28 February 2017
Taylor Wimpey plc
Full year results for the year ended 31 December 2016

Pete Redfern, Chief Executive, commented:

"In 2016 we delivered an excellent performance set against an uncertain political and economic environment that stabilised in the final quarter. The outlook for 2017 is for ongoing stability and incremental price growth, which is a healthy backdrop for our business and our customers."

Good progress made towards all medium term targets for the period 2016-2018

- Target total of £1.3 billion of dividends to be paid in cash to shareholders over the period
  - £355.9 million paid in 2016 (2015: £308.4 million)
  - c.£450 million declared for 2017 (subject to shareholder approval)
- Target average annual return on net operating assets** of 30%
  - 30.7% in 2016 (2015: 27.1%)
- Target average operating profit* margin of c.22%
  - 20.8% in 2016 (2015: 20.3%)

2016 Group financials

- Completed a total of 14,112 homes, including Spain, up 4.8% (2015: 13,470), excluding joint ventures
- 10.9% increase in UK total average selling price to £255k (2015: £230k), excluding joint ventures

	2016	2015	Change
Revenue £m	3,676.2	3,139.8	17.1%
Operating profit* £m	764.3	637.0	20.0%
Profit before tax and exceptional items £m	733.4	603.8	21.5%
Profit for the year £m	589.3	489.8	20.3%
Adjusted basic earnings per share pence††	18.1	14.9	21.5%
Basic earnings per share pence	18.1	15.1	19.9%
Tangible net asset value per share pence†	88.6	83.5	6.1%
Net cash £m	364.7	223.3	63.3%

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 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.

* 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.

Note: Performance of the Group is monitored internally using a variety of statutory 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 and a reconciliation to the equivalent statutory measure are detailed on page 41.

- Ends -

A presentation to analysts will be hosted by Chief Executive Pete Redfern and Group Finance Director Ryan Mangold at 9am on Tuesday 28 February 2017. This presentation will be webcast live on our website: www.taylorwimpey.co.uk/corporate

An archived version of the webcast will be available on our website in the afternoon of 28 February 2017.

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Notes to editors:

Taylor Wimpey plc is a UK-focused residential developer, operating at a local level from 24 regional businesses across the UK. We also have operations in Spain.

For further information please visit the Group's website: www.taylorwimpey.co.uk/corporate

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Managing through the cycle – 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 the 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.

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.

Medium term targets (2016-2018)	**2016 actual**	**2016-2018 target**
An average annual return on net operating assets**	30.7%	30%
An average operating profit* margin	20.8%	c.22%
Total dividends to be paid in cash to shareholders over the period	£355.9m	£1.3bn

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, 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 Annual General Meeting, 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).

Target of £1.3bn in the period 2016-18 (A)	**2016 actual paid**	**2017 announced** (B)
Ordinary dividend £m	55.8	c.150.0
Special dividend £m	300.1	c.300.0
Total dividend £m	355.9	c.450.0

(A) All ordinary and special dividends are subject to shareholder approval

(B) In line with previously announced Policy

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.

<u>Operational review</u>

Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain. Our operational review is for the UK only as the majority of metrics are not comparable in our Spanish business. A short summary of the Spanish business follows. The financial analysis is presented at Group level, which includes Spain, unless otherwise indicated.

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

Our key performance indicators (KPIs)

UK	2016	2015	Change
Contribution per legal completion £k	65.5	59.4	10.3%
Forward order book as a % of completions (as at 31 December)	54.8%	56.6%	(1.8)ppt
Owned and controlled plots with planning or resolution to grant	76,234	75,710	0.7%
Strategic land pipeline conversion plots	9,519	8,660	9.9%
% of completions from strategically sourced land	51%	47%	4.0ppt
Customer satisfaction %	85%	86%	(1.0)ppt
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)	211	175	20.6%
Employee turnover % (voluntary)	13.9%	13.3%	0.6ppt

Sales, completions and pricing

Despite the wider uncertainty following the UK's vote to leave the 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.

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 benefiting from our focus on better quality locations and the improvement of specification in line with product and location. Our total average selling price increased by

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.

Brand

As part of our strategy review process, we took the opportunity to challenge our thinking on brand strategy 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. 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.

Customers

We have continued to make good progress in rolling out 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) process 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.

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 be launched in 2017. It aims to build the skills of our Customer Service, Production and Sales Teams and develop further their knowledge of our product range, ensuring consistent customer service delivery across our regional businesses.

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.

Land and planning

The land that we acquire, together with the planning potential that 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.

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.

The average cost of land as a proportion of average selling price within the short term owned landbank remains 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).

A key strength for Taylor Wimpey is our strategic pipeline. This land, which has no residential planning permission 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%).

Build costs, efficiency and product

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 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 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.

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.

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.

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.

Health and safety

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.

People and skills

Individually, and by working together, our employees are crucial to driving our success. 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.

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%).

