

TAYLOR WIMPEY plc

Annual Report and Accounts

For the year ended

31 December 2018

Registered No. 296805



Taylor
Wimpey | plc

Becoming a
customer-centric
homebuilder

Annual Report and Accounts 2018

At a glance how

Revenue (£m)

Customer satisfaction 8-week score
'Would you recommend?' (%)

Tangible net asset
value per share† (p)

90

2017: 89



98.3

2017: 95.7

Employee turnover (%)

Year end net cash† (£m)

Return on net
operating assets** (%)

14.5

2017: 14.0



644.1

2017: 511.8

33.4

2017: 32.5



Total dividend per share (p)

Profit before tax (£m)

Adjusted basic earnings
per share†† (p)

15.28

2017: 13.79



21.3

2017: 20.2

i Definitions can be found in the Group financial review on page 53

We participate in various benchmarks and have been awarded a number of industry accreditations

Where we operate

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

Alternative Performance Measures

The Group uses Alternative Performance Measures (APMs) as key financial performance of the Group. The APMs used are widely used industry measures: strategic KPIs (return on net operating assets** and operating profit* margin). All references to operating profit* throughout this report meet the definition.

we performed in 2018

Group completions including JVs

Number recruited to early talent programmes in the year

175

2017: 126



Operating profit* (£m)



Profit for the year (£m)

656.6

2017: 555.3

Basic earnings per share (p)

20.1

2017: 17.0

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

228

2017: 152



Net private sales rate per outlet per week

0.80

2017: 0.77



Construction Quality Review

3.93

2017: 3.74



Landbank years

c.5.1

2017: c.5.1



North Division

6,431

Homes completed
10 offices

Central and South
West Division

5,259

Homes completed
8 offices

London and South
East Division

3,132

Homes completed
6 offices

Spain

342

Homes completed
3 offices

UK map key

- Head office
- Regional offices
- London market

performance indicators to assess underlying measures, form the measurement basis of the key metrics and are linked directly to executive remuneration. of an APM.

Definitions of the APMs, discussed throughout our Annual Report and Accounts, and a reconciliation to the equivalent statutory measure are detailed in the Alternative Performance Measures section on pages 178 to 180.

The 2017 financial statements have been restated for the adoption of IFRS 9 – 'Financial Instruments' and IFRS 15 – 'Revenue from Contracts with Customers'. They have not been restated for IFRS 16 as it has been applied from 1 January 2018 using the 'modified retrospective' approach, as outlined in the standard.

Taylor Wimpey plc is a customer-focused residential developer building and delivering homes and communities across the UK and in Spain.

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

We are first and foremost a local business and an important contributor to the local communities.

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

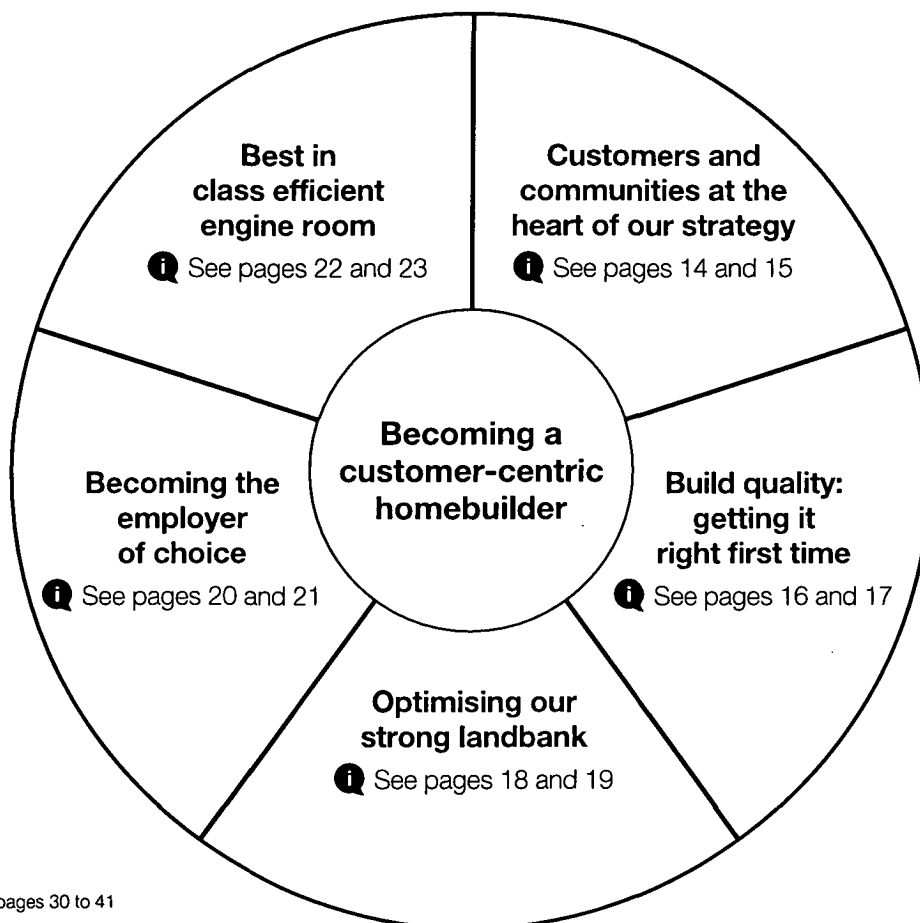
-  www.taylorwimpey.co.uk/corporate
-  [www.twitter.com/taylorwimpeyplc](https://twitter.com/taylorwimpeyplc)
-  www.linkedin.com/company/taylor-wimpey

Navigating this report

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

-  Read more
-  Questions and answers
-  Key performance indicators
-  Link to remuneration
-  Link to our stakeholders
-  Link to our business model
-  Link to our strategic goals

Our ultimate aim is to become a genuinely **customer-centric** homebuilder by shifting our focus to our **customers' needs and their aspirations** for their homes and communities.



S Read more on pages 30 to 41

il Read more on pages 24 to 25

BM Read more on pages 28 to 29

Chair's statement

A step change in strategy

2018 has been an exciting year for Taylor Wimpey. I will touch on some of the year's operating highlights and our record financial performance later in my statement, but will first begin with our new strategy which we introduced to shareholders at our Capital Markets Day in May 2018. This is something we are all very passionate about and represents a shift for Taylor Wimpey, following the natural conclusion of a very successful strategic plan which took us from 2011, through the early stages of the housing market recovery, up to early 2018. Our new strategy reflects a deep desire to do more for our customers and a recognition that, in an ever-changing world, our customers' expectations have moved on significantly and that our products and services must too. Our strategy ultimately aims to position Taylor Wimpey as a genuinely customer-centric homebuilder. This evolution takes place in a much-improved planning and land environment, which we are confident will persist for the foreseeable future. More information on this can be found on pages 10 and 11.

As Chair, I am proud of the investment and the progress we have already made in improving our customer service to date, and we are very pleased to have scored over 90% on the Home Builders Federation (HBF) 2017/18 survey, however there is still some way to go before we can be really described as customer-centric. For this to happen we need to commit to putting customers and communities at the heart of each and every decision we make throughout the business and deliver on this time and again, aspiring to get it right first time, every time. We are privileged to work in a company and an industry which has a deep connection to its customers and their lives and lifestyles.

We recognise that each of the decisions our teams take, from the land we buy to the house types and community facilities we build, has a significant impact on our customers' lives. Our homes are where important memories are made, where birthday parties are hosted, where the first photos in school uniform are taken, and where we live, work and play. We therefore have an important role to play in our customers' lives and are aware of the huge responsibility this brings.

Your Board also believes that there will be a real benefit not only to our customers, but to our employees, shareholders and other stakeholders from delivering on our new strategy. As shareholders, you own a business that believes in its customers and, through identifying and serving customers' needs better than anyone else in the industry, this will make us a bigger, better and stronger business. We have reordered this 2018 Annual Report to clearly show how we plan to achieve our objectives. More information about our strategy, and our investment proposition to you, can be found within Pete Redfern's letter on page 5 and on page 27.

The UK housing market in 2018

The housing market has been stable throughout 2018, despite the wider macro-economic and significant political uncertainty that has characterised the year. Whilst our share price and that of our peers has been volatile through the year, reacting to this uncertainty, we have seen the underlying business and our future potential remain strong. Customer confidence has continued to be resilient with strong levels of interest in our developments converting to high sales rates. You can find more information on the market on pages 10 and 11 including the main drivers for future performance, and how the business is set up to manage the cycle, which we believe to be an important differentiator for Taylor Wimpey.

Taylor Wimpey 2018 financial performance

I'm delighted that during 2018 we have delivered 14,933 home completions across the UK (2017: 14,541). During the year operating profit* has grown to £880.2 million, a new record for the Group. Profit before tax was £810.7 million, up 19% in 2018 (2017: £682.0 million) and profit for the year increased to £656.6 million (2017: £555.3 million). I am particularly pleased to report that in 2018, we have also returned a record amount to shareholders through dividends and, alongside our strategy update in May 2018, we announced an enhanced ordinary dividend going forward. During 2018 shareholders continued to benefit from our success, receiving c.£500 million in dividends, and we have committed to returning 20% more dividends in 2019 which underlines our confidence in the business. More information about our financial performance can be found in the 'At a glance' section and within Chris Carney's financial review on pages 52 to 56. It is worth taking the time to recognise that whilst financial performance is obviously very important to us and our shareholders, we want to ensure that we deliver this in the right way. Accordingly, and as I have said in prior years, a key function of the Board is to ensure good corporate governance at all times, and this is something we take very seriously at Taylor Wimpey and has been recognised by the level of shareholder support at successive Annual General Meetings. More information can be found within my introduction to the Corporate Governance section on page 60; in the Board activities section on page 68; and in stakeholder engagement on pages 76-79. We believe in ambition and accountability and have set out five-year goals (which you can find on page 26) which are stretching and target further improvement in a number of areas.

“We are privileged to play an important role in our customers’ lives and are aware of the huge responsibility this brings.”

We have accordingly updated our senior management bonus targets to reflect this and more information on remuneration can be found on page 96.

Health and safety and environment

The health and safety of everyone on and around our sites has always been, and will always be, our number one priority. We are committed to this non-negotiable objective each and every day. We were therefore deeply saddened by the tragic death of a subcontractor on one of our sites in 2018 following a serious accident. We are assisting the Health and Safety Executive with the accident investigation and await their findings. This is the first fatality on a Taylor Wimpey site since 2004 but that makes it no less of a tragedy.

Building sites are, by their very nature, dangerous and so we do everything we can possibly do to minimise those risks. We embed a safety culture through training, awareness and visible health and safety leadership. Whilst our Annual Injury Incidence Rate (AIIR) remains well below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average, we are not complacent and we will continue to seek to improve this. Our AIIR for reportable injuries per 100,000 employees and contractors was 228 in 2018 (2017: 152). Our AIIR for major injuries per 100,000 employees and contractors was 64 in 2018 (2017: 54).

We aim to integrate sustainability into the way we work for the benefit of our business, our customers, our people and all our stakeholders. Our sustainability framework sets out our priority sustainability issues and shows how we will deliver on our values to build a proud and sustainable legacy. More information can be found in our 2018 Sustainability Report.

Taylor Wimpey culture and our employees

The culture of Taylor Wimpey and our people is what makes our company special. I talked about our ultimate goal of becoming a genuinely customer-centric homebuilder but we can only do that with and because of our people. During the year we have engaged extensively with teams across the business about our new strategy. Their input has been invaluable in how we have shaped and will implement it. Therefore, it is here that I want to say thank you to all our employees across the business. We have seen record employee engagement this year and this just underlines the commitment and energy from the whole business to our company and its

success. Over half of our employees either participate in one or both of the All Employee Share Plans or are already shareholders in the Company. In 2018, 34.2% of all eligible employees participated in the 2018 Sharesave scheme (up from 33.3% in 2017).

This year, a particular highlight for me personally was the Board’s visit to our South Thames business where I and the rest of the Board had the opportunity to meet some of our apprentices and hear first hand about their training and their aspirations for the future. We are delighted to have taken on over 400 apprentices over the past three years and delight in seeing their fantastic progress. Our apprentice programme builds on extremely successful graduate intakes over many years and management trainee schemes. Our commitment to training continues throughout their careers and many who have joined us as trainees over the years have gone on to become key members of our management teams including Ingrid Osborne, one of our Divisional Chairs.

Kate Barker DBE, our Senior Independent Director and Chair of the Remuneration Committee, and I also had the pleasure of attending one of our National Employee Forum meetings during the year, which is the Company’s elected workforce representative body. We enjoyed a good discussion on Taylor Wimpey’s governance and remuneration approach. More details of the Forum appear on page 79.

During 2018 we were particularly delighted to be recognised as one of the UK’s top 10 employers by Glassdoor as rated by our employees. Once again, we were the only commercial housebuilder to make the list, and it further demonstrates that we are well on our way to becoming an employer of choice in the industry, as we strive to deliver a unique and valued employee experience.

We have promoted Chris Carney and Jennie Daly to the Board in 2018 as Group Finance Director and Group Operations Director respectively. Both Chris and Jennie bring great operational depth and experience from other roles, and present a different perspective to Board discussions. I am delighted to welcome them on your behalf and thrilled that we have been able to develop such strong leadership succession both for the Board and throughout the business. I would also, on behalf of the Board, like to express our thanks to Ryan Mangold who stood down

as Group Finance Director in April 2018 after eight highly successful years in the role; to Mike Hussey who stood down as an Independent Non Executive Director in July 2018 after almost seven years in the role and as a member of the Audit and Nomination Committees; and to Rob Rowley who stood down as an Independent Non Executive Director and the Senior Independent Director in April 2018 after over eight years’ service on the Board and its Committees, particularly as Chair of the Audit Committee. We wish Ryan, Mike and Rob all the very best for the future.

I joined the Board of Taylor Wimpey in July 2010 and I have enjoyed my time immensely. As part of our ongoing Board succession planning reviews, the Nomination Committee will be putting the wheels in motion to recruit my successor during the course of this year.

In drawing this Chair’s statement to a conclusion I’d like to thank our shareholders for their continued support and look forward to updating you further throughout the year.

Kevin Beeston
Chair

Chief Executive's letter

Total dividend paid in 2018

£499.5m

2017: £450.5m

Group operating profit* margin
in 2018

21.6%

2017: 21.3%

Return on net operating
assets** in 2018

33.4%

2017: 32.5%

"A new strategic direction focused on customers."

Pete Redfern – Chief Executive

In 2018, we announced a new strategy at our Capital Markets Day in May, the first major change to our direction since 2011. We are proud of what we achieved during this time and by every measure the 'old' strategy has been very successful; delivering over 90,000 new homes in the UK and creating £7 billion of shareholder value. But, inevitably the environment in which we operate has continued to change and develop over that period. Having taken the old strategy as far as we could, we need to seek to protect that value we have built up and ensure the business is ready and able to take advantage of opportunities, and we can't do that by standing still.

Why now?

We operate in an industry which is underpinned by a fundamental long term demand and supply imbalance. As one of the UK's largest homebuilders, we believe that we have a shared responsibility to create more choices for those wanting to access housing, and to deliver this housing with high quality and excellent service.

Traditionally housebuilders are land led. Over the last seven years, the land and planning environment has undergone a structural change, with more good-quality land available through the planning system and an increase in opportunities, including a reduced level of competition, in certain parts of the market, such as large scale sites. While land remains a key value driver, the easing of the land constraint through this cycle means that other elements of the business model have become increasingly important to future success. This includes operational ability, delivery capability and approach to customers, particularly in the context of significantly changed customer expectations.

These changes present an opportunity in an industry which has historically been very reactive to genuinely shift our focus to our customers' needs and their aspirations for their homes and communities. Over the coming years, by enhancing every step of our customers' buying and after service experience, building homes which are right first time and right for our customers' income and lifestyle, we can create real additional value for customers, and the rest of our stakeholders. In this way we can grow our business, providing more homes to more people, whilst continuing to manage the cycle cautiously and without compromising on quality.

What does customer-centric actually mean to us?

We thought long and hard about the wording because it is a phrase which can suffer from overuse and is used flippantly by some. However, we believe it is appropriate to use because it signifies that all our decisions and actions are driven by a desire to understand what our customers need today and in the future and a commitment to earn their trust by delivering on our promises time and time again. It is ambitious and we are not there yet.

When we first started our customer journey, over four years ago, there was some scepticism both inside and outside the business – not because people didn't want to do it, or thought that it wasn't important, but

because they thought it couldn't be done. I'm pleased to say that across the business the opposite is true today as we have seen the investments we have made and the effort the teams have put in really start to pay off.

Our customers tell us that the improvements we have already made to our customer service approach are working. We have made a significant step change in our business over the last four years. Whilst we have made great progress and over 90% of customers would recommend Taylor Wimpey to a friend (2017: 89%), this performance often drops over time, a common trend across the industry. There are of course a number of contributing factors, and not all within our control, but we start from the point that to be genuinely customer-centric, we have to understand the causes and look for solutions. We have therefore introduced the National House-Building Council (NHBC) 9-month 'would you recommend' score, as an additional Key Performance Indicator, which captures the feedback from customers living in their homes for nine months.

Through the year I, and other members of the Group Management Team, have run a number of presentations, meetings and focus groups with employees across the country, in addition to an all staff survey and providing additional feedback opportunities. What has come across loud and clear is a passion and pride in working for Taylor Wimpey and a genuine desire to do more for our customers. It is true that better run businesses tend to do the right thing more often than not, but we think that is the wrong philosophy; we start from doing the right thing and because of that we are a better and stronger business.

Setting out our strategy

This new strategy, which we announced to investors and analysts at our Capital Markets Day in May, maps out our priorities and principles for at least the next ten years, and sets out some of the key numerical goals for the next five years (which you can see on page 26).

We have tried to do something different in our Annual Report this year, at a time when it is more important than ever for shareholders, and other stakeholders, to understand and trust the business that they are investing in, partnering with and working for. As well as setting out the key components of the strategy in detail (pages 12 to 23), we have also revisited the underlying investment proposition for Taylor Wimpey (page 27) and reordered the year's operating review by stakeholder (pages 30 to 41). Our hope is that this will enable all our stakeholders to understand how becoming a genuinely customer-centric homebuilder will add value to them specifically, and to the wider business.



Pete Redfern
Chief Executive

Group Management Team Q&A

Well positioned for the year ahead

Pete Redfern (PR)

Chief Executive

Responsibilities

As head of the Group Management Team (GMT), responsibilities include key strategic and operational decisions, sustainability, customer service and health and safety.

Chris Carney (CC)

Group Finance Director

Responsibilities

Chris's role covers all areas of finance, including tax, treasury and managing the Group's defined benefit pension scheme, as well as overall responsibility for our commercial and information technology functions.

Jennie Daly (JD)

Group Operations Director

Responsibilities

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

James Jordan (JJ)

Group Legal Director and Company Secretary

Responsibilities

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

It has been a great year for Taylor Wimpey but there are always challenges and 2019 will be no exception. How is the GMT preparing for the year ahead?

What are the key priorities for the year ahead?

PR Operationally, safety on site is always our non-negotiable number one priority and continues to be the first item discussed at every Board meeting. We are continuing to embed our customer-centric strategy and our focus in 2019 is on making good progress on the key priorities that underpin our customer-led strategy. This includes ensuring our right first time approach is adopted consistently through all stages of build, supply chain improvements, ongoing people development and resourcing of future capacity, through apprentices and our direct labour programme. We reset our KPIs in 2018 to ensure we are targeting the right areas and these will be measured and reported to GMT through the year.

Taylor Wimpey launched a customer-centric strategy in 2018 – what is new in this approach for customers?

DM We always strive to work in the best interests of the customer and, in a sense, this approach formalises that commitment. But it is more than that. Where it goes further is in outlining, in some detail, the changes we need to make to really put customers first. During 2017 and 2018 we conducted a wide ranging customer research project to help set our customer priorities. It has also helped us assess each stage of the business model, through the customers' eyes, from planning and design to construction, sales and after-sales and, where necessary, make improvements.

Why the change in strategy?

JJ With a much improved land and planning backdrop environment aiding our forward planning, there is an opportunity for us to increasingly shape our business around the needs of our customers. This of course involves continuing to listen to what customers are telling us whilst employing technology that can bring tangible benefits. Being able to focus on the areas that really matter to customers also simplifies the business, informing our priorities and guiding our decision making. Customer feedback plays an important role. For example, this has helped us design a new standard house type range which we will launch in 2019.

In what ways does this approach impact operations?

JD A great deal of thought and detail has gone into how we will embed our customer-centric approach throughout the business. Our strategy focuses on the five key pillars we have outlined in this report; placing customers and communities at the heart of our strategy; right first time build quality; optimising our strong landbank; becoming the employer of choice; and developing a best in class efficient engine room. To achieve each of these aims we have established a number of new principles and practices that have each been matched with relevant KPIs to help measure our progress.

How will you drive improvements at site level?

IO We will do this by taking a more strategic approach to our build on site, adopting a factory approach, scaling up build teams on large sites, to align with the market demand, to deliver more homes.

NH For example, on large sites such as Great Western Park, Didcot, in my Division, we have multiple factories operating independently. This approach enables us to provide more homes for our customers, utilise our skilled teams more productively and is a more efficient use of our shareholders' capital.

“Our focus in 2019 is on making good progress on the key priorities that underpin our **customer-led strategy**.”

Pete Redfern – Chief Executive

Anne Billson-Ross (ABR)

Group Human Resources Director

Responsibilities

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

Nigel Holland (NH)

Divisional Chair, Central and South West

Responsibilities

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

Daniel McGowan (DM)

Divisional Chair, North

Responsibilities

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

Ingrid Osborne (IO)

Divisional Chair, London and South East

Responsibilities

Ingrid has responsibility for the integrated London strategy and oversees our London and South East Division, which includes our East London, Central London, North Thames, South East, South Thames and West London regional businesses.

Lee Bishop (LB)

Major Developments Director

Responsibilities

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

How can you best protect stakeholders in uncertain markets?

CC Market conditions can change and it is important that our strategy is dynamic enough to allow for this. The reality is that housebuilding is a cyclical industry that will undergo periods of relative strength and weakness. Whilst we can do little to influence the wider economic backdrop, we have taken steps to ensure we manage the business effectively through the cycle for our stakeholders. This means making decisions in the long term interests of our customers and stakeholders rather than adopting a short term approach. The key elements of managing our business through the cycle are tied into our customer-centric approach.

LB We believe that our customer-centric strategy will offer further scope for differentiation and enable us to become the customer's first choice of homebuilder in all market conditions, which will make us a more efficient and resilient homebuilder throughout the cycle.

This strategy also gives us the flexibility to increase our pace of build and accelerate growth in 2020, depending on market conditions, while maintaining focus on quality land investment in good locations.

What is the outlook for labour following Brexit?

ABR Around 10% of people working in UK construction are non-UK citizens (7% from EU countries) so, depending on the outcome of Brexit, a more restricted labour supply may be a concern for the industry. However, we feel we are in a strong position at Taylor Wimpey. Irrespective of the Brexit outcome, we have been adapting our labour strategy as part of our long term planning. Over recent years skilled labour such as bricklayers, carpenters, supervisors and site managers have sometimes proved difficult to recruit and we have responded. We successfully trialled direct labour schemes in six regions which are now being rolled out nationally and we are increasing our apprentices.

Will the supply of building materials be impacted by Brexit?

JD Most of our building supplies are manufactured in the UK. For example, we order around 120 million bricks annually, the vast majority of which are sourced in the UK. We purchase a significant proportion of our products in bulk via national agreements and have preferential partnerships with many of our suppliers. The 15% of our products that have an element imported from the EU are mainly sourced through a network of UK-based suppliers. There is a risk that, in a no deal Brexit outcome, our supplier network may experience delays in their own supply chain and we are working closely with these distributors to understand any issues they may face. Unusually for our sector, we also have our own internal logistics arm, TW Logistics, which provides additional visibility, control and flexibility in managing our supply chain.

Are there any other concerns resulting from Brexit?

CC While we are conscious of the wider political and economic risks, particularly as the UK plans its exit from the EU, we are confident that our strong balance sheet, with our high-quality landbank, and a strategy focused on customers makes us a more resilient business.

“We are confident that our strong balance sheet, with our high-quality landbank, and a strategy focused on customers makes us a **more resilient business**.”

Chris Carney – Group Finance Director

Our 2018 in review

We ended the year with a strong order book, equivalent to 56% of 2018 volumes

Completions and year end forward order book

Customer demand for new build homes continued to be robust in 2018, underpinned by low interest rates, a wide choice of mortgage deals and the Government's Help to Buy Equity Loan Scheme.

A stable market in 2018

Despite wider macroeconomic and political uncertainty, the UK housing market remained stable during 2018. Customer demand for new build homes continued to be robust, underpinned by low interest rates, a wide choice of mortgage deals and the Government's Help to Buy scheme. During the year, we saw good levels of demand throughout the country, which converted into strong sales rates across the business. Trading in Central London was stable, while the outer London market remained robust, despite, as previously reported, some signs of increasing customer caution in London and the south east towards the end of 2018.

In 2018, total home completions increased by 3% to 14,933, including joint ventures (2017: 14,541) with a further 14 homes sold into our pilot Springboard rent to buy scheme. During 2018, we delivered 3,416 affordable homes (2017: 2,809), including joint ventures, equating to 23% of total completions (2017: 19%). First time buyers accounted for 34% of total sales in 2018 (2017: 41%). Investor sales continued to be at a low level of 5% (2017: 3%).

Average selling prices on private completions increased by 2% to £302k (2017: £296k), with the overall average selling price remaining flat at £264k (2017: £264k). We estimate that market-led house price growth for our regional mix was c.3% in the 12 months to 31 December 2018 (2017: c.4%).

Our net private reservation rate for 2018 remained strong at 0.80 homes per outlet per week (2017: 0.77). Consistent with our strategy to optimise our large sites, and our long term approach to reducing cyclical risk by maintaining a strong order book, we achieved a very good sales rate of 0.76 in the second half of the year (H2 2017: 0.66). Cancellation rates remained low at 14% (2017: 13%).

Help to Buy

During 2018, approximately 36% of total sales used the Help to Buy scheme, and we worked with 5,828 households to take the first step to home ownership or to move up the housing ladder (2017: 43% and 6,069). Approximately 77% of sales through Help to Buy in 2018 were to first time buyers (2017: 77%) at an average price of £270k (2017: £256k). During the year 29% of sales in the London market used Help to Buy London.

Strong order book

We ended 2018 with a very strong order book which represented 8,304 homes (31 December 2017: 7,136 homes) with the growth due to affordable housing. The value of this order book stood at £1,782 million (31 December 2017: £1,628 million), excluding joint ventures.

Outlet openings

During 2018, we opened 82 new outlets (2017: 109) 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 2018 we were operating from 256 outlets (31 December 2017: 278). We traded on an average of seven Central London schemes in 2018, of which the average size was 141 plots.

Quality of land acquisitions

We have made a positive start to 2019 and, coming into the spring selling season, customer confidence remains robust.

Land market

The land and planning environment is structurally different in this cycle and is materially better than it has been historically. With more land available with good planning prospects and a clearer planning system in place since 2012, albeit still complex and slow, we are able to focus on delivering value and maximising returns from our investments.

The short term land market remained relatively benign throughout 2018, although increasing competition was observed in a number of geographies particularly for smaller sites and good quality strategic land opportunities. We continued to invest in value-creating land opportunities, maintaining strong discipline on quality, margin and return on capital employed. During 2018 we acquired 8,841 plots (2017: 8,040 plots) at anticipated contribution margins^{***} of c.27% and return on capital employed^{***} of c.32%.

Build cost

Build cost per unit in the UK increased to £147.4k (2017: £143.7k), with the greater level of strategically sourced sites requiring higher infrastructure costs, together with marginal build

cost inflation, regional mix and specification improvements. Underlying annual build cost inflation (excluding house type mix impact) was c.3.5% year on year (2017: c.3.5%), largely due to continued pressure on resources to deliver the higher level of homebuilding. Availability of materials is generally in line with demand but there remain pinch points with some products.

2019 outlook

We have made a positive start to 2019 and, coming into the spring selling season, customer confidence remains robust. The net private sales rate for the year to date (w/e 24 February 2019) was 0.99 (2018 equivalent period: 0.82). This sales rate includes a forward build and sales contract that was entered into simultaneously with a large land purchase, reducing market risk. The underlying net private sale rate for the year to date, excluding this deal, was 0.90 (2018 equivalent period: 0.82).

We have continued to prioritise building a strong order book for the future, which is particularly important in an uncertain market, whilst ensuring we are managing our customers' timing and meeting their requirements.

As at 24 February 2019, we were c.47% forward sold for private completions for 2019, with a total order book value of £2,170 million (2018 equivalent period: £1,961.0 million), excluding joint ventures. This order book represents 9,622 homes (2018 equivalent period: 8,385), with significant growth coming from affordable homes. In Central London c.50% of private completions for 2019 are forward sold, as at 24 February 2019 (2018 equivalent period: 49%).

In current market conditions, we continue to expect stable volumes in 2019 and for underlying build cost increases during 2019 to be at a similar level to 2018, at around 3-4%.

While we are conscious of the wider political and economic risks, particularly as the UK plans its exit from the EU, we are confident that our strong balance sheet, with our high-quality landbank, and a strategy focused on customers makes us a more resilient business. This strategy also gives us the flexibility to increase our pace of build and accelerate growth in 2020, depending on market conditions, while maintaining focus on quality land investment in good locations.

“During the year, we saw good levels of demand throughout the country.”

Key housing market drivers

In our business planning, it is important to take account of factors that impact demand for new housing, such as changing economic conditions, regulatory developments and the wider operating environment.

Customer drivers:

Mortgage availability and affordability are key drivers for the UK housebuilding sector and our customers.

Mortgage lending and mortgage rates

Wider industry:

The housebuilding industry has a key role to play in addressing the UK's housing shortage.

Residential property completions valued at £40,000 or above

Land and planning:

Against a positive and stable land backdrop, our focus is on working our landbank harder and smarter, increasing new home supply for a wider range of customers and generating better capital efficiency for shareholders.

