28 February 2018
Taylor Wimpey plc
Full year results for the year ended 31 December 2017

Pete Redfern, Chief Executive, commented:

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

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

Looking ahead, we are focused on making continual operational improvements across the business. We enter 2018 with a strong order book and are well positioned to make further progress against our medium term targets and in delivering long term value for shareholders".

Good progress made on our financial targets and operational metrics in 2017

- £450.5 million total dividends paid in 2017 (2016: £355.9 million), with c.£500 million declared for 2018 (subject to shareholder approval)
- Record return on net operating assets** of 32.4% (2016: 30.7%)
- Further growth in operating profit* margin to 21.2% (2016: 20.8%)
- Completed a total of 14,842 homes, including Spain and joint ventures, up 4.6% (2016: 14,185)
- 3.5% increase in UK total average selling price to £264k (2016: £255k), excluding joint ventures
- Significant improvement in customer satisfaction metrics, with average scores in the last six months of over 90%
- Reduction in Annual Injury Incidence Rate per 100,000 employees and contractors to 152 (2016: 211)

	2017	**2016**	**Change**
Revenue £m	3,965.2	3,676.2	7.9%
Adjusted operating profit* £m	841.2	764.3	10.1%
Profit before tax and exceptional items £m	812.0	733.4	10.7%

Profit for the year £m	555.3	589.3	(5.8)%
Adjusted basic earnings per share pence††	20.2	18.1	11.6%
Basic earnings per share pence	17.0	18.1	(6.1)%
Tangible net asset value per share pence†	95.7	88.6	8.0%
Net cash £m	511.8	364.7	40.3%

Adjusted operating profit* in 2017 was £841.2 million and is up 10.1%, driven by improved performance in both the UK and the Spanish businesses.

Profit for the year at £555.3 million is down 5.8% with the improved underlying performance offset by the net exceptional charge of £105.0 million in relation to the leasehold provision recognised in the period.

UK current trading and outlook

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note: Alternative Performance Measures

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

Definitions of the alternative performance measures discussed throughout our Annual Report and Accounts, and a reconciliation to the equivalent statutory measure are detailed on pages 41 to 44.

-Ends-

A presentation to analysts will be hosted by Chief Executive Pete Redfern and Group Finance Director Ryan Mangold at 9am on Wednesday 28 February 2018. 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 2018.

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

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

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

Medium term targets

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

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

Medium term targets (2016-2018)	2016-2017	2016-2018 target
An average annual return on net operating assets**	31.6%	30%
An average operating profit* margin	21.0%	c.22%
Total dividends to be paid in cash to shareholders over the period	£806.4m	£1.3bn

Dividends

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

In 2017 shareholders received total dividends (including ordinary and special dividends) of £451 million (or 13.79 pence per share).

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

Target of £1.3bn in the period 2016-18 (A)	**2016 actual paid**	**2017 actual paid**	**2018 announced** (B)
Ordinary dividend £m	55.8	150.0	c.160.0
Special dividend £m	300.1	300.5	c.340.0
Total dividend £m	355.9	450.5	c.500.0

(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.

Operational review

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 are separated out in the Group financial review, unless stated otherwise.

Our key performance indicators (KPIs)

UK	**2017**	**2016**	**Change**
Contribution per legal completion £k	69.3	65.5	5.8%
Forward order book as a % of completions (as at 31 December)	49.6%	54.8%	(5.2)ppt
Owned and controlled plots with planning or resolution to grant	74,849	76,234	(1.8)%

Strategic land pipeline conversion plots	7,863	9,519	(17.4)%
% of completions from strategically sourced land	53%	51%	2ppt
Customer satisfaction %	88%	85%	3ppt
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)	152	211	(28.0)%
Employee turnover % (voluntary)	14.0%	13.9%	0.1ppt

Sales, completions and pricing

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

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

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

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

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

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

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

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

Customers

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

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

Good communication with customers is key at every point of their homebuying journey. During 2018, we will roll out our new online customer portal, Touchpoint, to all of our regional businesses 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 also 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.

We will continue to prioritise making further improvements in the area of customer service in 2018.

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

Land and planning

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

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

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

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

A key strength of Taylor Wimpey is our strategic land pipeline. This provides an enhanced supply of land at a reduced cost. Importantly, it gives us greater control over the planning permissions we receive. We have one of the largest strategic pipelines in the sector which stood at a record of c.117k potential plots as at 31 December 2017 (31 December 2016: c.108k potential plots). During 2017, we converted a further 7,863 plots from the strategic pipeline to the short term landbank (2016: 9,519 plots). We continue to seek new opportunities and added a net 17.1k new potential plots to the strategic pipeline in 2017 (2016: 10.8k). In the year, a record 53% of our completions were sourced from the strategic pipeline (2016: 51%).

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

Build costs, efficiency and product

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

We achieved an annual return on net operating assets** for the Group of 32.4% in 2017 (2016: 30.7%), which exceeds our medium term target of 30% as set out in May 2016. The annual return on net operating assets ** for the UK business was 32.0% in 2017 (2016: 30.4%).

We have improved our UK net operating asset turn[†]* to 1.52 times (2016: 1.46 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 pipeline conversion. The higher proportion of strategic land conversion results in higher work in progress spend, due to these sites generally requiring greater infrastructure investment. We have clear quality and finish standards for all Taylor Wimpey homes and during 2017 we have continued to strengthen our quality assurance processes. Each one of our homes should meet our quality standards and we want every customer to receive excellent service. During the year, we appointed a UK Head of Production, a newly created role, as we seek to ensure we consistently achieve a high-quality build for our customers.