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 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).

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.

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.

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.

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.

Local communities

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.

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.

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).

Sustainability

We are committed to being a responsible homebuilder and are continuing to integrate sustainability into our business practices. This helps us to create better homes and communities and a stronger business for the long term.

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.com/corporate in March 2017.

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.

Group financial review of operations

Performance of the Group is monitored internally using a variety of statutory and alternative performance measures as outlined below. 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 on page 41.

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.

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[††] 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** increased by 360 basis points to 30.7% (2015: 27.1%), reflecting improved profitability while maintaining balance sheet discipline. Net operating asset turn[†*] 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%).

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.

Dividends

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 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

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 be offered the opportunity to reinvest all of their 2017 cash 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.

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.

Viability statement

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted their review for a period of three years. 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 19 to 23. It includes macroeconomic 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 on page 5. This sensitivity analysis flexed a number of 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.

Shareholder information

The Company’s 2017 Annual General Meeting (AGM) will be held at 11am on 27 April 2017 at the British Medical Association, BMA House, Tavistock Square, London WC1H 9JP.

Copies of the 2016 Annual Report and Accounts will be available from 17 March 2017 on the Company’s website www.taylorwimpey.co.uk/corporate Hard copy documents will be posted to shareholders who have elected to receive them and will also be available from our registered office at Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR from 20 March 2017.

A copy of the 2016 Annual Report and Accounts will be submitted to the National Storage Mechanism and will be available for inspection at: www.Hemscott.com/nsm.do

Directors’ responsibilities

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2016. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the management report, which is incorporated into the Strategic Report and Directors’ Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 27 February 2017 and is signed on its behalf by:

Kevin Beeston, Chairman

Pete Redfern, Chief Executive

Principal risks and uncertainties

As with any business, Taylor Wimpey faces a number of risks and uncertainties in the course of the day to day operations. It is only by effectively identifying and managing these risks that we are able to deliver on our medium term targets 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.

In addition to the principal industry related risks set out below, we also closely monitor a number of other key internal and external factors. These include the impact on the Group from the result of the EU Referendum, an emerging issue from some of our customers regarding leasehold properties with certain historical lease clauses as discussed on page 8, and those factors that are likely to affect our reputation. We actively work with our stakeholders to minimise the impact of new risks.

The table below summarises the Group's principal risks and uncertainties. These are not listed by order of importance. Management of these risks and uncertainties is the responsibility of the Chief Executive and the Group Management Team, together with the roles noted below. Further detail on the relevance of these risks to our strategy, the potential impact on key performance indicators, mitigation and responsibilities are provided in our 2016 Annual Report and Accounts, which will be available at www.taylorwimpey.co.uk/corporate from 17 March 2017.

We also maintain a Sustainability and Climate Change Risk and Opportunity Register to monitor other sustainability issues that could affect the Group. In addition, our climate change related risks and opportunities are available as part of our 2016 CDP submission. For more information please visit www.taylorwimpey.co.uk/corporate/sustainability

	Relevance to strategy	**Potential impact on KPIs**	**Mitigation**	**Progress in 2016**
Government policy and planning regulations 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	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. 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).	• 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. • Unforeseen delays or our inability to obtain suitable consents, could impact on the number or type of homes that we build. • The locally produced CIL charge schedules may increase costs, impacting the viability of current developments.	We operate within our comprehensive community led planning strategy. This improves communications with all parties, but especially local communities, thereby enhancing our ability to deliver developments that meet local requirements. We consult with Government agencies and opposition parties on housing policy, both directly and indirectly as a member of industry groups, to highlight potential issues and to understand any proposed changes to regulations.	Our customer and community engagement strategy is embedded and having a positive effect. We have been successful in gaining planning consents throughout the year with particular emphasis on the conversion of the strategic land pipeline. We continued our participation in the local Plans Management Group (PMG), via the HBF, to ensure local plans are robust and CIL charge schedules are appropriate. We have met with Government officials and contributed to the HBF submissions in respect of The Housing and Planning Act and the Starter Homes initiative in

some sections of our customer base. 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. 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. <u>Responsibility</u> • UK Land Director • Regional Managing Directors	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.	Where CIL charges are not in place, there could be an impact on gaining planning consent or Judicial Review challenge. • This could have a detrimental impact on the contribution per plot.		particular.
Impact of market environment on mortgage availability and demand 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. 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	The majority of the homes that we build are sold to individual purchasers who take on mortgages to finance their purchases. A change in business confidence, employment opportunities or significant changes in the base rate may impact on the demand for housing. In particular, the ability for first time buyers and investors to purchase homes is impacted by changes in mortgage availability at the higher loan-to-value levels, as it would impact on the level of deposits required.	• A reduction in demand for new homes below normal levels could negatively impact on both profit and cash generation. This would have an adverse effect on return on net operating assets and net debt.	Our local teams select the locations and home designs that best meet the needs of the local community and customer demand in the present and future. We evaluate new outlet openings on the basis of local market conditions and regularly review the pricing and incentives that we offer. We work closely with the financial services industry to ensure customers receive good advice on the procurement of mortgage products.	We continue to promote the Government backed Help to Buy scheme and have seen strong interest in the scheme amongst our customers. 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.