Planning permissions and net additional dwellings

 Read more on page 18

How this shapes our strategy

For most people buying a house will be the most significant purchase they will make in their lives. Mortgage availability, interest rates and affordability are the key customer drivers over the medium term. Employment rates and customer confidence are also key. Our aim is to build the right product in locations customers want to live and can afford. As announced at our Capital Markets Day in May 2018, we will continue to develop our own plans to extend the affordability and accessibility of our homes, providing a wider range of high-quality homes for more people.

How this shapes our strategy

We operate in an industry which is underpinned by a fundamental long term demand and supply imbalance. As one of the UK's largest homebuilders, we believe that we have a shared responsibility to create more choices for those wanting to access housing, and to deliver this housing with high quality and excellent service.

Improving the efficiency of our existing landbank will allow us to increase the production of new homes in areas that customers want to live in.

How this shapes our strategy

Over the last seven years, the land and planning environment has undergone a structural change, with more good-quality land available through the planning system and an increase in opportunities, including a reduced level of competition, in certain parts of the market, such as large scale sites. Against the backdrop of a positive and stable land environment, our focus is on working our landbank harder and smarter to increase new home supply for a wider range of customers and to generate better capital efficiency for shareholders. We are also focused on optimising our strong landbank, by adopting a factory approach, building more efficiently where there is market demand, to deliver enhanced returns.

Short term outlook

Customer demand for new build homes continues to be robust, underpinned by low interest rates, a wide choice of mortgage deals and the Government's Help to Buy scheme. In August 2018, the Bank of England (BoE) raised the interest rate from 0.5% to 0.75%. The tighter lending requirements, introduced in 2014 as part of the Mortgage Market Review, continued to help ensure that monthly payments remained affordable. The UK continues to experience historically low interest rates and attractive mortgage affordability. At the end of 2018, UK employment was at record levels with a low unemployment rate of 4.1%.

Long term outlook

The BoE has provided guidance that future rises will be 'gradual' and 'limited'. 36% of our total sales used the Government's Help to Buy scheme in 2018. We welcome the Government's announcement within the Autumn Budget to introduce tapering measures to the Help to Buy scheme as the Equity Loan Scheme transitions to a close in 2023. Help to Buy has been popular with our customers and has supported them in getting onto and moving up the housing ladder, however, we believe that the changes announced are appropriate and are in the best long term interests of the housing market and homebuyers.

Short term outlook

New housebuilding accounts for c.15% of the total housing market. In the year to September 2018, the industry built over 163k new homes in England. Overall housing transactions in the second hand market remained subdued.

Despite the initial concerns in the immediate aftermath of the Referendum, we have continued to experience robust customer demand in the period since the UK's vote to leave the European Union (EU) in 2016.

While we are conscious of the wider political and economic risks, particularly as the UK plans its exit from the EU, we are confident that our strong balance sheet, with our high-quality

landbank, and a strategy focused on customers makes us a more resilient business.

Long term outlook

It is widely recognised there remains a supply and demand imbalance. This is likely to persist into the long term. The Government stated in the 2017 Budget its intent to increase new supply in England to 300k by the mid 2020s.

We operate in a cyclical market and so continually monitor market conditions. Our strategy gives us the flexibility to increase our pace of build and accelerate growth in 2020, depending on market conditions, while maintaining focus on quality land investment in good locations.

Short term outlook

Given the strength of the landbank, and in light of the wider economic uncertainty, during 2018 we took the precaution of increasing the investment margins and returns at which we acquire land.

The landbank included 92 large (including 'super large') sites as at 31 December 2018. The increase in the proportion of large sites that we have seen in the market, and that we have secured in our land pipeline, brings both opportunities and risks. Our approach to these sites is core to our belief that we can deliver significant benefits to our customers and deliver further financial value to our shareholders.

Long term outlook

The land and planning environment is structurally different in this cycle and is more balanced and effective today than at any point over the last 30 years. We are confident that, barring a fundamental change in Government policy, this will continue to be the case for the foreseeable future.

In 2018 the draft National Planning Policy Framework (NPPF) was published which reconfirmed the importance of housing delivery and supply through both the Local Plan process and the five-year land supply balance. There are some challenges within the draft NPPF, particularly around viability, valuations and definitions around affordable housing but the overall direction of travel remains positive.

“Developing **best in class business resilience** and creating high-quality growth and returns by **putting customers first.**”

Why now?

Over the last seven years, the land and planning environment has undergone a structural change, with more good-quality land available through the planning system and an increase in opportunities, including a reduced level of competition, in certain parts of the market, such as large scale sites. While land remains a key value driver, the easing of the land constraint through this cycle means that other elements of the business model have become increasingly important to future success. This includes operational ability, delivery capability and approach to customers, particularly in the context of significantly changed customer expectations. These changes present an opportunity in an industry which has historically been very reactive to genuinely shift our focus to our customers' needs and their aspirations for their homes and communities.

What does customer-centric mean?

Over the coming years, by enhancing every step of our customers' buying and after service experience, building homes which are right first time and right for our customers' income and lifestyle, we can create real additional value for customers, and the rest of our stakeholders.

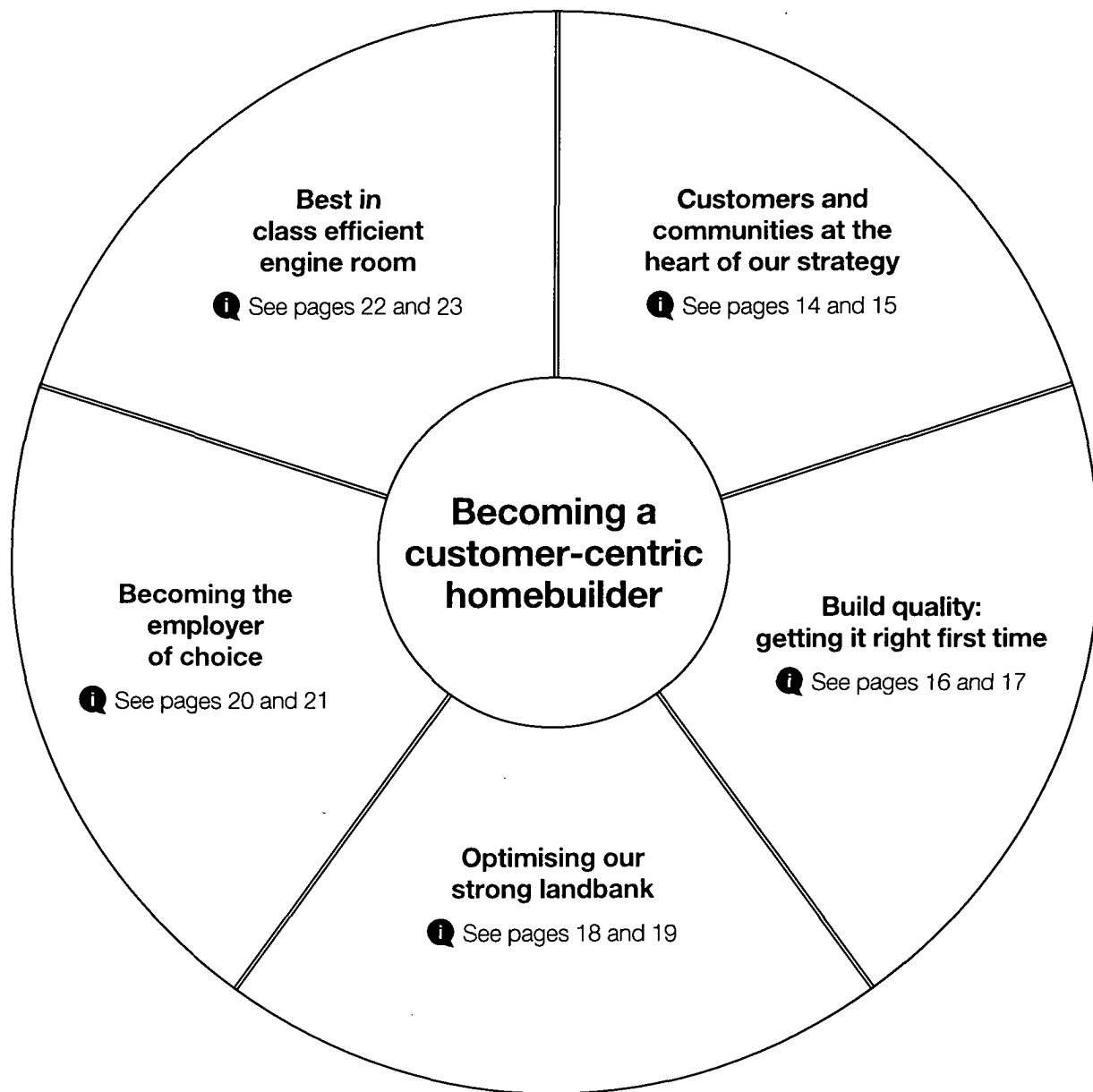
Our ultimate goal is to become a genuinely customer-centric homebuilder. To do this we have to commit to putting our customers and their communities at the heart of our strategy, ensuring that the focus of all key business decisions is on identifying customers' needs and earning their trust by delivering on our promises time and time again. In this way we can grow our business, providing more homes to more people, whilst continuing to manage the cycle cautiously and without compromising on quality.

How does becoming customer-centric add value?

Together with our response to the changes in the land and planning environment, our customer-centric strategy will offer further scope for differentiation and enable us to become the customer's first choice of homebuilder in all market conditions. This will make us a more efficient and resilient homebuilder throughout the cycle and ultimately enhance our brand and returns by:

1. Industry leading sales and service to customers through the cycle, providing increased resilience in weaker market conditions and a route to high-quality and sustainable growth
2. Optimising our strong landbank to deliver enhanced returns, by adopting a factory approach, to build more efficiently where there is market demand
3. Continuing to improve the operational business model to drive efficiency and reduce costs

Our strategy focuses on five key pillars



Customers and communities at the heart of our strategy

Each of the decisions we take, from the location of the land we buy, to the house types we choose and the location and timing of community facilities, has a significant impact on our customers' lives and their lifestyles. Understanding what our customers need has been a key priority for everyone at Taylor Wimpey. During 2017 and 2018, we conducted a wide ranging customer research project to help set our customer facing priorities.

We have made a significant step change in our business over the last four years and are pleased to have achieved a customer satisfaction score of over 90% as measured by the Home Builders Federation (HBF) survey. Whilst we have made great progress and over 90% of customers would recommend Taylor Wimpey to a friend (2017: 89%), this performance often drops over time, a common trend across the industry. There are of course a number of contributing factors, and not all within our control, but we start from the point that to be genuinely customer-centric, we have to understand the causes and look for solutions. We have therefore introduced the NHBC 9-month 'would you recommend' score, as an additional KPI, which captures the feedback from customers living in their homes for nine months.

We operate in an industry which is underpinned by a fundamental long term demand and supply imbalance. As one of the UK's largest homebuilders, we believe that we have a shared responsibility to create more choices for those wanting to access housing, and to deliver this housing with high quality and excellent service.

Our customers have a very strong desire to become part of a community and to do so quickly after they move in. Our research showed that customers believe we should play a more active role in facilitating the relationship between the new residents, their new community and their neighbours. This is an area we will be exploring further in 2019 and we will be undertaking a number of pilots at a community level to test effectiveness and impact. Our customer research also shows a clear relationship between good placemaking and long term customer satisfaction.

What this means...

In practice

- Focus of all key business decisions is on identifying our customers' needs and delivering on them in a commercially sound way
- Increased customer research
- Piloting initiatives aimed at building community relationships
- Shared financial responsibility for affordability
- Renewed focus on placemaking
- Buy in from all the business
- Strong commitment to design and timing / location of infrastructure

Key priorities

- Ensuring that all stages of our build process are right first time
- Meeting our high standards consistently
- Trial a number of community projects within our developments
- Continue to embed our customer-centric culture and priorities within the business
- Continue to develop our placemaking skills

S Read more on pages 30 to 31

Q&A Read more on page 6

Our KPIs

-  Read more on page 24
-  Read more on pages 30 to 31
-  Read more on pages 96 and 107

Customer satisfaction
8-week score
'Would you recommend?'

Customer satisfaction
9-month score
'Would you recommend?'

Our strategy continued

Build quality: getting it right first time

Our customer research made very clear that this is an absolute foundation stone for customer satisfaction. Our customers rightly expect high-quality homes that are professionally built and free from defects. We believe that investment in quality upfront effectively benefits all stakeholders as getting it right first time saves significant time, cost and energy in putting things right. Having spent time and resources on ensuring the quality of products handed over to customers is consistent and meets our high standards, including the introduction of a Taylor Wimpey national quality manual, we are now focused on ensuring that a right first time approach is adopted consistently through all stages of build.

Quality product range

We build homes that people want to live in. We are proud of the homes we build and the communities we create. Our focus is on providing high-quality, well-designed, sustainable homes and communities that meet the needs and aspirations of local residents. Our mix of homes is informed by the local area. We continue to offer a wide range of homes from one-bedroom apartments to six-bedroom houses, with prices ranging from under £70k to over £3 million. In 2018 the proportion of apartments in our private completions was 12% (2017: 16%). The average square footage of our total completions also increased slightly to 1,017 square feet (2017: 1,013 square feet).

New house type range

During 2019, we will finalise our new house type range and begin the initial stages of the roll out. This has been developed using extensive customer research and will include further consultation with customers, with the objective of identifying customer needs while delivering as aspirational a product as possible, within practical and commercial limitations. This house type range will have the added benefit of reducing costs and will offer us new choices in how we deliver homes to our customers in a way that serves the needs of more customers effectively and adds additional value. We have also introduced a timber frame standard house type range and an apartment range, as we look to provide more affordable options to customers.

Quality assurance

We have clear quality and finish standards for all Taylor Wimpey homes and during 2017 and 2018 we continued to strengthen our quality assurance processes. Each one of our homes should meet our quality standards and we want every customer to receive excellent service.

During 2018 we rolled out our Consistent Quality Approach (CQA) guidelines to make sure our Site Managers, subcontractors, production and customer service teams all have a consistent understanding of the finishing standards we expect on all Taylor Wimpey homes. We are developing specific guidance within the CQA for the different trades working on our sites that will form part of our framework agreements with contractors in the future. We plan to produce a version of the CQA for customers in 2019 so they know what they should expect from us.

We have introduced the National House-Building Council (NHBC) Construction Quality Review score as a new KPI in the business which measures build quality at key build stages. In 2018 we scored an average of 3.93 (2017: 3.74) from a possible score of six. This compares with an industry average score of 3.68 and we have moved from 12th to 5th nationally over the last year. We aim to improve this further by ensuring our quality assurance processes are embedded at every stage of build. Our target is to achieve at least a four rating by 2020 for each regional business.

Innovation

We are also exploring how technology can help us improve quality. For example, using 3D animated drawings can help site teams to visualise site plans and improve accuracy. We have equipped our Site Managers with mobile devices they can use to help them monitor quality on site and reduce paperwork. This allows them to complete the Build Quality Checklist electronically, attaching photographs to enable them to better monitor progress.

What this means...

In practice

- Getting it right first time saves significant time, cost and energy in putting things right
- Increased customer satisfaction
- Sustainability benefits associated with achieving high-quality standards including greater durability, less waste and fewer resources used for repairs and maintenance
- New house type range offers customers more choices in all market conditions

Key priorities

- Ensuring that a right first time approach is consistently applied through all stages of build
- Roll out new house type range

Our KPIs

Construction Quality Review

 Read more on page 107

 Read more on page 24

Average reportable items
per inspection

Optimising our strong landbank

The land and planning environment is structurally different in this cycle and is more balanced and effective today than at any point over the last 30 years. We are confident that, barring a fundamental change in Government policy, this will continue to be the case for the foreseeable future. Our investment and scale continue to be based on our view of land quality and capital risk in a cyclical market. Although the planning approval process remains complex and often slow, land is no longer the totally dominant constraint on the success and scale of our business and for the industry that it once was. The easing of this constraint means it is no longer a necessity to hold a very long landbank, and we are instead focused on delivering value and maximising returns from our land investments. One of our key strategic objectives is to work our existing landbank harder and smarter and reduce the length of the short term landbank by one year by 2023. We will do this by taking a more strategic approach to our build on site, adopting a factory approach, scaling up build teams on large sites, to align with the market demand, to deliver more homes. The short term owned and controlled landbank included 92 large (including 'super large') sites as at 31 December 2018. The increase in the proportion of large sites that we have seen in the market, and those we have secured in our land pipeline, brings both opportunities and risks. Our approach to these sites is core to our belief that we can deliver significant benefits to our customers and deliver further financial value to our shareholders.

We continue to see a key competitive advantage in our high-quality landbank. This 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.76k plots (2017: c.75k plots), which have been sourced using strict criteria,

including location quality. Over 51% of this short term landbank has been strategically sourced (2017: 52%).

We currently have c.5.1 years of land supply at current completion levels in towns, villages and cities where customers aspire to live in all types of market and where they will be proud to call home (2017: c.5.1 years).

The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 15.2% (2017: 14.8%). The average selling price in the short term owned landbank in 2018 increased by 0.4% to £281k (2017: £280k).

A key strength of Taylor Wimpey is our strategic land pipeline. This is an important input to the short term landbank and provides an enhanced supply of land at a reduced cost, giving us increased flexibility and choices. 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.127k potential plots as at 31 December 2018 (31 December 2017: c.117k potential plots). During 2018, we converted a further 7,619 plots from the strategic pipeline to the short term landbank (2017: 7,863 plots). We continue to seek new opportunities and added a net 17.8k new potential plots to the strategic pipeline in 2018 (2017: 17.1k new potential plots). In the year, a record 58% of our completions were sourced from the strategic pipeline (2017: 53%).

What this means...

In practice

- Potential to increase pace of build and accelerate growth in 2020 depending on market conditions
- Increased cash generation
- Increased site efficiency
- Increased sales rates
- Enhanced dividend and returns

Key priorities

- Focus on delivering value and maximising returns from our investments
- Continue to acquire land at high returns and in quality locations where customers want to live
- Focus on getting outlets open in the right way for customers
- Embed factory approach to large sites

Q&A Read more on page 6

Our KPIs

 [Read more on page 24](#)

Strategically sourced completions

58%

Land cost as % of average
selling price on approvals

19.2%

Landbank years 

c.5.1

Becoming the employer of choice

Our people are the backbone of our customer-centric approach and we are investing in their development to ensure they have the right skills and to help underpin our future growth. We aspire to be the employer of choice in our sector, offering a unique and valued employee experience by investing in our people, giving them more challenge, more ownership and more flexibility, where it counts. We were pleased to have been named in the top 10 places to work in the UK for 2019, by Glassdoor, as rated by employees, once again the only commercial housebuilder to make the list. This is the second consecutive year we have featured on the list, having ranked number 15 in 2018.

We may be a national homebuilder, but for customers, it is their interactions with the local site and sales team and regional office that matter. This is where their impression of Taylor Wimpey is formed and where we strive to prove to them that they made the right choice by choosing a Taylor Wimpey home. Embedding our approach to customers and getting buy in and commitment from our employees has been a key part of our strategy. During 2018 we ran a very successful engagement programme featuring emails, presentations, meetings and focus groups hosted by senior management across the country, as well as an all staff survey.

There is a skills shortage in our industry. To reduce the impact on our business and help reverse this trend, we are increasing the number of trades people we hire directly. This also has the benefit that it will increase customer satisfaction and underpin future growth. During 2018, we began our first direct labour model, increasing the number of trades people we hire directly (as well as through subcontractors). This includes both experienced trades people and new recruits to the industry, such as apprentices and people looking for a

career change. We piloted this approach in six regions during 2017 and 2018, focusing on five key trades: bricklayers, carpenters, scaffolders, painters and joiners. We currently directly employ 748 key trades including trade apprentices (2017: 581), a 29% increase on 2017. Our approach includes recruiting a greater diversity of candidates to join our apprenticeship schemes. This includes working with St Mungo's, one of our national charities, to support their long term unemployed clients to transition from their Train and Trade scheme into paid employment.

Through our learning and development initiatives, aimed at growing talent from within, we give our employees the opportunities and skills to become our future business leaders and develop their careers with Taylor Wimpey. We continue to expand and improve our early talent development programmes. Apprentices and apprenticeships will support our plans for direct labour. We will increase the numbers of apprentices in 2019 and will deliver a more consistent framework and development path for apprentices through the business. We are delighted to have been named as a top employer for graduates and apprentices by JobCrowd in 2018/19.

There is nothing more important to our Board or employees than health and safety. Building sites are, by their very nature, dangerous and so we do everything we can possibly do to minimise those risks. We embed a safety culture through training, awareness and visible health and safety leadership.

What this means...

In practice

- Attraction, recruitment and retention of a talented employee base is a competitive advantage that cannot be easily or quickly replicated
- Properly resourcing future growth
- Importance of employee buy in to strategy
- Increased commitment to customer service and Taylor Wimpey culture
- Increased employee and customer satisfaction

Key priorities

- Continue to prioritise health and safety at all levels of the business
- Create a more consistent framework and development path for early and ongoing talent management
- Focus on direct labour programme and roll out to all regional businesses
- Continue to engage our employees with the strategy and get their feedback
- Increase apprentices and our early talent programmes



Read more on page 7

Our KPIs

Voluntary employee turnover

14.5%

 Read more on page 25

 Read more on pages 32 to 33

Directly employed key trades people,
including trade apprentices

748

Number recruited into early
talent programmes

175

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

228

Best in class efficient engine room

As land and planning has become less of a constraint, the operational capacity of the industry as a whole has become more constrained through this cycle. We believe that having an efficient engine room, to protect and enhance value through the business is vitally important. Through structured investment and by developing our skills and supply chain, we believe we can grow the capacity of our operational business and our delivery capability. This will be an ongoing effort, and whilst it cannot be done overnight, we have started by putting in place a number of initiatives that will increase our capacity to deliver and, importantly, maintain and improve quality. We have begun this by strengthening and investing in our people and skills, including investment in direct labour, our apprentices, our production teams as a whole, as well as technology and process improvements.

It remains our belief that homebuilding is inherently cyclical and so we remain committed to retaining a strong balance sheet, not over stretching investment, and maintaining financial discipline. As announced previously, we have undertaken a cost and efficiency review to identify and validate opportunities for performance improvement and cost efficiencies. As a consequence, we have initiated a number of workstreams during the year which are primarily targeted at applying technology and standardisation to increase productivity.

We are prioritising research and development, seeking out new processes and products that can improve efficiency and sustainability, and also improve quality and the final product for customers. The build of our Project 2020 prototype homes in 2018, following our design competition with the Royal Institute of British Architects (RIBA), has been particularly useful in providing new insights.

We also balance our desire to improve quality with a focus on making our assets work harder for us and our stakeholders. As set out on page 18, we believe we can do more with our existing landbank by taking a much more strategic approach to our assets. This includes adopting a factory approach by increasing build and sales rates on large sites, in line with market demand.

Increasing the output from each factory also enables an improved workflow and consistency in quality of the finished home.

In the year, we achieved a 0.5 percentage point margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition. We achieve this optimisation of value by undertaking a series of thorough reviews of each site at all stages of its life cycle, using our value improvement and tracking processes to ensure that we are continually optimising and delivering the value within our land portfolio and capturing market inflation.

Supply chain security will deliver and drive build efficiency. We are working to strengthen our partnerships with the supply chain, and will be seeking greater collaboration to deliver solutions to build quality and efficiency issues on an ongoing basis.

Our scale affords us the benefit of strong purchasing power, and we can achieve significant cost savings across our regional businesses through national agreements with a number of suppliers. We continue to work to improve our relationships with our supply chain, both in procurement and via Taylor Wimpey Logistics, to deliver solutions to build quality and efficiency issues on an ongoing basis. Taylor Wimpey Logistics plays an important part in our supply chain management, providing us with an alternative route to delivery and aiding efficiency with the preparation of 'just in time' build packs for each stage of the building process. With focus and greater standardisation on process, compliance, house types, design, suppliers and through collaboration, we believe we can deliver a greater quality and efficiency from our supply chain. This includes increasing efficiency by reducing stock items and improving visibility on programming for material demands.

We aim to use natural resources efficiently and to reduce our impact on the environment. We are pleased to have reduced our emissions intensity by 38.7% since 2013. Whilst our emissions in 2018 increased to 24,837 tonnes of CO₂e (2017: 23,683), we are still on track towards our target of 50% reduction in direct emissions (scope 1 and 2) by 2023.

What this means...

In practice

- Cost and efficiency review to ensure value-added investment is properly tested and benchmarked
- Prioritising research and development, looking for better solutions
- Technology to free up valuable management time
- Seeking greater collaboration with suppliers

Key priorities

- Work together with suppliers to reduce inefficiency and cost
- Continue to work to reduce waste and emissions

- Q&A** Read more on pages 6 and 7
- i** Read more in our 2018 Sustainability Report

Our KPIs

 Read more on page 25

Net private sales rate

0.80

Order book volume

8,304

Private legal completions per outlet

41.8

Order book value 

£1,782m

Our key performance indicators

Performing well across the board

Customers and communities

Customer satisfaction

8-week score

'Would you recommend?'

Objective: We strive to achieve 90% or above in this question, which equates to a five-star rating.

2018:

90% (2017: 89%)

Definition: Percentage of customers who would recommend Taylor Wimpey to a friend as measured by the National New Homes Survey undertaken by the NHBC on behalf of the HBF eight weeks after legal completion.

Why it is key to our strategy: Identifying and serving the needs of our customers by delivering a high-quality product is key to our ambition to become a customer-centric homebuilder.

Customer satisfaction

9-month score

'Would you recommend?'

Objective: We strive to improve this and understand the reasons behind and underlying drivers of this customer feedback.

2018:

76% (2017: 76%)

Definition: Percentage of customers who would recommend Taylor Wimpey to a friend as measured by the National New Homes Survey undertaken by the NHBC nine months after legal completion.

Why it is key to our strategy: Our mission to enrich the lives of customers and communities by putting them at the heart of our decisions means we have to think about how customers live in the homes and places we build for longer than the first few months after they move in. Ensuring our customer satisfaction remains high in the months following completion is central to our strategy.

S Read more on pages 30 and 31

£ Read more on pages 96 and 107

III Read more on pages 14 and 15

Build quality

Construction Quality Review (CQR) (average score / 6)

Objective: To achieve an average score of 4 out of 6 across Taylor Wimpey by 2020.

2018:

3.93 (2017: 3.74)

Definition: The average score, out of six, achieved during an in-depth annual review of construction quality on a site-specific basis.

Why it is key to our strategy: Right first time continues to be a key priority within our customer-centric approach. CQRs focus on construction quality and understanding 'why or how' given levels of quality have resulted.

Average reportable items per inspection

Objective:

Reduce defects found during build stages.

2018:

0.28 (2017: 0.26)

Definition: The average number of defects found per plot during NHBC inspections at key stages of the build.

Why it is key to our strategy: Reducing the number of defects per plot is crucial to ensuring we deliver consistently high-quality homes for our customers, whilst also minimising costs for rectifications.

£ Read more on page 107

III Read more on pages 16 and 17

Strong landbank

Strategically sourced completions

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

2018:

58% (2017: 53%)

Definition: Number of completions on land which originally did not have a residential planning permission when we acquired a commercial interest in it, expressed as a percentage of total completions.

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

Land cost as % of average selling price on approvals

Objective: To maintain at current levels or reduce our average land cost.

2018:

19.2% (2017: 19.8%)

Definition: Cost of land as a percentage of average selling price on approvals.

Why it is key to our strategy: Maintaining a sustainable land cost percentage increases value for our shareholders.

Landbank years

Objective: Increase landbank efficiency – reduce length of short term owned and controlled landbank years by c.1 year to 4-4.5 years.

2018:

c.5.1 (2017: c.5.1)

Definition: The years of supply in our short term landbank at current completion levels.

Why it is key to our strategy: We seek to use our high-quality landbank more efficiently to deliver growth, both in the number and quality of homes built for a wider range of customers.

% Read more on page 26

III Read more on pages 18 and 19

Employer of choice

Voluntary employee turnover

Objective: We aim to attract and retain the best people in the industry and give them opportunities to develop to their full potential. We aim to keep this within a range of 5-15%.

2018:

14.5% (2017: 14.0%)

Definition: Voluntary resignations divided by number of total employees.

Why it is key to our strategy: Our employees are one of our greatest competitive advantages and they are crucial to executing the strategy.

Number recruited into early talent programmes

Objective: To reduce the impact of the industry skills shortage and future-proof our business.

2018:

175 (2017: 126)

Definition: The amount of people recruited onto one of our early talent programmes including graduates, management trainees and site management trainees.

Why it is key to our strategy: Creating a more consistent framework and development path for early and ongoing talent management will underpin our future growth and customer-centric approach.

Directly employed key trades people, including trade apprentices

Objective: To improve quality, reduce bottlenecks in key trade supply, reduce the impact of the industry skills shortage and future-proof the business.

2018:

748 (2017: 581)

Definition: The number of key trades people directly employed by Taylor Wimpey including bricklayers, joiners, carpenters, painters, scaffolders and trade apprentices.

Why it is key to our strategy: Against industry-wide skills shortages and uncertainty we are investing heavily and consistently to future-proof our workforce.

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

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

2018:

228 (2017: 152)

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

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

 Read more on pages 32 and 33

 Read more on pages 20 and 21

Efficient engine room

Net private sales rate

Objective: We want to break our historic sales rate barrier by thinking differently about how we deliver a home and to better capture demand.

2018:

0.80 (2017: 0.77)

Definition: The average number of private sales made per outlet per week.

Why it is key to our strategy: We want to become a more efficient and agile business that can respond quickly to opportunities in the market, creating increased value for our shareholders.

Private legal completions per outlet

Objective: To improve efficiency on our sites and increase the number of legal completions per outlet.

2018:

41.8 (2017: 40.4)

Definition: The number of private legal completions per outlet.

Why it is key to our strategy: We are working to increase new home supply for a wider range of customers by improving efficiency across our sites.

Order book volume

Objective: We focus on building a strong order book for the future while balancing our customers' needs. This is particularly important in an uncertain market.

2018:

8,304 (2017: 7,136)

Definition: The total number of homes in our year end order book.

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

Order book value

Objective: We focus on building a strong order book for the future while balancing our customers' needs. This is particularly important in an uncertain market.

2018:

£1,782m

(2017: £1,628m)

Definition: The total value of homes in our year end order book.