Research and development is a key area for us as we seek to understand what our future customers will want and need. Our Taylor Wimpey Project 2020 design competition in partnership with the Royal Institute of British Architects (RIBA) was launched in 2016 with the aim of informing our future house type range. The competition attracted over 100 entries from 14 different countries. The 'Infinite House' designed by Open Studio Architects, based in London, was chosen and the winning design will be prototyped on some of our sites in 2018.

We aim to use natural resources efficiently and to reduce our impact on the environment. We are pleased to have reduced our scope 1 and 2 greenhouse gas emissions per 100sqm of completed homes by 38.7% since 2013, exceeding our target of 25%, a year ahead of schedule.

Health and safety

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

We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live, and we will not compromise 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 a record low of 152 in 2017 (2016: 211). Our AIIR for major injuries per 100,000 employees and contractors was 54 in 2017 (2016: 53). Our AIIR remains well below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average.

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

People and skills

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

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

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

Our employee engagement survey, conducted in 2017, highlighted key strengths and improved scores in areas such as customer service and training. More importantly, it highlighted areas for improvement, including better collaboration between some teams. These areas will be a key area of focus for 2018.

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 62 Quality Awards (2016: 57), 24 Seals of Excellence Awards (2016: 16) and two Regional Awards in 2017 (2016: two). One of our Regional Winners, Paul McLachlan of Taylor Wimpey North Yorkshire, also achieved Runner Up in the Large Builder category of the Supreme Awards.

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 high-quality homes, 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 are committed to working with local people and other stakeholders throughout the planning process and seek to engage, consult and work in partnership with communities and all interested stakeholders, both before we submit a planning application and throughout the life of our developments. In this way we can listen to their concerns and, where possible, incorporate these within our plans.

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

Supporting charities

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

98% of Taylor Wimpey staff believe that Taylor Wimpey is committed to being an ethical and responsible company, according to our employee survey.

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

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

Spain

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

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

Group financial review of operations

Income statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Balance sheet

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

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

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

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

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

million between one and two years from balance sheet date. Included within the land creditor balance is £117 million of UK land overage commitments (31 December 2016: £130 million).

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

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

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

Pensions

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

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

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

Cash flow

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

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

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

Financing structure

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

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

Dividends

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 in dividends per annum. This is intended to provide a reliable minimum annual return to shareholders throughout the cycle. This Ordinary Dividend Policy was subject to prudent and comprehensive stress testing against various downside scenarios, which also included a reduction of 20% in average selling prices and a 30% reduction in volumes.

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

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

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

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

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

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.

Assessment of prospects

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

Viability statement

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

The viability assessment includes the Group's income statement, balance sheet, cash flows, KPIs and debt covenants, and considers the potential impacts which may arise from the Principal Risks of the business as described on pages 19 to 22. It includes macro-economic and industry-wide projections as well as matters specific to the Group.

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

Shareholder information

The Company's 2018 Annual General Meeting (AGM) will be held at 11am on 26 April 2018 at the British Medical Association, BMA House, Tavistock Square, London WC1H 9JP.

Copies of the Annual Report and Accounts 2017 will be available from 19 March 2018 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 23 March 2018.

A copy of the Annual Report and Accounts 2017 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 2017. 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 2018 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 targets.

The table set out in the following pages summarises the Group's principal risks and uncertainties. Control of each of these is critical to the ongoing success of the business. As such, their management is primarily the responsibility of the Chief Executive and the Group Management Team (GMT). The Board has finalised its assessment of these risks and has concluded that the likelihood of these principle risks affecting the business has remained at the level previously reported.

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

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 2017 CDP submission. For more information please visit www.taylorwimpey.co.uk/corporate/sustainability

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

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

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

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

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 2017

£ million	Note	**Before exceptional items 2017**	**Exceptional items 2017 (Note 3 and 5)**	**Total 2017**	Before exceptional items 2016	Exceptional items 2016 (Note 3 and 5)	Total 2016
Revenue		**3,965.2**	**–**	**3,965.2**	3,676.2	–	3,676.2
Cost of sales		**(2,932.2)**	**–**	**(2,932.2)**	(2,735.8)	(0.5)	(2,736.3)
Gross profit before positive contribution		**1,015.6**	**–**	**1,015.6**	927.3	(0.5)	926.8
Positive contribution from written down inventory		**17.4**	**–**	**17.4**	13.1	–	13.1
Gross profit		**1,033.0**	**–**	**1,033.0**	940.4	(0.5)	939.9
Net operating expenses	3	**(199.4)**	**(130.0)**	**(329.4)**	(177.3)	–	(177.3)
Profit on ordinary activities before finance costs		**833.6**	**(130.0)**	**703.6**	763.1	(0.5)	762.6
Interest receivable	4	**0.8**	**–**	**0.8**	0.7	–	0.7
Finance costs	4	**(30.0)**	**–**	**(30.0)**	(31.6)	–	(31.6)
Share of results of joint ventures		**7.6**	**–**	**7.6**	1.2	–	1.2
Profit on ordinary activities before taxation		**812.0**	**(130.0)**	**682.0**	733.4	(0.5)	732.9
Taxation (charge)/credit	5	**(151.7)**	**25.0**	**(126.7)**	(143.7)	0.1	(143.6)
Profit for the year		**660.3**	**(105.0)**	**555.3**	589.7	(0.4)	589.3
Attributable to:							
Equity holders of the parent				**555.3**			589.3
Non-controlling interests				–			–
				555.3			589.3