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. <u>Responsibility</u> • UK Sales and Marketing Director • Regional Sales and Marketing Directors				
Material costs and availability of subcontractors 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. <u>Responsibility</u> • Head of Procurement • Regional Commercial Directors	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.	• 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. • Lack of skilled subcontractors could also result in higher levels of waste being produced from our sites and lower build quality.	We maintain regular contact with suppliers and negotiate contract volume, pricing and duration as appropriate. We provide both high-level and site specific programme information to aid with demand planning. Competencies are considered as part of our subcontractor selection 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. We work to address the skills shortage with apprenticeship schemes and the Construction Industry Training Board.	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. During the year the Group has trialled several different build methods as alternatives to conventional brick and block.
Ability to attract and retain high-calibre employees Recruiting employees with inadequate skills or in insufficient numbers, or not being able to retain key staff with the right skills for the future, could have a detrimental impact on our business. <u>Responsibility</u> • Group HR Director • Every employee managing people	Our business model requires significant input from skilled people to deliver quality homes and communities. There continues to be competition amongst employers in the housebuilding and construction industries for sector-specific staff. Shortages exist across the industry in the main manual trades and in certain managerial and professional occupations. This	• Not filling critical roles or having a significantly changing work force could lead to delays in build, quality issues, reduced sales levels, poor customer service and reduced profitability.	We 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	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

	could impact our ability to achieve our strategic goals.		candidates to be promoted to senior roles. We hold regular development reviews to identify training requirements.	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.
Land purchasing The purchase of land of poor quality, at too high a price, or incorrect timing of land purchases in relation to the economic cycle could impact future profitability. <u>Responsibility</u> • Divisional Managing Directors • Regional Managing Directors • Regional Land and Planning Directors • Strategic Land Managing Directors	Land is the major 'raw material' for the Group. The limited availability of good-quality land at an attractive price throughout the housing cycle, leads to significant competition. The disciplined purchasing of land of the appropriate quality, on attractive terms at the right time and scale in the economic cycle, will enhance the Group's ability to deliver sustainable margins and return on capital employed through the cycle.	• Purchasing poor-quality or mispriced land, or incorrectly timing land purchases would have a detrimental impact on our profitability and return on capital employed. • Acquiring insufficient land would reduce our ability to actively manage the land portfolio and create value for shareholders.	Our Land teams select and appraise each site, with the appraisal process ensuring that each project is financially viable, consistent with our strategy and appropriately authorised. We strive to be the developer of choice, through a comprehensive approach encompassing land vendors, land agents, local councils and local communities. Our Strategic Land teams work alongside regional businesses, to identify and secure land with the potential for future development and to promote it through the planning system.	The short term land market remained benign throughout 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.
Site and product safety Building sites are inherently dangerous places. Unsafe practices by our employees or subcontractors have the potential to cause death or serious injury. <u>Responsibility</u> • Director of Health, Safety and Environment • Every employee and subcontractor	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.	• 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.	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	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

			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.	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. 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.

Cautionary note concerning forward looking statements

This report contains certain forward looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report, and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward looking information.

Consolidated Income Statement

for the year to 31 December 2016

£ million	Note	**Before exceptional items 2016**	**Exceptional items 2016 (Note 3 and 5)**	**Total 2016**	Before exceptional items 2015	Exceptional items 2015 (Note 3 and 5)	Total 2015
Revenue		**3,676.2**	**–**	**3,676.2**	3,139.8	–	3,139.8
Cost of sales		**(2,735.8)**	**(0.5)**	**(2,736.3)**	(2,351.8)	(0.6)	(2,352.4)
Gross profit before positive contribution		**927.3**	**(0.5)**	**926.8**	779.1	(0.6)	778.5
Positive contribution from written down inventory		**13.1**	**-**	**13.1**	8.9	–	8.9
Gross profit		**940.4**	**(0.5)**	**939.9**	788.0	(0.6)	787.4
Net operating expenses	3	**(177.3)**	**–**	**(177.3)**	(155.9)	–	(155.9)
Profit on ordinary activities before finance costs		**763.1**	**(0.5)**	**762.6**	632.1	(0.6)	631.5
Interest receivable	4	**0.7**	**–**	**0.7**	0.7	–	0.7
Finance costs	4	**(31.6)**	**–**	**(31.6)**	(33.9)	–	(33.9)
Share of results of joint ventures		**1.2**	**–**	**1.2**	4.9	–	4.9
Profit on ordinary activities before taxation		**733.4**	**(0.5)**	**732.9**	603.8	(0.6)	603.2
Taxation (charge)/credit	5	**(143.7)**	**0.1**	**(143.6)**	(121.5)	8.1	(113.4)
Profit for the year		**589.7**	**(0.4)**	**589.3**	482.3	7.5	489.8