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

 Read more on page 107

 Read more on pages 22 and 23

Targeting **further improvement**

In May 2018, we announced four strategic goals which target further improvement in the five years to 2023.

These, together with our revised and stretching Key Performance Indicators (KPIs) (set out on pages 24 and 25), target a broad basket of measures which we believe are more important than one single measure, and helps drive the right type of behaviour. We are focused on delivering strong financial performance, in the right way.

Our strategic goals for 2018-2023

35%

Return on net operating assets (RONOA)**
(2018: 33.4%)

£ %

Delivering increased returns on our investments

- Increasing RONOA demonstrates that we are achieving a higher return on the capital invested in the business
- Reflects our strategy of driving increased capital efficiency

c.21-22%

Operating profit* margin
(2018: 21.6%)

£ %

Maintain strong operating profit* margins

- Reflects a customer focused product and an efficient engine room
- Sustainability of margins more important to us than peaks and troughs
- Important not to sacrifice quality in the pursuit of higher margins

70-100%

Cash conversion#
(2018: 92.6%)

£ %

High conversion of operating profit* into operating cash flow**** provides:

- Investor confidence in the strength of cash generation
- Reliable stream of dividends to shareholders
- Optionality and ability to make land purchases

4-4.5 years

Short term landbank
(2018: c.5.1%)

% ill

Improved land and planning backdrop allows shorter landbank

- Increased efficiency enabling better return on shareholder capital
- Working existing assets harder and delivering value from our investments
- The ability to deliver more homes to more people

Our investment proposition

What makes Taylor Wimpey different

Customer-centric strategy

We believe that the way we run our business is already recognisably different to our employees and our partners, land vendors and suppliers because of our underlying principles. Our customer-centric approach will offer further scope for differentiation and will add additional value to our shareholders and other stakeholders.

i Read more on page 12

1

Increased resilience in weaker market conditions

- Brand underpin to sales rate and cash flows
- Understanding customer needs and constraints, innovating to widen routes to market
- Quality of location (where people want to live) is a key determinant of a home purchase through the cycle
- Strong balance sheet
- Experienced management team and local regional business teams

2

Increased capacity for high-quality growth

- Growth without compromising on quality or adding meaningful market risk
- Factory approach to build can drive faster and controlled growth which can be scaled up to deliver increases in volumes and cash flow on existing assets, depending on market conditions
- Excellent short term landbank and strategic land pipeline with high embedded margin
- Underpinned by our approach to people and the right level of resourcing
- Growing talent from within and resourcing future growth through our early talent programmes and by increasing apprentices and direct labour

3

Professional and principled business

- Reputation and character of the business is important in a highly political industry and with increased scrutiny and increased customer expectations
- Focusing on a unique and valued employee proposition means we attract and retain the best people
- Culture embedded throughout the business of 'doing the right thing'

4

Enhanced efficiency and returns

- Operational efficiency gains to be made by realising investments in technology and our systems
- Increased landbank efficiency
- Cost and efficiency review ongoing
- Reliable and recently enhanced dividend returns form key part of investor proposition

Stable annual income stream through the cycle**Ordinary dividend**

At least

£250m

to be paid, subject to shareholder approval, on an annual basis from 2019, even through a normal downturn.

Special dividend

We have paid a special dividend in each of the last five years

c.£350m

to be paid in 2019, subject to shareholder approval.

We confirm our intention to continue to make further material cash returns in 2020 and beyond.

Our business model

Creating value at every stage

Our vision

Working together to build your dreams

Our mission

Enriching the lives of customers and communities by putting them at the heart of our decisions

Our values

Be respectful, fair and deliver together

Use our knowledge and expertise for positive benefit

Continuously improve and innovate

Build a proud and sustainable legacy

What we do

Delivering customer service

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

Our people

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

Selecting land

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

How this enables us to be a customer-centric homebuilder

By enhancing every step of our customers' buying and after service experience, building homes which are right first time and right for our customer's income and lifestyle, we can create real additional value for customers, and the rest of our stakeholders. We aim to deliver an excellent customer experience from start to finish.

Whilst the majority of our customers would recommend us to their friends, we acknowledge that we do not always get it right for our customers and sometimes fall short of our high standards. Where this is the case, we work with customers to put issues right and learn from our mistakes.

Our people are the backbone of our customer-centric approach and we are investing in our people and their development to ensure they have the right skills and to help underpin our future growth.

We may be a national homebuilder, but for customers, it is their interactions with the local site and sales team and regional office that matter. This is where their impression of Taylor Wimpey is formed and where we strive to prove to them that they made the right choice by choosing a Taylor Wimpey home.

We are focused on growing talent from within and are committed to the learning and development of our people. We will continue to invest in our early talent programmes, including graduates and trainees. We are increasing our directly employed staff on site. This is key to creating the next generation of leaders, with the same focus on customer values.

Land is our key raw ingredient and its selection is important to both our offering for customers and the return we achieve for our shareholders. The landbank 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.

Location is key when buying a home and we have focused our landbuying in quality locations where customers want to live. We believe this will be a key determinant through all market conditions.

Creating value for stakeholders

Managing the planning and community engagement process

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

Getting the homebuilding basics right

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

Optimising value

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

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

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

Our customer research shows that one of the highest priorities for people after moving in is to quickly feel part of a thriving community.

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

There is nothing more important to us than providing a safe place in which our employees and subcontractors can work. We are also committed to high standards of environmental management.

The building process is carefully managed by our site-based and regional production teams to ensure quality, minimise disruption to residents in the surrounding areas, and to protect and enhance the value of each site.

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

Our customers

i Read more on pages 30 to 31

Our employees

i Read more on pages 32 to 33

Our partners

i Read more on pages 34 to 35

Our investors

i Read more on pages 36 to 37

Our communities

i Read more on pages 38 to 41

The following pages discuss how we engage with and respond to our key stakeholders and set out key issues and priorities.

Creating value for stakeholders

Nurturing key relationships

Our customers

Key issues our customers care about

- Product quality
- Feeling part of a community
- Technology to make the process easier
- Timely and relevant communication
- Affordability
- Homebuying process
- Responsiveness to issues

How we engage

- Customer portal, Touchpoint
- Customer research project including interviews and focus groups
- Social media
- Meetings
- Customer Journey

Priorities for 2019

- Ensuring that all stages of our build process are right first time
- Meeting our high standards consistently
- Develop our placemaking skills and a strong commitment to design and timing / location of infrastructure
- Ensure that our customer facing IT is rolled out properly and we continue to collect feedback and improve on what is working (and what is not)

BM Read more on page 28

iii Read more on pages 14 and 15

What we do

We have already refocused our strategy to become a customer-centric homebuilder by better identifying and responding to our customers' needs. We have made a significant step change in our business over the last four years and have made great strides in our customer service approach. However, there are things that we can and must do better. We now need to ensure the focus of all key business decisions is on identifying our customers' needs and delivering on them in a commercially sound way. This includes offering improved products, continually updating our customer facing processes (particularly around electronic communications), a renewed focus on placemaking and community development, and a sense of shared responsibility for our customers' financial ability to access our homes. The Board and the employees of Taylor Wimpey believe fundamentally in this long term principle for the business, and that it should govern our key decisions.

Why is it important for all our stakeholders?

We recognise that buying a home is a major financial and emotional investment and it is critical that we give our customers the right experience. We believe this will ultimately make us a higher quality and more sustainable business. Whilst we operate in a cyclical market, we strongly believe that a customer-centric approach is needed throughout the cycle. By enhancing every step of our customers' buying and after service experience, building homes which are right first time and right for their income and lifestyle, we can create real additional value for customers, and the rest of our stakeholders. In this way we can grow the business, providing more homes to more people, whilst continuing to manage the cycle cautiously and without compromising on quality.

Customer feedback

We have made a significant step change in our business over the last four years and are pleased to have achieved a customer satisfaction score of over 90% as measured by the Home Builders Federation (HBF) survey. Whilst we have made great progress and over 90% of customers would recommend Taylor Wimpey to a friend (2017: 89%), this performance often drops over time, a common trend across the industry. There are of course a number of contributing factors, and not all within our control, but we start from the point that to be genuinely customer-centric, we have to understand the causes and look for solutions.

We have therefore introduced the National House-Building Council (NHBC) 9-month 'would you recommend' score, as an additional Key Performance Indicator (KPI), which captures the feedback from customers living in their homes for nine months.

Right first time quality

We have introduced the NHBC Construction Quality Review score as a new KPI in the business which measures build quality at key build stages. In 2018 we scored an average of 3.93 (2017: 3.74) from a possible score of six. This compares with an industry average score of 3.68 and we have moved from 12th to 5th nationally over the last year. We aim to improve this further by ensuring our quality assurance processes are embedded at every stage of build. Our target is to achieve at least a four rating by 2020 for each regional business.

During 2018 we rolled out our Consistent Quality Approach (CQA) guidelines to make sure our Site Managers, subcontractors, production and customer service teams all have a consistent understanding of the finishing standards we expect on all Taylor Wimpey homes. We are developing specific guidance within the CQA for the different trades working on our sites that will form part of our framework agreements with contractors in the future. We plan to produce a version of the CQA for customers in 2019 so they know what they should expect from us.

We are a signatory to the UK Consumer Code for Home Builders that aims to improve information and protect the rights of buyers. We remain supportive of the Government plans to introduce an independent ombudsman service to the new build sector to provide impartial rulings on unresolved customer issues and help to raise standards in the wider industry.

We also engage in discussions with the HBF and other housebuilders over how to improve complaints and redress processes for customers.

Help to Buy

We welcome the Government's announcement within the Autumn Budget to introduce tapering measures to the Help to Buy scheme as the Equity Loan Scheme transitions to a close in 2023. Help to Buy has been popular with our customers and has supported them in getting onto and moving up the housing ladder, however, we believe that the changes announced are appropriate and are in the best long term interests of the housing market and homebuyers.

Springboard

Springboard, our rent to buy scheme, was recently trialled at our Kilnwood Vale development in Faygate, West Sussex, with 14 one, two and three-bedroom homes. Success of the programme will be monitored, giving the opportunity to gain valuable feedback on our service and customer satisfaction.

Ryan Hook and Samantha Goddard Hook found out about Springboard through Facebook. Before moving to Kilnwood Vale, they were renting a house in Crawley from a private landlord and had been without hot water for over three months. On securing the property, they said: "This three-storey property gives us the family space we have craved as our children get older!"

Understanding our customers

Over the years our customers' communication preferences have changed. We continue to make improvements to our online capabilities, including our website and use of social media such as Facebook, Twitter and Instagram.

We aim to give our customers clear and useful information so they know what to expect throughout the home buying process and how to contact us when they need to. Touchpoint, our online portal, is now available to all new customers. Customers can log in, at any time and from any device, to check the progress of their new home, contact our teams, request appointments and find out about their new neighbourhoods. With Touchpoint they can also customise and select home layout and fitting options, including trying out different configurations for kitchens and bathrooms. After they move in they can use Touchpoint to access manuals and user guides, to contact our aftercare teams and to report any issues.

Innovation

Social, demographic, economic and environmental trends will all have an impact on our future business and the types of homes our customers need. We are prioritising research and development, seeking out new processes and products that can improve efficiency and sustainability, and also improve quality and the final product for customers. We invest in research and innovation to help us meet changing customer requirements, to continue to improve the quality and sustainability of our homes and to improve efficiency and deal with challenges such as the skills shortage. We appointed our first Research and Development Manager in 2018 to coordinate our research efforts.

The build of our Project 2020 prototype homes in 2018, following our design competition with the Royal Institute of British Architects (RIBA), has been particularly useful in providing new insights.

During 2018 we ran a pilot for a new Taylor Wimpey rent to buy scheme, Springboard. This scheme enables first time buyers to rent a property for up to five years, without a rental deposit which we know is often a challenge for those renting and trying to save up for a deposit at the same time. After a minimum of two years the customer is given an option to purchase the property at a 5% discount. We piloted Springboard at one site, with 14 new one, two and three-bedroom properties. This proved to be very popular, with 12 of the 14 homes reserved within the first weekend. Springboard enables us to explore different customer needs, and gives us the potential to open up a different, and further, route to market, depending on market conditions. More information can be found within the case study above.

A responsible business

Whilst the majority of our customers would recommend us to their friends, we acknowledge that we do not always get it right for our customers and sometimes fall short of our high standards. Where this is the case, we work with customers to put this right and learn from our mistakes. We remain supportive of the Government plans to introduce an independent ombudsman service to the new build sector to provide impartial rulings on unresolved customer issues and help to raise standards in the wider industry.

During 2018, we took a number of steps to help us respond more efficiently and effectively to customers, and to resolve issues more quickly. We have launched a new two-day training course for our Heads of Customer Service and Customer Service Managers. We have also improved our complaint handling processes so we have better oversight of the number of complaints made, the types of issues raised and the time taken to resolve them.

The Ground Rent Review Assistance Scheme (GRRAS) announced in April 2017 is progressing well with a continuing number of customers accessing the GRRAS. Our objective is to ensure our customers are put back into a position they would have been had the doubling lease not been in place, by converting the ten-year doubling ground rent clause to an industry standard RPI-based structure, comparable to that used in the majority of residential leases in the UK. We have reached agreement with freeholders representing 95% of the leases concerned, with a further 2% in advanced legals. All of our customers that currently have the option of converting their ten-year doubling lease to an RPI-based structure have been contacted about this either by Taylor Wimpey or the freeholder directly.

Following the tragic fire at Grenfell Tower, we conducted a detailed review into all legacy and current buildings with Aluminium Composite Material (ACM) cladding and worked with building owners, management companies, and the Fire Service to implement Government advice on interim mitigation measures, where applicable. Whilst each situation is different, and this is an exceptionally complex issue, we have in a number of cases, having regard to all of the relevant facts and circumstances, agreed to support our customers both financially and practically with removal and replacement of ACM, even though the buildings concerned met the requirements of building regulations at the time construction was formally approved. We took this decision for buildings we constructed recently because we believe that it is morally right, not because it is legally required. At the year end, replacement works had been completed on one development and were underway on another. Since the year end we have started work on a further development.

Creating value for stakeholders continued

Our employees

Key issues our employees care about

- Health and safety
- Reward and benefits
- Technology
- Charities
- Flexible working
- Customer service
- Becoming the employer of choice
- Pensions
- Strategy

How we engage

- National and regional employee forums
- All employee strategy engagement survey
- Emails
- Yammer
- Focus groups
- Conferences
- Appraisals
- Internal teamTALK magazine
- Bi-weekly teamTALK express newsletter

Priorities for 2019

- Ensure that everyone has a high-quality development plan and feels engaged and supported by the business
- Improving our induction processes to ensure the best possible joining experience for all new starters and getting new employees quickly embedded into our culture
- Continuing the work to deepen the diversity and quality of our recruitment pool, particularly focusing on people who have not historically considered a career in housebuilding
- Make flexible working a real possibility for all employees throughout the business
- Creating a consistent framework and development path for early and ongoing talent management
- We will launch our new Code of Conduct in 2019. This will summarise our key policies and help employees to meet high standards of integrity and conduct in their work

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

What we do

We aim to be the employer of choice in the housebuilding industry, attracting and retaining the best people to establish a culture that gives all individuals the opportunity and support to develop to their full potential, regardless of market conditions or their background. With the ongoing challenge for skills and resources in the housebuilding sector and the targets we have set ourselves, we have continued to focus on how we effectively attract, develop, and retain our people so that they are fully engaged with the company to deliver both our short term targets and longer term strategic goals.

Why is it important for all our stakeholders?

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

We may be a national homebuilder, but for our customers it is their interactions with the local site and sales team and regional office that matters. This is where their impression of Taylor Wimpey is formed and where we strive to prove to them

that they made the right choice choosing a Taylor Wimpey home. Embedding our approach to customers and getting buy in and commitment from our employees has been a key part of our strategy.

Skills

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 2018 we directly employed, on average, 5,358 people across the UK (2017: 4,893) and provided opportunities for a further 13k operatives on our sites. Our voluntary employee turnover rate remained low at 14.5% (2017: 14.0%).

We are pleased to report that Taylor Wimpey was once again recognised in the NHBC Pride in the Job Awards, achieving a total of 67 Quality Awards (2017: 62), 19 Seal of Excellence Awards (2017: 24) and three Regional Awards in 2018 (2017: two). Paul McLachlan from our North Yorkshire business also won the 2018 Supreme Award in the Large Builder category, after achieving Runner-up in 2017.

Health and safety

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.

Whilst our AIIR remains well below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average, we are not complacent and we will continue to seek to improve this. Our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors was 228 in 2018 (2017: 152). Our AIIR for major injuries per 100,000 employees and contractors was 64 in 2018 (2017: 54).

We were deeply saddened by the tragic death of a subcontractor on our Stoneley Park site in Crewe in 2018 following a serious accident. We are assisting the Health and Safety Executive with the accident investigation and await their findings. We have offered support to everyone working on the site, encouraging them to access counselling via our confidential and free employee assistance scheme.

A great place to work

Top 10

**Glassdoor
Best places to work
in the UK: 2019**

i Read more in our 2018 Sustainability Report

The rates of mental health issues can be higher than average in the construction sector. We want to be a workplace where people feel supported and can get help when they need it. We launched our first Health and Wellbeing campaign and training in 2018, and will roll out further initiatives throughout 2019.

We not only create homes that our customers want to live in, we want to ensure that every step of the way, health and safety is at the forefront. Partnering with contractors on safety issues is critical to keeping everyone safe on site. Before we agree to work with a contractor, we require details of their risk assessment process and safety procedures for their area of activity. We clearly communicate critical safety messages to site operatives through our 'Operative's Journey' process, which starts with our health, safety and environment (HSE) site induction. One of the key issues to address is preventing 'safety sign blindness', and keeping safety at the front of everyone's minds on site.

The HSE induction is supported by regular poster campaigns and talks on key topics. We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live, and we will not compromise on ensuring that everyone leaves our sites safe and well.

Health and wellbeing

Early talent development

We aim to attract more young people to careers in our sector by offering a wide range of attractive entry-level roles. This work is overseen by our Future Talent Manager.

During 2018, we recruited 175 people into our early talent programmes which includes graduates, management trainees and site management trainees (2017: 126). A key priority for 2019 will be creating a more consistent framework and development path for early and ongoing talent management.

We relaunched our management trainee programme to help us increase recruitment into five key roles: site managers, quantity surveyors, buyers, design and planning executives and engineers. Trainees now complete a three-year development programme with the opportunity to gain professional qualifications.

Our two-year graduate programme enables employees to learn on the job through placements in different parts of the business and through intensive formal training programmes, focusing on self-awareness, business skills and technical understanding. As well as our general graduate programme, we also run graduate schemes focused on strategic land, finance, and project management.

Employee engagement

Across our business operations, we want our employees to adopt our customer-centric culture and to understand the important role they play with our customers. During 2018 we ran a very successful engagement programme featuring emails, presentations, meetings and focus groups hosted by senior management across the country as well as an all staff survey.

In the UK 1 in 4 people will experience a mental health issue each year, this number is even higher in the construction industry. To break the stigma and to promote a supportive working environment, during 2018, as part of our Health and Wellbeing campaign, we launched mental health training sessions. Every employee attended a 'Start the Conversation' session developed by Mates in Mind, a charity which works within the construction industry to raise awareness of mental health issues. Line Managers also received 'Manage the Conversation' training and each business has 'Mental Health First Aiders' who are trained in recognising more specific mental health disorders.

Direct labour

During 2018, we began our first direct labour model, increasing the number of trades people we hire directly (as well as through subcontractors). This includes both experienced tradespeople and new recruits to the industry, such as apprentices and people looking for a career change. We piloted this approach in six regions during 2017 and 2018, focusing on five key trades: bricklayers, carpenters, scaffolders, painters and joiners. We currently directly employ 748 key trades including trade apprentices (2017: 581), a 29% increase on 2017.

Diversity and inclusivity

We aim to be an inclusive employer and to attract, retain and promote employees from all backgrounds. We have developed a Diversity and Inclusion Strategy that focuses on the impact of leadership for creating and maintaining a diverse and inclusive culture; improving how diversity and inclusion are embedded into our policies and procedures, and reflecting our commitment to this. We published our second Gender Pay Gap report in March which can be found on the diversity section on our website.

Human rights

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

Creating value for stakeholders continued

Our partners

Key issues our partners care about

- Deliverability
- Reliability
- Reputation
- Financial stability
- Cost
- Health and safety
- Collaboration

How we engage

- Meetings
- Workshops
- Supply Chain Sustainability School
- Participating in Local Plans and consultations
- Trade associations
- Briefings
- Tool box talks
- Conferences

Priorities for 2019

- Strengthen relationships with suppliers and increase collaboration
- Continue to work with land vendors, communities and local authorities to convert land from the strategic pipeline into the short term landbank
- Continue our commitment to charities
- Engage our subcontractors with our customer-centric strategy

i Read more in our 2018 Sustainability Report

What we do

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

Why is it important for all stakeholders?

We strive to be an open, transparent and responsive company for all our stakeholders and to work with them to understand and address the wider social, economic and environmental impacts resulting from our operations. We accept we sometimes get it wrong, but we are trusted to do the right thing and it makes a difference.

Industry bodies

We are working with the HBF and the Health and Safety Executive on an industry-wide initiative to assess the risks of construction-related dust on sites and develop practical tools and control measures for reducing operatives' exposure. We have standard dust control procedures on all sites, including the use of respiratory protection and extraction equipment. In 2018 we worked with our dry lining and carpentry contractors to promote the use of vacuums that automatically collect up dust from equipment. We provide advice and help to small and medium sized businesses with HSE risk assessments and other site-specific procedures that they need to prepare in order to tender for work with us.

We work with others in our industry and with government, suppliers and colleges to promote careers in housebuilding. For example, we participate in the Home Building Skills Partnership which aims to train 45,000 new housebuilding workers by 2019.

Supply Chain Sustainability School

During 2018, we worked with the HBF and other housebuilders to run the Attract Online recruitment campaign targeting former members of the armed forces, recent school or university leavers and their parents and people looking for a career change. In total, the online adverts were viewed by over 10 million users and resulted in 1,000 visits to our careers website.

Subcontractors

Most people working on our sites are contractors so it is essential that we collaborate on safety issues. Before we agree to work with a contractor, we require details of their risk assessment and safety management arrangements and procedures for their area of activity. We clearly communicate critical safety messages to site operatives through our 'Operative's Journey' process, which starts with our HSE site induction. Our HSE induction is supported by regular poster campaigns and site safe briefings.

During 2018, we ran a series of training workshops with the SCSS to engage our commercial teams and local subcontractors in each of our regions. During the workshops, participants learnt about the SCSS and the resources available, explored best practice examples and discussed practical actions they can take to improve sustainability performance in areas such as carbon and waste reduction, social value and inclusion. Over 400 employees and subcontractors have participated in SCSS events to date.

Suppliers

Suppliers play an essential role in our business, providing the goods and services we use to build our homes and carry out the majority of construction work on our sites. We spend around £1.5 billion each year with suppliers and contractors.

To encourage sustainable performance, during 2018 we ran a series of workshops with the Supply Chain Sustainability School (SCSS) attended by our commercial teams and local subcontractors in each region.

The SCSS members include the UK's top construction contractors and clients. The SCSS supports its members by creating action plans, as well as e-learning modules and training workshops on topics including human rights, resource uses and sustainable sourcing. Over 94% of our national suppliers have now joined the SCSS and completed a sustainability self-assessment.

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

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and takes its responsibilities under the Act very seriously. As part of this we have strengthened oversight of standards in our supply chain to make sure we are selecting partners who share our commitment to responsible business. We published our first Modern Slavery Act Statement on our website in March 2017.

We have been following up with suppliers identified as higher risk for further engagement. Further information can be found on our website. We aim to establish long term partnerships with suppliers and to collaborate on issues like safety, skills and the environment. This reduces risks to the business and helps to ensure a secure supply of essential materials and labour. We want to work with suppliers who meet high standards in areas such as safety, quality, ethics, human rights and the environment. Our standards are explained in our Supply Chain Policy and Supplier Code of Conduct which are embedded into our framework agreements (contracts) with suppliers.

Suppliers provide us with information on their approach to health, safety and environment and other sustainability issues via Constructionline, a UK Government certification service. More than 90% of our national suppliers – those with whom we have centrally negotiated contracts – and all service and material suppliers with a turnover of £1 million or over now use Constructionline.

This accounts for over 80% of our total procurement spend with these type of suppliers. We want to support our suppliers to improve sustainability performance. This includes working with the Supply Chain Sustainability School (SCSS), an industry collaboration aimed at improving standards across the construction sector. Over 80% of our national Framework suppliers have now joined the SCSS and completed a sustainability self-assessment. This identifies their strengths and weaknesses in relation to issues such as human rights, resource use and sustainable sourcing and provides an action plan with resources and training materials to help address any gaps. Our suppliers have used these resources over 3,000 times so far, helping to strengthen their approach in areas such as waste, water, community and climate change.

Charities

We partner with charities to support the communities where we work and to help address issues relating to homelessness, education and aspiration. We provide financial support as well as sharing expertise and getting our people involved as fundraisers and volunteers. 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.

During 2018, 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 2018 we donated and fundraised over £1.1 million for registered charities (2017: over £1 million), which includes £167k our employees raised on the annual Taylor Wimpey Challenge. More information about our charity partnerships and local sponsorships can be found within our Sustainability Report, which will be published on our website in March 2019.

Local authorities

We engage with local authorities, parish councils, Homes England, the Greater London Authority (GLA), the Ministry of Housing, Communities & Local Government and other public sector organisations to understand their priorities and share their views. As well as site specific engagement (more detail can be found on pages 38 and 39) we also participate in the development of strategic frameworks, Local Plans and Neighbourhood Plans. This is particularly important for land in our strategic pipeline, where preparation or review of the Development Plan is the first step in the planning process.

Central Government

We engage and respond to government directly and through our membership of industry organisations. In 2018, we responded to proposals including shared services, Community Infrastructure Levy, leasehold reform, and the National Planning Policy Framework.

We are members of the Homes England five regional delivery Partner Panels.

“We want to work with suppliers who meet **high standards** in areas such as safety, quality, ethics, human rights and the environment.”

Creating value for stakeholders continued

Our investors

Key issues our investors care about

- Current trading
- Guidance and outlook
- Likely impact of Brexit and future Government policy
- Strategy
- Land market
- Financial targets
- Dividend policy
- Remuneration
- Key differentiators
- Culture

How we engage

- One-to-one meetings
- Investor roadshows
- Site visits
- Conference calls
- Audiocast / webcast online with full transcript available to all
- Briefing to analysts
- Capital Markets Day
- Regulatory reporting including Annual Report and Accounts
- Half year and full year presentations
- Investor section of website
- Participation in sustainability benchmarks and disclosure initiatives
- Annual General Meeting

2019 priorities

- Continue to report in line with best practice disclosure
- Make progress towards our financial targets and strategic goals
- Embed strategy within the business
- Continue to progress cost and efficiency review

 **Read more** on page 26

 **Read more** on page 27 and 52 to 56

What we do

Our shareholders own a business which has a strong, well capitalised balance sheet with a high-quality landbank and experienced management team, which provides a reliable annual income stream, via a recently enhanced ordinary dividend.

The changes we have set out in our strategy will develop and be implemented over time, but are very significant. We aim to deliver increased growth, higher dividends and an increase in our return on capital by working our existing land assets harder and smarter. We have always said that running the business in the right way for the long term was more important than short term financial performance and continue to believe this.

The changes to the way we see our customers and business are long term and fundamental. Putting our customers' needs and desires at the heart of our business will ultimately make us a more valuable, sustainable business for our investors and all of our stakeholders. This approach will result in better products that we are better able to sell in all market conditions, to customers who choose a Taylor Wimpey home as a preference.

Why is it important for all stakeholders?

We believe that the way we run our business is recognisably different to our employees and partners, land vendors and suppliers because of our underlying principles:

- Health and safety will always be the number one priority at Taylor Wimpey.
- Our reputation is important to us and we will not compromise the character of the business; we are fair, and the underlying principle to do the right thing is integral to our daily decision making.
- We believe that our future success is dependent on our ability to develop and retain talented, flexible people who have the same mindset – so we are prepared to make this long term investment.
- We run the business for the long term, not for short term gain, and whilst we seek to maximise opportunities, it is weighed up against our cautious and disciplined nature.
- Land cannot be moved and so location continues to be crucial, not just for our customers choosing where to call home, but for our investment return potential. We target locations where we can create and add to communities and where our customers want to live, now and in the future.

- Profit margins are important to us, but as a measure of quality and to reduce risk, not as an absolute. We believe that sustainability of those high margins is better for our shareholders than peaks and troughs.
- We are focused on delivering strong financial performance, in the right way.

Our customer-centric approach will offer further scope for differentiation and will add additional value to our shareholders and other stakeholders. Together with our response to the changes in the land and planning environment, our customer-centric strategy will enable us to become the customer's first choice of homebuilder in all market conditions. This will make us a more efficient and resilient homebuilder throughout the cycle and ultimately enhance our brand and returns by:

1. Industry leading sales and service to customers through the cycle, providing increased resilience in weaker market conditions and a route to high-quality and sustainable growth
2. Optimising our strong landbank, to deliver enhanced returns by adopting a factory approach, to build more efficiently where there is market demand
3. Continuing to improve the operational business model to drive efficiency and reduce costs

Further information about our investment proposition can be found on page 27.

Managing the cycle

It remains our belief that homebuilding is inherently cyclical, although we are pleased that sensible financial management (such as the Mortgage Market Review) has reduced the 'boom' feel of this particular cycle. We remain committed to retaining a strong balance sheet, not over stretching investment and maintaining financial discipline.

More information on our approach to the cycle can be found on pages 10 and 11.

Capital Markets Day

In May 2018, we held a Capital Markets Day for analysts and institutional investors in Bordon, Hampshire. Following the release of our new strategy and new strategic objectives, our CEO, Group Finance Director and Group Operations Director presented key elements to the new strategy. Q&A sessions allowed analysts and investors the opportunity to ask further questions on the strategic direction of the business. The day finished with an update from our Major Developments part of the business and a guided tour around Prince Philip Park, a joint venture between Taylor Wimpey and Dorchester Regeneration.