	Note	**2017**	2016
Basic earnings per share	6	**17.0p**	18.1p
Diluted earnings per share	6	**16.9p**	17.9p
Adjusted basic earnings per share	6	**20.2p**	18.1p
Adjusted diluted earnings per share	6	**20.1p**	18.0p

Consolidated Statement of Comprehensive Income

for the year to 31 December 2017

£ million	Note	**2017**	2016
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**2.2**	6.3
Movement in fair value of hedging derivatives and loans		**(1.2)**	(5.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	9	**154.8**	(69.3)
Tax (charge)/credit on items taken directly to other comprehensive income	7	**(26.5)**	10.7
Other comprehensive income/(expense) for the year net of tax		**129.3**	(57.3)
Profit for the year		**555.3**	589.3
Total comprehensive income for the year		**684.6**	532.0
Attributable to:			
Equity holders of the parent		**684.6**	532.0
Non-controlling interests		**–**	–
		684.6	532.0

Consolidated Balance Sheet
at 31 December 2017

£ million	Note	**2017**	2016
Non-current assets			
Intangible assets		**3.9**	3.5
Property, plant and equipment		**22.8**	21.0
Interests in joint ventures		**50.9**	50.3
Trade and other receivables		**60.1**	87.2
Deferred tax assets	7	**29.3**	57.4
		167.0	219.4
Current assets			
Inventories	8	**4,075.7**	3,984.0
Trade and other receivables		**122.2**	91.4
Tax receivables		**0.7**	0.2
Cash and cash equivalents		**600.5**	450.2
		4,799.1	4,525.8
Total assets		**4,966.1**	4,745.2
Current liabilities			
Trade and other payables		**(1,024.5)**	(988.1)
Tax payables		**(58.6)**	(61.6)
Provisions		**(87.3)**	(28.0)
		(1,170.4)	(1,077.7)
Net current assets		**3,628.7**	3,448.1
Non-current liabilities			
Trade and other payables		**(430.6)**	(442.5)
Bank and other loans		**(88.7)**	(85.5)
Retirement benefit obligations	9	**(64.8)**	(234.1)
Provisions		**(74.3)**	(5.1)
		(658.4)	(767.2)
Total liabilities		**(1,828.8)**	(1,844.9)
Net assets		**3,137.3**	2,900.3
Equity			
Share capital		**288.5**	288.4
Share premium account		**762.9**	762.9
Own shares		**(21.3)**	(12.2)
Other reserves		**44.2**	43.2
Retained earnings		**2,063.0**	1,817.3
Equity attributable to parent		**3,137.3**	2,899.6
Non-controlling interests		**–**	0.7
Total equity		**3,137.3**	2,900.3

Consolidated Statement of Changes in Equity
for the year to 31 December 2017

For the year to 31 December 2017 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2017	**288.4**	**762.9**	**(12.2)**	**43.2**	**1,817.3**	**2,899.6**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**2.2**	**–**	**2.2**
Movement in fair value of hedging derivatives and loans	**–**	**–**	**–**	**(1.2)**	**–**	**(1.2)**
Actuarial gain on defined benefit pension schemes	**–**	**–**	**–**	**–**	**154.8**	**154.8**
Tax charge on items taken directly to other comprehensive income	**–**	**–**	**–**	**–**	**(26.5)**	**(26.5)**
Other comprehensive income for the year net of tax	**–**	**–**	**–**	**1.0**	**128.3**	**129.3**
Profit for the year	**–**	**–**	**–**	**–**	**555.3**	**555.3**
Total comprehensive income for the year	**–**	**–**	**–**	**1.0**	**683.6**	**684.6**
New share capital subscribed	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Own shares acquired	**–**	**–**	**(13.3)**	**–**	**–**	**(13.3)**
Utilisation of own shares	**–**	**–**	**4.2**	**–**	**–**	**4.2**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Share-based payment credit	**–**	**–**	**–**	**–**	**11.5**	**11.5**
Tax credit on items taken directly to statement of changes in equity	**–**	**–**	**–**	**–**	**1.8**	**1.8**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(450.5)**	**(450.5)**
Equity attributable to parent	**288.5**	**762.9**	**(21.3)**	**44.2**	**2,063.0**	**3,137.3**
Non-controlling interests						**–**
Total equity						**3,137.3**

For the year to 31 December 2016 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2016	288.3	762.9	(3.2)	41.9	1,632.7	2,722.6
Exchange differences on translation of foreign operations	–	–	–	6.3	–	6.3
Movement in fair value of hedging derivatives and loans	–	–	–	(5.0)	–	(5.0)
Actuarial loss on defined benefit pension schemes	–	–	–	–	(69.3)	(69.3)
Tax credit on items taken directly to other comprehensive income	–	–	–	–	10.7	10.7
Other comprehensive income/(expense) for the year net of tax	–	–	–	1.3	(58.6)	(57.3)
Profit for the year	–	–	–	–	589.3	589.3
Total comprehensive income for the year	–	–	–	1.3	530.7	532.0
New share capital subscribed	0.1	–	–	–	–	0.1
Own shares acquired	–	–	(10.6)	–	–	(10.6)
Utilisation of own shares	–	–	1.6	–	–	1.6
Cash cost of satisfying share options	–	–	–	–	0.7	0.7
Share-based payment credit	–	–	–	–	9.8	9.8
Tax charge on items taken directly to statement of changes in equity	–	–	–	–	(0.7)	(0.7)
Dividends approved and paid	–	–	–	–	(355.9)	(355.9)
Equity attributable to parent	288.4	762.9	(12.2)	43.2	1,817.3	2,899.6
Non-controlling interests						0.7
Total equity						2,900.3