Attributable to:		
Equity holders of the parent	**589.3**	490.1
Non-controlling interests	**–**	(0.3)
	589.3	489.8

	Note	**2016**	2015
Basic earnings per share	6	**18.1p**	15.1p
Diluted earnings per share	6	**17.9p**	14.9p
Adjusted basic earnings per share	6	**18.1p**	14.9p
Adjusted diluted earnings per share	6	**18.0p**	14.7p

Consolidated Statement of Comprehensive Income

for the year to 31 December 2016

£ million	Note	**2016**	2015
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**6.3**	(1.5)
Movement in fair value of hedging derivatives and loans		**(5.0)**	1.5
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension schemes	9	**(69.3)**	(8.6)
Tax credit/(charge) on items taken directly to other comprehensive income	7	**10.7**	(0.7)
Other comprehensive expense for the year net of tax		**(57.3)**	(9.3)
Profit for the year		**589.3**	489.8
Total comprehensive income for the year		**532.0**	480.5
Attributable to:			
Equity holders of the parent		**532.0**	480.8
Non-controlling interests		**–**	(0.3)
		532.0	480.5

Consolidated Balance Sheet
at 31 December 2016

£ million	Note	**2016**	2015
Non-current assets			
Intangible assets		**3.5**	2.7
Property, plant and equipment		**21.0**	20.0
Interests in joint ventures		**50.3**	27.1
Trade and other receivables		**87.2**	95.4
Deferred tax assets	7	**57.4**	55.7
		219.4	200.9
Current assets			
Inventories	8	**3,984.0**	3,891.2
Trade and other receivables		**91.4**	114.0
Tax receivables		**0.2**	1.7
Cash and cash equivalents		**450.2**	323.3
		4,525.8	4,330.2
Total assets		**4,745.2**	4,531.1
Current liabilities			
Trade and other payables		**(988.1)**	(1,093.4)
Tax payables		**(61.6)**	–
Provisions		**(28.0)**	(31.1)
		(1,077.7)	(1,124.5)
Net current assets		**3,448.1**	3,205.7
Non-current liabilities			
Trade and other payables		**(442.5)**	(402.0)
Bank and other loans		**(85.5)**	(100.0)
Retirement benefit obligations	9	**(234.1)**	(178.4)
Provisions		**(5.1)**	(2.9)
		(767.2)	(683.3)
Total liabilities		**(1,844.9)**	(1,807.8)
Net assets		**2,900.3**	2,723.3
Equity			
Share capital		**288.4**	288.3
Share premium account		**762.9**	762.9
Own shares		**(12.2)**	(3.2)
Other reserves		**43.2**	41.9
Retained earnings		**1,817.3**	1,632.7
Equity attributable to parent		**2,899.6**	2,722.6
Non-controlling interests		**0.7**	0.7
Total equity		**2,900.3**	2,723.3

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**
Other comprehensive income/(expense) for the year net of tax	**–**	**–**	**–**	**1.3**	**(58.6)**	**(57.3)**
Profit for the year	**–**	**–**	**–**	**–**	**589.3**	**589.3**
Total comprehensive income for the year	**–**	**–**	**–**	**1.3**	**530.7**	**532.0**
New share capital subscribed	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Own shares acquired	**–**	**–**	**(10.6)**	**–**	**–**	**(10.6)**
Utilisation of own shares	**–**	**–**	**1.6**	**–**	**–**	**1.6**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**0.7**	**0.7**
Share-based payment credit	**–**	**–**	**–**	**–**	**9.8**	**9.8**
Tax charge on items taken directly to statement of changes in equity	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(355.9)**	**(355.9)**
Equity attributable to parent	**288.4**	**762.9**	**(12.2)**	**43.2**	**1,817.3**	**2,899.6**
Non-controlling interests						**0.7**
Total equity						**2,900.3**

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)
Other comprehensive income for the year net of tax	–	–	–	–	(9.3)	(9.3)
Profit for the year	–	–	–	–	490.1	490.1
Total comprehensive income for the year	–	–	–	–	480.8	480.8
New share capital subscribed	–	–	–	–	–	–
Own shares acquired	–	–	(2.0)	–	–	(2.0)
Utilisation of own shares	–	–	9.6	–	–	9.6
Cash cost of satisfying share options	–	–	–	–	(7.2)	(7.2)
Share-based payment credit	–	–	–	–	7.3	7.3
Tax credit on items taken directly to statement of changes in equity	–	–	–	–	8.3	8.3
Dividends approved and paid	–	–	–	–	(308.4)	(308.4)
Equity attributable to parent	288.3	762.9	(3.2)	41.9	1,632.7	2,722.6
Non-controlling interests						0.7
Total equity						2,723.3