 **Read more** on our website at www.taylorwimpey.co.uk/corporate

Dividends and returns

We are an extremely cash generative business, even in times of market weakness, because of the strength of our balance sheet, the length of the landbank and as a consequence of the control we have over the timing of land investment. This allows us to provide shareholders with a reliable dividend through the cycle which is a key priority.

Our strategy means that we can continue to drive further value from our landbank and our business model as we focus on our customers, delivery and efficiency which in turn drives increased cash generation.

As previously announced, commencing in 2019, subject to shareholder approval at the 2019 AGM scheduled for 25 April 2019, we intend to pay an enhanced ordinary dividend of £250 million per annum (c.7.6 pence) on an annual basis through the cycle (2018: £160 million), including during a 'normal' downturn. This has been stress tested in a variety of scenarios including a 20% fall in house prices and a 30% fall in volume. The ordinary dividend will be paid equally as a final dividend (in May) and as an interim dividend (in November).

In addition to the ordinary dividend, we have also paid a special dividend in each of the last five years. As previously announced, and subject to shareholder approval at the 2019 AGM, we intend to pay c.£350 million to shareholders in July 2019 by way of a special dividend.

Accordingly, subject to shareholder approval, in 2019 shareholders will receive a total dividend of c.£600 million (c.18.3 pence per share), comprising an ordinary dividend of c.£250 million (c.7.6 pence per share) and a special dividend of c.£350 million (10.7 pence per share), a 20% increase on 2018 total dividend.

The Board will continue 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. More information can be found in our Notice of Meeting on page 181.

Optimising value

Our ability to constantly increase efficiency and tightly control costs is part of the Taylor Wimpey culture and remains central to delivering enhanced returns. This extends to and encompasses all aspects of our business as we strive to optimise and capture value at every level from procurement through to delivery. We also aim to add value to the charities we support and to our wider partnerships. We also balance our desire to improve quality with a focus on making our assets work harder for us and our stakeholders. In the year, we achieved a 0.5 percentage points margin upside on completions from land acquired since 2009, compared with the expected margin at the point of acquisition.

We actively review every site, both new and old, through our value improvement meetings which are held quarterly and are tracked centrally. This allows us to benchmark our success and identify opportunities for further improvement, ranging from re-planning of sites to redesign and selective enhancements to our specification.

It is important to also develop approaches that enable us to control land in a capital-light way, without unduly burdening the business. This 'light touch' improves our returns, frees money for other investment and reduces risk in the event of negative changes in the market.

Taking this approach can also help if, and when, there is greater competition in high growth areas. A good example of this can be found within our Major Developments business.

Land and planning

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

During 2018 we acquired 8,841 plots (2017: 8,040 plots) at anticipated contribution margins^{***} of c.27% and return on capital employed^{***} of c.32%.

Efficiency

We achieved an annual return on net operating assets^{**} for the Group of 33.4% in 2018 (2017: 32.5%). The annual return on net operating assets^{**} for the UK business was 33.1% in 2018 (2017: 32.1%).

We have improved our UK net operating asset turn^{**} to 1.55 times (2017: 1.52 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.

Creating value for stakeholders continued

Our communities

Key issues our communities care about

- Provision of infrastructure and facilities at new developments
- Managing local impacts during construction
- Contributions to and relationships with local communities
- Housing need

How we engage

- Exhibitions
- Workshops
- Newsletters
- Social media
- Meetings
- Events

Priorities for 2019

- Continue to maintain best practice community engagement and investigate ways to engage with a wider and more diverse range of people within the local communities in which we operate
- Renewed focus on placemaking
- Understanding where and how we can bring forward early delivery of community infrastructure
- Undertake a number of community pilots

i Read more in our 2018 Sustainability Report

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

What we do

We aim to create great places to live, work and play; designing our developments to become thriving and inclusive communities with a strong sense of place and character. We want communities to welcome us to their area and recognise the value we can bring and the contribution we can make to the existing community, as well as trusting us with the responsibility of creating a new one. We actively seek the views of local communities and other stakeholders. We develop a tailored planning and community engagement strategy for each site and work closely with communities and other local stakeholders throughout all aspects of the planning process. We believe that we have a responsibility to contribute to our local communities and that this responsibility grows with our success. We aim to be the industry leader in all aspects of planning and to obtain the right planning consents that enable us to respond to a changing market, reflect the desires of our customer base and deliver the quality homes we want to build, whilst meeting our financial objectives.

£455m

Invested in local communities via planning obligations

£170k

Contributed to local organisations

200

Community meetings and events, including public exhibitions

Why is it important for all our stakeholders?

We believe that local communities should have a say in development. This enables us to achieve the right planning permissions and ensure our developments are valued by their local communities. As one of the largest residential developers in the country, we are responsible for creating not only the homes which people will live in for years to come but also for shaping the communities of the future. We know housebuilding, particularly in its early stages, can be disruptive and so we seek to engage, consult and work in partnership with communities and all interested stakeholders on each and every site, both before we submit a planning application and throughout the life of our developments. Our customer research shows a clear relationship between good placemaking (how we design our developments) and long term customer satisfaction. Strengthening our approach to placemaking is part of our commitment to become a customer-centric homebuilder.

Placemaking

Our customers have a very strong desire to become part of a community and to do so quickly after they move in. We are investing in placemaking and design to ensure all our developments become communities that are socially, economically and environmentally sustainable. We ran our first internal design competition in 2018 – seeking out the best examples of placemaking from around the business, celebrating the good practice that already exists and it has inspired us to go further. Around 60 schemes were submitted and each was judged against the Building for Life criteria – a recognised tool for measuring good design.

Installing infrastructure at an early stage can help in the successful development of a new community. It can also make new developments more desirable to prospective buyers, increasing sales. We are looking at how we can increase early delivery of community infrastructure to maximise its positive impact.

“We actively seek the views of local communities and other stakeholders.”

Investing in local communities

We are very proud of the significant contribution we make via our planning obligations each year, providing local infrastructure, affordable homes, public transport, education facilities and other forms of social infrastructure. In 2018, we contributed £455 million to local communities in which we build across the UK via planning obligations (2017: £413 million). Our teams across the business get involved in local life, organising competitions with primary schools, inviting schools to site for health and safety training and sponsoring local sports clubs, as part of their daily working life. In addition, we contributed over £170k to other organisations, such as scout groups, local football teams and various local community causes (2017: c.£90k).

Education

We sponsor and work closely with Buckinghamshire University Technical College (Bucks UTC) and many of our employees give talks and run workshops for students. Our regional businesses work with local schools to promote careers in the housebuilding industry and offer work experience placements. We expect the number of placements we provide to increase with the introduction of T Levels, new technical alternatives to A Levels. We are developing a work experience framework to ensure we deliver quality placements that are valuable for students and our business.

We also work with schools to raise the profile of the housebuilding sector. In 2018, we made 112 school visits. These include interactive projects showing how homes are built and providing information on career opportunities, safety on live construction sites, building materials and eco-friendly homes. We launched a children's book to engage younger children on the housebuilding process.

Local consultation

We are committed to working with local people and other stakeholders throughout the planning process and seek to engage, consult and work in partnership with communities and all interested stakeholders. We introduced a comprehensive community engagement framework in 2011 and have been regularly improving and updating it since. We are proud of our approach to community engagement and the way that our employees deliver it. The framework applies to every stage of the development timeline, from pre-planning consultation to ongoing communication with existing and new residents during and after construction.

Royal Parade

We also have a Building Our Reputation toolkit that provides information and practical tools to help our employees communicate honestly and openly with communities and customers throughout the development process. We create a tailored planning and community engagement strategy for each site which reflects the needs of the local area.

Our approach goes well beyond regulatory requirements, with engagement starting before we submit a planning application and continuing throughout the development process. Wherever possible, we use the feedback obtained as part of our community engagement to develop and improve our design proposals. To fully understand local views, it is important that we reach a wide range of stakeholders from residents, property owners and local authorities, to businesses, schools, residents' associations and other groups. We are committed to publishing information on proposed developments online so that members of local communities and other interested parties can easily find out what we are planning and where.

The Taylor Wimpey website includes pages for all of our proposed developments throughout the UK. We would like people to register their interest so we can update them on progress. Above all, we want wider and more diverse groups and individuals to get involved and tell us their views, whether positive or negative. During 2018 we ran 200 community meetings and events, including public exhibitions.

At our Royal Parade development in Canterbury, our South East regional business is contributing £1.4 million towards a new secondary school and £730,000 towards the expansion of an existing primary school. A new community hub will sit at the heart of the development and will include allotments, a walled garden and links to the nearby community orchard and sports pitches. A Community Development Trust has been set up to manage the community hub and maintain the 11 acre park within the development. Taylor Wimpey recently recruited a Community Trust Manager, to oversee the set up and long term running of the Trust.

Community

Feeling part of a community is a top priority for our customers. Our research showed that customers believe we should play a more active role in facilitating the relationship between the new residents, their new community and their neighbours. This is an area we will be exploring further in 2019 and we will be undertaking a number of pilots at a community level to test effectiveness and impact.

We support the development of local networks and seek to encourage a strong sense of community on our schemes. As well as our investment in new community facilities this can include organising events that provide networking opportunities for local residents and creating connections between community organisations.

We establish Community Development Trusts on some of our schemes to provide long term stewardship of the development and its public spaces after construction finishes. On other sites this role is fulfilled by the local council or a private management company. For example, our site in Bishop's Stortford, will include 2,200 new homes as well as schools, commercial and community facilities, sports facilities, allotments, footpaths, cycleways and bridle ways. We will help to establish and fund a Community Trust to own and manage the open spaces and community facilities for the long term.

Our developments create economic benefits for local communities. As well as new housing, these can include new jobs on site and in the supply chain, increased revenues for local businesses during construction and from new residents, and benefits arising from our investment in new infrastructure and amenities.

Creating value for stakeholders continued

Sustainability

We aim to enrich the lives of our customers and communities today and to build a proud and sustainable legacy for the future.

We do this by designing and building our developments in the right way, so that they become thriving, inclusive and sustainable communities for generations to come. By integrating sustainability into the way we work, we create a stronger business and more value for our stakeholders including customers, communities, our people, investors and suppliers.

Sustainability benchmarking

We are a constituent of the Dow Jones Sustainability Europe Index and the FTSE4Good Index series, the leading responsible investment indices. We participate in the CDP Climate report and received a score of B in 2018. We participate in CDP Water, which assesses companies' corporate water stewardship practices and performance. We achieved B in 2018. We also participated in CDP Forests for the first time in 2018, disclosing our approach to timber sourcing. We received a C rating.

We are a member of Next Generation, a rigorous and detailed sustainability performance benchmark of the UK's largest homebuilders. In 2018 we were ranked fifth out of 25 in the benchmark with a score of 74.8% and achieved our first Gold Award (2017: 70%, Silver Award, fifth position).

Climate change governance, strategy and risk

Our current target is to achieve a 50% reduction in our direct emissions (scope 1 and 2) intensity by 2023 against our 2013 baseline (tonnes of CO₂ per 100sq metres of completed homes).

Last year we conducted a review of our target. We identified that deeper emission cuts are needed to align with climate science and the rules governing the setting of science based targets, whilst also allowing for the construction of more much-needed homes in line with government plans. We are doing further work in this area, including with the Carbon Trust, to explore whether we can set a science based target.

We support the aims of the Task Force on Climate-related Financial Disclosures and aim to increase our disclosure in line with its recommendations. We have summarised our approach below. Further details are included in our Sustainability Report and submission to CDP Climate, both available on our website.

Our greenhouse gas emissions (GHG)

We have reduced our emissions intensity by 38.7% since 2013. In 2018, our emissions intensity remained the same as in 2017. The gains made through our carbon and energy reduction initiatives were offset by a spike in gas and gas oil used for heating during the long period of cold weather in early 2018. We have reduced absolute emissions by 18% since 2013. Our absolute emissions increased by 4.9% year on year in line with an increase in total floor space built.

Our absolute energy use increased by 6.3% year on year due to the spike in gas and gas oil use and business growth. Our energy use intensity increased by 5% year on year but has decreased by 10% since 2013.

 [Read more on page 28](#)

 [Read more in our 2018 Sustainability Report](#)

Our approach to managing climate change-related risk

Governance	Our Legacy, Engagement and Action for the Future (LEAF) committee, chaired by a member of our Group Management Team (GMT), is responsible for reviewing climate strategy, risks and opportunities and meets four times a year. The LEAF Chair reports to the Board. Ultimate responsibility for our approach to climate change resides with our Chief Executive. Below Board-level, the Director of Sustainability is responsible for monitoring climate-related issues as part of the overall risk management process. They report on risk and progress against targets to the GMT on a monthly basis.
Strategy	Climate change risks have the potential to impact our business strategy through increased costs, reduced productivity and reputational damage. We assess climate risks to the business using short term (0-5 years), medium term (5-10 years) and long term (10-100 years) horizons. The most material climate-related risks are: changes in weather patterns and an increase in severe weather events which could affect the availability and cost of raw materials, increase flood risk, and impact productivity; and increased regulation and taxation. The most material opportunities in the short term relate to the financial benefits associated with our use of low carbon goods and services as well as shifts in consumer preference to favour low carbon homes and products. In the longer term, the most material opportunity relates to improved business resilience due to implementation of climate change adaptation measures. We have conducted analysis on increased flood risk relating to climate change and are exploring the potential to conduct further scenario analysis.
Risk management	Climate change risks are integrated into our corporate risk management framework, including through two central risk registers – the Land and Commercial and the Technical Risk Registers which feed into a Group Material Risk Register – and our Climate Change and Sustainability Risk and Opportunity Register. Our Climate Change Register guides the climate change adaptation of our business practices and the homes we build. For each climate-related risk and opportunity the register identifies: risk driver, description of risk, potential impact, timeframe, whether the risk or opportunity is direct or indirect, likelihood and magnitude of impact. This is a standing item on every LEAF committee agenda. The committee makes recommendations to the GMT on how to mitigate, transfer, accept, or control climate-related risks.
Metrics and targets	We have set a reduction target for our scope 1 and 2 emissions and report progress on a range of KPIs, covering our direct and value chain emissions. We are doing further work in this area and exploring whether we can set a science based target. Further detail is available in our 2018 Sustainability Report.

We have achieved the Carbon Trust Standard for our overall approach to carbon management, including our policy, strategy and verification of our data and processes.

Greenhouse gas emissions (scope 1 and 2) and energy use for the period 1 January 2018 – 31 December 2018

		2018	2017	2016	2015	2014
Scope 1 GHG emissions – combustion of fuel	tonnes CO ₂ e	20,328	18,889	17,983	17,768	16,436
Scope 2 GHG emissions – market based	tonnes CO ₂ e	4,509	4,794	10,827	12,947	13,326
Total scopes 1 and 2 – market based	tonnes CO ₂ e	24,837	23,683	28,809	30,716	29,672
Emissions per 100 sqm completed homes (scope 1 and 2)	tonnes CO ₂ e/100 sqm	1.73	1.73	2.13	2.40	2.56
Operational energy use (fuel and electricity consumption from UK sites and offices)	MWh	95,170	89,550	92,236	90,524	81,679
Operational energy intensity (UK site and office fuel and electricity intensity – MWh / 100 sqm completed homes)	MWh / 100 sqm	6.8	6.5	6.8	7.1	7.0

Data is provided as tonnes of carbon dioxide equivalent (CO₂e) for all operations. Scope 1 and 2 emissions are from our sites, offices, show homes and sales areas, plots before sale and car fleet. Data on scope 3 emissions is included in our Sustainability Report.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) for data gathered to fulfil our requirements under the Mandatory Carbon Reporting (MCR) requirements, and emission factors from the Government's GHG Conversion Factors for our corporate reporting. We use the market-based method of the revised version of the GHG Protocol Scope 2 Guidance for calculating our scope 2 emissions.

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

Operational energy use and operational energy intensity figures are for our UK business only.

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

- Fugitive emissions (refrigerant gases): excluded on the basis of expected immateriality and difficulty in acquiring data
- Gas and electricity of part-exchange properties: excluded on the basis of immateriality due to very few completions of this type
- Certain emissions from District Heating Schemes where we are receiving a rebate from customers prior to handover to the long term operator.
- Certain joint venture properties: where Taylor Wimpey was not part of the handover process. In these cases other homebuilders have captured MCR-related data

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

Non-financial information statement

Our Annual Report contains a range of non-financial information. The following table summarises where this can be found in our reporting.

Reporting requirement	Some of our relevant policies which can be found on our website	Where to read more in this report about our impact, including the principal risks relating to these matters	Page
Environmental matters	Sustainability Policy	We report our approach to climate change governance, strategy and risk management as well as our greenhouse gas emissions within:	38-41
	Climate Policy		
Employees	Health Safety and Environmental Policy	Creating value for stakeholders – our communities	20
	Supply Chain Policy	Becoming an employer of choice	32-33
	Waste and Resource Use Policy	Creating value for stakeholders – our employees	48
		Principal risks and uncertainties	78-79
Human rights	Anti-Slavery, Human Trafficking and Human Rights Policy	More information on our approach to human rights can be found within:	
	Supplier Code of Conduct	Creating value for stakeholders – our employees	33
	Supply Chain Policy	Creating value for stakeholders – our partners	35
Social matters	Community Policy	More information on how we engage with our communities and social matters can be found within:	38-41
	Donations Policy		
Anti-bribery and anti-corruption	Charity and Community Support Policy	Corporate governance – Board activities	75
	Sustainability Policy		
	Business Conduct Policy		
Business model	Anti-Corruption Policy	More information on anti-bribery and anti-corruption can be found within:	28-29
	Fraud Mitigation and Response Policy		
	Whistleblowing Protected Disclosure Policy		
Non-financial KPIs	Community Policy	Our non-financial KPIs can be found within:	12-25
	Sustainability Policy		
	Customer Service Policy		
	Health Safety and Environmental Policy	Our strategy	
	Communications and Investor Relations Policy		

Our approach to risk management

Robust risk management

As with any business, Taylor Wimpey faces risks and uncertainties in the course of its operations. It is only by timely identification and effective management of these risks that we are able to deliver our strategy and five-year goals.

Our risk management and internal control frameworks define the procedures to manage and mitigate risks facing the business, rather than eliminate risk altogether and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our risk management framework includes risk registers which are maintained for each site and business unit, and which is supported by an evaluation of the risk environment by divisional management. The risk framework also includes registers for all functions at a Group-wide level. Collectively, the registers detail each issue which may be faced by the site, business unit, function or Group. The registers identify key potential exposures arising from factors both internal and external to the Group, as well as risks to and from the delivery of our strategy.

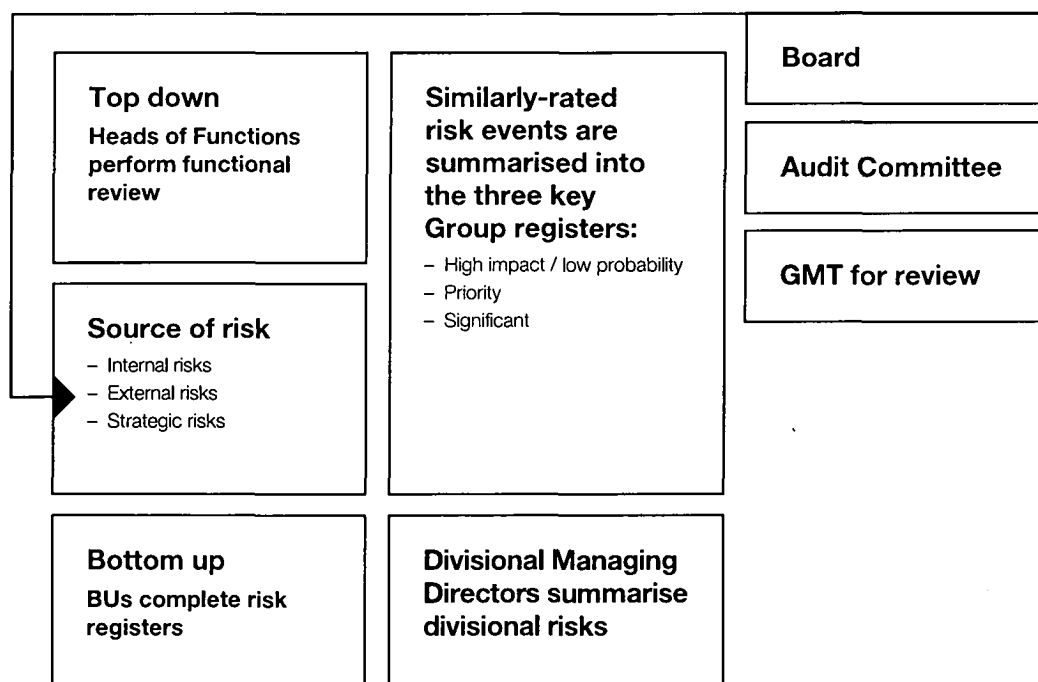
A standard methodology is applied to the assessment of business risk, which requires each identified item to be measured according to a risk matrix. This matrix considers the potential impact of each risk after putting mitigating activities in place, the likelihood of the event occurring, and hence provides an assessment of the remaining or residual risk. The definition of impact assessment includes a number of different measures, including those concerning health, safety and environmental impacts, financial and reputational impacts. Our risk registers are refreshed on an ongoing basis at site level and at a broader level as a part of our financial planning cycle.

The registers feed into a formal risk assessment to summarise the sources, impact and likelihood of risks, and consider the controlling activities already in place or planned. Similarly-rated risk events are considered together, and categorised into three key Group-wide registers. This summary position is discussed and approved by the Group Management Team (GMT), and this ensures the correct identification of the Principal Risks and Uncertainties (see pages 44 to 51). Our Sustainability and Climate Change Risk and Opportunity Register highlights the material risks and opportunities facing the Company in relation to sustainability and climate change. Together, these support both the Audit Committee and the Board in their evaluation of the identified risks facing the Group.

The registers also consider health, safety and environmental issues (HSE), together with social and governance matters relating to the Group.

i More information is provided in our 2018 Sustainability Report.

Our risk assessment process



Risk materiality process

The Board determines the Group's appetite for exposure to the principal risks in achievement of its strategy, and is responsible for maintaining sound risk management and internal control systems.

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

At the Board meeting in February 2019, the Board completed its annual assessment of risks. This followed the Audit Committee's formal assessment of risk, which was supported by the detailed risk assessment by the GMT, and their review of the effectiveness of internal controls. The key risks affecting the Group were identified and agreed with the Board.

Specific risk areas other than the principal risks

In addition to the principal industry-related risks set out in the following pages, we also monitor closely several other key factors. These may be risks with an increasing potential impact or likelihood, individual risks with a potentially high impact but which are very unlikely to occur, or risks arising as a result of a combination of unlikely events which together create a major event.

The Group considers risk from a wider technology and cyber perspective. We have continued to improve and invest in our information technology to mitigate increasing cyber threats and data loss, theft or corruption. In 2018, we have adopted a series of measures to reduce our exposure to breaching the EU's General Data Protection Regulation (GDPR), which was implemented in May 2018, and we continue to deliver against the recommendations from an independent cyber security audit that was conducted in the year.

Our customers and our corporate obligations are at the heart of Taylor Wimpey's cultural values, with our Customer Journey heavily focused on product quality and delivering an enhanced buying experience. The Group considers the potential impact to the business in the event that either of these were to fall below our high standards. We acknowledge concerns raised by some of our customers in connection with mortar durability at a development in Peebles, Scotland. Whilst a significant number of houses on the development are unaffected, a robust technical solution, supported by an appointed structural engineer and the NHBC, to fix the durability of the mortar has been identified and homes are being

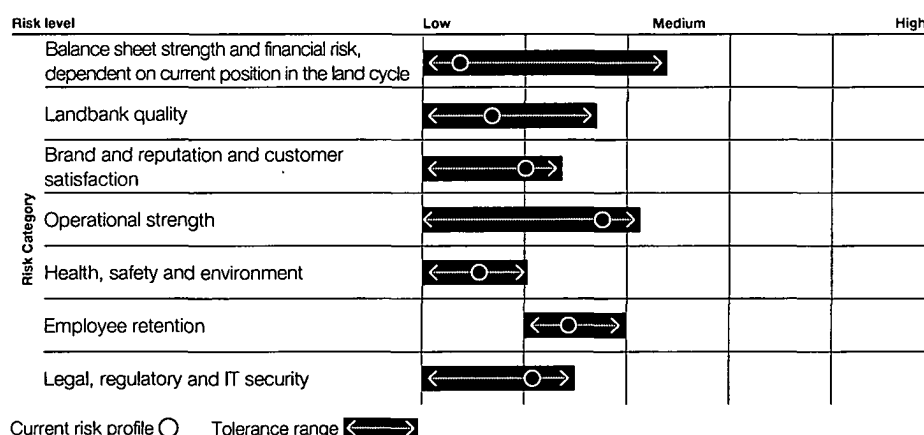
remediated as soon as possible. Our Group-wide approach has been enhanced in the year through development of new tools and processes, which when fully embedded will further support the delivery of our homes as promised to our customers.

Housing remains high on the agendas of the Government and the main political parties. The sector continues to face scrutiny and pressure from social media and pressure groups, with the potential for greater oversight from Government through a Design Champion and a single New Homes Ombudsman. We endeavour to deliver both the letter and the spirit of regulations and maintain this same ethos in our relationships with our customers.

Following the tragic fire at Grenfell Tower, we conducted a detailed internal review into Aluminium Composite Material (ACM) cladding used in the construction of our recent and historic developments, working with building owners, management companies, independent fire safety experts and local fire and rescue services as appropriate. Where ACM cladding was identified on defined tall buildings in which we retain an ongoing interest, we sought advice from independent fire safety experts, and, where required, took action with those responsible to ensure that the buildings are fully compliant with the Government's guidance on interim fire safety measures. During the year, the Group recognised an exceptional provision amounting to £30.0 million for the removal of ACM cladding at a small number of sites where the ownership aspects and specific circumstances made this appropriate.

Group appetite for risk

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



The current risk profile is within our tolerance range and overall is described as: The Group is willing to accept a moderate level of risk in order to deliver financial returns. There may be occasions where these risks could have a moderate adverse impact to the Group, be it financially or operationally, although it is considered that the effect could be mitigated through management actions.

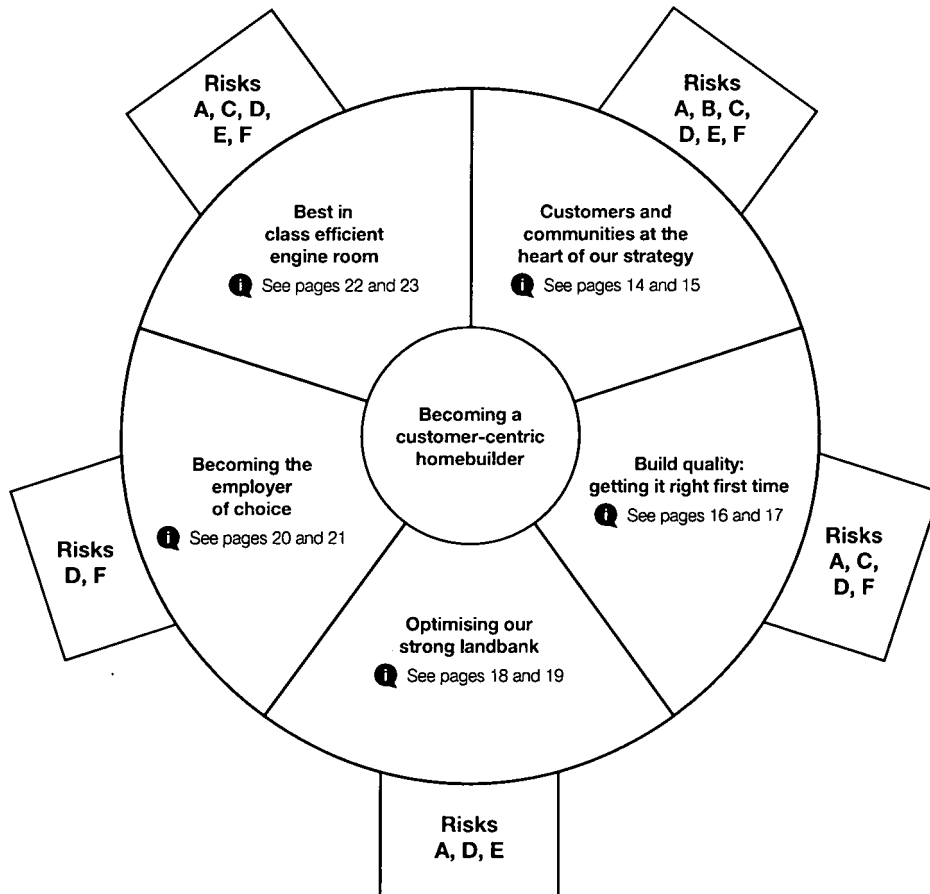
Principal risks and uncertainties

The following table 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 GMT, together with the roles noted below.

The Board has finalised its assessment of these risks and has concluded that the likelihood of these principal risks affecting the business has remained at the level previously reported. We maintain a Sustainability and Climate Change Risk and Opportunity Register to monitor

other sustainability issues that could affect the Group. In addition, our climate change-related risks and opportunities are available as part of our 2018 CDP submission. More information is available at www.taylorwimpey.co.uk/corporate

Robust risk management underpins our strategic approach, with each risk area identified and carefully monitored by the Board and management team.



Key:

- A: Government policy and planning regulations
- B: Impact of the market environment on mortgage availability and housing demand
- C: Material costs and availability of subcontractors
- D: Ability to attract and retain high-calibre employees
- E: Land purchasing
- F: Site and product safety

The icons below help to signpost the change in risk

- ⬆ Increase in risk
- ⬇ Decrease in risk
- ↔ Level risk

A: Government policy and planning regulations

Overview

Additional initiatives and legislative and regulatory amendments to the National Planning Policy Framework (NPPF) were signalled by a Housing White Paper in February 2017, to address the delivery of greater housing availability for the UK. Consultations continued into 2018 and the Government subsequently introduced amendments, resulting in the issue in July 2018 of NPPF (2018) and consequential changes to the National Planning Policy Guidance.

The Government-backed Help to Buy (HtB) scheme has helped to fund home deposits for certain homebuyers. During 2018, the Government announced that the current scheme would end as expected in 2021 and announced an extension scheme which will be in place from 2021 to 2023, for first time buyers and which will be subject to regional home price caps. The proposed changes will allow an orderly unwind from the scheme, but as predicated will require a critical review of sales rates assumptions, unit mixes and likely customer behaviour.