Consolidated Cash Flow Statement

for the year to 31 December 2017

£ million	Note	**2017**	2016
Net cash from operating activities	10	**604.1**	537.7
Investing activities:			
Interest received		**0.8**	0.7
Dividends received from joint ventures		**0.7**	–
Proceeds on disposal of property, plant and equipment		**–**	0.3
Purchases of property, plant and equipment		**(4.2)**	(3.1)
Purchases of software		**(1.5)**	(2.0)
Amounts repaid by/(invested in) joint ventures		**6.1**	(22.0)
Proceeds from sale of interest in subsidiary		**2.7**	–
Net cash generated from/(used in) investing activities		**4.6**	(26.1)
Financing activities:			
Repayment of bank loans		**–**	(100.0)
Proceeds from loans notes issued		**–**	83.0
Proceeds from issue of own shares		**0.1**	0.1
Cash received on exercise of share options		**3.5**	2.3
Purchase of own shares		**(13.3)**	(10.6)
Dividends paid		**(450.5)**	(355.9)
Net cash used in financing activities		**(460.2)**	(381.1)
Net increase in cash and cash equivalents		**148.5**	130.5
Cash and cash equivalents at beginning of year		**450.2**	323.3
Effect of foreign exchange rate changes		**1.8**	(3.6)
Cash and cash equivalents at end of year		**600.5**	450.2

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

1. Basis of preparation

The financial information set out herein does not constitute the Group's statutory accounts for the years ended 31 December 2017 and 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting to be held on 26 April 2018. 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 based on 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 19 March 2018 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 considering 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 sits on the Group Management Team. In addition, there is an operating segment covering the Corporate functions, Major Developments and Strategic Land.

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

2. Operating segments (continued)

Segment information about these businesses is presented below:

For the year to 31 December 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	1,334.5	1,291.2	1,236.3	9.0	94.2	3,965.2
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	295.4	318.0	263.1	(69.7)	26.8	833.6
Share of results of joint ventures	(0.5)	–	8.3	(0.2)	–	7.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	294.9	318.0	271.4	(69.9)	26.8	841.2
Exceptional items	–	–	–	(130.0)	–	(130.0)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	294.9	318.0	271.4	(199.9)	26.8	711.2
Net finance costs						(29.2)
Profit on ordinary activities before taxation						682.0
Taxation (including exceptional tax)						(126.7)
Profit for the year						555.3

Assets and liabilities
At 31 December 2017

	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Segment operating assets	1,192.5	1,233.2	1,501.3	212.7	145.0	4,284.7
Joint ventures	2.1	3.5	42.3	3.0	–	50.9
Segment operating liabilities	(353.9)	(486.9)	(486.9)	(264.2)	(89.6)	(1,681.5)
Group net operating assets	840.7	749.8	1,056.7	(48.5)	55.4	2,654.1
Net current taxation						(57.9)
Net deferred taxation						29.3
Net cash						511.8
Net assets						3,137.3

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

2. Operating segments (continued)

For the year to 31 December 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	**0.7**	**0.7**	**0.9**	**1.9**	**–**	**4.2**
Software development additions	**–**	**–**	**–**	**1.5**	**–**	**1.5**
Depreciation – property, plant and equipment	**(0.1)**	**(0.9)**	**(0.4)**	**(0.9)**	**–**	**(2.3)**
Software amortisation	**–**	**–**	**–**	**(1.1)**	**–**	**(1.1)**

For the year to 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	1,239.4	1,204.5	1,137.0	1.7	93.6	3,676.2
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	279.9	280.7	249.3	(67.4)	20.6	763.1
Share of results of joint ventures	0.1	–	1.1	–	–	1.2
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	280.0	280.7	250.4	(67.4)	20.6	764.3
Exceptional items	–	2.2	–	–	(2.7)	(0.5)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	280.0	282.9	250.4	(67.4)	17.9	763.8
Net finance costs						(30.9)
Profit on ordinary activities before taxation						732.9
Taxation (including exceptional tax)						(143.6)
Profit for the year						589.3

Assets and liabilities
At 31 December 2016

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 2017

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)

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

£ million	**2017**	2016
Administration expenses	**201.9**	189.2
Other expense	**8.7**	9.5
Other income	**(11.2)**	(21.4)
Exceptional items	**130.0**	0.5

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

Exceptional items:

£ million	**2017**	2016
Net addition to inventory impairments	**–**	0.5
Exceptional provision recognised in relation to leasehold	**130.0**	–
Exceptional items	**130.0**	0.5

Leasehold provision

As announced at the AGM on 27 April 2017, we are taking measures which we believe will address our customers' concerns regarding historical lease structures in an appropriate and fair manner. Our review has focused on a specific lease structure which provides that the ground rent doubles every 10 years until the 50th year, at which point the rent is capped. This lease structure was introduced by Taylor Wimpey in good faith in 2007 and was one of a variety of lease types used on new developments during that period until late 2011, when we stopped using them on new developments commenced after that date.

The doubling clauses are considered to be entirely legal and are clearly set out in the relevant lease documentation. In addition, when buying their Taylor Wimpey property, all customers received independent legal advice as part of the standard conveyancing process. In line with normal practice the relevant freehold reversions have been sold to a number of third parties over several years.