Consolidated Cash Flow Statement
for the year to 31 December 2016

£ million	Note	2016	2015
Net cash from operating activities	10	**537.7**	406.9
Investing activities:			
Interest received		**0.7**	0.6
Dividends received from joint ventures		**–**	0.8
Proceeds on disposal of property, plant and investments		**0.3**	0.7
Purchases of property, plant and equipment		**(3.1)**	(5.6)
Purchases of software		**(2.0)**	(1.5)
Amounts (invested in)/repaid by joint ventures		**(22.0)**	15.6
Net cash (used in)/generated from investing activities		**(26.1)**	10.6
Financing activities:			
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)
Net cash used in financing activities		**(381.1)**	(308.0)
Net increase in cash and cash equivalents		**130.5**	109.5
Cash and cash equivalents at beginning of year		**323.3**	212.8
Effect of foreign exchange rate changes		**(3.6)**	1.0
Cash and cash equivalents at end of year		**450.2**	323.3

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

1. Basis of preparation

The financial information set out herein does not constitute the Group's statutory accounts for the years ended 31 December 2016 and 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's Annual General Meeting to be held on 27 April 2017. The external auditor has reported on those accounts; its reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

The statutory accounts have been prepared on the basis of the accounting policies as set out in the previous annual financial statements.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements on 17 March 2017 that comply with both IFRS as adopted for use in the European Union and IFRS as compliant with the Companies Act 2006 and Article 4 of the EU IAS Regulations.

Going concern:

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

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

2. Operating segments

IFRS 8 'Operating segments' requires information to be presented in the same basis as it is reviewed internally.

The Group operates in two countries, being the United Kingdom and Spain.

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

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

2. Operating segments (continued)

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
Revenue						
External sales	**1,239.4**	**1,204.5**	**1,137.0**	**1.7**	**93.6**	**3,676.2**
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	**279.9**	**280.7**	**249.3**	**(67.4)**	**20.6**	**763.1**
Share of results of joint ventures	**0.1**	**–**	**1.1**	**–**	**–**	**1.2**
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	**280.0**	**280.7**	**250.4**	**(67.4)**	**20.6**	**764.3**
Exceptional items	**–**	**2.2**	**–**	**–**	**(2.7)**	**(0.5)**
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	**280.0**	**282.9**	**250.4**	**(67.4)**	**17.9**	**763.8**
Net finance costs						**(30.9)**
Profit on ordinary activities before taxation						**732.9**
Taxation (including exceptional tax)						**(143.6)**
Profit for the year						**589.3**

Assets and liabilities
At 31 December 2016

	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Segment operating assets	**1,155.1**	**1,241.0**	**1,451.9**	**215.4**	**123.7**	**4,187.1**
Joint ventures	**2.6**	**3.3**	**43.2**	**1.2**	**–**	**50.3**
Segment operating liabilities	**(341.7)**	**(514.4)**	**(459.9)**	**(304.9)**	**(76.9)**	**(1,697.8)**
Group net operating assets	**816.0**	**729.9**	**1,035.2**	**(88.3)**	**46.8**	**2,539.6**
Net current taxation						**(61.4)**
Net deferred taxation						**57.4**
Net cash						**364.7**
Net assets						**2,900.3**

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

2. Operating segments (continued)

For the year to 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	**0.9**	**0.9**	**1.0**	**0.3**	**–**	**3.1**
Software development additions	**–**	**–**	**–**	**2.0**	**–**	**2.0**
Depreciation – property, plant and equipment	**(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
Revenue						
External sales	1,093.8	1,075.4	911.6	0.9	58.1	3,139.8
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	251.1	243.2	198.2	(70.4)	10.0	632.1
Share of results of joint ventures	(0.1)	–	5.0	–	–	4.9
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	251.0	243.2	203.2	(70.4)	10.0	637.0
Exceptional items	(0.5)	2.0	(2.1)	-	-	(0.6)
Profit 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)
Profit for the year						489.8

Assets and liabilities
At 31 December 2015

Segment operating assets	1,198.0	1,273.8	1,417.0	148.0	86.5	4,123.3
Joint ventures	2.2	3.0	21.4	0.3	0.2	27.1
Segment operating liabilities	(387.2)	(571.7)	(444.2)	(260.6)	(44.1)	(1,707.8)
Group net operating assets	813.0	705.1	994.2	(112.3)	42.6	2,442.6
Net current taxation						1.7
Net deferred taxation						55.7
Net cash						223.3
Net assets						2,723.3

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

2. Operating segments (continued)

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

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

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

£ million	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

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

Exceptional items:

£ million	2016	2015
Net addition to inventory impairments	**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 has been arrived at after charging/(crediting):

£ million	2016	2015
Cost of inventories recognised as expense in cost of sales, before write-downs	**2,633.3**	2,261.8
Reversal of inventory impairment provisions	**(7.7)**	(6.6)
Impairment of inventories	**8.2**	7.2
Depreciation – property, plant and equipment	**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