In light of the Grenfell Tower tragedy, the Government consulted on proposals to ban the use of combustible materials in the external walls of high rise residential buildings. Following the consultation, an amendment to Approved Document B of the Building Regulations was issued in December 2018, implementing the proposals in full for works where an initial notice was issued to the local authority on or after 21 December 2018. Changes to the Building Regulations are forward looking in terms of implementation.

In May 2018, Dame Judith Hackitt's Independent Review of Building Regulations and Fire Safety (the Hackitt Review) was published, and the Government subsequently committed to the full implementation of the recommendations contained within the review. The review was 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 throughout the life cycle of the building. The review recommended restrictions on the use of assessments in lieu of tests (commonly referred to as desktop studies) to demonstrate compliance with Approved Document B of the Building Regulations. The Government consulted on this in spring 2018 and consequently included a full ban on the use of desktop studies within the December 2018 amendment to Approved Document B.

Sir Oliver Letwin delivered his final report in November 2018 (the Letwin Review) on the gap between planning permissions and starts on site. The Government's response to the recommendations of the review is expected in early-2019.

Late in 2016, some customers expressed concern about the ground rent escalating terms of their leasehold agreements with their freeholder. These clauses exist for some Taylor Wimpey homes, on sites commenced between 2007 and 2011, and specified that ground rents will double every ten years until the 50th year, at which point the rent is capped. We resolved that such clauses were not consistent with our cultural values. In October 2018, the Government launched a second consultation into

leasehold properties, following their proposals to ban the sale of houses on a leasehold basis and plans to lower future ground rents to a nominal fee. Whilst Taylor Wimpey no longer sells houses on a leasehold basis, like most other volume housebuilders, our business model is to transfer the freehold, management and upkeep of apartments and other developments to third party organisations.

Responsibility

Group Operations Director

Regional Managing Directors

Relevance to strategy

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 to home delivery. There remains a risk of delayed or refused planning applications, increased timescales to the discharge of planning conditions and complexity around Section 106 agreements and Community Infrastructure Levy (CIL).

As elements of the anticipated changes from the introduction of the NPPF (2018) take effect, together with the amendments to the HtB scheme announced in October 2018, there could be a change in demand for specific products. In turn, this may lead to changes to site mixes, and to extended time frames to gaining revised planning consents.

Change in risk

Potential impact on KPIs

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 consultation on changes to developer contributions and CIL, 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.

Changes to Building Regulations on tall and other buildings, although likely to be limited in impact to the Group, could introduce delays to implementation, re-work to sites and increased costs.

The end of HtB in 2021 and the extension scheme for first time buyers subject to regional caps until 2023, could see lower sales rates and potentially a greater number of smaller homes required by our customers.

Together, these changes could have a detrimental impact on the gross profit per plot.

Mitigation

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.

We implemented the Taylor Wimpey Ground Rent Review Assistance Scheme (GRRAS) in April 2017, for our customers wishing to alter the terms of their lease to materially less expensive terms based on RPI. We take a prudent approach to the potential sale of freeholds with regard to our apartment schemes, by excluding the potential for their sale revenues in our land purchasing decisions.

Progress in 2018

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, New Homes Ombudsman, leasehold, and building remediation following the Hackitt Review.

Following the amendment to Approved Document B of the Building Regulations in December 2018, we have taken measures to ensure all future home designs will meet and fully comply with the relevant amended regulations and standards. Internally, we issued guidance in March 2018 which banned the use of combustible materials on all new buildings over 18 metres tall, and which also banned the use of desktop studies as a means to demonstrate compliance with Approved Document B.

Following the implementation of the GRRAS, by the end of 2018 we had varied over 2,600 leases, with a further c.1,900 accepted onto the scheme.

How does the Board review this risk?

The Group Operations Director updates the Board on developments concerning the planning and regulatory backdrop, bringing to its attention any areas of concern.

Issues are then discussed by the Board which decides any necessary action.

The CEO/Group Operations Director also report to the Board on areas of industry consultation with authorities.

i Read more on pages 8 to 11

Principal risks and uncertainties continued

B: Impact of the market environment on mortgage availability and housing demand

Overview

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 negatively 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 Help to Buy (HtB) scheme helps to fund the home deposit for these and other homebuyers. During 2018, the Government announced that the current scheme would end as expected in 2021. However, the Government also announced an extension scheme which will be in place between 2021 until 2023, for first time buyers only and which will be subject to regional home price caps.

Sustained growth in interest rates, together with low wage inflation or reduced confidence in continued employment, 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

Relevance to strategy

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 the UK leaves 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. Future decisions made by the Government around homebuyer initiatives, new legislation or stamp duty, and by the Bank of England about interest rates, are likely to create both risks and opportunities for homebuilders and their customers.

Change in risk

Potential impact on KPIs

A reduction in demand for new homes below normal levels could negatively impact on both profit and cash generation, adversely affecting return on net operating assets.

Mitigation

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.

Progress in 2018

We continue to promote the Government-backed HtB scheme and our customers demonstrate strong demand for the scheme. We monitor usage of HtB by our customer base to understand how the planned change to the scheme in 2021, and its withdrawal in 2023, may impact the desired design and location of homes required in the future.

Throughout 2018 we continued to develop good working relationships with established mainstream lenders and those wishing to increase volume within the new build market.

How does the Board review this risk?

A suite of KPIs and leading indicators was introduced in 2011 to help the Board and GMT monitor economic conditions over the cycle.

Together with internal weekly sales data this provides a guide to prevailing market conditions.

A green, amber, red traffic lights system flags to the Board the nature and direction of risk. The Board considers these in its decision making.

For example, we have piloted the Springboard rent to buy initiative to make home ownership possible for a greater number of people.

 **Read more** on pages 26 to 27

 **Read more** on pages 8 to 11

C: Material costs and availability of subcontractors

Overview

A continued increase in housing demand and production may further strain the availability of skilled subcontractors and materials and put pressure on utility firms to keep up with the pace of installation.

Leaving the EU could reduce the availability of skilled workers given the relatively large proportion of the labour force, particularly in the South East, that is from Eastern Europe.

Further, in the event that no deal is agreed between the UK and EU, on leaving the EU the Group could experience some materials shortages as World Trade Organisation rules are applied through the supply chain.

Together, this could result in build programme and completion delays and unexpected cost increases.

Responsibility

Group Operations Director

Head of Procurement

Regional Commercial Directors

Relevance to strategy

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.

Change in risk

Potential impact on KPIs

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.

Mitigation

We maintain regular contact with suppliers, negotiating contract volumes, pricing and duration through our procurement and logistics function. 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 announced a number of mitigating measures at our Capital Markets Day in May 2018. We commenced a programme to take on more direct trades across key skills, adopting a hybrid labour model where we look to employ experienced hires and develop new talent for the industry through Apprenticeship and Career Conversion Schemes. This supports Diversity and Inclusion and the Government's Social Mobility Pledge, Armed Forces Resettlement and working with disadvantaged groups such as ex-offenders and the homeless. We are closely aligned with the Construction Industry Training Board and Home Builders Federation.

We also assess alternative build methods to reduce reliance on traditional brick and block techniques and resources.

Progress in 2018

Availability of materials is generally in line with demand but there remain pinch points with key products such as bricks, blocks, roof tiles and doors. The Group has agreed product lines and volumes with key suppliers to mitigate long lead times and shortages, and can maintain a flexible level of particularly scarce materials at its national warehouse.

We are continuing to trial several different build methods as alternatives to conventional brick and block. The use of timber frame has been extended during the year, with plans to increase its usage further over the coming 3-5 years. Employment of direct trades has been successfully trialled across six regions in the country.

How does the Board review this risk?

The Group Operations Director reports to the Board on the national supplier agreements. This includes discussion of our meetings with key suppliers such as brick contractors and any reporting by these companies.

Any areas of concern such as labour or material supply are also reported on.

The suite of KPIs includes an assessment of build cost and market movements.

 Read more on pages 26 to 27

 Read more on page 34

 Read more on page 7

 Read more on page 29

Principal risks and uncertainties continued

D: Ability to attract and retain high-calibre employees

Overview

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

Relevance to strategy

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.

Change in risk

Potential impact on KPIs

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.

Mitigation

We monitor employee turnover levels closely and conduct exit interviews to identify any areas for improvement. We benchmark our remuneration to ensure that we are competitive within the industry.

Clear succession plans are in place for key roles within the Group. Our renewed approach to succession planning enables more internal candidates to be promoted to senior roles. We hold regular development reviews to identify training requirements.

Progress in 2018

We extended the management training and graduate programme in response to emerging gaps in our pipeline, leading to an increase in trainee and graduate numbers and the types of programme we offer. We have also increased our employment brand exposure through greater content being posted on channels such as LinkedIn and Glassdoor. In 2018, Taylor Wimpey was in the top 10 companies to work for according to Glassdoor, and we increased our LinkedIn following by over 30% and this now stands at 36,000.

Since 2017, 227 Customer Service employees have been enrolled onto the Academy for Customer Excellence to improve the skills and confidence of our customer facing employees, and all new starters are automatically enrolled in the "Learning the Essentials" module.

The Production Academy provides a clear development pathway supported by an NVQ for Assistant Site Managers, Site Managers and Production Managers. We are supporting over 250 site-based staff and c.20 office-based Production Managers through the academy, with 77 people who have now achieved the Taylor Wimpey Diploma. We have increased the numbers of apprentices, both direct and indirect, in the year.

How does the Board review this risk?

The Board regularly reviews human resource and wider employee matters. This is done through the consideration and discussion of regular reports submitted by Executive Directors and through regular reports and presentations from our senior management and external advisors. The Board and individual Directors also undertake regular visits to our regional businesses and their development sites.

i Read more on pages 20, 25, 32, 33

BM Read more on page 28

E: Land purchasing

Overview

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

Relevance to strategy

Land is of primary importance to the Group. Limited availability of good-quality land at an attractive price can lead to significant and unsustainable competition. The disciplined purchasing of land on attractive terms and at the right time and scale in the economic cycle, will support the Group's ability to deliver enhanced and sustainable margins and returns on capital employed.

Change in risk

Potential impact on KPIs

Purchasing poor-quality or mispriced land, or incorrectly timing land purchases, would have a detrimental impact on our profitability and return on capital employed.

Acquiring insufficient land would reduce our ability to actively manage our land portfolio and create value for shareholders.

Mitigation

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.

Progress in 2018

The short term land market remained relatively benign throughout 2018, although increasing competition was observed in a number of geographies particularly for smaller sites and good quality strategic land opportunities. We continued to invest in value-creating land opportunities, maintaining strong discipline on quality, margin and return on capital employed.

We are mindful of external factors and continue to critically assess opportunities for robustness in changing circumstances. The strong level of conversion from the strategic pipeline means our reliance on purchasing short term land is diminished, providing some insulation from land price increases.

How does the Board review this risk?

The Group Operations Director updates the Board on the latest developments in the land market and our material purchases and agreements.

The Board reviews the return on capital criteria for land in light of current market conditions. For example, last year the Board raised the hurdle rate for new land acquisitions.

 [Read more on pages 26 to 27](#)

 [Read more on pages 9 and 18](#)

Principal risks and uncertainties continued

F: Site and product safety

Overview

Construction sites and operations can present risks to health and safety. Suitable and sufficient controls to eliminate or reduce the risks must be implemented and constantly monitored and measured. Unsafe practices by our employees or subcontractors, and unsafe product quality, have the potential to cause death or serious injury.

In light of the Grenfell Tower tragedy, the Government consulted on proposals to ban the use of combustible materials in the external walls of high rise residential buildings. Following the consultation, an amendment to Approved Document B of the Building Regulations was issued in December 2018, implementing the proposals in full for works where an initial notice was issued to the local authority on or after 21 December 2018. Changes to the Building Regulations are forward looking in terms of implementation.

In May 2018, Dame Judith Hackitt's Independent Review of Building Regulations and Fire Safety (the Hackitt Review) was published. The Government subsequently committed to the full implementation of the recommendations contained within the review, including restricting the use of assessments in lieu of tests (commonly referred to as desktop studies) to demonstrate compliance with Approved Document B of the Building Regulations. The Government consulted on this in spring 2018 and consequently included a full ban on the use of desktop studies within the December 2018 amendment to Approved Document B.

Responsibility

Director of Health, Safety and Environment

Group Operations Director

Group Director of Design

Every employee and subcontractor

Relevance to strategy

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.

Change in risk

Potential impact on KPIs

In addition to the potentially tragic personal impact of an accident on site or involving a customer after completion, there is potential for legal proceedings and civil action, financial penalties, reputational damage and subsequent delay to operations.

Mitigation

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 building standards and regulations.

We provide extensive ongoing HSE training for our employees and provide HSE inductions and regular Site Safe Briefings for our contractors and operatives to supplement their HSE training.

'Blue Hat' support teams from our employee and contractor base on site, are integrated into our site management and support teams, where they assist our site managers to demonstrate and 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 tall constructed by or for Taylor Wimpey, which incorporate Aluminium Composite Material (ACM) into their facade. For all such buildings, we have notified the persons responsible for the buildings and have directed them to the interim mitigation advice issued by Government. In a number of instances where the special circumstances deemed it to be appropriate, we have also followed Government guidance by seeking independent professional advice on any further action that should be taken.

HSE performance and issues are reviewed by the GMT on a timely basis and actions put in place to continually drive improvement and rectify issues and help prevent a recurrence.

Progress in 2018

Our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors was 228 in 2018, an increase from our record low of 152 in 2017. Our AIIR for major injuries per 100,000 employees and contractors was 64 in 2018 (2017: 54). Our AIIR remains below both the HBF Home Builder Average and the Health and Safety Executive Construction Industry Average, and we are committed to reducing it further.

We were deeply saddened by the death of a subcontractor on our Stoneley Park site in Crewe in July 2018 following a serious accident. We are assisting the Health and Safety Executive with the ongoing accident investigation and await their findings. We have offered support to everyone working on the site, encouraging them to access counselling via our employee assistance scheme.

As a result of our incident analysis, we continued our increased focus on site housekeeping and ensuring that both our site management teams and contractors check work areas prior to the commencement of new tasks and activities to ensure the relevant controls are in place and the work area is safe.

We continued to expand our successful 'Supervisory Safety' initiative with over 5,000 Groundworks Supervisors trained to date. Over 400 groundworkers were provided with HSE refresher training and HSE training for our 'Blue Hat' support workers as part of our 'Creating a Site Team Approach'.

Following the amendment to Approved Document B of the Building Regulations in December 2018, we have taken measures to ensure all future designs will meet and fully comply with the relevant amended regulations and standards. Internally, we issued guidance in March 2018 which banned the use of combustible materials on all new buildings over 18 metres tall, and which also banned the use of desktop studies as a means to demonstrate compliance with Approved Document B.

Further, in light of Government advice on tall buildings, we have undertaken expert reviews on a number of buildings. Where the ownership aspects and specific circumstances made this appropriate, we have worked with building owners, management companies, independent fire safety experts and local fire and rescue services to agree a schedule of works to remediate tall buildings with combustible ACM.

How does the Board review this risk?

HSE is the number one non-negotiable priority and is reviewed at every Board meeting. This includes a review of site safety status; incident rates; incident type (with a focus on serious incidents). Next steps, such as process and procedure changes are reviewed and agreed upon.

 **Read more** on pages 32 to 33

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 c.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 over eight-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. The Board conducted their viability assessment for a period of five years, having extended the assessment period from three to five years in 2017, and similarly extended the horizon of the 2018 operating plan to better reflect the forecast period that the Board considers. The Company operates in a market which is prone to cyclicalities, 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 44 to 50. 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 reflects the potential impact of a sharp decline in customer confidence, disposable incomes, and higher mortgage interest rates as may be experienced as a secondary impact to the Group from the UK leaving the EU. During 2019, we reduced volumes from 2018 levels by 30% and selling prices by 20%, with no recovery. The assessment also reflects a one-off exceptional charge and cash cost of £150 million for an unanticipated event or fine. Finally, the recommencement of pension contributions at £40 million per annum has been modelled throughout the five-year period. We considered mitigating actions, assuming continued investment in land, albeit at a reduced level, and the continued payment of the annual ordinary dividend of £250 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.

Group financial review

15,275

Group completions including joint ventures

£4,082.0m

Revenue

£880.2m

Operating profit*

£656.6m

Profit for the year

Chris Carney, Group Finance Director

Focused on driving strong financial performance

2018 Group results	UK	Spain	Group
Completions including joint ventures	14,933	342	15,275
Revenue (£m)	3,977.8	104.2	4,082.0
Operating profit* (£m)	851.0	29.2	880.2
Operating profit* margin (%)	21.4	28.0	21.6
Profit before tax and before exceptional items (£m)			856.8
Profit for the year (£m)			656.6
Basic earnings per share (p)			20.1
Adjusted basic earnings per share ^{††} (p)			21.3
Total dividends paid per share (p)			15.3

More information on segmental reporting can be found in Note 5 to the consolidated financial statements on page 140.

Alternative Performance Measures

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

Definitions of the APMs discussed throughout our Annual Report and Accounts, and a reconciliation to the equivalent statutory measure are detailed in the APM section on pages 178 to 180.

Our Group financial review is presented at Group level, which includes Spain, unless otherwise indicated. A short summary of the Spanish business follows.

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

Group financial review of operations

Income statement

Group revenue increased by 2.9% to £4,082.0 million in 2018 (2017: £3,965.2 million). This increase was driven by increased completions both in the UK and in Spain, with completions (excluding joint ventures) increasing by 3.2% to 15,164 (2017: 14,688). Whilst UK selling prices for both private and affordable completions increased in the year, the average selling price of UK completions remained flat at £263.9k (2017: £264.4k), due to the greater proportion of affordable housing completions in 2018. The average selling price on UK private completions was £301.8k (2017: £296.4k).

The UK land cost per completed unit, at £41.7k, was 8.1% lower than prior year (2017: £45.4k). This reflected the greater proportion of affordable housing in 2018, an increased proportion of completions from strategically sourced land of 58% (2017: 53%), and a lower proportion of completions from the Central London business. Total UK land cost per completion as a percentage of selling price was 15.8% (2017: 17.2%).

Build cost per unit in the UK increased to £147.4k (2017: £143.7k), with the greater level of strategically sourced sites requiring higher infrastructure costs, together with marginal build cost inflation, regional mix and specification improvements. Underlying annual build cost inflation (excluding house type mix impact) was c.3.5% year on year (2017: c.3.5%), largely due to continued pressure on resources to deliver the higher level of homebuilding.

Direct selling expenses per unit decreased marginally to £5.9k (2017: £6.0k), due to sales efficiencies.

Whilst the average UK gross profit per private completion increased in the year, the average UK gross profit per completion was down marginally by 0.6% to £68.9k (2017: £69.3k), reflecting the higher proportion of affordable completions in the year.

Group gross profit of £1,074.5 million (2017: £1,031.8 million) increased by 4.1%, and included a positive contribution of £7.7 million (2017: £17.4 million). Positive contribution represents previously written down inventory allocated to a plot which has subsequently resulted in a gross profit on completion. This can be due to revenue outperformance, cost efficiencies or product mix improvements since the inventory was assessed for its forecast profitability. These amounts are stated before the allocation of overheads, which are excluded from the Group's net realisable value of inventory exercise.

In 2018, only 2% (2017: 5%) of the Group's UK completions were from sites that had been previously impaired. In Spain, 17 plots (2017: 35) were completed that had previously been impaired. The Group anticipates that c.2% of UK 2019 completions will come from sites that have been previously impaired.

During the year, completions from joint ventures were 111 (2017: 154), with new phases of existing sites, at Chobham Manor and Greenwich Millennium Village, starting to deliver completions in the second half of the year. The total order book value of joint ventures as at 31 December 2018 was £22 million (31 December 2017: £4 million), representing 58 homes (31 December 2017: 7), for 2019 completions. Our share of results of joint ventures in the period was a profit of £5.3 million (2017: £7.6 million).

Group operating profit* increased by 4.3% to £880.2 million (2017: £844.1 million), delivering an operating profit* margin of 21.6% (2017: 21.3%). There was a slight reduction in margin from the net impact of market effects on selling and build cost inflation, which was more than offset through increased standardisation and operational efficiency and a small increase in our commercial property sales associated with our mixed use developments. Profit on ordinary activities before net finance costs increased by 17.3% to £828.8 million (2017: £706.5 million). This increase is driven by the increased operating profit* and a reduction in the exceptional charge in 2018.

Net finance costs for the period were £23.4 million (2017: £32.1 million). The reduction is primarily due to the lower notional interest charge of £1.1 million (2017: £5.9 million) on the defined benefit pension scheme deficit. This is a result of the deficit falling from £232.7 million in December 2016 to £63.7 million at December 2017, which drives the following period's notional interest charge. Unwind of the discount on land creditors and other items was £18.5 million (2017: £20.9 million), primarily due to a lower weighted average discount rate applied to land creditors. Interest on overdraft, bank and other loans decreased by £0.8 million year on year.

Profit before tax and exceptional items increased by 5.5% to £856.8 million (2017: £812.0 million). The pre-exceptional tax charge was £162.3 million (2017: £151.7 million) with an underlying tax rate of 18.9% (2017: 18.7%) that largely reflects the statutory tax rate in the UK. This resulted in a profit, before exceptional items, for the year of £694.5 million (2017: £660.3 million), 5.2% up on the prior year due to the improvement in the operational result and lower net finance costs.

Definitions

- * Operating profit is defined as profit on ordinary activities before net finance costs, exceptional items and tax, after share of results of joint ventures.
- ** Return on net operating assets (RONOA) is defined as rolling 12-month operating profit divided by the average of the opening and closing net operating assets, which is defined as net assets less net cash, excluding net taxation balances and accrued dividends.
- *** Return on capital employed is defined as rolling 12-month operating profit divided by average capital employed calculated on a monthly basis over the period.
- **** Operating cash flow is defined as cash generated by operations (which is before taxes paid, interest paid and payments related to exceptional charges).
- † 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 weighted average number of shares in issue during the period.
- †† Net operating asset turn is defined as 12-month rolling total revenue divided by the average of opening and closing net operating assets.
- ††† WIP turn is defined as total revenue divided by the average of opening and closing work in progress.
- † Net cash / (debt) is defined as total cash less total financing.
- †† Cash conversion is defined as operating cash flow divided by operating profit on a rolling 12-month basis.
- ††† Contribution margin is defined as revenue less direct build costs, less gross land costs and less direct selling expenses. Contribution margin excludes the impact of supplier rebates, land provision utilisation and discounting of deferred land commitments.
- †††† Adjusted gearing is defined as adjusted net debt divided by net assets. Adjusted net debt is defined as net cash less land creditors.

Group financial review continued

The Group discloses material, financial impacts arising from events which are one-off or unusual in nature as exceptional items. An exceptional charge of £46.1 million was recognised in the year, which comprises two elements (2017: £130 million in relation to leasehold property matters and doubling ground rents). As previously reported, a charge totalling £30.0 million has been recognised for the removal of Aluminium Composite Material (ACM) cladding at a small number of sites. We have sought professional advice on each building and believe the £30.0 million exceptional provision to be an appropriate estimate of the final outcome. Further, following the landmark legal judgment in October last year, which ruled on the equalisation of guaranteed minimum pensions for men and women in UK defined benefit pension plans, we have reviewed our own position with our pension scheme Trustee. We estimate that the scheme's liabilities will increase by £16.1 million on an accounting basis and recognised this as an exceptional charge. The position will be kept under review, including the amount of the liability, pending any further clarification and Government guidance. An exceptional tax credit of £8.2 million was recognised in respect of the £46.1 million exceptional charge recognised in the year.

Profit on ordinary activities before tax increased by 18.9% to £810.7 million mainly as a result of higher operating profit* and lower exceptional charges (2017: £682.0 million). Profit for the year was £656.6 million, up by 18.2% on 2017 (2017: £555.3 million).

Basic earnings per share was 20.1 pence (2017: 17.0 pence). The adjusted basic earnings per share†† was 21.3 pence (2017: 20.2 pence), up 5.4%.

Balance sheet

Net operating assets** were £2,611.9 million (31 December 2017: £2,654.1 million). This reflects a net investment of £112.5 million (2017: £91.7 million) in the year in land and work in progress (WIP), funded by a £99.5 million increase in land creditors. In addition, there has been a £68.8 million increase in the retirement benefit obligations. Return on net operating assets** increased by 0.9 percentage points to 33.4% (2017: 32.5%), as a result of improved profitability and maintaining balance sheet discipline. Similarly, net operating asset turn** remained at a strong 1.55 times (2017: 1.53 times). Asset turn has benefitted from the combination of on-going competitive land acquisition terms and strong revenues.

As at 31 December 2018, the UK short term landbank comprised 75,995 plots, with a net book value of £2.5 billion. Short term owned land comprised £2.3 billion (2017: £2.3 billion), representing 53,279 plots (2017: 56,619). The controlled short term landbank represented 22,716 plots (31 December 2017: 18,230). The value of long term owned land increased by 11% to £100 million (2017: £90 million), representing 32,354 plots (2017: 26,836), with a further total controlled strategic pipeline of 95,063 plots (31 December 2017: 90,409). Total potential revenue in the owned and controlled landbank increased to £50 billion in the period (31 December 2017: £47 billion), reflecting the increase in the scale of the strategic land pipeline.

Average WIP per UK outlet at 31 December 2018 increased by 12.5% to £5.4 million (2017: £4.8 million). UK WIP turn*** remained flat at 2.95 times (2017: 2.95 times).

As at the balance sheet date, the Group held certain land and work in progress that had been written down by £83.0 million (31 December 2017: £93.3 million) to a net realisable value of £73.8 million (31 December 2017: £87.7 million). The balance of previously written down land and work in progress in the UK was £46.6 million (31 December 2017: £69.9 million), following the associated write-downs of £38.7 million (31 December 2017: £46.9 million) and principally relates to eight locations.

As at 31 December 2018, in the UK, 86% of the short term owned and controlled landbank was purchased after 2009, 59% of which was sourced through our strategic pipeline. This results in a land cost to average selling price in the short term owned landbank of 15.2% (31 December 2017: 14.8%).

Turning Group profit into cash

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 £738.6 million (31 December 2017: £639.1 million) and, combined with net cash†, resulted in a low adjusted gearing**** of 2.9% (31 December 2017: 4.1%). Included within the land creditor balance is £102.0 million of UK land overage commitments (31 December 2017: £117.0 million). £359.5 million of the land creditors is expected to be paid within 12 months and £379.1 million thereafter.

The mortgage debtor balance was £45.3 million at 31 December 2018 (31 December 2017: £63.1 million), with the decrease due to redemption receipts of £21.6 million.

Provisions increased to £170.3 million (31 December 2017: £161.6 million) following the recognition of the £30.0 million exceptional cladding provision in the year, offset by payments amounting to £25.5 million for the settlement with regard to the GRRAS.

Our net deferred tax asset of £40.7 million (31 December 2017: £29.3 million) relates to our pension deficit, employee share schemes and the temporary differences of our Spanish business, including brought forward trading losses.

Net assets at 31 December 2018 increased by 18.8% to £3,726.3 million before dividends paid in the year, and by 2.9% overall year on year to £3,226.8 million (31 December 2017: £3,137.3 million). The net asset increase from 31 December 2017 was driven by strong profitability in the year offset by the £499.5 million dividends paid and the pension actuarial assumptions and asset performance increasing the pension deficit year on year.

Value distributed during 2016-2018 (£m)

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

Pensions

As previously announced, further to our 31 December 2016 triennial valuation, we agreed a funding plan with the Trustee to December 2020. This included a contribution mechanism, tested quarterly, such that should the Taylor Wimpey Pension Scheme (TWPS) reach a technical provisions surplus, further contributions would be suspended and only recommence if the funding level fell below 96%. The first quarterly test as at 29 March 2018, identified a deficit of £23.0 million which was paid in April 2018. The subsequent quarterly tests to 30 September 2018 resulted in a small deficit. However, as the TWPS remained 99% funded, regular contributions were suspended through the remainder of the year.

The quarterly test for 31 December 2018 showed that the TWPS funding had declined to 94%, following a fall in global equity valuations and other related financial markets in Q4 2018. A result of this latest quarterly test, the Group will recommence regular contributions from January 2019, until the earlier of full funding or Q4 2020. In addition, the Group will continue to cover scheme expenses and make contributions via the Pension Funding Partnership. Total scheme contributions totalled £34.1 million in 2018 (2017: £23.1 million). Payments are expected to increase to £47.1 million per annum from 2019, assuming the TWPS remains less than 100% funded.

As 31 December 2018, the IAS 19 valuation of the scheme remained in surplus at £30.9 million. Due to the rules of the TWPS, this surplus cannot be recovered by the Group and therefore a deficit has been recognised on the balance sheet under IFRIC14. This deficit is equal to the present value of the remaining committed payments under the 2016 triennial valuation. Total retirement benefit obligations of £133.6 million at 31 December 2018 (31 December 2017: £64.8 million) comprise a defined benefit pension liability of £133.0 million (31 December 2017: £63.7 million), with the increase reflecting the new pension funding plan, and a post-retirement healthcare liability of £0.6 million (31 December 2017: £1.1 million).

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The underlying volatility of the TWPS remains low due to the c.£200 million buy-in completed in 2014 (c.10% of the liabilities), combined with c.90% liability hedging against interest rates and inflation risk exposure on the scheme's long term, 'self-sufficiency' basis.

Cash flow

Net cash[†] increased to £644.1 million at 31 December 2018 from £511.8 million at 31 December 2017. This is despite returning £499.5 million to shareholders by way of dividends in the year (2017: £450.5 million) and paying £25.5 million in relation to the GRRAS set up to assist certain of our customers to move their ground rent escalating terms to less expensive terms. This improvement in net cash[†] is largely as a result of strong performance in underlying trading and maintaining balance sheet discipline.

Net land spend, including the payment of land creditors, was £581.4 million (2017: £645.6 million) and we invested £2,406.6 million in work in progress (2017: £2,386.7 million). In 2018, we paid £8.6 million in interest costs (2017: £5.1 million) and £139.6 million in corporation tax (2017: £126.7 million). £8.3 million was paid for the car fleet and certain office properties capitalised under IFRS 16. £9.9 million was spent during the year to acquire shares for satisfying future share scheme awards (31 December 2017: £13.3 million).

