time which she is able to devote to the

Company. Her biography appears on page 55 and there is additional information on page 63.

**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 his other commitments do not detract from the extent or quality of time which he is able to devote to the Company. His biography appears on page 55 and there is additional information on page 63.

**Robert Rowley – offers himself for re-election.**

Rob has been an Independent Non Executive Director since January 2010 and the Senior Independent Director since April 2010. The Board is satisfied that he continues to be 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 and Remuneration Committees, and that his other commitments do not detract from the extent or quality of time which he is able to devote to the Company. His biography appears on page 55 and there is additional information on page 63.

**Humphrey Singer – offers himself for re-election.**

Humphrey has been an Independent Non Executive Director since 9 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 and Nomination Committees, and that his other commitments do not detract from the extent or quality of time which he is able to devote to the Company. His biography appears on page 55 and there is additional information on page 63.

**Angela Knight CBE – offers herself for election.**

Angela has been an Independent Non Executive Director since 1 November 2016, 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 Audit, Nomination and Remuneration Committees, and that her other commitments do not detract from the extent or quality of time which she is able to devote to the Company. Her biography appears on page 55 and there is additional information on page 63.

The Board confirms that each of the above Directors (other than Angela Knight due to her appointment on 1 November 2016 and as explained on page 97) 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 pages 56 to 68, 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 2017 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 76, 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 2016 are given in Note 6 on page 118 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 28 April 2016 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 £10,904,533 (representing 1,090,453,300 ordinary shares). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 2 March 2017, 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 £21,809,067 (representing 2,180,906,700 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 2 March 2017, 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 26 July 2018 and the conclusion of the Annual General Meeting of the Company to be held in 2018.

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 £1,635,680 (representing 163,568,000 ordinary shares).

This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 2 March 2017, the latest practicable date prior to publication of this Notice.

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 £1,635,680 (representing 163,568,000 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 2 March 2017, the latest practicable date prior to publication of this Notice.

The powers under resolutions 16 and 17 will expire at the earlier of 26 July 2018 and the conclusion of the Annual General Meeting of the Company held in 2018.

**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 2 March 2017.

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 2 March 2017 was 31,959,758, representing approximately 1.0% of the issued ordinary share capital of the Company as at that date and approximately 1.1% 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 26 October 2018 and the conclusion of the Company's Annual General Meeting in 2018.

**Special Business**

**Ordinary Resolutions**

**Resolutions 19 and 20**

The Remuneration Committee of the Board (the 'Committee') is seeking shareholders' approval of the Directors' Remuneration Report (the 'Directors' Remuneration Report') and the new Directors' Remuneration Policy (the 'Directors' Remuneration Policy') in Resolutions 19 and 20 respectively, which will be proposed as ordinary resolutions.

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). The vote is an advisory one.

The shareholders are separately asked to approve the Directors' Remuneration Policy which is set out on pages 82 to 84 of the Annual Report and Accounts. It is intended that this will take effect immediately after the Annual General Meeting and will replace the current policy that was approved by shareholders in 2014 which is due to expire this year. It is anticipated that the Directors' Remuneration Policy will be in force for three years although we will closely monitor regulatory changes and market trends and, if necessary, we may present a revised policy to shareholders within that three year period should it become necessary to do so. The Directors' Remuneration Policy has been developed taking into account the principles of the UK Corporate Governance Code and the views of our main institutional shareholders.

**Resolution 21**

The Committee is seeking shareholders' approval for the Taylor Wimpey 2017 Performance Share Plan (the 'New Plan') in resolution 21, which will be proposed as an ordinary resolution.

The Committee has recently undertaken a review of the terms of the Company's existing long term incentive arrangement for Executive Directors and other selected senior management – the Taylor Wimpey Performance Share Plan (the 'Existing Plan') – and concluded that it would be appropriate to introduce the New Plan as a replacement arrangement. This is based on the fact that the Existing Plan is due to expire in 2018, namely ten years after being approved by shareholders at the 2008 AGM. As set out on pages 78 to 79, the Committee therefore believes it to be appropriate to put in place the New Plan a year early, so as to coincide with the proposed new Directors' Remuneration Policy referred to above. The New Plan is based on the Company's Existing Plan but with appropriate variations to take account of prevailing best practice expectations and market practice. Subject to shareholder approval, the New Plan will be used for future grants and no further grants will be made under the Existing Plan.

In developing the New Plan, the Committee has consulted with the Company's main institutional shareholders.

If approved, the Committee intends to make the first awards under the New Plan in or around March / April 2018.

A summary of the principal terms of the New Plan is set out in the Appendix to this Notice of Annual General Meeting.

### **Resolution 22: 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 22 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 22) 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 22 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 2018, 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 page 100 of the Report and Accounts.

### **Special Resolution**

#### **Resolution 23: 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 2016 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 23 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 2018, 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.

## **APPENDIX**

### **SUMMARY OF THE PRINCIPAL TERMS OF THE TAYLOR WIMPEY 2017 PERFORMANCE SHARE PLAN**

#### **Introduction**

The Taylor Wimpey 2017 Performance Share Plan (hereinafter the 'New Plan') will be administered by the Remuneration Committee (the 'Committee') of the Company's board of directors (the 'Board').