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

4. Finance costs and interest receivable

Interest receivable

£ million	**2016**	2015
External interest receivable	**0.7**	0.7
	0.7	0.7

Finance costs are analysed as follows:

£ million	**2016**	2015
Interest on overdrafts, bank and other loans	**10.9**	11.6
Foreign exchange movements	**(1.6)**	0.7
	9.3	12.3
Unwinding of discount on land creditors and other items	**16.2**	15.6
Notional net interest on pension liability (Note 9)	**6.1**	6.0
	31.6	33.9

5. Taxation

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

£ million		**2016**	2015
Current tax:			
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	**–**	–
		(136.3)	(12.7)
Deferred tax:			
UK:	Current year	**(5.7)**	(107.8)
	Prior years	**(0.4)**	(0.9)
Foreign tax:	Current year	**(1.2)**	8.0
	Prior years	**–**	–
		(7.3)	(100.7)
		(143.6)	(113.4)

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 charge). In 2015 the Group recognised an £8.0 million credit in relation to the recognition of Spanish temporary differences.

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%).

Notes to the Condensed Consolidated Financial Statements

for the year to 31 December 2016

5. Taxation (continued)

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

£ million	**2016**	2015
Profit before tax	**732.9**	603.2
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	**(146.6)**	(122.1)
Net over provision in respect of prior years	**2.1**	0.5
Tax effect of expenses that are not deductible in determining taxable profit	**0.2**	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	**1.1**	8.0
Other rate impacting adjustments	**(0.4)**	(1.5)
Tax charge for the year	**(143.6)**	(113.4)

6. Earnings per share

	2016	2015
Basic earnings per share	**18.1p**	15.1p
Diluted earnings per share	**17.9p**	14.9p
Adjusted basic earnings per share	**18.1p**	14.9p
Adjusted diluted earnings per share	**18.0p**	14.7p
Weighted average number of shares for basic/adjusted earnings per share – million	**3,259.7**	3,247.3
Weighted average number of shares for diluted basic/adjusted earnings per share – million	**3,283.2**	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 on the underlying performance of the Group. A reconciliation of earnings attributable to equity shareholders used for basic and diluted earnings per share to that used for adjusted earnings per share is shown below.

£ million	**2016**	2015
Earnings for basic and diluted earnings per share	**589.3**	490.1
Adjust for exceptional net addition of inventory write-downs (Note 3)	**0.5**	0.6
Adjust for tax on exceptional items (Note 5)	**(0.1)**	(0.1)
Adjust for exceptional deferred tax credit (Note 5)	**–**	(8.0)
Earnings for adjusted basic and adjusted diluted earnings per share	**589.7**	482.6

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

7. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 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**
At 31 December 2016	**4.8**	**3.4**	**8.8**	**40.0**	**0.4**	**57.4**

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.

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.

8. Inventories

£ million	2016	2015
Raw materials and consumables	**–**	–
Finished goods and goods for resale	**20.9**	17.1
Residential developments:		
Land	**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

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

8. Inventories (continued)

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

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).

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

9. 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.

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

9. Retirement benefit obligations (continued)

Defined benefit pension schemes

The Group's defined benefit pension scheme in the UK is the TWPS. The TWPS is a funded defined benefit pension scheme which provides benefits to beneficiaries in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. Pension payments are generally increased in line with inflation.

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

The TWPS 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, including reimbursement in respect of administrative costs of the scheme. 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 Trustee in managing the pension exposure.

Accounting assumptions:

The assumptions used in calculating the accounting costs and obligations of the TWPS, as detailed below, are set by the Directors after consultation with independent, professionally qualified actuaries. The basis for these assumptions is prescribed by IAS 19 and they do not reflect the assumptions that may be used in future funding valuations of the TWPS.

	TWPS	
Accounting valuation assumptions	**2016**	2015
As at 31 December		
Discount rate for scheme liabilities	**2.70%**	3.70%
General pay inflation	**n/a**	n/a
Deferred pension increases	**2.25%**	1.95%
Pension increases	**2.15%-3.70%**	2.05%-3.55%

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

9. Retirement benefit obligations (continued)

The table below shows the impact to the liability of movement in key assumptions.

Assumption	Change in assumption	Impact on defined benefit obligation (£ million)	Impact on defined benefit obligation (%)
Discount rate	Decrease by 0.1% p.a.	Increase by £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 table below details the movements in the TWPS pension liability and assets recorded through the income statement and other comprehensive income.