In the 12 months to 31 December 2018 we converted 92.6% of operating profit* into operating cash flow**** (2017: 87.2%).

Financing structure

At 31 December 2018 our committed borrowing facilities were £640 million of which £550 million was undrawn. Average net cash[†] for 2018 was £259.6 million (2017: £186.5 million net cash[†]).

During the year, 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. At the start of 2019 we extended the facility by a further year to 2024. This extends the average maturity of the committed borrowing facilities to 5.0 years.

Group financial review continued

Dividends

As announced in May 2018, subject to shareholder approval each year, the Company will pay an ordinary dividend of approximately 7.5% of Group net assets from 2019, which will be at least £250 million per annum. This is intended to provide a reliable minimum annual return to shareholders throughout the cycle and will be paid equally as a final dividend (in May) and as an interim dividend (in November). 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 at the AGM scheduled for 25 April 2019, the 2018 final ordinary dividend of 3.80 pence per share will be paid on 17 May 2019 to shareholders on the register at the close of business on 5 April 2019 (2017 final dividend: 2.44 pence per share). In combination with the interim dividend of 2.44 pence per share (2017 interim dividend: 2.30 pence per share) this gives a total ordinary dividend for the year of 6.24 pence (2017 ordinary dividend: 4.74 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 25 April 2019 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk/corporate

In addition, on 13 July 2018, we returned £340.0 million to shareholders by way of a special dividend, equating to 10.40 pence per ordinary share. As previously announced in May 2018 we intend to return c.£350 million to shareholders in July 2019, equating to 10.7 pence per ordinary share, subject to shareholder approval at the AGM. This is proposed to be paid on 12 July 2019 as a cash dividend to all shareholders on the register at close of business on 7 June 2019. Shareholders will be offered the opportunity to reinvest all of their 2019 special cash dividend under the DRIP, for which elections to join the Plan must reach the Registrar by 21 June 2019.

The Board continues 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.

Spain

The Spanish housing market remained positive throughout 2018. We completed 342 homes in 2018 (2017: 301) at an average selling price of €344k (2017: €352k). The total order book as at 31 December 2018 was 284 homes (31 December 2017: 329 homes).

The Spanish business delivered an improved operating profit* of £29.2 million for 2018 (2017: £26.8 million) and an operating profit* margin of 28.0% (2017: 28.5%). Looking ahead, we believe the business is well positioned for further growth in 2019.

Going concern

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

Accounting standards

During the period, the Group adopted three new accounting standards, being IFRS 9 – 'Financial Instruments'; IFRS 15 – 'Revenue from Contracts with Customers'; and IFRS 16 – 'Leases'. Although there is limited impact to the financial statements from their adoption, IFRS 16 has the greatest impact, with the recognition of £27.1 million of leased cars, office properties and other smaller items as assets at 31 December 2018, with a corresponding lease liability. In addition, with the adoption of IFRS 16, the cash spend on cars and leased property has moved from Net Cash from Operating Activities to Financing Activities (see page 134). The 2017 financial statements have been restated for IFRS 9 and IFRS 15. They have not been restated for IFRS 16 as it has been applied from 1 January 2018 using the 'modified retrospective' approach, as outlined in the standard.



Chris Carney
Group Finance Director

i For our Viability statement see page 51

Approval of the Strategic Report

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



Pádraig Redfern
Chief Executive

Directors' report: **governance**

58	Board of Directors
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117	Statutory, regulatory and other information

Board of Directors

A leadership team **committed to delivering** strong performance underpinned by **good governance**

Chair

Executive Directors

N R

Kevin Beeston
Chair

Pete Redfern
Chief Executive

Chris Carney
Group Finance Director

James Jordan
Group Legal Director and
Company Secretary

Jennie Daly
Group Operations
Director

Joined July 2010

Joined July 2007

Joined 20 April 2018

Joined July 2011

Joined 20 April 2018

Skills & experience

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

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

External appointments

Kevin is a non executive director of Severn Trent plc, Marston Corporate Limited, Elysium Limited and The Football Association Premier League Limited.

Skills & experience

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

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

External appointments

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

Skills & experience

Chris is a Chartered Accountant and has worked in both private practice and for Associated British Foods plc before joining Taylor Wimpey in 2006. Since joining the Group, he has successively held the roles of Group Financial Controller; Finance Director of Taylor Wimpey UK (the Group's main operating company); Managing Director of the Company's South Thames business unit; and was appointed Divisional Chair for the London and South East Division in 2015, where he oversaw significant progress in the operational and financial performance.

Having gained significant operational and delivery experience, Chris was appointed as Group Finance Director on 20 April 2018. He has operational responsibility for managing the Company's finances and also oversees the commercial, information technology and pension functions.

Skills & experience

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

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

External appointments

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

Skills & experience

Jennie has a wealth of experience in the housebuilding industry gained from roles which included strategic land oversight at Westbury plc and managing director of Harrow Estates Plc. She joined the Company in 2014 from Redrow plc, as UK Planning Director, before becoming UK Land Director in 2015.

Jennie chairs the Group Operation Team and in her role, oversees our land, planning, design and technical, production and supply chain functions, in addition to managing the Taylor Wimpey Logistics business.

External appointments

Jennie is a non executive director of the Peabody Trust.

Find out more

i Read more on our Governance and Board Structure
Pages 60-81

i Read more on our Board Activities
Pages 68-71

i Read more on our Board Framework
Page 67

A Audit Committee

N Nomination Committee

R Remuneration Committee

☐ Chairship of the Committee

Board gender diversity

Executive

Male: 3
Female: 1

Group Board

Male: 5
Female: 4

Non Executive

Male: 2
Female: 3

Independent Non Executive Directors

N A R

Kate Barker DBE

Independent
Non Executive Director

Joined April 2011

Skills & experience

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

Kate is the Company's Senior Independent Director.

External appointments

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

N R

Gwyn Burr

Independent
Non Executive Director

Joined 1 February 2018

Skills & experience

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

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

External appointments

Gwyn is the Senior Independent Director of Hammerson plc and her other non executive directorships include Just Eat plc, Metro AG (a German listed company) and Sainsbury's Bank plc (a non listed company).

N R A

Angela Knight CBE

Independent
Non Executive Director

Joined November 2016

Skills & experience

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

Previously, Angela was a Member of Parliament from 1992 to 1997, including two years as the Economic Secretary at HM Treasury, and Chair of the Office of Tax Simplification in HM Treasury until the end of February 2019.

External appointments

Angela is senior independent director of TPICAP Plc; and a non executive director of Arbuthnot Latham & Co and Provident Financial plc.

N A

Humphrey Singer

Independent
Non Executive Director

Joined December 2015

Skills & experience

Humphrey has a wealth of financial experience and expertise in the areas of both digital solutions and customer services.

Previously he was Group Finance Director of Dixons Carphone plc; Group Finance Director of Dixons Retail plc; and earlier held senior finance-related roles within Dixons and Coca Cola Enterprises.

External appointments

Humphrey is Chief Finance Officer of Marks and Spencer Group plc.

Non Executive Director tenure

1-2 years

2

3-4 years

1

7-8 years

1

Non Executive Director – areas of experience

Corporate governance

Governance highlights for 2018

- Fully met all of the requirements of the UK Corporate Governance Code applying to the Company for 2018 and a substantial proportion of the July 2018 update of the Code which applies to the Company from 1 January 2019. Please see page 66.
- Fully met all of the requirements set out in the Financial Reporting Council's Guidance on Risk, Internal Control and Related Financial and Business Reporting. Please see page 66.
- Made good progress towards achieving our strategy for improving diversity and inclusivity at all levels throughout the Group's businesses. Please see pages 94-95.
- Conducted a comprehensive internally-facilitated Board Evaluation exercise. Please see pages 80-81.
- Further developed and enhanced the Company's succession and contingency planning processes across the Group. Please see page 91.
- Took action to increase female representation in senior roles highlighted in our Gender Pay Gap Report which appeared on our website during 2018. Please see page 88.
- Further deepened processes and procedures across the business and its supply chain in compliance with the Modern Slavery Act 2015 and prepared our third annual statement which appears on our website. Please see page 122.
- Published the Company's first statutory report of payment terms during 2018. Please see page 76.

Kevin Beeston, Chair

Good governance is at the heart of what we do

Dear Shareholder

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

Firstly, I would like to emphasise again that the Board continues to take corporate governance very seriously and has been able to demonstrate this over many years with full compliance with the UK Corporate Governance Code (the Code). The requirements of the Code, highlighting the changes introduced by the July 2018 update of the Code, are summarised on page 66, where we have included a signpost directing you to the relevant page setting out in detail how the Company has complied with the various provisions of the Code. Where possible, the Company has consistently sought to comply with planned improvements and revisions to the Code, and with wider governance initiatives, often in advance of their formal application to our reporting years. This proactive approach is demonstrated by the establishment during 2017 of our National Employee Forum, ahead of the Government's employee voice initiative and which formed part of the 2018 version of the

Code which applies to companies with effect from 1 January 2019. The Board recognises the importance of considering the Company's responsibilities and duties to both its shareholders and its broader stakeholder group and this has been part of our culture and decision making process for many years. The Directors' duties under s.172 of the Companies Act 2006 help to underpin the good governance which is at the heart of what we do. Details of how the Board takes account of shareholder and wider stakeholder interests in its strategic planning and decision making processes are set out on page 69 and 76-79.

We receive regular briefings and updates on corporate governance at our Board and Committee meetings and this report on corporate governance aims to set out and explain in clear terms the governance-related processes and procedures that are in place at Taylor Wimpey and which we believe are essential for the delivery of the long term success of the Company. It is these processes that ensure we comply with all applicable laws and regulations as well as, of course, meeting the requirements of our relevant stakeholders, including shareholders and their representative

bodies with whom we are always very pleased to engage. We very much appreciate their constructive and helpful approach and feedback.

Culture, values and ethics

The Board strongly believes that good governance should be focused not only on how the Board itself operates effectively but also, and very importantly, on the culture within which all of our businesses and employees operate and conduct themselves on a day to day basis. The culture, values and ethics set out in the Chief Executive's Letter on page 5 are set by the Board and then led in our operations by the Chief Executive and the rest of our Executive and senior management teams. The principles of good governance are embedded throughout Taylor Wimpey and, by way of example, manifest themselves in a number of different ways, including the following:

- An absolute and non-negotiable requirement to ensure the health and safety of our employees, customers, subcontractors, suppliers and visitors to our offices and developments. Please see pages 32-33.

- The requirement to observe good business practice, including abiding by all applicable laws and regulations that relate to our business. Please see page 75.
- The provision of mandatory training to all of our businesses on key legislation and regulations relating to our areas of operation.
- Our Group-wide Operating Framework control document setting out delegated authority limits.
- A system of controls and checks underpinned by a rigorous Internal Audit Department and in turn overseen by the Audit Committee.
- Regular and embedded risk assessment and monitoring processes. Please see pages 42-51.
- Encouraging and investigating any disclosures made either directly or through an independent whistleblowing hotline. Please see page 75.

Governance developments during the period

There were a number of significant corporate governance developments during 2018.

Perhaps the most important of these was the publication in July of an updated version of the Code and the associated Guidance on Board Effectiveness. These gave effect to the Government's proposals for corporate governance reforms in certain key areas, on which we reported in last year's Annual Report and in respect of which the Company has already taken action to address some of these areas, as set out below:

- Requiring annual reporting and narrative around CEO pay relative to the workforce. Please see page 113.
- Demonstrating how the Directors met the requirement of s.172 of the Companies Act as I referred to earlier, namely, for each of them to promote the success of the Company for its members whilst also having regard to long-term success; a broader range of other stakeholders' interests (including employees, shareholders, customers, suppliers and the wider communities in which our business operates); the impact on the environment; and maintaining high standards of ethics. Please see pages 76-79.
- Strengthening the voice of employees at Board level and I have also already mentioned our National Employee Forum. Please see pages 63, 69, 78-79 and 120-121, particularly the case study on page 79.
- An increasing focus on the culture of the Company. Please see page 65.
- Further requirements around Board composition and succession planning at Board level. Please see page 91.
- Wider recommendations to promote good corporate governance, particularly around Executive pay. Please see page 97.

New skills on the board

Gwyn Burr, Independent Non Executive Director

Gwyn Burr, as an experienced Non Executive Director, received an induction post-appointment that focused on the culture, operational structure and key challenges of Taylor Wimpey.

Accordingly, her induction comprised:

- An introductory meeting with the Chair to discuss Board process and the Group's culture;

- A series of meetings with the Divisional Chairs or the operating divisions of the Group plus a meeting with the Divisional Managing Director for Central and East London. During each of these, the strategy; operating and financial performance; budget and forecasts; human resourcing, diversity and talent development progress and plans; challenges; and medium term plans; for the business area were discussed.
- A series of meetings with Heads of key Departments including Health, Safety and Environmental; Internal Audit; Customer Services; and HR; during which Group-wide progress on initiatives; challenges; and plans for the future, were discussed.
- Visits to a selection of current development sites located in two of the operating Divisions, incorporating discussions with Divisional, Regional and Site Management on operational, financial, supplier and resourcing issues and local initiatives to address them.

Chris Carney, Group Finance Director & Jennie Daly, Group Operations Director

Chris Carney and Jennie Daly, as experienced executives of the Group, received an induction based on providing a greater insight into the wider responsibilities of a listed company director.

Accordingly, their induction comprised:

- One to one meetings with the Chair, Chief Executive and Secretary covering Board process; corporate governance requirements; shareholder views from the Company's perspective; and the Board's current key areas of focus;
- A meeting with the Group's principal external legal adviser, Slaughter and May, on wider legal and regulatory responsibilities; and
- A meeting with one of the Group's stockbrokers to receive a briefing on market and shareholder views from an external perspective.

In addition, Chris also met with Deloitte as part of his induction.

Corporate governance continued

The Board welcomes these changes and I explain later in this report how the Company has responded to these changes to the Code.

The Code also made a change on the length of the Chair's tenure such that going forward, a Chair should not remain in post for more than nine years from when they were first appointed to the Board. This period may be extended in order to facilitate effective succession planning.

The governance briefings to the Board covered, in addition to the briefing on the new Code, all of the key legal and regulatory governance changes introduced during 2018, including the following requirements:

- to include CEO pay ratios (effective for next year's reporting but introduced early by the Company on page 113);
- to disclose the impact on potential outcomes from LTIP awards (the Performance Share Plan or PSP) in the event of significant (up to 50%) appreciation in the Company's share price (effective for next year's reporting but introduced early by the Company in the scenario charts in the Remuneration Report on page 103);
- to include within the annual statement of the Remuneration Committee Chair a summary of any discretion exercised during the period (see page 99).

Key amongst these developments is the requirement to clearly explain how the Board led an appropriate level of engagement with stakeholders in order to meet its duty under s.172 of the Companies Act to promote the success of the Company whilst taking into account the interests of other stakeholders. Related to this, the Board is aware of the reporting obligations under The Companies (Miscellaneous Reporting) Regulations 2018. Details of this engagement during 2018 and into 2019, together with our actions taken in response, are set out on pages 76-79 and in the Board Activities section on page 69.

The Government is also seeking to encourage companies to increase productivity, including through greater recognition of the importance of 'human capital' and a clearer focus on training and development. Details of our initiatives in this regard appear on pages 6, 20, 22, 25 and 78.

Other governance developments during the period included the issue of revised guidelines setting out what key shareholder advisory bodies expect to see in relation to remuneration (addressed further in the Remuneration Report on page 96); and from an environmental, social and governance (ESG) perspective. With regard to the latter, I am pleased to report that the latest update of the Institutional Shareholder Services (ISS) Governance Quality Score for the Company's ESG performance indicates that the Company is level 1 – indicating lowest risk assessment for each of the Environment and Social categories; and for the Governance categories relating to compensation; shareholder rights; audit and risk oversight.

The Board reviewed and welcomed all of these initiatives which are designed to help provide shareholders and all of our stakeholders with increased assurance that the Company is being managed with their best interests firmly in mind, whilst also taking account of other relevant interests and the impact of the Company's activities on the wider community. All of this is of course very important to our industry.

Appointments and succession

The Nomination Committee oversaw a considerable refreshing of the Board during 2018:

As reported in last year's Report, on 1 February 2018, we were delighted to appoint Gwyn Burr as an Independent Non Executive Director, bringing over 25 years' executive experience, principally in customer service in the retail sector. More details of her experience and the additional skill sets she brings to the Board appear in her biography on page 59.

On 20 April 2018, we were also delighted to appoint members of our Group Management Team to the Board. Chris Carney was appointed Group Finance Director, after gaining considerable financial and operational management experience from around the Group. Chris is a Chartered Accountant and has worked in both private practice and for Associated British Foods plc, before joining Taylor Wimpey in 2006. I am very pleased to welcome Chris to the Board and to support Resolution 11 at the 2019 Annual General Meeting ('AGM') proposing his election by shareholders, in respect of which more details appear on page 181.

Jennie Daly was appointed as Group Operations Director having held a number of roles with Taylor Wimpey since joining the Group in 2014 as UK Planning Director, before becoming UK Land Director and then Group Operations Director in 2017. Before joining Taylor Wimpey, Jennie gained a wealth of experience from various roles in the housebuilding industry including strategic land oversight at Westbury plc and managing director of Harrow Estates Plc. As Group Operations Director, Jennie oversees our land, planning, design and technical, production and supply chain functions, in addition to managing the Taylor Wimpey Logistics business. Jennie also chairs the Group Operation Team meetings. I am very pleased to welcome Jennie to the Board and to support Resolution 12 at the 2019 AGM proposing her election by shareholders, in respect of which more details appear on page 181.

Kate Barker was appointed as the Senior Independent Director on 26 April 2018. Kate has been a Non Executive Director of the Company since April 2011 and brings to the role a wide range of experience, both of the Company and of wider corporate, economic and stewardship principles. More details of her experience appear in her biography on page 59.

Humphrey Singer was appointed Chair of the Audit Committee on 10 January 2018 and succeeded Rob Rowley in that role. Humphrey brings wide experience of financial reporting and compliance to the role, including from his period of service on the Audit Committee prior to this appointment. More details of his experience appear in his biography on page 59.

As reported in last year's Annual Report, Rob Rowley stood down as an Independent Non Executive Director and as the Senior Independent Director on 26 April 2018 after over eight years' service on the Board and its Committees, and particularly as Chair of the Audit Committee. We were pleased to be able to pass on our grateful thanks to Rob in last year's Annual Report.

Ryan Mangold stood down as Group Finance Director on 20 April 2018. On behalf of the Board, I would like to express our sincere gratitude to Ryan for his long and valued contribution to the Company's progress and stewardship over the seven years of his service as Group Finance Director and previous to that, as Group Financial Controller.

As mentioned in my Chair's Statement, Mike Hussey stood down as an Independent Non Executive Director on 19 July 2018. On behalf of the Board, I would also like to express our gratitude to Mike for his long and valued contribution to the Company's progress and stewardship over almost seven years of his service on the Board and as a member of the Audit and Nomination Committees. Mike's insight on development and in particular with regard to the London market was invaluable.

We wish both Ryan and Mike all the very best for the future.

The Nomination Committee regularly reviews the composition, balance, skills and experience of the Board and concluded that, following the changes set out above, that the balance and composition of the Board will continue to provide the right blend of experience, expertise and challenge to ensure good governance so as to enable the Company to successfully implement its strategy. During the year, excluding the Chair, in accordance with the Code at least half of the Board were Independent Non Executive Directors.

I joined the Board of Taylor Wimpey in July 2010 and I have enjoyed my time immensely. As part of our ongoing Board succession planning reviews and in accordance with the requirements of the new Code, the Nomination Committee will be putting the wheels in motion to recruit my successor during the course of this year.

Board evaluation

It is a key and important requirement of good governance that an annual evaluation is carried out to ensure that the Board, its Committees and each Director operates and performs effectively. The Code requires that the evaluation is externally-facilitated at least every three years, and since the evaluation for 2017 was externally-facilitated by Manchester Square Partners, as reported in last year's Annual Report, the annual evaluation for 2018 was internally-facilitated. The outcome of the evaluation was very positive and full details of the evaluation methodology and its outcome are set out on pages 80-81.

Diversity

Diversity and inclusivity has continued to be a key item on the overall UK governance agenda during 2018. The Company has achieved the target introduced by Lord Davies of Abersoch's review for the proportion of women on each FTSE 350 company's board to increase from the current 25% target to 33% by 2020, with the Board's proportion of women members having reached 44% (four out of nine). The Board also welcomed the Hampton-Alexander Review which proposes to increase Board and senior leadership diversity. I am pleased to be able to report that the proportion of women increased during 2018 and to date, on both the Board (from 33% to 44%) and on the direct reports to the Board – the Group Management Team (GMT) from 30% to 33%. More details of how these improvements were achieved and the Board's plans for further improvements in diversity and inclusivity, are set out on pages 92-95. The Board very much welcomes these increased targets which are designed to give greater impetus to the progress of enhanced gender diversity on PLC boards. This, together with other aspects of diversity, such as the latest proposals from the FRC to require greater consideration of ethnic and social diversity when planning Board appointments, is very much in the thinking of the Nomination Committee when reviewing the balance and composition of the Board and the structuring of talent development initiatives across the Group.

I am delighted to be able to report that at the launch on 13 November 2018 of the Hampton-Alexander Review into speeding up the pace of progress on increasing diversity on Boards and the next two leadership levels immediately below the Board, the Company was the third best performer in the FTSE at that time; was the only housebuilder in the top ten; and was amongst those commended for the progress made to date.

The Company fully recognises the importance of diversity and its policy is to appoint or promote, as appropriate, the best person for the role in question without taking account of factors such as educational or professional backgrounds save as appropriate for the position; age; gender; ethnicity; or disability. The objective of this policy is to ensure that diversity is built into the Company's appointment and promotion process and that only relevant factors are taken into account when considering such matters. The policy has been implemented through training sessions on unconscious bias for management teams throughout the Company's business and its head office functions. Progress to date in this area is set out on pages 94-95.

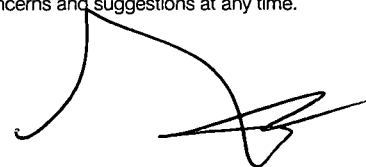
Engagement with employees

Last year I reported on the creation and early meetings of the National Employee Forum, which I have already referred to earlier. This year I am delighted to have witnessed at first hand the constructive and informed debate at its meetings, which is reported in more detail on pages 69, 78-79 and 120-121, particularly the case study on page 79.

Conclusion

I believe that your Board remains effective and continues to work well. I am confident that the Board has the right balance of skills, expertise and professionalism to continue to deliver strong governance whilst allowing the Executive Directors to implement and deliver the strategy (as set out on pages 12-26) within the strong culture that we have worked hard to establish. Whilst I am also pleased with the Board's activity and approach with regard to corporate governance, we continually look for ways to learn and improve.

As ever, I very much look forward to meeting with shareholders at the AGM on 25 April 2019 and, as always, along with all of your Directors (who will all be present at the AGM), remain available to answer or respond to your questions, concerns and suggestions at any time.



Kevin Beeston
Chair

Corporate governance continued

Role of the Directors

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

Chair

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

Chief Executive

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

Group Finance Director

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

Group Operations Director

- Operational responsibility for managing the Company's development process, from land acquisition, through planning applications, design and production, to sale of the completed product and customer service matters
- Overseeing the commercial, supply chain and logistics support for operations
- In conjunction with the Group Management Team, overseeing the Company's risk profile

Group Legal Director and Company Secretary

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

Senior Independent Director

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

Non Executive Directors

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

i Read more about individual Directors' skill sets on page 72.

The Board and its Committees

As at the date of this Report, the Board consists of nine Directors, namely: the Chair, four Executive Directors and four Independent Non Executive Directors. Their names, responsibilities and other details appear on pages 58 to 59, 64 and 72.

The role of the Independent Non Executive Directors is to offer advice and guidance to the Executive Directors, using their wide experience in business and from their diverse backgrounds, details of which are set out in their biographies on pages 58 to 59 and 185 to 186 and in the Board diversity analysis on pages 58 to 59. They also provide a constructive challenge, monitoring the overall direction and strategy of the Company; scrutinising the performance of the Executive Directors; and satisfying themselves as to the integrity of the financial information made available both to the Board and to the Company's shareholders. The Non Executive Directors also play an important part in the appointment or removal of Executive Directors and in general succession planning for the Board and other executive and senior management positions below Board level.

Board attendance

The Board met on eight occasions during 2018 and there was full attendance at all meetings by all Directors. The Board regularly considers the number of Board meetings that take place each year and has concluded that eight meetings remain appropriate but will keep the number under review. Additional Board meetings would be convened as and when necessary and there are also

processes in place for approving transactions and other matters that may require approval in between Board meetings.

Directors make every effort to attend all Board and applicable Committee meetings, as strongly evidenced by the exceptionally strong attendance records over many years. Where, exceptionally, a Director is unable to attend a meeting, it is Board policy that the Chair and / or the Group Legal Director and Company Secretary (the Secretary) will, as soon as possible, brief the Director fully on the business transacted at the meeting and on any decisions that have been taken. In addition, the views of the Director are sought ahead of the meeting and conveyed to those attending by the Chair and / or the Secretary as appropriate. Details of the attendance of each Director at Board and Committee meetings are set out in the table below and on pages 82, 87 and 97.

In addition, and in line with the Code, the Chair and the Senior Independent Director, independent of each other, hold meetings at least annually with the Non Executive Directors without the Executive Directors present, and each did so on one occasion during 2018.

Board responsibilities

The Board discharges its responsibilities by providing strategic and entrepreneurial leadership of the Company, within a framework of strong governance, effective controls and a strong culture emphasising openness and transparency, which enables opportunities and risks to be assessed and managed appropriately. In addition, the Board sets the Company's strategic aims; ensures that the

necessary financial and human resources are in place for the Company to meet its objectives; and reviews management performance.

Company culture

A healthy culture is extremely important and the Board fully agrees with the FRC that it both 'protects and generates value' and that it should be the subject of a continuous focus rather than wait for a crisis. The Board is responsible for the Company's culture and for defining and setting the Company's values and standards from the top. Culture is established by leadership and by example but this also needs to be underpinned by clear policies and codes of conduct which ensure that the Company's obligations to its shareholders and other stakeholders are clearly understood and met, as described in more detail on page 69. The Board is led in these respects by the Chair, who ensures the Board operates correctly, setting its culture and, by extension, that of the Company in its operations and its dealings with all stakeholders. The observance of that culture throughout business operations is led by the Chief Executive with the assistance of the other Executive Directors and the Group Management Team.

During the course of 2018 and into 2019, the Board actively reviewed and monitored several key areas that it considers are important indicators of the Company culture, including health, safety, and environmental matters (as set out on pages 32 to 33), customer service, land and major projects, risk strategy, and diversity and inclusivity. The Board will keep all of these areas under regular review.

Board members during 2018	Number of meetings attended in 2018
Kevin Beeston, Chair	8/8
Pete Redfern, Chief Executive	8/8
Chris Camey ^(a) , Group Finance Director	7/7
James Jordan, Group Legal Director and Company Secretary	8/8
Jennie Daly ^(a) , Group Operations Director	7/7
Kate Barker, Independent Non Executive Director	8/8
Gwyn Burr ^(c) , Independent Non Executive Director	8/8
Angela Knight, Independent Non Executive Director	8/8
Humphrey Singer, Independent Non Executive Director	8/8
Mike Hussey ^(d) , Former Director	4/4
Ryan Mangold ^(e) , Former Director	1/1
Rob Rowley ^(f) , Former Director	2/2

(a) Appointed 20 April 2018

(b) Appointed 20 April 2018

(c) Appointed 1 February 2018

(d) Resigned 19 July 2018

(e) Resigned 20 April 2018

(f) Resigned 26 April 2018

Corporate governance continued

How we comply with the UK Corporate Governance Code

The UK Financial Reporting Council promotes high quality corporate governance and reporting through the 2016 UK Corporate Governance Code (the 'Code'), with which all companies with a premium listing on the UK Stock Exchange are required to either comply in full; or explain why, and to what extent, they do not so comply. The Corporate Governance section of this Annual Report explains how the Code principles have been applied, as set out below:

Section 1: Board Leadership and Company Purpose

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. See page 72.

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. See pages 65 and 75.

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. See pages 42-51 and 84-85.

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. See pages 69 and 76-79.

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern. See page 75.

Section 2: Division of Responsibilities

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non executive directors, and ensures that directors receive accurate, timely and clear information. See page 73.

The board should include an appropriate combination of executive and non executive (and, in particular, independent non executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business. See pages 64 and 73.

Non executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. See page 64.

The board, supported by the secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. See pages 73-75.

Section 3: Composition, Succession and Evaluation

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. See pages 89, 91-93.

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed. See pages 72 and 74.

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. See pages 80-81.

Section 4: Audit, Risk and Internal Control

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself as to the integrity of financial and narrative statements. See pages 85-86.

The board should present a fair, balanced and understandable assessment of the company's position and prospects. See page 86.

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. See pages 42-51 and 84-85.

Section 5: Remuneration

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy. See page 99.

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome. See pages 100-103.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. See pages 96-116.

Statement of compliance

For the year ended 31 December 2018, the Company complied with all the provisions of the Code applicable to the Company for its reporting year ended 31 December 2018; the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules sub-chapters 7.1 and 7.2 which set out certain mandatory disclosure requirements; the FCA's Listing Rules 9.8.6R, 9.8.7R and 9.8.7AR which include the 'comply or explain' requirement; and the BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations. These regulations are publicly available as follows:

The Code can be found at www.frc.org.uk

The FCA's Disclosure and Transparency Rules as well as Listing Rules can be found at www.handbook.fca.org.uk

The BEIS Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations can be found at www.gov.uk

The FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting can be found at www.frc.org.uk

How we are governed

The Board

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

Board Committees

Humphrey Singer
Chair of the Audit Committee

Audit Committee

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

i **Read more** about this Committee on pages 82 to 86.

Kevin Beeston
Chair of the Nomination Committee

Nomination Committee

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

i **Read more** about this Committee on pages 87 to 95.