We have made good progress in securing agreements with freeholders covering approximately 90% of the properties affected by the doubling ground rent clauses. These agreements enable our customers with a ten-year doubling ground rent lease to convert to an RPI-based structure, should they elect to participate in our assistance scheme. The provision will be utilised as customer applications progress through the scheme.

The exceptional provision of £130.0 million recognised at June 2017 was calculated using a range of assumptions including the total number of properties still owned by the original purchaser and an average valuation per leasehold unit. Following negotiations with freeholders, the valuation on the majority of units has been determined, but the total number of properties and several other assumptions, could still vary

Notes to the Condensed Consolidated Financial Statements

for the year to 31 December 2017

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

over time. However, given the information available at 31 December 2017 it is considered that the original provision recognised of £130.0 million remains appropriate.

We expect the cash outflow to be spread over a number of years; this will be determined by the timing of applications from customers.

Inventory impairment

The markets in our core geographies, which are the primary drivers of our business, continue to trade positively. However, we are alert to the potential risk of a change in customer confidence given the on-going Brexit negotiations.

At 31 December 2017, the Group completed a net realisable value assessment of inventory with these factors in mind. This review did not result in any net change to the total provision (2016: £8.2 million addition and £7.7 million release) but resulted in a reallocation of £2.4 million of historically booked provision between two sites which continue to hold a provision due to poor site location and complex site requirements. There was no further change to the provision because the majority of the impairment provision is on sites which have suffered from adverse planning decisions, or are impacted by other site-specific factors, rather than wider market factors.

The Group undertakes a detailed review on a site by site basis of the net realisable value of its land and work in progress. The results from this review are sensitive to the assumptions used. Therefore, we also consider when the inventory is likely to be realised, and whether there has been a sustained change in market conditions and the wider economic environment existing at the balance sheet date.

At the balance sheet date, the Group held land and work in progress in the UK that had been written down to net realisable value of £69.9 million (2016: £119.6 million) with associated impairments of £46.9 million (2016: £96.8 million). As at 31 December 2017, 2% (31 December 2016: 3%) of our UK short term owned and controlled land is impaired. In the year 5% (2016: 5%) of the Group's UK completions were from pre-2009 impaired sites.

There has been continued improvement in the Spanish housing market during the year. However, this improvement has been on newer sites which have been acquired in better locations. Sales rates and prices on sites which have been previously impaired remain low. In the year, 35 plots (2016: 65) were completed in Spain that had previously been impaired. At 31 December 2017 Spain had land and work in progress that has been written down to net realisable value of £17.7 million (2016: £18.7 million) with associated impairments of £46.4 million (2016: £50.2 million).

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

£ million	**2017**	2016
Cost of inventories recognised as expense in cost of sales, before write-downs	**2,794.6**	2,633.3
Reversal of inventory impairment provisions	**–**	(7.7)
Impairment of inventories	**–**	8.2
Depreciation – property, plant and equipment	**2.3**	2.1
Net foreign exchange charge/(credit)	**0.1**	(1.6)
Loss/(gain) on disposal of property, plant and equipment	**0.1**	(0.3)
Amortisation of intangible assets	**1.1**	1.2
Payments under operating leases	**6.4**	6.6

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

4. Finance costs and interest receivable

Interest receivable

£ million	**2017**	2016
External interest receivable	**0.8**	0.7
	0.8	0.7

Finance costs are analysed as follows:

£ million	**2017**	2016
Interest on overdrafts, bank and other loans	**6.0**	10.9
Foreign exchange movements	**0.1**	(1.6)
	6.1	9.3
Unwinding of discount on land creditors and other items	**18.0**	16.2
Notional net interest on pension liability (Note 9)	**5.9**	6.1
	30.0	31.6

5. Taxation

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

£ million		**2017**	2016
Current tax:			
UK corporation tax:	Current year	**(122.6)**	(136.5)
	Adjustment in respect of prior years	**1.5**	2.5
Foreign tax:	Current year	**(3.3)**	(2.3)
		(124.4)	(136.3)
Deferred tax:			
UK:	Current year	**(2.8)**	(5.7)
	Adjustment in respect of prior years	**–**	(0.4)
Foreign tax:	Current year	**0.5**	(1.2)
		(2.3)	(7.3)
		(126.7)	(143.6)

Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate is 18.6% (2016: 19.6%).

The tax charge for the year includes a credit of £25.0 million (2016: £nil) in respect of the exceptional charge relating to the leasehold review and £nil (2016: £0.1 million) in respect of movements in the exceptional impairment provision.