	Present value of obligation	Fair value of scheme assets	Asset/ (liability) recognised on balance sheet
At 1 January 2016	**(2,066.2)**	**1,889.1**	**(177.1)**
Current service cost	**–**	**–**	**–**
Administration expenses	**–**	**(3.3)**	**(3.3)**
Interest (expense)/income	**(74.4)**	**68.3**	**(6.1)**
Total amount recognised in income statement	**(74.4)**	**65.0**	**(9.4)**
Return on scheme assets not included in income statement	**–**	**271.7**	**271.7**
Change in demographic assumptions	**71.2**	**–**	**71.2**
Change in financial assumptions	**(431.4)**	**–**	**(431.4)**
Experience gains	**19.2**	**–**	**19.2**
Total remeasurements in other comprehensive income	**(341.0)**	**271.7**	**(69.3)**
Employer contributions	**–**	**23.1**	**23.1**
Employee contributions	**–**	**–**	**–**
Benefit payments	**112.8**	**(112.8)**	**–**
At 31 December 2016	**(2,368.8)**	**2,136.1**	**(232.7)**

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

9. Retirement benefit obligations (continued)

	Present value of obligation	Fair value of scheme assets	Asset/ (liability) recognised on balance sheet
At 1 January 2015	(2,186.2)	2,003.8	(182.4)
Current service cost	–	–	–
Administration expenses	–	(3.2)	(3.2)
Interest (expense)/income	(74.3)	68.3	(6.0)
Total amount recognised in income statement	(74.3)	65.1	(9.2)
Return on scheme assets not included in income statement	–	(72.5)	(72.5)
Change in demographic assumptions	–	–	–
Change in financial assumptions	49.2	–	49.2
Experience gains	14.7	–	14.7
Total remeasurements in other comprehensive income	63.9	(72.5)	(8.6)
Employer contributions	–	23.1	23.1
Employee contributions	–	–	–
Benefit payments	130.4	(130.4)	–
At 31 December 2015	(2,066.2)	1,889.1	(177.1)

10. Notes to the cash flow statement

£ million	**2016**	2015
Profit on ordinary activities before finance costs	**762.6**	631.5
Adjustments for:		
Depreciation of buildings, plant and equipment	**2.1**	2.0
Net addition of inventory write-downs	**0.5**	0.6
Amortisation of software development	**1.2**	1.3
Pension contributions in excess of charge to the income statement	**(20.1)**	(19.9)
Share-based payment charge	**9.8**	7.3
Profit on disposal of property and plant	**(0.3)**	(0.5)
Decrease in provisions	**(0.9)**	(7.4)
Operating cash flows before movements in working capital	**754.9**	614.9
Increase in inventories	**(113.3)**	(269.1)
Decrease in receivables	**42.3**	13.0
(Decrease)/Increase in payables	**(61.7)**	68.1
Cash generated by operations	**622.2**	426.9
Income taxes paid	**(71.0)**	(5.5)
Interest paid	**(13.5)**	(14.5)
Net cash from operating activities	**537.7**	406.9

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2016

10. Notes to the cash flow statement (continued)

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

Movement in net cash/(debt)

£ million	Cash and cash equivalents	Overdrafts, banks and other loans	Total net (debt)/ cash
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
Cash flow	**130.5**	**17.0**	**147.5**
Foreign exchange	**(3.6)**	**(2.5)**	**(6.1)**
Balance 31 December 2016	**450.2**	**(85.5)**	**364.7**

11. 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 £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 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.

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. The following Alternative Performance Measures are referred to throughout the full year results.

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

Within the highlights and throughout, operating profit is used as one of the main measures of performance, with operating profit margin (defined below) being a Key Performance Indicator. Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures. The Directors consider this to be an important measure of underlying performance of the Group. Operating profit margin is calculated as operating profit divided by total Group revenue. The Directors consider this to be a metric which reflects the underlying performance of the business.

Operating profit to profit before interest and tax reconciliation

	2016 £m Profit	2016 £m Revenue	2016 % Margin	2015 £m Profit	2015 £m Revenue	2015 % Margin
Profit before interest and tax	**762.6**	**3,676.2**	**20.7**	**631.5**	**3,139.8**	**20.1**
Adjusted for:						
Share of results of joint ventures	1.2	-	0.1	4.9	-	0.2
Exceptional items	0.5	-	-	0.6	-	-
Operating profit	**764.3**	**3,676.2**	**20.8**	**637.0**	**3,139.8**	**20.3**

Net operating assets

Net operating assets is defined as net assets less net cash and tax balances and is used to calculate return on net operating assets which the Directors consider to be an important measure of the underlying operating efficiency and performance of the Group.

Return on net operating assets

Return on net operating assets, one of the Group's operational targets, is defined as 12-month operating profit divided by the average of the opening and closing net operating assets.

Capital employed

Capital employed is defined as net assets less net cash and intangible assets and is used to calculate return on capital employed. The Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

Return on capital employed

Return on capital employed is a measure used to appraise the sites ahead of purchase and is defined as 12-month operating profit divided by the average of the opening and closing capital employed.