Kate Barker
Chair of the Remuneration Committee

Remuneration Committee

- Advises the Board on remuneration policy at Board and senior management level
- Ensures that remuneration is geared to the enhancement of shareholder value
- Ensures that targets are appropriate and are geared to delivering the strategy whilst appropriately limiting risk-taking
- Ensures that rewards for achieving or exceeding agreed targets are not excessive
- Promotes the increasing alignment of executive and wider employee interests with those of shareholders and the Company's culture by encouraging appropriate share plan participation and executive shareholding guidelines including post employment
- Reviews workforce remuneration and related policies and the alignment of incentives with culture, taking these into account when setting the policy for Executive Director remuneration

i **Read more** about this Committee on pages 96 to 116.

Corporate governance continued

Board activities during the year

Board activities

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

As a Board, we review health, safety and environmental performance at every Board meeting. We also regularly review: our business strategy; key risks; the market; operational matters; customer service; diversity and inclusivity; corporate responsibility; our financial position and performance; governance, compliance and legal matters including whistleblowing from January 2019 in line with the latest revision to the Code; and stakeholder-related matters including the make up of our share register and investor relations programme; community engagement; and human resources and wider employee matters. This is done through the consideration and discussion of regular reports submitted by the Executive Directors and through regular reports and presentations from our senior management and external advisers. The Board and individual Directors also undertake regular visits to our regional businesses and their development sites, which have proved to be both very useful and informative.

Board activities and priorities

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

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

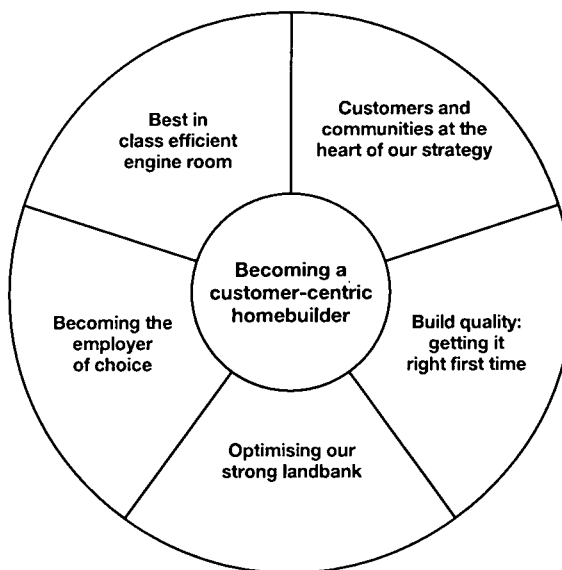
How the Board planned the implementation of the new strategy

In April, in conjunction with external consultants, the Board reviewed a number of key strategic aims, including the rationale and implications of our customer-centric strategy; and the changes necessary in order to achieve these aims as set out in the adjoining chart.

At its May meeting, following a review of feedback from the presentation of the new strategy and related dividend strategy at the Capital Markets Day, the Board debated proposals for achieving the RONOA target for 2022 and the planned dividend flows for the enhanced dividends proposed for 2019 and beyond. It also received a presentation on plans to further develop the customer-centric approach to business.

In July, there was a detailed discussion on areas of focus across the business including cultural change, management of that change, further consideration of risk areas, and establishment of reporting lines. There were also presentations on Production's plans to deliver larger development sites and from a UK Housing Division on how the strategy would be applied within its business.

At its September Board 'away day' in a Regional business, the Board received a number of presentations on the strategy for delivering larger development sites.



It also undertook, with the assistance of an external consultant, a further detailed consideration of risk in the delivery of the new strategy and the Board's risk appetite.

Finally, in December, the Board reviewed and agreed strategic goals and priorities for 2019; longer term strategic aims; and key areas of focus for the short term, including critical processes; 'right first time' product quality; a review of house types; sourcing of direct labour and apprentices; further improvements

in the supply chain and people development; and cost-reduction plans.

The December Board appraisal for 2018 also considered additional ways of monitoring progress towards delivery of the strategy and the achievement of the agreed goals including additional reporting on our customer-centric strategy.

Read more on pages 12 to 26

Stakeholder engagement

The Board's objectives for 2018 in this area were:

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

To achieve those objectives, the Board regularly reviewed its duties under s.172 of the Companies Act 2006 and undertook the following during 2018:

- Conducted shareholder communication through encouraging attendance at the AGM; encouraging increased voting on resolutions proposed thereat; briefings to analysts and the press; and direct consultation on certain special matters
- Reviewed shareholder engagement and feedback arising from the 2018 AGM; the presentations of the Full Year 2017 and Half Year 2018 results; and corporate

governance meetings held by the Chair with a number of major shareholders and shareholding bodies

- Employee involvement was promoted through regular briefing material online and in hard copy; interactive online Q&As; strategy forums around the businesses; and explanation of Company performance around half year and full year reporting and trading statements
- Received reports on discussions between management and employee representatives on the Company's National Employee Forum, which was established during 2017 in response to the Government's 'employee voice' requirement which was incorporated into the July 2018 update of the UK Corporate Governance Code (the Code). Meetings of the Forum have generated useful and informed debate on a number of topics, including remuneration
- Monitored and reviewed improvements in customer service performance as the new processes embedded during 2018 delivered improved customer feedback
- The supply chain received constant feedback from Group businesses, suppliers and subcontractors, which fed into updated arrangements and agreements

- Monitored progress with regard to the Taylor Wimpey Ground Rent Review Assistance Scheme
- Oversaw actions to review the Company's use of cladding in historic, current and future planned developments in response to the findings of external reviews into the Grenfell Tower fire tragedy and to address the findings on individual developments, as appropriate

The Board's objectives for 2019 in this area are:

- To actively encourage shareholder participation through clear messaging and reporting and careful review of shareholder feedback
- To monitor the planned further improvements in customer service performance during 2019
- To ensure the Group works with subcontractors and suppliers to constantly seek ways of further improving quality; sustainability; and delivery in a safe working environment
- To monitor and further develop the employee voice through the National Employee Forum

Organisational capacity

The Board's objectives for 2018 in this area were:

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

To achieve those objectives, the Board undertook the following during 2018:

- Reviewed reports at each meeting on the financial performance of the Company and the availability, currently and forecast going forward, of financial, people and supply chain resourcing
- Received reports on topics and discussion at meetings of the National Employee Forum and considered employee participants' views on key areas including strategic, business and remuneration matters

- Received, in addition to its regular update at each meeting, two detailed half-yearly updates on human resources
- Received, in addition to monitoring progress generally throughout the year, two detailed half-yearly updates on progress against its Diversity Policy, inclusivity and in respect of gender pay
- The Nomination Committee formally reviewed on two occasions the strategy for succession planning and related training assessment and provision, both for the Board and the executives immediately below Board level, and progress in achieving it. The Board also reviewed human resources related matters at each Board meeting
- The Board agreed the Company's second statement in respect of the Modern Slavery Act and reviewed the underlying processes
- Reviewed arrangements for compliance with GDPR and action taken and proposed for further improving the resilience of the Group's information technology systems

- The Audit Committee also received detailed half-yearly updates on the development and resilience of the Group's information technology systems
- The Board received updates on the financial position of the Group's pension fund and related funding objectives

The Board's objectives for 2019 in this area are:

- To ensure the Company's resourcing, including capital, finance, people and land, remains sufficient to achieve the strategy whilst seeking to continuously improve performance and meet wider diversity considerations
- To ensure that training and development plans support continuous improvement in the team and contribute towards wider diversity improvements

Corporate governance continued

Strategy and execution

The Board's objectives for 2018 in this area were:

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

To achieve those objectives, the Board undertook the following during 2018:

- Regularly reviewed detailed business proposals for the delivery of the Company's strategy, through considering detailed strategy proposals for the North; Central and South West; Central London and South East Divisions; specifically for the Central London Region; and for the Major Developments business
- Regularly reviewed performance to date towards achieving its strategic objectives through considering, in addition to regular updates from the Executive, detailed business performance updates from the North; Central and South West; Central London and South East Divisions; specifically for the Central London Region; and for the Major Developments business; together with various year end performance projections for the Group

- Received detailed updates on other key performance areas including business culture; customer service and its use of digital communications; land and planning; and production and procurement
- Reviewed and agreed the Group budget for the period 2018 to 2020; and received a detailed review of the Group's financial position; borrowing facilities; and financing alternatives; in relation to its strategic direction and latest forecasts
- Considered the Company's dividend policy going forward in light of performance reports; strategic direction and outlook; and financial position
- Received a detailed update on the progress of the Company's strategy and an economic overview presentation from an independent external expert as a backdrop to the Group's strategic and performance reviews
- Received regular governance updates and briefings
- At each meeting, detailed reports from the Executive Team were discussed, reviewing forward resourcing requirements in the areas of capital, finance, people and land, and operating decisions taken or proposed to address them
- In light of the foregoing, the Board also, with prior input and advice from the Audit Committee:
 - considered the draft Annual Report and Accounts and Sustainability Report for 2017 and the Half Year results for 2018

- determined the amount of final ordinary dividend for 2017 and special dividend for 2018 to be proposed to shareholders at the 2018 AGM; the interim dividend for 2018; and the special dividend proposed for 2019
- approved in principle the draft 2017 Full Year Results Statement; the draft 2018 Half Year Results Statement; the Capital Markets Day arrangements and draft Strategy Update announced thereat; and the draft Trading Statement to update shareholders on progress for the year to date at the 2018 AGM
- Health, safety and environmental progress and performance is the first main item of business at each Board meeting and the Board receives each year a detailed presentation on the Group's Health, Safety and Environmental performance for the year and plans for seeking further improvement going forward

The Board's objectives for 2019 in this area are:

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

Risk management

The Board's objectives for 2018 in this area were:

- To review and agree the Company's risk appetite in seeking to achieve its strategic objectives
- To ensure risk remains within the Company's agreed risk appetite and is adequately monitored and reviewed as appropriate to reflect external and internal changes
- To regularly review the robustness of the Company's systems of risk reporting; assessment; and internal controls

To achieve those objectives, the Board undertook the following during 2018:

- The risk review was conducted twice during the year, at the Board's July (half year) and February (full year) meetings and covered both the systems used and the reported risks

- At the February meeting the position was subject to independent check with external auditor reports on risk processes connected with the annual audit
- Risk and risk appetite were also discussed as special topics during the Board's September 'away day'
- The Audit Committee conducted a detailed review of risk at its February and July meetings immediately preceding the Board meeting and on each occasion provided advice to the Board in connection with the Board's own risk review
- An assessment of, and mitigation steps relating to, the risks arising from 'Brexit' in the areas of its impact on the market environment; material cost; and the availability of subcontractors; through detailed risk briefings and reviews including a specific paper considered at a Board workshop on risk considerations
- Received regular updates on the review of historic and more current developments

following the tragic fire at Grenfell Tower and actions taken by the Company to comply with Government guidance

- Risk was also considered at the December Audit Committee meeting
- During the year, the Board and Audit Committee received updates on key information technology risks including the resilience of the Group's systems to cyber attack and action taken to maintain security
- The Board undertook a longer-term risk review in preparation for future strategy reviews
- The Board also received an independent review of risk areas from an external adviser

The Board's objectives for 2019 in this area are:

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

Governance and values

The Board's objectives for 2018 in this area were:

- To ensure that there is continued full compliance with the Code, including early compliance with many of the additional requirements in the July 2018 update of the Code, and with wider statutory and regulatory requirements
- To ensure that remuneration continues to be implemented within the framework of the Company's Remuneration Policy
- To implement the improvements arising from the externally-facilitated 2017 Board appraisal
- To conduct an internally-facilitated Board evaluation for 2018
- To monitor shareholder feedback, take account of shareholder guidance and consultation, and continue to actively promote wider engagement
- To further embed Modern Slavery Act best practice

To achieve those objectives, the Board undertook the following during 2018:

- Received, together with the Board Committees, regular updates on governance and regulatory developments during the year, including on remuneration, both from internal and independent external sources
- Checked the status of the Company's compliance with the requirements of the revised Code throughout 2018 and implemented areas of early compliance in its 2018 reporting
- Submitted to shareholders at the 2018 AGM a Remuneration Report that was approved with a vote in excess of 98%
- Concluded the externally-facilitated Board evaluation for 2017, identifying areas for further improvement and acting on the recommendations
- Sought shareholder and institutional feedback, both at the AGM and when presenting the Company's half year and full year results; the Company's Capital Markets Day to deliver the Medium Term Strategy Update; and in notifying proposals for updating the Remuneration Policy. The results of the feedback from shareholders was taken into consideration by the Board together with advice from its stockbrokers
- Reviewed and further enhanced and improved processes and checks designed

to guard against instances of modern slavery within the Company and its supply chain

- The Company made its second Modern Slavery Act 2015 statement in March 2018 after reviewing its operations and its supply chain. Detailed guidance has been issued around the business and key personnel have undertaken training in identifying; assessing; and reporting any instances that might arise; with the aim of reducing the risks of modern slavery and related practices as far as possible

The Board's objectives for 2019 in this area are:

- To ensure that there is continued full compliance with the Code and with wider statutory and regulatory requirements
- To ensure that remuneration continues to be implemented within the framework of the Company's Remuneration Policy and proportionately rewards achievement of the strategy
- To implement the improvements identified arising from the internally-facilitated 2018 Board appraisal
- To conduct an effective Board evaluation
- To monitor shareholder feedback and continue to actively promote wider engagement

Corporate governance continued

Relevant skills and expertise

It is a requirement of the Code that the Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable duties and responsibilities to be discharged effectively. This was reviewed during the year and was utilised in drawing up the recruitment framework, including the list of desired skills, in the process used for the appointment of a new Independent Non Executive Director in February 2018 and in the appointment of one new and one additional Executive Director on 20 April 2018. The Board considers that each Director brings relevant and complementary skills, experience and background to the Board, details of which are set out below, and additional information is also set out in the biographies on pages 58 to 59. The Board also considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively and makes this an important requirement of recruitment.

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

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

Chris Carney, Group Finance Director, who was appointed to the Board on 20 April 2018, has operational responsibility for managing the Company's finances and overseeing the IT department and pensions matters. Chris has financial, treasury, risk and financial control expertise including that gained from his time with Associated British Foods plc and in private practice and later in various roles within the Company's Finance Department. He also has significant operational and transactional experience from his previous roles with the Company as successively Regional Managing Director; Divisional Managing Director; and Divisional Chair; within the Company's UK housebuilding operation.

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

Jennie Daly, Group Operations Director, who was appointed to the Board on 20 April 2018, has operational responsibility for the Company's land, planning, design and technical, production and supply chain functions. Jennie has considerable experience in the UK housebuilding industry gained in her time with Westbury plc; Harrow Estates Plc; and Redrow plc and her previous roles with the Company as successively UK Planning Director and UK Land Director.

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

Gwyn Burr, Independent Non Executive Director, who was appointed to the Board on 1 February 2018, has over 25 years' executive experience, principally in customer service in the retail sector, which included the roles of Customer Director and Customer Service and Colleague Director from 2005 to 2013 at J Sainsbury plc. Gwyn also has significant experience on several boards as a non executive director.

Angela Knight, Independent Non Executive Director, has significant high-level experience in both the public and private sectors. In the public sector, she was a Member of Parliament from 1992 until 1997, including two years as the Economic Secretary at HM Treasury, and was Chair of the Office of Tax Simplification in HM Treasury until the end of February 2019. In the private sector, she has significant experience as a non executive director including as the Senior Independent Director of quoted companies.

Humphrey Singer, Independent Non Executive Director, has a wealth of financial experience, most recently in his role as the Chief Finance Officer of Marks and Spencer Group plc and previously as Group Finance Director of Dixons Carphone plc. In addition, Humphrey also has expertise in the areas of both digital solutions and customer services which is a useful skill set for the Board and the Company. He has recent and relevant financial experience as required by the Code in connection with his Chairing of the Audit Committee.

Division of responsibilities

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

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

Health, safety and environment

As also set out in our 2018 Sustainability Report, which is available online at www.taylorwimpey.co.uk/corporate/sustainability, the Board is fully committed to providing a safe place in which our employees and subcontractors can work, and that our customers can live. We also ensure that all of our sites are developed to high standards of environmental management. As the first substantive item at each Board meeting, the Board receives detailed reports on health, safety and environmental matters in respect of the Company's operations in the UK and Spain. The Company's detailed carbon reporting, as required by the Department for Business, Energy & Industrial Strategy, is set out on page 41.

A key element of the Company's strategy is to give local communities a voice in the progress of our development sites. This reflects the Board's awareness of its responsibilities in the areas of Environmental, Social and Governance (ESG). To achieve this, engagement takes place in the following ways:

- Giving local communities a say in development plans;
- Focusing on the value we bring and the contribution we make to local communities;
- Our planning and community engagement strategy put into place for each of our development sites;
- Supporting the development of local networks and seeking to encourage a strong sense of community in our development schemes;
- Making sure that a significant proportion of our procurement is responsibly sourced, particularly materials sourcing; and
- Being proud of our continued membership of, and continued commitment to, both the Dow Jones Sustainability (Europe) and the FTSE4Good indices.

More details, on these and other initiatives in these areas, can be found in the Stakeholders section on pages 38 to 41 and in our Sustainability Report for 2018.

Operational oversight

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

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

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

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

- Schedule of matters specifically reserved for the decision of the Board, including full oversight of all decisions on profit expectations and Dividend Policy.

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

These have been updated to reflect the July 2018 version of the Code and relevant reporting against these is provided to the Board or to the Audit Committee by the Head of Internal Audit and the Secretary as appropriate.

Advice available to the Board

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

The Board took advice during the year:

- from various safety consultants including principally London Fire Consultants & Design Associates Limited in reviewing the external cladding system and fire safety arrangements on relevant developments in light of the Grenfell Tower fire tragedy and also took specific legal and fire safety advice from professional advisers in ensuring that the appropriate follow-up actions were taken;
- from Ernst & Young for an external perspective in reviewing risk;
- from Deloitte via the Audit Committee on the significant governance developments during the year; and
- from Korn Ferry via the Remuneration Committee on remuneration matters as reported in more detail in the Remuneration Report on page 106.

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

Corporate governance continued

Board and Committee balance, diversity, independence and effectiveness

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

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

The Board also continues to recognise, welcome and take very seriously its responsibility to comply with the recommendations of the Davies Report as built on by the Hampton-Alexander Review, encouraging increased participation by women on boards, which is now targeted at 33% for all FTSE 350 companies by 2020; and which is also aimed at increasing the number of women in leadership positions of FTSE 100 companies to 33%, namely members of the Executive Committee and those senior leaders who are direct reports to Executive Committee members.

The proportion of women on the Taylor Wimpey Board, which was two out of nine (22%) at the start of 2018, increased to three out of ten (30%) in February 2018, to four out of ten (40%) in April 2018 and to four out of nine (44%) in July 2018 where it remained to the end of 2018 and to date.

The proportion of women on the Group Management Team (our equivalent of an Executive Committee) and their direct reports, are set out in the Nomination Committee report on page 93.

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

The Code requires at least half of the Board, excluding the Chair, to consist of Independent Non Executive Directors. The Board considers that there is an effective balance with four Executive Directors and four Non Executive Directors plus the Chair, which ensures that each viewpoint is properly represented around the Board table. During the course of the year, the Board intends to appoint an additional Independent Non Executive Director to replace Mike Hussey who stood down in July 2018.

It also ensures that in line with the Code, there is an effective balance of guidance, support and constructive challenge to the Executive. The Board also considers that this will continue to be the case during 2019.

The process typically followed in appointing a new director to the Board is set out on page 89.

The Nomination Committee makes recommendations on appointments and succession planning to the Board, and more details can be found in the Nomination Committee Report on pages 87 to 95.

In accordance with the Code, all Directors will again be subject to election or re-election as appropriate by shareholders at the AGM of the Company which is being held on 25 April 2019. Biographical details of each Director can be found on pages 58 to 59 and also on pages 185 to 186.

Annual re-election to the Board

The Code requires every Director to seek election or re-election, as appropriate, at each year's AGM. Accordingly, at the 2019 AGM, every Director, irrespective of the date of his or her appointment and the length of his or her service on the Board, will be submitted for election or re-election, as appropriate.

Details of the resolutions to be proposed in this respect and supporting biographical details of the Directors appear in the Notice of Meeting on pages 181 to 188.

As part of the 2018 Board evaluation process, the Board reviewed and re-affirmed that it considers each of the Non Executive Directors to be independent in character and judgement and that there are no relationships which could affect the Director's judgement. In line with the Code, a rigorous evaluation took place with regard to Kate Barker as she will have served for eight years by the time of the AGM in April 2019.

In addition, the Board re-evaluated each Director's time commitments, and was satisfied that, in line with the Code, they each continued to allocate sufficient time to the Company in order to discharge their responsibilities effectively, including not only attendance at Board and applicable Committee meetings but also preparation time for meetings, visits to businesses (including the annual Board away day / visit) and other additional requirements that may be required from time to time. Recognising the importance of the time commitment of each Director to shareholders, this will continue to be kept under review for all Directors during 2019, including as part of the annual Board evaluation process.

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

Management

Progress in achieving the Group Strategy is reviewed at each Board meeting and is reported on pages 12 to 26. The Chief Executive has responsibility for preparing and reviewing strategic plans for the Group and the annual budgetary process. These are subject to formal review and approval by the Board.

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

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

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

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

During 2018 the Group's control environment was further enhanced through a robust risk assessment and review led by the Audit Committee, which identified the key risks to be reviewed and assessed by Internal Audit as part of its programme of work during the year.

Ensuring there is no conflict of interest

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

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

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

Anti-bribery and anti-corruption

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

Whistleblowing

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

Whistleblowing incidents and their outcome are reported to the Audit Committee. Whistleblowing was a standing item on each Audit Committee agenda during 2018 and will feature on the Board's agenda on a regular basis during 2019, which allows the Committee, and the Board going forward, to regularly review the adequacy of the policy in line with its requirement to do so under the Code. The policy itself is periodically reviewed and includes the ability for workers to make protected disclosures with regard to matters arising under the Modern Slavery Act 2015 with regard to our business and its supply chain. Following a review of the process and administration; and a re-launch of the awareness campaign around the Company's businesses and offices, conducted during 2018; the Committee is satisfied that the policy and its administration remain effective.

Oversight of the Company's Whistleblowing process became a matter for the Board with effect from 1 January 2019, in line with the change to best practice contained in the July 2018 updating of the Code. The Company has already acted to transfer Whistleblowing from the Audit Committee to the Board in compliance with this new requirement and has published revised Terms of Reference to reflect this change.

Engaging with our stakeholders

We actively encourage engagement with our shareholders and other stakeholders

The Directors are required by law to act in a way that promotes the success of the Company for the benefit of shareholders as a whole. In so doing the Company must also have regard to wider expectations of responsible business behaviour, such as having due regard to the interests of its employees; the need to foster business relationships with suppliers, customers and others; the need to act fairly as between members of the Company; the likely consequences of any decision in the long term; the desirability of maintaining a reputation for high standards of business conduct; and the impact of the Company's operations on the community and the wider environment.

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

Engagement with stakeholders and consideration of their respective interests in the Company's decision-making process, took place during the year as described on this page and on pages 77 to 79.

Our customers

Engagement with our customers

Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor-quality work. The Board and the Group Management Team regularly review customer satisfaction scores as independently reported and consider ways in which these can be improved. The online Customer Portal, introduced during 2017, is proving very popular and effective in delivering greater customer choice and interactive two-way communication as the building and sales processes are progressed. During 2018, as part of the Company's strategy review, a number of customer focus groups were consulted as to key considerations, preferences and concerns when considering the purchase of a new home and the feedback from these informed the Board's thinking when establishing its new customer-centric strategic approach announced at its Capital Markets Day in May 2018.

The Board receives monthly reports on customer service matters, at Group level and for each operating division. The Ground Rent Review Assistance Scheme, established by the Company in 2017, to help customers who have leases with ground rents that double for a period prior to being capped, has made good progress in converting leases for those customers who applied to the Scheme to one with ground rent based on an RPI mechanism.

More details are set out on pages 5, 12, 14 and 30-31.

Our partners

Engagement with our supply chain

The Company negotiates with subcontractors and suppliers, both on a national and a local basis, to develop national framework agreements and to agree both national and local commercial terms. These reflect the payment practices and performance in respect of which we have published two six-monthly Payment Practice Reports, which may be found online at <https://check-payment-practices.service.gov.uk/company/01392762/reports>

We engage with our suppliers at both local and national level to keep them informed of key forecasting information.

We engage with our suppliers on a wide range of sustainability initiatives through meetings, workshops and our membership of the Supply Chain Sustainability School. We are refocusing on waste elimination and reduction including packaging waste in particular.

The Company also engages with Non-Governmental Organisations (NGOs) and expert organisations to assist us in creating sustainable communities around our housing developments, covering areas such as urban design; ecology; and innovation.

We employed a full-time Research and Development Manager in 2018 with specific responsibilities for innovation. The role includes a high level of engagement with our supply chain, both material manufacturers, suppliers and subcontractors, across a wide range of products and services. The role dovetails with our supplier relationship programme, in which we seek to enhance and improve both process and product with our key supply chain partners.

The strategy approved by the Board reflected this engagement through seeking to increase the proportion of long term partnerships with subcontractors and suppliers and further increasing the high standards the Company sets in relation to safety, skills development and environmental responsibility.

More details are set out on pages 16, 22 and 34 to 35 and in the Sustainability Report for 2018.

Our investors

Engagement with our shareholders

The Board actively seeks and encourages engagement with shareholders, including its major institutional shareholders and shareholder representative bodies. The Board fully supports the principles of the UK Corporate Governance Code and also welcomes and acknowledges the Stewardship Code, both of which aim to foster a more proactive governance role by major shareholders. The Board has put in place arrangements designed to facilitate contact with shareholders concerning business, governance, remuneration and other relevant topics. This provides the opportunity for meetings between shareholders and the Chair, the independent Non Executive Directors (including the Senior Independent Director) as well as the Chief Executive, Group Finance Director and Group Legal Director and Company Secretary and other executives as appropriate, in order to establish a mutual understanding of objectives. The Company also operates a structured programme of investor relations, based on formal announcements and publications covering the Full Year and Half Year results. In addition, the Chair meets with the Company's institutional shareholders from time to time, both proactively and upon request, in order to discuss the Company and its performance, governance and remuneration policies. As set out in the Remuneration Report, the Remuneration Committee undertakes a consultation exercise each year and as part of this exercise, the Committee Chair also engages directly with shareholders and their representative bodies. More details are set out on pages 69, 97 and 104.

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

What our shareholders have asked us this year

During 2018 the Company held meetings with shareholders holding in aggregate around 27% of the Company's shares, taking the form of group meetings; one to one meetings; site visits; conference telephone calls; the AGM – both before, during and after the meeting; at the

announcement of the Company's Full Year and Half Year results including 'roadshows' following each announcement; and a briefing to sector stock market analysts at the Capital Markets Day on 15 May 2018 as part of which we introduced the two Executive Directors appointed in April, Chris Carney and Jennie Daly; and which included an update on the Company's strategy.

In addition, in line with the Code, the Chair wrote to twelve of the Company's major shareholders, offering to meet with them if they had questions around the Company's strategy or governance. Meetings have been held with those shareholders who requested one and a number of others took the opportunity to confirm that there are no major issues at present.

The Company also consulted on its remuneration proposals for 2019, with its largest institutional shareholders and shareholder representative bodies. More details are set out in the Remuneration Report on page 104.

Key themes discussed with shareholders during the year included:

- Current trading, market demand and house price outlook;
- Guidance for 2018 and outlook for 2019 and beyond;
- The Company's new strategy;
- The likely impact of 'Brexit' and Government policy;
- The land market, build costs and labour availability;
- The Company's financial targets and dividend policy; and
- The mortgage market and customer drivers.

All Directors receive formal reports and briefings during the year about the Company's investor relations programme and receive detailed feedback through surveys, direct contact and also other means. This enables all Directors to develop an understanding of the views of major shareholders about the Company, which are then taken into account when considering major strategic and operational alternatives open to the Company.

The Board encourages all shareholders to vote at the AGM, which is attended by all Directors. The Notice of Meeting, including details of all resolutions to be proposed at the meeting, is set out on pages 181 to 188.

Our communities

Engagement with local communities

We actively seek the views of local communities and develop a tailored planning and community engagement strategy for each development site, working closely with communities and other local stakeholders throughout all aspects of the planning process. This feeds into Board discussion of future development plans when considering strategic direction and progress, and when considering major capital expenditure proposals referred to the Board including on land purchase.

A key element of the Company's strategy is a renewed focus on placemaking and community when developing new sites and this involves interacting with all key stakeholders when designing, building, and marketing, new housing developments and taking their views fully into account.

We also support communities, both locally and nationally, through our charitable work, including financially and giving time, energy and leadership to support local efforts.

During 2018 we worked with Design For Homes to deliver training programs for our Regional design teams on use of the placemaking design tool 'Building For Life' and also contributed to the Government's round table discussions on design quality.

More details are set out on pages 14, 38 to 39 and in the Sustainability Report for 2018.

Corporate governance continued

Our employees

Engagement with our employees

The principal forum for engagement with our employees is the National Employee Forum ('NEF') which was introduced by the Board during 2017 and has worked well throughout 2018 and into 2019, giving the Company's employees an extended 'voice' with regard to key matters that are being considered. Further details are set out in the case study on page 79.

The Company responded during 2018 to feedback received from employees as part of the 2017 employee engagement survey 'Talkback' with the aim of further improving our collaboration, work environment and methods of ensuring our employees have the necessary tools and resources they need to do their job.

A further 'Talkback' employee engagement survey is planned for 2019 to assess employees' reaction to the key areas that we have implemented as a result of the 2017 survey. These were to improve access to a wider range of learning and development; more agile working environments when refurbishing or relocating to new offices; an increased focus on the health and wellbeing of our employees, particularly around mental health awareness; and the introduction of the NEF, mentioned earlier, giving employees a 'voice' in key areas. The planned 2019 survey will also invite employees to identify areas where we can make further improvements. The findings of this survey will be reported in next year's Annual Report and Accounts.

We also maintain a number of active employee communication channels including employee-based committees; communicate through our half-yearly Teamtalk magazine and regular Teamtalk Express email newsletter; and actively seek employee ideas and feedback on strategy, current business plans, and production, health, safety and environmental matters.