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

5. Taxation (continued)

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

£ million	**2017**	2016
Profit before tax	**682.0**	732.9
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	**(131.3)**	(146.6)
Net over provision in respect of prior years	**1.5**	2.1
Tax effect of expenses that are not deductible in determining taxable profit	**0.2**	0.2
Recognition of deferred tax asset relating to Spanish business	**3.9**	1.1
Other rate impacting adjustments	**(1.0)**	(0.4)
Tax charge for the year	**(126.7)**	(143.6)

6. Earnings per share

	2017	2016
Basic earnings per share	**17.0p**	18.1p
Diluted earnings per share	**16.9p**	17.9p
Adjusted basic earnings per share	**20.2p**	18.1p
Adjusted diluted earnings per share	**20.1p**	18.0p
Weighted average number of shares for basic/adjusted earnings per share – million	**3,264.0**	3,259.7
Weighted average number of shares for diluted basic/adjusted earnings per share – million	**3,280.4**	3,283.2

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

£ million	**2017**	2016
Earnings for basic and diluted earnings per share	**555.3**	589.3
Adjust for exceptional items	**130.0**	0.5
Adjust for tax on exceptional items (Note 5)	**(25.0)**	(0.1)
Earnings for adjusted basic and adjusted diluted earnings per share	**660.3**	589.7

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

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 2016	7.2	4.0	11.4	32.0	1.1	55.7
Credit/(charge)to income	0.6	(0.6)	(3.9)	(2.7)	(0.7)	(7.3)
Credit to other comprehensive income	–	–	–	10.7	–	10.7
Charge to equity	(3.0)	–	–	–	–	(3.0)
Foreign exchange	–	–	1.3	–	–	1.3
At 31 December 2016	4.8	3.4	8.8	40.0	0.4	57.4
(Charge)/credit to income	**(0.2)**	**(0.3)**	**0.3**	**(2.8)**	**0.7**	**(2.3)**
Charge to other comprehensive income	**–**	**–**	**–**	**(26.5)**	**–**	**(26.5)**
Credit to equity	**0.4**	**–**	**–**	**–**	**–**	**0.4**
Foreign exchange	**–**	**–**	**0.3**	**–**	**–**	**0.3**
At 31 December 2017	**5.0**	**3.1**	**9.4**	**10.7**	**1.1**	**29.3**

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the temporary differences have been calculated at rates between 19% and 17% (2016: 20% and 17%).

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

£ million	**2017**	2016
Deferred tax assets	**30.9**	58.7
Deferred tax liabilities	**(1.6)**	(1.3)
	29.3	57.4

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £2.8 million (2016: £3.0 million) in the UK and £58.0 million (2016: £70.0 million) in Spain. The UK temporary differences have not been recognised as they are predominantly non-trading in nature and insufficient certainty exists as to their future utilisation. The temporary differences in Spain have not been recognised due to uncertainty of sufficient taxable profits in the future against which to utilise these amounts.

At the balance sheet date, the Group has unused UK capital losses of £269.6 million (2016: £269.5 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2017 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

8. Inventories

£ million	**2017**	2016
Raw materials and consumables	**1.9**	1.6
Finished goods and goods for resale	**24.0**	20.9
Residential developments:		
Land	**2,682.6**	2,650.9
Development and construction costs	**1,360.0**	1,307.8
Commercial, industrial and mixed development properties	**7.2**	2.8
	4,075.7	3,984.0

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

8. Inventories (continued)

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

Inventory Write-downs £ million	**2017**	2016
1 January	**147.0**	167.7
Utilised	**(52.9)**	(28.3)
Net addition	**-**	0.5
Foreign exchange	**(0.8)**	7.1
31 December	**93.3**	147.0

9. Retirement benefit obligations

Retirement benefit obligations comprise a defined benefit pension liability of £63.7 million (2016: £232.7 million) and a post-retirement healthcare liability of £1.1 million (2016: £1.4 million).

Defined benefit pension schemes

The Group's defined benefit pension scheme in the UK is the Taylor Wimpey Pension Scheme (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 Directors to the Trustee Board is determined by the TWPS trust documentation.

During 2017 we engaged with the Pension Trustees on the triennial valuation of the pension scheme with a reference date of 31 December 2016. The result of this valuation is a Technical Provisions deficit at 31 December 2016 of £222.0 million which has reduced to approximately £30.0 million at 31 December 2017.

A revised funding plan, based on the results of the triennial valuation, has been agreed since the Balance Sheet date. This plan commits the Group to cash contributions of £47.1 million per annum for four years, including £5.1 million from the Pension Funding Partnership. However, cash contributions are only required whilst the scheme remains in a Technical Provisions deficit position. Should the scheme become fully funded, then cash contributions will pause until such time that the scheme falls to below 96% funded.

During 2017, as part of the triennial valuation, each of the assumptions were reviewed, with a focus on demographic assumptions. A Medically Underwritten Mortality Study (MUMS) was carried out by an independent actuary to assess the current health of existing plan members through questionnaires and telephone interviews. The Company and Trustee wrote to approximately 3,200 members aged between 55 and 80 who together covered 45% of overall scheme liabilities. Of these members, approximately 60% responded to the survey. The responses were then analysed by experienced

9. Retirement benefit obligations (continued)

medical underwriters to translate them into loadings to be applied to standard mortality base tables. The results of the MUMS investigation, postcode analysis and scheme specific experience analysis were then ‘blended’ to form an overall mortality assumption. This blending applied different weightings to each study for each sub-Group of scheme members, reflecting the perceived relevance of each study to each sub-Group.

The revised, scheme specific, mortality assumption combined with asset outperformance has resulted in an IAS 19 accounting surplus of £23.9 million. The terms of the scheme are such that the Group does not have an unconditional right to a refund of surplus. As a result, the Group has recognised an adjustment to this surplus of £87.6 million, resulting in an IFRIC 14 deficit of £63.7 million, which represents the present value of future contributions under the current 2013 funding plan.