Net operating assets and capital employed

	2016	2015	2014
	£m	£m	£m
Basic net assets	**2,900.3**	**2,723.3**	**2,535.3**
Average basic net assets	**2,811.8**	**2,629.3**	
Adjusted for:			
Cash	(450.2)	(323.3)	(212.8)
Borrowings	85.5	100.0	100.0
Taxation	4.0	(57.4)	(157.5)
Net operating assets	**2,539.6**	**2,442.6**	**2,265.0**
Average net operating assets	**2,491.1**	**2,353.8**	
Adjusted for:			
Taxation	(4.0)	57.4	157.5
Intangible assets	(3.5)	(2.7)	(2.5)
Capital employed	**2,532.1**	**2,497.3**	**2,420.0**
Average capital employed	**2,514.7**	**2,458.7**	

Return on net operating assets and capital employed

	2016	2016	2016	2015	2015	2015
	Average net assets	Profit	Return on net assets	Average net assets	Profit	Return on net assets
	£m	£m	%	£m	£m	%
Basic net assets	**2,811.8**	**762.6**	**27.1**	**2,629.3**	**631.5**	**24.0**
Adjusted for:						
Average Cash	(386.8)	-	4.3	(268.1)	-	3.0
Average Borrowings	92.8	-	(1.0)	100.0	-	(1.1)
Average Taxation	(26.7)	-	0.3	(107.4)	-	1.2
Share of results of joint ventures	-	1.2	-	-	4.9	-
Exceptional items	-	0.5	-	-	0.6	-
Net operating assets	**2,491.1**	**764.3**	**30.7**	**2,353.8**	**637.0**	**27.1**
Average taxation	26.7	-	(0.3)	107.4	-	(1.2)
Average intangibles	(3.1)	-	-	(2.5)	-	-
Capital employed	**2,514.7**	**764.3**	**30.4**	**2,458.7**	**637.0**	**25.9**

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 good indicator of how efficiently the Group is utilising their assets to generate value for the shareholders.

Net operating asset turn

	2016 Average net assets £m	2016 Revenue £m	2016 Net asset turn	2015 Average net assets £m	2015 Revenue £m	2015 Net asset turn
Basic net assets	**2,811.8**	**3,676.2**	**1.31**	**2,629.3**	**3,139.8**	**1.19**
Adjusted for:						
Average Cash	(386.8)	-	0.21	(268.1)	-	0.13
Average Borrowings	92.8	-	(0.05)	100.0	-	(0.05)
Average Taxation	(26.7)	-	0.01	(107.4)	-	0.06
Net operating assets	**2,491.1**	**3,676.2**	**1.48**	**2,353.8**	**3,139.8**	**1.33**

Tangible net assets per share

This is calculated as net assets before any accrued dividends excluding goodwill and intangible assets divided by the number of ordinary shares in issue at the end of the period. The Directors consider this to be a good measure of the value intrinsic within each ordinary share.

Tangible net assets per share

	2016 Net assets £m	2016 Ordinary shares in issue £m	2016 Net assets per share pence	2015 Net assets £m	2015 Ordinary shares in issue £m	2015 Net assets per share pence
Basic net assets	**2,900.3**	**3,270.3**	**88.7**	**2,723.3**	**3,258.6**	**83.6**
Adjusted for:						
Intangible assets	(3.5)	-	(0.1)	(2.7)	-	(0.1)
Tangible net assets	**2,896.8**	**3,270.3**	**88.6**	**2,720.6**	**3,258.6**	**83.5**

Net cash

Net cash is defined as total cash less total financing. This is considered by the Directors to be the best indicator of the financing position of the Group. This is reconciled in note 10.

Cash conversion

This is defined as cash generated from operations divided by operating profit. The Directors consider this measure to be a good indication of how efficiently the Group is turning profit into cash.

Cash conversion

	2016 Profit £m	2016 Cash generated from operations £m	2016 Cash conversion %	2015 Profit £m	2015 Cash generated from operations £m	2015 Cash conversion %
Profit before interest and tax	**762.6**	**622.2**	**81.6**	**631.5**	**426.9**	**67.6**
Adjusted for:						
Share of results of joint ventures	1.2	-	(0.1)	4.9	-	(0.5)
Exceptional items	0.5	-	(0.1)	0.6	-	(0.1)
Operating profit	**764.3**	**622.2**	**81.4**	**637.0**	**426.9**	**67.0**

Adjusted gearing

This is defined as net cash plus land creditors divided by net assets. The Directors consider this to be a more representative measure of the Group's gearing levels.

Adjusted gearing

	2016 £m	2015 £m
Net assets	**2,900.3**	**2,723.3**
Cash	450.2	323.3
Bank loans	(85.5)	(100.0)
Net cash	**364.7**	**223.3**
Land creditors	(599.8)	(629.8)
Adjusted net debt	**(235.1)**	**(406.5)**
Adjusted gearing	**8.1%**	**14.9%**

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 number of shares in issue at the end of the period. 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 basis earnings per share.