The Committee may grant awards to acquire Shares within six weeks following the Company's announcement of its results for any financial period. The Committee may also grant awards within six weeks of shareholder approval of the Plan or at any other time when the Committee considers there are sufficiently exceptional circumstances which justify the granting of awards.

The Committee may grant awards over ordinary Shares in the form of conditional share awards or nil priced options.

The Committee may also grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

No consideration is payable by the participant for the grant or on the vesting of awards.

#### **Eligibility**

Awards under the New Plan may be made to any employee of the Company and its subsidiaries (the 'Group'), including Executive Directors, selected at the discretion of the Committee.

#### **Life of Plan**

No awards may be granted more than 10 years after approval of the New Plan by shareholders.

#### **Individual grant limit**

An individual may ordinarily not be granted awards in any financial year over Shares having a market value at the award date in excess of 300% of the individual's annual base salary (200% in the case of Executive Directors).

The Committee may, in exceptional circumstances, exercise its discretion to grant an award to an Executive Director in excess of the maximum quantum. Any such enhanced award will not exceed 300% of base salary.

#### **Share capital limits**

Awards under the New Plan may be granted over new issue Shares, treasury Shares or Shares purchased on the market through an employee benefit trust.

No awards shall be granted under the New Plan if as a result the total number of Shares issued and issuable pursuant to awards granted under the Plan or issued or issuable under any other employee share plan operated by any company in the Group in the previous 10 years (excluding any rights which have lapsed or been forfeited under such plans) would exceed 10% of the Company's issued ordinary share capital at the time.

No awards shall be granted under the New Plan if as a result the total number of Shares issued and issuable pursuant to awards granted under the New Plan or issued or issuable under any other discretionary share plan operated by any company in the Group in the previous 10 years (excluding any rights which have lapsed or been forfeited under such plans) would exceed 5% of the Company's issued ordinary share capital at the time.

The above limits include new issue Shares and treasury Shares (unless institutional investor guidelines provide that treasury Shares need not count) but not Shares purchased on the market through an employee benefit trust.

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

**Vesting of awards and performance conditions**

The extent of vesting of awards granted to the Company's Executive Directors will be subject to performance conditions set by the Committee and may be so in the case of awards to others.

Awards subject to performance conditions will normally vest at the end of a performance period of not less than three years or, if later, as soon as the Committee has determined the extent to which the applicable performance conditions have been met. Shorter performance periods may apply in relation to awards granted to individuals that are not Executive Directors of the Company.

Awards granted under the New Plan that are not subject to performance conditions will normally vest at the end of a specified vesting period.

Where awards are granted in the form of nil priced options, once vested, such options will then be exercisable up until the tenth anniversary of grant (or such shorter period specified by the Committee at the time of grant) unless they lapse earlier. Shorter exercise periods shall apply in the case of 'good leavers' and / or vesting of awards in connection with corporate events.

For the first awards granted under the New Plan to the Company's Executive Directors and other Senior Management, the vesting of such awards will be subject to the satisfaction of performance conditions comprising measures of: (i) relative total shareholder return; (ii) return on capital employed; (iii) cash conversion; and (iv) profit before interest and tax, each measured over a performance period comprising three financial years of the Company starting with the current financial year.

The terms of the performance conditions for awards granted to the Company's Executive Directors shall be set in line with the Directors' Remuneration Policy.

The Committee may vary or waive the performance conditions applying to any award if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers it would be reasonable to do so in the circumstances (other than where the performance conditions are waived) and the varied performance conditions produce a fairer measure of performance and are not materially less difficult to satisfy.

The Committee may review the performance conditions for each grant of awards and may apply different conditions to future awards, provided in the case of awards to Executive Directors they remain no less challenging, are aligned with the interests of shareholders and are at all times in accordance with approved Directors' Remuneration Policy.

Before the vesting of any awards made under the Plan, by way of a financial underpin the Remuneration Committee will also consider the overall financial performance of the Company.

**Holding Period**

The terms of the New Plan require that Executive Directors (and any other participants as the Committee may require) will ordinarily be required to retain any vested Shares (on an after-tax basis) acquired under the Plan (or, where relevant, the full number of the vested Shares whilst held under an unexercised but vested award) for at least the two years following vesting.

Exceptionally, the Committee may, in its discretion, allow such participants to sell, transfer, assign or dispose of some or all of these Shares before the end of the holding period, subject to such additional terms and conditions as the Committee may specify.

**Cessation of employment**

If a participant ceases to be employed within the Group before the expiry of the relevant performance period by reason of his:

- death;
- disability;
- ill health;
- injury;
- the Company or business in which the participant is employed ceasing to be part of the Group; or
- other reasons, at the discretion of the Committee,

then the participant's award will vest on the date when it would have vested if he had not ceased such employment or office or such earlier date as the Committee may determine. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions (if any) have, in the opinion of the Committee, been satisfied over the original performance measurement period (or curtailed period as relevant); and (ii) pro-rating of the award to reflect the proportion of the performance period (or vesting period as relevant) elapsed as at the time of cessation, although the Committee can decide to pro-rate an award to a lesser extent (including as to nil) if it regards it as appropriate to do so in the particular circumstances. Any awards that do not vest shall immediately lapse.