In 2013, the Group introduced a £100.0 million Pension Funding Partnership utilising show homes, as well as seven offices which are owned, in a sale and leaseback structure. This provides an additional £5.1 million of annual funding for the TWPS. The assets held within this scheme do not affect the IAS 19 figures as they remain assets of the Group, and are not assets of the TWPS. As at 31 December 2017, there was £101.5 million of property and £9.5 million of cash held within the structure (2016: £101.4 million of property and £9.6 million of cash). The terms of this Funding Partnership are such that, should the scheme be in Technical Provisions deficit at 2028, then a bullet payment will be due to the scheme equal to the lower of £100 million or the Technical Provisions deficit. The IFRIC 14 deficit at 31 December 2017 does not include any value in respect of this bullet payment as stochastic modelling undertaken by independent actuary, indicates that the scheme is expected to be fully funded and therefore no bullet payment is expected to be required.

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The Scheme assets are approximately 80% hedged against changes in both interest rates and inflation expectations on the Scheme’s long-term, ‘self-sufficiency’ basis. The Scheme also benefits from a bulk annuity contract which covers some of the largest liabilities in the Scheme, providing protection against interest rate, inflation and longevity risk.

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	**2017**	2016
As at 31 December		
Discount rate for scheme liabilities	**2.55%**	2.70%
General pay inflation	**n/a**	n/a
Deferred pension increases	**2.20%**	2.25%
Pension increases	**2.10%-3.65%**	2.15%-3.70%

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

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 £34m	1.5
Rate of inflation*	Increase by 0.1% p.a.	Increase by £20m	0.9
Life expectancy	Members live 1 year longer	Increase by £89m	3.8

* Assumed to affect deferred revaluation and pensioner increases in payment.

The 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 2017	**(2,368.8)**	**2,136.1**	**(232.7)**
Current service cost	**–**	**–**	**–**
Administration expenses	**–**	**(3.0)**	**(3.0)**
Interest (expense)/income	**(62.0)**	**56.1**	**(5.9)**
Total amount recognised in income statement	**(62.0)**	**53.1**	**(8.9)**
Return on scheme assets not included in income statement	**–**	**193.7**	**193.7**
Change in demographic assumptions	**78.9**	**–**	**78.9**
Change in financial assumptions	**(44.1)**	**–**	**(44.1)**
Experience gains	**13.9**	**–**	**13.9**
Adjustment to liabilities for IFRIC 14	**(87.6)**	**–**	**(87.6)**
Total remeasurements in other comprehensive income	**(38.9)**	**193.7**	**154.8**
Employer contributions	**–**	**23.1**	**23.1**
Employee contributions	**–**	**–**	**–**
Benefit payments	**142.5**	**(142.5)**	**–**
At 31 December 2017	**(2,327.2)**	**2,263.5**	**(63.7)**

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

9. Retirement benefit obligations (continued)

	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)

10. Notes to the cash flow statement

£ million	**2017**	2016
Profit on ordinary activities before finance costs	**703.6**	762.6
Adjustments for:		
Depreciation of buildings, plant and equipment	**2.3**	2.1
Net addition of inventory write-downs	**–**	0.5
Amortisation of software development	**1.1**	1.2
Pension contributions in excess of charge to the income statement	**(20.1)**	(20.1)
Share-based payment charge	**11.5**	9.8
Loss/(gain) on disposal of property and plant	**0.1**	(0.3)
Increase/(decrease) in provisions	**128.5**	(0.9)
Operating cash flows before movements in working capital	**827.0**	754.9
Increase in inventories	**(61.7)**	(113.3)
(Increase)/decrease in receivables	**(12.9)**	42.3
Decrease in payables	**(16.5)**	(61.7)
Cash generated by operations	**735.9**	622.2
Income taxes paid	**(126.7)**	(71.0)
Interest paid	**(5.1)**	(13.5)
Net cash from operating activities	**604.1**	537.7

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2017

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 cash/ (debt)
Balance 1 January 2016	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
Cash flow	148.5	–	148.5
Foreign exchange	1.8	(3.2)	(1.4)
Balance 31 December 2017	**600.5**	**(88.7)**	**511.8**

11. Dividends

£ million	**2017**	2016
Proposed		
Interim dividend 2017 2.30p (2016: 0.53p) per ordinary share of 1p each	**75.2**	17.3
Final dividend 2017 2.44p (2016: 2.29p) per ordinary share of 1p each	**80.0**	74.9
	155.2	92.2
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2016 2.29p (2015: 1.18p) per ordinary share of 1p each	**74.8**	38.5
Interim dividend 2017 2.30p (2016: 0.53p) per ordinary share of 1p each	**75.2**	17.3
Special dividend 2017 9.20p (2016: 9.20p) per ordinary share of 1p each	**300.5**	300.1
	450.5	355.9

The Directors recommend a final dividend for the year ended 31 December 2017 of c.2.44 pence per share subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of £80.0 million (2016: £74.9 million). The final dividend will be paid on 18 May 2018 to all shareholders registered at the close of business on 6 April 2018.

The Directors additionally recommend a special dividend of c.£340.0 million (2016: c.£300.0 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 13 July 2018 to all shareholders registered at the close of business on 1 June 2018.

In accordance with IAS 10 ‘Events after the balance sheet date’ the proposed final or special dividends have not been accrued as a liability as at 31 December 2017.

Taylor Wimpey plc
Alternative Performance Measures
For the year ended 31 December 2017

The Group uses Alternative Performance Measures (APM) as key financial performance indicators to assess underlying performance of the Group. The APM’s used are widely used industry measures, form the measurement basis of the key strategic KPI’s (return on net operating assets** and operating profit* margin) and are linked directly to executive remuneration. The following APM’s are referred to throughout this Statement.

Profit before taxation and exceptional items and profit for the period before exceptional items

The Directors consider the removal of exceptional items from the reported results provides more clarity on the performance of the Group. They are reconciled to profit before tax and profit for the period respectively, on the face of the Consolidated Income Statement.

Operating profit and operating profit margin

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

Operating profit to profit before interest and tax reconciliation

	2017	2017	2017	2016	2016	2016
	Profit £m	Revenue £m	Margin %	Profit £m	Revenue £m	Margin %
Profit before interest and tax	**703.6**	**3,965.2**	**17.7**	**762.6**	**3,676.2**	**20.7**
Adjusted for:						
Share of results of joint ventures	7.6	-	0.2	1.2	-	0.1
Exceptional items	130.0	-	3.3	0.5	-	-
Operating profit	**841.2**	**3,965.2**	**21.2**	**764.3**	**3,676.2**	**20.8**

Net operating assets and return on net operating assets

Net operating assets is defined as basic net assets less net cash, excluding net taxation balances and accrued dividends. Return on net operating assets, another KPI, is defined as 12-month operating profit divided by the average of the opening and closing net operating assets. The Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

Net operating assets

£million	2017	2016	2015
Basic net assets	**3,137.3**	**2,900.3**	**2,723.3**
Average basic net assets	**3,018.8**	**2,811.8**	
Adjusted for:			
Cash	(600.5)	(450.2)	(323.3)
Borrowings	88.7	85.5	100.0
Net taxation	28.6	4.0	(57.4)
Accrued dividends	-	-	-
Net operating assets	**2,654.1**	**2,539.6**	**2,442.6**
Average net operating assets	**2,596.9**	**2,491.1**	

Taylor Wimpey plc
Alternative Performance Measures
For the year ended 31 December 2017

Return on net operating assets

	2017 Net assets £m	2017 Profit £m	2017 Return on net assets %	2016 Net assets £m	2016 Profit £m	2016 Return on net assets %
Average basic net assets	**3,018.8**	**703.6**	**23.3**	**2,811.8**	**762.6**	**27.1**
Adjusted for:						
Average cash	(525.4)	-	4.7	(386.8)	-	4.3
Average borrowings	87.1	-	(0.8)	92.8	-	(1.0)
Average taxation	16.4	-	(0.1)	(26.7)	-	0.3
Share of results of joint ventures	-	7.6	0.3	-	1.2	-
Exceptional items	-	130.0	5.0	-	0.5	-
Average net operating assets	**2,596.9**	**841.2**	**32.4**	**2,491.1**	**764.3**	**30.7**

Net operating asset turn

This is defined as total Group revenue divided by the average of opening and closing net operating assets. The Directors consider this to be a good indicator of how efficiently the Group is utilising its assets to generate value for the shareholders.

	2017 Net assets £m	2017 Revenue £m	2017 Net asset turn	2016 Net assets £m	2016 Revenue £m	2016 Net asset turn
Average basic net assets	**3,018.8**	**3,965.2**	**1.31**	**2,811.8**	**3,676.2**	**1.31**
Adjusted for:						
Average cash	(525.4)	-	0.27	(386.8)	-	0.21
Average borrowings	87.1	-	(0.04)	92.8	-	(0.05)
Average taxation	16.4	-	(0.01)	(26.7)	-	0.01
Average net operating assets	**2,596.9**	**3,965.2**	**1.53**	**2,491.1**	**3,676.2**	**1.48**

Taylor Wimpey plc
Alternative Performance Measures
For the year ended 31 December 2017

Tangible net assets per share

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

Tangible net assets per share

	2017 Net assets £m	2017 Ordinary shares in issue	2017 Net assets per share pence	2016 Net assets £m	2016 Ordinary shares in issue	2016 Net assets per share pence
Basic net assets	**3,137.3**	**3,275.4**	**95.8**	**2,900.3**	**3,270.3**	**88.7**
Adjusted for:						
Intangible assets	(3.9)	-	(0.1)	(3.5)	-	(0.1)
Tangible net assets	**3,133.4**	**3,275.4**	**95.7**	**2,896.8**	**3,270.3**	**88.6**

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

	2017 Profit £m	2017 Cash generated from operations £m	2017 Cash conversion %	2016 Profit £m	2016 Cash generated from operations £m	2016 Cash conversion %
Profit before interest and tax	**703.6**	**735.9**	**104.6**	**762.6**	**622.2**	**81.6**
Adjusted for:						
Share of results of joint ventures	7.6	-	(0.9)	1.2	-	(0.1)
Exceptional items	130.0	-	(16.2)	0.5	-	(0.1)
Operating profit	**841.2**	**735.9**	**87.5**	**764.3**	**622.2**	**81.4**

Taylor Wimpey plc
Alternative Performance Measures
For the year ended 31 December 2017

Adjusted gearing

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

Adjusted gearing

	2017 £m	2016 £m
Cash	**600.5**	450.2
Private placement loan notes	**(88.7)**	(85.5)
Net cash	**511.8**	**364.7**
Land creditors	**(639.1)**	(599.8)
Adjusted net debt	**(127.3)**	**(235.1)**
Basic net assets	**3,137.3**	2,900.3
Adjusted gearing	**4.1%**	**8.1%**

Adjusted basic earnings per share

This is calculated as earnings attributed to the shareholders, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares. The Directors consider this provides an important measure of the underlying earnings capacity of the Group. Note 6 shows a reconciliation from basic earnings per share to adjusted basic earnings per share.