**Corporate events**

In the event of a takeover, scheme of arrangement or voluntary winding up of the Company (other than an internal corporate reorganisation), all unvested awards will vest immediately. The part of each award which vests will be determined by the Committee: (i) to the extent that the applicable performance conditions have been satisfied; and (ii) on such time-apportioned basis as the Committee reasonably considers appropriate although the Committee may decide not to pro-rate an award (or to pro-rate to a lesser extent) if it regards it as appropriate to do so in the particular circumstances. Unless the Committee in its absolute discretion determines otherwise, any unvested awards shall lapse.

In the event of an internal corporate reorganisation under which the persons owing shares are substantially the same before and after, awards will be replaced by equivalent new awards over shares in a new holding company, unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

**Dividend equivalents**

The Committee may decide that participants will receive a payment (in cash and / or Shares) of an amount equivalent to the dividends that would have been payable on an award's vested Shares between the date of grant and the vesting of the award (or if later, and only whilst the award remains unexercised in respect of vested Shares, the expiry of any holding period). This amount may assume the reinvestment of dividends and shall be paid at the same time as the delivery of the related vested Shares (or cash payment as relevant).

**Variation of share capital**

In the event of any variation of the Company's ordinary share capital, a demerger or payment of a special dividend, or such other circumstances as the Committee consider appropriate, the Committee may make such adjustment to the number of ordinary Shares subject to an award as it considers fair and reasonable.

### **Participants' rights**

Awards are not transferable, except to a participant's legal personal representatives on the participant's death.

Awards will not confer any shareholder rights until the awards have vested and the participants have received their Shares. However, at the discretion of the Committee, participants may receive a payment (in cash and / or Shares) on or shortly following the vesting of their awards of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards were granted and the vesting date.

Any Shares allotted when an award vests will rank equally with Shares then in issue, except for rights arising by reference to a record date prior to their allotment.

Awards do not count as part of participants' pensionable salaries for the purpose of employers' contributions to any Group pension schemes or other benefits.

### **Alterations to the Plan**

The Board, on the recommendation of the Committee, may at any time amend the provisions of the Plan in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the benefit of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control, securities law or regulatory treatment for participants or for any Company in the Group.

### **Recovery and withholding**

The Committee may apply the Plan's recovery and withholding provisions if, within three years of the vesting of an award, it is discovered that there has been a material misstatement of the Company's financial results, an error of calculation (including on account of inaccurate or misleading information) or in the event of serious misconduct.

The recovery and withholding may be satisfied by way of a reduction in the amount of any future bonus, subsisting award or future share awards and / or a requirement to make a cash payment.

The discovery period may be extended by the Committee for an additional period of two years in the event of ongoing investigation as at the expiry of the normal three year discovery period.

### **Overseas plans**

The Board may at any time, without further shareholder approval, establish further sub-plans in overseas territories.

Any such sub-plan must be similar to the Plan but may be modified to take account of local tax, exchange control, securities law or regulations. Any Shares made available under such sub-plans shall be counted towards the limits on individual and overall participation in the Plan.

## 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](http://www.taylorwimpey.co.uk) and shareholder documentation made available electronically is generally accessible at [www.taylorwimpey.co.uk/corporate/shareholder-information](http://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](http://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](http://www.taylorwimpey.co.uk/corporate/investor-relations/reporting-centre)

To register for online access, go to [www.taylorwimpey.co.uk/corporate/shareholder-information](http://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 Capita 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 2016 final dividend) and any special dividends, are available at [www.capitashareportal.com](http://www.capitashareportal.com) or on request from the Registrar, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, email: [shares@capita.co.uk](mailto:shares@capita.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 Capita 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 Capita 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. Capita Share Dealing Services allows you to buy and sell shares in a large number of companies that have Capita as their registrar. The services are operated by Capita Asset Services. To use the services either visit [www.capitadeal.com](http://www.capitadeal.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 4:30 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](http://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 Capita Asset Services or approach ShareGift directly on [www.sharegift.org](http://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](http://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](http://www.fca.org.uk/consumers) or by calling +44 (0)800 111 6768.

### Annual General Meeting

11:00 am on 27 April 2017 at:

The British Medical Association, BMA House,  
Tavistock Square, London, WC1H 9JP.

Latest date for receipt of proxy instructions for the 2017 Annual General Meeting: 11:00 am on 25 April 2017.

### Group Legal Director and Company Secretary and Registered Office

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E-mail: [james.jordan@taylorwimpey.com](mailto:james.jordan@taylorwimpey.com)

### Registrar

For any enquiries concerning your shareholding or details of shareholder services, please contact:

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
E-mail: [shareholderenquiries@capita.co.uk](mailto:shareholderenquiries@capita.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](http://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](http://www.taylorwimpey.co.uk)

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## Further information online



 View our Annual Report and Accounts online:  
[www.taylorwimpey.co.uk/corporate](http://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](http://www.taylorwimpey.co.uk/corporate)



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