Following the release of the Company's new strategy in May 2018, a number of employee focus groups were held at which senior executives of the Group brought to life the new strategy and gained feedback on key areas including the development of implementation plans for specific business areas.

The Company has participated in the 2018 Workforce Disclosure Initiative which aims to provide greater disclosure on workplace practices, including in the areas of supply chain; employee contracts; and Board governance oversight of the Company's workforce. This initiative is aimed at focusing companies' attention on workforce practices in areas where there is risk of harmful workplace practices.

More details are set out on pages 20 to 21, 32 to 33 and 120 to 121 and the case study on page 79.

Health and safety

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

More details are set out on pages 32 to 33 and 60.

Consideration of people with disabilities

The Company is committed to making its products accessible to customers with disabilities and to ensuring that prospective employees with disabilities should have fair consideration for all vacancies within the Group.

To provide more flexibility for customers with disabilities, the majority of the houses in our new house type range will be designed to Level 2 of Part M of the Building Regulations. This enhanced standard allows for easier movement into and around the house as well as providing flexibility in adapting bathrooms and bedrooms for disabled people.

More details are set out on page 28 and in our Sustainability Report for 2018.

For employees, the Company is committed, where possible, to ensuring that people with disabilities are supported and encouraged to apply for employment; to achieve progress once employed; and for this to be facilitated

to the extent reasonably possible by investigating the possibility of making reasonable adjustments to the job, workplace or equipment.

More details are set out on page 121.

Careers

The Board is very mindful of the need to develop skills in the housebuilding industry, particularly in light of the possible challenges around 'Brexit', and the Company continues to offer a significant number of opportunities for the development of new skills:

- Apprentices are given opportunities to develop in key building trades;
- The Graduate programme, which lasts two to three years, helps to fulfil our talent succession requirements in Strategic Land, Land, Sales, IT and Finance as well as supporting key business and charity projects throughout their time on the programme;
- All employees have annual reviews linked to personal development plans and targets for further improving their skills and experience; and
- Training is available to assist employees in seeking to maximise their opportunities around the Group.

More details are set out on pages 20 to 21 and 120 to 121.

Pensions

The Board is regularly updated on the funding position of its various pension arrangements for Group employees, both present and those in retirement.

The Company has two types of pension scheme – a defined contribution pension plan which is available to new and existing UK employees and a defined benefit pension scheme (Taylor Wimpey Pension Scheme) which is closed to both new members and to future accrual.

The defined contribution pension plan limits the Company's obligation to payment of contributions based on a fixed percentage of employees' pay, with no further legal or constructive obligations to pay further contributions to the plan.

The defined benefit pension scheme provides benefits to beneficiaries in the form of a guaranteed level of pension payable for life which is paid from a Trustee-administered fund. The Trustee is responsible for ensuring that the Scheme is well managed and that members' benefits are secure. The Company works closely with the Trustee of its defined benefit pension scheme to assess the funding position of the scheme with the overall aim of securing and safeguarding *current and retired employees' pension entitlements* in the long term.

More details are set out in Note 21 to the Accounts on pages 154 to 158.

Diversity and inclusivity

The Board has established a plan to increase diversity and inclusivity in their widest sense throughout the business and has published targets for improvement and details of progress made towards their achievement.

Diversity and inclusivity featured strongly in Board discussions on strategy and is a core message in the latest strategic plan announced at the Capital Markets Day in May 2018. The Board receives regular updates on progress through the Chief Executive's reports and operating updates at each Board meeting and there is more detailed analysis of progress and future plans by the Nomination Committee.

In this connection, during 2018 we engaged with The Disability Forum with a view to raising awareness of the challenges facing people with disabilities; with the EY Foundation which tries to reduce the barriers that young people from all backgrounds face when trying to find employment; and the Leonard Cheshire Disability Change 100 programme to help increase the number of people employed with a disability.

Consideration of diversity and inclusivity also features strongly in talent and succession planning by both the Board and the Nomination Committee.

National Employee Forum

The National Employee Forum ('NEF') introduced by the Board during 2017, has worked well throughout 2018, giving the Company's employees a 'voice' with regard to key matters that are being considered. The NEF builds on our continuing network of Employee Consultation Committees and consists of elected employees from a variety of geographic areas, site and office based disciplines, and seniority across the UK business. Meetings were held quarterly during 2018 and all generated a good level of healthy debate. The meetings are attended by a member of the Group Management Team and so far have been attended by either the Group Legal Director and Company Secretary and/or by the Group Human Resources Director. Other senior executives attend as appropriate, when topics such as strategy, remuneration and other operational matters are discussed. The Chair and the Chair of the Remuneration Committee attended one meeting during 2018, at which they explained and answered questions on the structure of the Board, wider corporate governance considerations and the Company's remuneration policy.

The Board receives at each Board meeting detailed reports on employee matters, at Group level and for each operating division, and these, together with feedback from the NEF meetings, inform the Board's discussion on matters potentially affecting employees to a significant extent.

Topics of discussion may be proposed by any employee but generally consist of key areas on which the Company seeks the views of, and feedback from, employees, including:

- strategy briefings and discussion of feedback from focus groups on key areas, including how best to deliver strategic messages

around the business; and progress of the key strategic initiatives;

- discussion of the Company's vision, mission, values and cultural principles, including further developing how this meshes with the Company's strategic aim of becoming a truly customer-centric business;
- initiatives to become an employer of choice, reviewing feedback from strategy focus groups conducted across the business and external assessments of the Company's relative attractiveness as an employer, and discussing the appropriateness of actions underway to address, and further improve, in relevant areas;
- receiving an overview of Company benefits, including a detailed review of target-setting for the Company Bonus Scheme and the method by which the Company car fleet is selected and made available to eligible employees;
- an overview of how the Board operates, including the role of the Chair and the respective roles of the Executive and Non Executive Directors;
- an overview of the role of the Remuneration Committee, including the role of its Chair, and an explanation of its remuneration principles and how they are applied;
- a review of the use of technology in the business and updates on progress with IT projects;
- a discussion on the Company's policy for detecting and addressing the risk of instances of modern slavery in its business and its supply chain; and
- seeking input on proposed business initiatives.

Corporate governance continued

Board evaluation

A key requirement of good governance is ensuring that the Board itself is operating effectively. The carrying out of an annual evaluation is a very important exercise and it is one which the Board and each Director takes very seriously, whilst also recognising the focus that our shareholders place on it. In line with the Code, the Board conducts its annual evaluation exercise via an independent external facilitator once every three years. The last such externally-facilitated evaluation was conducted for 2017 and reported on in detail in last year's Corporate Governance Report.

The main action points arising from that exercise, and action taken in respect of each, are set out in the table opposite.

The evaluation for 2018 was internally facilitated by the Chair in conjunction with the Secretary. The exercise, which considered the effectiveness of the Board, each Board Committee and each Director, was conducted between October and November 2018 and consisted of the following:

- A detailed and comprehensive bespoke questionnaire which the Secretary distributed securely online to each individual Director for completion and return to him;
- Collation of the responses was undertaken by the Secretary on a non-attributable basis;
- Review by the Chair and the Secretary of each performance area, and by the Chair of each individual Director;
- Review by the Senior Independent Director and the Secretary on the feedback provided on the performance of the Chair;
- Led by the Senior Independent Director, the Independent Non Executive Directors also met separately to review the Chair's performance based on the non-attributable feedback and also to discuss other matters;
- Presentation of the findings on the Board and Board Committees to the Board in December 2018 on a non-attributable basis;
- Preparation of action plans designed to address the findings, discussed at the Board in February 2019, as set out in the table opposite, and to be actioned during 2019.

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

The recommendations arising from the Board evaluations for 2017 and 2018, together with actions taken during 2018 in relation to the former, and actions taken and planned during 2019 in relation to the latter, are set out in the table opposite.

The overall outcome of the 2018 evaluation exercise was that the Board considered that it continues to function effectively and in line with first class corporate governance principles, and is providing effective leadership to the Group.

As part of the Board evaluation, the time commitments of all Directors in line with the requirements of the Code were reviewed in detail. Following this review, the Board was satisfied that each Director was able to allocate sufficient time to discharge his or her responsibilities to the Company effectively. This included not only attendance at Board and applicable Committee meetings (where attendance was 100% during 2018 for all Directors, except that Rob Rowley was absent from one meeting of the Nomination Committee, convened at short notice, due to an unavoidable previous engagement) but also preparation time for meetings, visits to our businesses and other additional requirements that may be required from time to time.

Consistent with previous exercises, the 2018 evaluation proved to be very useful. It again provided an opportunity to reflect on how we operate and where we can improve as a Board. I can confirm that the Board has already focused on the areas identified for improvement and will continue to do so during the course of 2019.

Details of this year's evaluation; its outcome; the actions planned by the Board during 2019 to address the issues raised; and the actions taken during 2018 to address the issues raised in the last (externally facilitated) evaluation conducted in 2017 and reported in last year's Annual Report, are set out in the table opposite.

This 2018 Annual Report and Accounts

Your Directors have responsibility for preparing this 2018 Annual Report and Accounts and for making certain confirmations concerning it. In accordance with Section 4, Principle N, Provision 27 of the Code (formerly Provision C.1.1 prior to the July 2018 updating of the Code) the Board considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Board was able to reach this conclusion after receiving advice from the Audit Committee. The processes of review and assessment followed by that Committee in that respect are set out on page 86.

The Viability Statement, as required by the Code, appears on page 51.

2017 Evaluation –**Recommendations included****Actions taken during the year**

Devote additional Board time to strategy.

Strategy: Although significant time is already devoted to strategic matters and these are considered at each Board meeting, this recommendation was addressed with additional time set aside at the Board's meeting in April 2018, at which the Board considered alternatives for the next stage of the Company's strategy, which culminated in the announcement of the Company's updated, medium term strategy at the Capital Markets Day on 15 May 2018. A discussion also took place on strategy-related matters at the September 'away day' Board meeting.

Devote additional time to risk including non-operational risk, and those risks which are considered to be strategic and lower probability in nature.

Risk: Work commenced on this area during 2017 and was further developed during 2018, with risk being specifically discussed at five Board meetings during 2018 including at the September 'away day' Board meeting. In addition to the usual half-yearly risk reviews, substantial portions of three other meetings were devoted to the consideration of longer-term and lower-probability risks; operational risk; and a presentation and detailed discussion on the consideration of the Company's risk appetite, together with external advice and attendance of advisers. This key area remains firmly on the Board's agenda during 2019 and an update will be provided in the 2019 Annual Report and Accounts.

Undertake additional focus on succession planning taking into account forthcoming Non Executive Director changes based on length of service.

Succession planning: This continued to be a particular area of focus for the Nomination Committee and the Board during 2018, with detailed reviews of progress and consideration of alternative plans going forward, conducted at each of the Committee's meetings during 2018. Details of Non Executive Director changes during 2018 and action taken and proposed to maintain the effective composition of the Board, are set out on pages 62 and 63. This key area remains firmly on the Board's agenda during 2019 and an update will be provided in the 2019 Annual Report and Accounts.

2018 Evaluation –**Recommendations included****Actions being or to be taken during 2019**

Maintain focus on progress in achieving the strategy.

Strategy: The Board will regularly review during 2019 how the strategic direction is being adopted and progressed across the business and will agree and monitor this progress against milestones around the interim strategic goals and priorities identified by the Group Management Team.

Maintain further progress on succession planning in the Finance area.

Succession planning: Action has already commenced to deepen the overall strength in depth of the Finance function across the business and the Nomination Committee will be kept apprised of progress throughout 2019 and going forward.

Develop a faster pace of improvement on diversity and inclusivity at all levels across the Group.

Diversity: The Board will continue to monitor progress of diversity and inclusivity matters across the Group during 2019. Diversity and inclusivity is included as a special topic at a Board meeting during each year when the Chair of the Diversity and Inclusivity Committee attends and updates the Board on ongoing initiatives, objectives and priorities. The Board also receives regular updates on diversity and inclusivity throughout the year.

Develop improved methods of monitoring progress in the strategic aim of becoming a more customer-centric business.

Customer-centric strategy: The Board believes that considerable progress has already been made in this area and additional reporting is being developed to assist in driving further improvements and monitoring their effectiveness. In addition to regular reporting, progress on our customer-centric approach will also be included as a special topic during 2019.

Implement ideas from Non Executive Directors from their other Board appointments with a view to enhancing the Taylor Wimpey Board processes.

Board processes: A number of good suggestions were made, including the holding of pre-Board breakfast meetings with, for example business leaders; leading industry commentators; and/or with stakeholder groups.

Audit Committee report

Audit Committee

Humphrey Singer
Chair of the Audit Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Audit Committee and to summarise below, and in the report which follows, the ongoing responsibilities and objectives of the Committee; the work that has been carried out during 2018; and the priorities established for 2019.

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

procedures has been transferred to the full Board from 1 January 2019 as required by the July 2018 update of The UK Corporate Governance Code (the Code).

The terms of reference of the Audit Committee are summarised opposite and are available in full on the Company's website. Following a review, and their amendment to reflect the changed responsibility for overseeing whistleblowing as referred to above, it was determined that they remain appropriate and reflect the Committee's responsibilities under the Code and related regulations.

The Committee conducts an annual evaluation of its performance against its key objectives. An interim review of progress against these objectives was considered at the Committee's December 2018 meeting and the evaluation for 2018 was recently formally assessed by the Committee at its February 2019 meeting.

The key performance areas of the Committee during 2018 are set out opposite and described in more detail in this report.

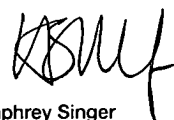
The Committee's key areas of focus for 2019 are set out below. Whilst these remain sufficiently flexible to permit the Committee to quickly respond to any major change in circumstances, the key priorities for the year ahead will remain the continuation of robust risk management and work to further reduce risk in areas such as cyber security.

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

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

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

I should like to thank Mike Hussey, who stood down from the Board on 19 July 2018, for his work as a member of the Committee since 2013, and to wish him well for the future.



Humphrey Singer
Chair of the Audit Committee

Audit Committee

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

Main objective

- To assist the Board in fulfilling its corporate governance responsibilities relating to the Group's risk management and internal control framework; internal audit process; financial

reporting practices including the key accounting judgements; and external audit process.

Members

Committee members	Meetings attended
Humphrey Singer (Chair) ^(a)	3/3
Kate Barker	3/3
Angela Knight	3/3
Mike Hussey ^(b) (Former Director)	1/1
Rob Rowley ^(c) (Former Director)	1/1

(a) Appointed Chair on 10 January 2018 as successor to Rob Rowley.

(b) Stood down from the Board on 19 July 2018.

(c) Stood down from the Board on 26 April 2018.

2018 performance

- Oversaw development of policies and processes, ensuring compliance with the EU General Data Protection Regulation.
- Engaged with the senior management team to ensure an effective risk management and control framework continued to evolve.

- Oversaw both the Delivery and Commercial Excellence Programmes to improve efficiency and effectiveness of the operational teams.
- Engaged with the senior management team to gain assurance that processes; the related documentation; and communication with our customers support the Group's Customer Journey aspirations.
- Received the Group Fraud Risk Assessment and continuing focus thereon.

2019 key areas of focus

- Monitoring initiatives to support business partnering by the Finance function.
- Monitoring Commercial function initiatives to further strengthen commercial controls.
- Gaining assurance that planned processes and initiatives are progressed within a robust framework.
- Oversight of joint venture activity to ensure alignment with core frameworks and processes.

Committee purpose and responsibilities

The membership of the Audit Committee is set out in the table opposite. Committee meetings are also attended, by invitation, by the CEO, Group Finance Director and the other Executive Directors, the Chair and other Non Executive Directors (who traditionally attend the key Committee meetings dealing with the Company's interim and full year accounts), Head of Internal Audit, other senior executives and by Deloitte LLP (Deloitte), the external auditor. The Committee also meets privately with representatives from Deloitte during at least two Committee meetings per annum, which normally take place around the time of the Full and Half Year financial statements, in order to discuss any matters which the auditor may wish to raise in confidence, with only the Secretary being present.

Committee activities during 2018

The Audit Committee met on three occasions during the year. The reports considered at the February 2019 meeting concluded the Committee's activities with regard to the Company's 2018 reporting and have been included on this page.

At those meetings, the Committee carried out its remit which, in addition to reviewing at each meeting the summary reports of Internal Audit activity and, until the end of 2018, whistleblowing matters, together with details of action taken or proposed in response, primarily included the following:

Feb 2018	Jul 2018	Dec 2018	Feb 2019
– Reviewed the draft 2017 Annual Report and Accounts including significant accounting and audit issues; issues of materiality; the external auditor's report; and conducted a formal compliance check. – Disclosed relevant audit information to the auditors and the processes in place to underpin it. – Reviewed the Group's 2017 draft Full Year Results Statement; and advised the Board regarding the appropriateness of the proposed dividends. – Concluded the prior year's risk review. – Reviewed the draft Viability Statement to appear in the 2017 Annual Report and Accounts. – Reviewed the Committee's performance against its objectives for 2017 and set objectives for 2018. – Received the Group legislation risk assessment. – Held private meetings with Deloitte and the Head of Internal Audit. – Agreed Internal Audit's programme of work for 2018.	– Reviewed the draft Half Year Statement for 2018 including significant accounting issues thereon; materiality; and the external auditor's report on its review of that statement. – Conducted the 2018 Half Year risk review. – Received a further detailed presentation on progress to date and plans for further improving the Group's data security. – Advised the Board regarding the appropriateness of proposed dividends. – Reviewed Deloitte's plan for the audit of the Company's 2018 accounts, and the progress of the audit to date. – Led the appraisal of Deloitte's performance during the audit of the Company's 2017 results.	– Reviewed and confirmed the processes which allow the Committee to ensure that the 2018 Annual Report and Accounts meets the requirements of Code Principle N, Provision 27, to present a fair, balanced and understandable assessment of the Company's position and prospects. – Reviewed and confirmed the processes which allow the Committee to assess the performance of Deloitte during the audit; the effectiveness of the external audit process; and in light of the findings, to recommend to the Board as to Deloitte's re-appointment at the 2019 AGM. – Received a briefing on key accounting judgements with regard to the Company's 2018 accounts. – Oversaw the process leading to the Board's Viability Statement included in its 2018 reporting. – Considered the risk review outcome for 2018. – Received a detailed presentation on progress to date and plans for further improving the Group's IT systems and wider IT security generally. – Conducted an interim review of progress against the Committee's objectives for 2018.	– Reviewed the draft 2018 Annual Report and Accounts including significant accounting and audit issues; issues of materiality; the external auditor's report; and conducting a formal compliance check. – Disclosed relevant audit information to the auditors and the process in place to underpin it. – Reviewed the Group's draft 2018 Full Year Results Statement; and advised the Board regarding the appropriateness of the proposed dividends. – Concluded the prior year's risk review. – Reviewed the draft Viability Statement to appear in the 2018 Annual Report and Accounts. – Reviewed the Committee's performance against its objectives for 2018 and set objectives for 2019. – Agreed Internal Audit's programme of work for 2019.

Audit Committee report continued

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

- Financial reporting practices.
- The risk management and internal control framework.
- The internal audit process and the review of reports received and actions arising therefrom.
- Checking for any incidences of fraud, actual, alleged or precautionary, and ensuring proper controls and a response plan are in place.
- The adequacy of the Company's whistleblowing procedures and the status of any investigations (following publication of the July 2018 update of the Code, as explained earlier, responsibility for this area was transferred to the full Board after the Committee's December 2018 meeting).

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

Committee competence

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

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

I am assisted by two other Independent Non Executive Directors:

Kate Barker has wide experience of key areas in which the Company operates day to day, having led Government policy reviews into housing supply and land use planning. She also has experience of being a non executive director with Man Group plc and previously with Yorkshire Building Society.

Angela Knight has wide experience of financial services and banking and has extensive non executive director experience.

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

As described in the Nomination Committee Report on page 89, there is a formal process of induction for new Directors and this includes specific reference to assisting competence in relevant Committee areas through exposure to appropriate areas of the Company's operations and performance.

All the members of the Audit Committee are Independent Non Executive Directors and I have recent and relevant financial experience as required by the Code.

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

Risk management and internal control

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

The Principal Risks facing the Company, as assessed by the Board, are set out on pages 42 to 51, together with information on the action taken and / or planned to mitigate each one, and a description on page 43 of the Group's appetite for risk.

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

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

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

During 2018 the Board and Audit Committee developed its risk review, appraisal and monitoring processes in two ways. Firstly, considerable thought went into the modelling of the sensitivities underpinning the robustness and applicability of the Viability Statement. Secondly, there was a detailed consideration of the various ways in which the Company could be impacted by the possibility of a 'no-deal Brexit' and the possibility of preparatory and mitigating actions in that respect.

Examples of the Board's and the Committee's reviews around the possible impact of 'Brexit' are set out in the explanation of the process leading to the making of the Viability Statement on page 51; and the assessment of, and mitigation steps related to, risk arising from the impact of the market environment on page 46 and material costs and the availability of subcontractors on page 47.

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

The Board is supported in this by more regular and detailed reviews, by the Audit Committee, including the review of reports from Internal Audit, and by risk reviews across the business, led by the GMT. These reviews during 2018 resulted in a number of enhancements to internal controls, designed to better manage risk across the business. These included:

- A seamless interface between the Enterprise Resources Planning (ERP) and the consolidation system and collection of non-financial data automatically, together with an improved audit trail of submissions.
- Enhanced self-certification of business unit compliance with key controls across all functional areas.
- Rolling-out the complex projects manual across the business and performing the pilot review to confirm that it is being correctly applied.

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

At its meeting in February 2019, the Board, after conducting its own review and after reviewing more detailed assessments from the Audit Committee, remained satisfied that the system of internal control continued to be effective in identifying, assessing, and ranking the various risks facing the Company; and in monitoring and reporting progress in mitigating their potential impact on the Company. The Board also approved the statement of the Principal Risks and Uncertainties set out on pages 42 to 51 of this Annual Report.

Viability statement

The Committee reviewed the Viability Statement set out on page 51 together with the methodology underpinning it; the period it covered; and the robustness of the stress-testing undertaken. The review considered that the Board, from forecasts and reports available to it, has reasonable visibility over a five year time horizon. It also noted that the time period coincided with the average build-out period for typical developments from land acquisition to delivery to customers. The outcome of that review was that the period covered by the statement and the robustness of the stress-testing were each considered to be appropriate and accordingly the Committee recommended its approval to the Board.

External auditor

Re-appointment

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

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

The regulatory sources included the Financial Reporting Council's Audit Quality Review ('AQR') team, which selected to review the audit of the Company's 2017 financial statements as part of their 2017 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level.

The Chair of the Audit Committee received a copy of the findings of the AQR team and has discussed these with Deloitte. The findings have also been discussed by the Audit Committee and, where required, an action plan was agreed with Deloitte to ensure the matters identified by the AQR have been addressed in the audit of the Company's 2018 financial statements.

The outcome of this review was that the Committee recommended to the Board, which in turn is recommending to shareholders in Resolution 13 at the 2019 AGM on page 181, that Deloitte LLP should continue as auditor to the Company.

Tender

The Company last conducted a tender process for the external audit in 2007/2008. UK rules relating to the requirement for rotation of external auditors by FTSE 350 companies permit transitional arrangements in line with guidance issued by the FRC which, applied to the Company, allow the present auditor, Deloitte, to continue in office up to and including the conclusion of the audit of the Company's 2020 accounts. This is considered by the Committee to be in the interests of shareholders and other stakeholders. The present audit partner, Edward Hanson, concludes his five year partner rotation with the audit of the 2018 accounts and in preparation for the rotation to a new partner, his work is being shadowed by Dean Cook who will be the partner for the audit of the Company's 2019 accounts. That also allows sufficient time thereafter for the Committee to prepare for the external audit to be the subject of a competitive tender of alternative firms to Deloitte, during 2020. The Company will of course keep the matter under regular review, taking into account the annual performance review to be conducted by the Committee as well as other relevant factors. There are no contractual restrictions on the Company's selection of its external auditor.

Statement of compliance

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

Appointment of the auditor for non-audit services

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

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

- Bookkeeping or other services related to the accounting records or financial statements.
- Internal audit outsourcing services.

- The provision of advice on large Information Technology systems.
- Services connected with valuation, litigation support, legal, recruitment or remuneration.

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

The Board is satisfied that this policy meets the latest regulation, the EU Audit Directive and Audit Regulation 2014, and will be conducive to the maintenance of good governance, best practice and auditor independence and objectivity.

Non-audit services in 2018 predominantly related to work undertaken as a result of Deloitte's role as auditors, in particular the assurance work carried out in connection with the announcement of the Company's half year results for 2018, which is of direct benefit to shareholders although it is not formally regarded as 'audit' work for reporting purposes. Deloitte also performed cyber security consultation services, for which they were selected as they were considered to be the best supplier for that service. All independence considerations were considered with regard to these services, in line with the above policy, and were fully compliant with it.

The Audit Committee fully recognises and supports the importance of the independence of auditors. Its review of the auditor's performance during 2018 included non-audit services. The Committee is satisfied that the carrying out of the above work did not, and will not going forward, impair the independence of the external auditor. It also recognises that, from time to time, there is a clear commercial advantage based on cost and timetable requirements in using the Company's auditors. As a result, the value of non-audit services work was £0.1m in 2018 (2017: £0.1m) which represents approximately 20% of the audit fee as set out in Note 6 to the Accounts on page 143.

Internal Audit

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

Audit Committee report continued

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

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

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

The most recent independent formal evaluation of the Internal Audit function was carried out in 2015 on behalf of the Audit Committee by PwC and its finding was that *Internal Audit continues to operate effectively*. A number of initiatives were progressed subsequently to ensure the Internal Audit function continues to meet both current best practice and the evolving needs of the Group. The next such evaluation will be carried out during 2020.

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

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

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

Going concern

The Group has prepared forecasts, including certain sensitivities, taking into account the Principal Risks and Uncertainties identified on pages 42 to 51. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. The Committee reviewed the forecasts and the Directors' expectations based thereon, and agreed that they were reasonable. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Viability Statement

The Viability Statement is designed to be a longer term view of the sustainability of the Company's strategy and business model and related resourcing, in the light of projected wider economic and market developments. The Committee reviewed the Directors' expectations; the criteria upon which they were based; and the sensitivities applied; and agreed that they were reasonable. The statement appears on page 51 together with details of the processes, assumptions, and testing which underpin it.

Annual Report and Accounts 2018

Code Principle N Provision 27

The Board has responsibility, under Principle N, Provision 27 of the Code, for preparing the Company's Annual Report and Accounts; for ensuring that it is fair, balanced and understandable; and that it provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Process

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

In particular, the Committee:

- Reviewed all material matters, as reported elsewhere in this Annual Report.
- Ensured that it correctly reflected the Company's performance in the reporting year, as described in this Annual Report.
- Ensured that it presented a consistent message throughout.
- Ensured that it correctly reflected the Company's business model, as described on pages 28 to 29.
- Ensured that it correctly described the Company's strategy, as described on pages 12 to 26.
- Considered whether it presented the information in a clear and concise manner, illustrated by appropriate KPIs, to facilitate shareholders' access to relevant information.

Significant items

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

Cost allocation of inventory

The cost allocation framework used across the Group, controls the way in which inventory is costed and allocated across each development. It also ensures that any costs incurred in excess of the original budget are recognised appropriately as the site progresses. The Committee reviewed reports and recommendations from the senior management team in relation to areas of the business recognising cost excesses. The Committee also reviewed the work undertaken by Deloitte LLP which included testing of the Group-wide controls to monitor cost allocation. These reviews enabled the Committee to gain assurance that the framework is applied consistently.

Defined Benefit Pension valuations

The Committee reviewed the funding position of the Taylor Wimpey Pension Scheme and the Group's processes for estimating the additional obligation arising from the equalisation of Guaranteed Minimum Pension accrued by the scheme members. The Committee also discussed and agreed the market based assumptions used to establish the net pension deficit recognised on the balance sheet at 31 December 2018.

Leasehold and ACM cladding provisions

The Committee reviewed the work undertaken by the senior management team to identify all legacy and current buildings with ACM cladding materials and reviewed the estimates and assumptions used to determine the exceptional provision recognised in the year. The Committee also reviewed senior management updates on the leasehold provision, including utilisation in the year, level of applications received and the latest management assumptions.

Recommendation to the Board

A summary of the above process and of the Committee's findings in respect thereof, was considered by the Board at its meeting on 25 February 2019. The outcome of that review was that the Committee confirmed to the Board that the 2018 Annual Report and Accounts met the requirements of Code Section 4 Principle N Provision 27, and the Board's formal statement to that effect, to meet the requirements of the Code, is set out on page 80.

Nomination Committee report

Nomination Committee

Kevin Beeston
Chair of the Nomination Committee

Dear Shareholder

I am pleased to be able to take this opportunity as Chair of the Nomination Committee to summarise the important ongoing objectives and responsibilities of the Committee; the work that has been carried out during 2018; and its plans for the coming year.

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

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

During 2018, the Committee oversaw a number of significant changes to the Board. As reported in last year's Annual Report, Gwyn Burr was appointed to the Board as an independent Non Executive Director on 1 February 2018 and brought with her over 25 years of executive experience as well as a wealth of non executive expertise. As planned and reported last year, Rob Rowley stood down from the Board as an Independent Non Executive Director as announced on 26 April 2018. Mike Hussey also stood down from the Board on 19 July 2018 as an Independent Non Executive Director after seven years of distinguished service.

As already reported on pages 62 to 63, on 20 April 2018, Ryan Mangold stood down as Group Finance Director. The Board is extremely grateful for Ryan's long and valued contribution to the Company's progress and stewardship over his seven years of service in this role.

On 20 April 2018, the Board welcomed two Executive Directors to the Board. Chris Carney was appointed Group Finance Director and brings with him considerable experience of financial, operational and risk management around the Group. Jennie Daly was appointed Group Operations Director and brings with her a wealth of experience in the housebuilding industry gained from roles which include strategic land oversight at Westbury plc and managing director of Harrow Estates Plc.

Chris and Jennie's appointments are both a result of the Committee's medium term Board succession planning activities over recent years. These internal promotions to the Board evidence the work that the Committee has done in recent years on succession planning processes and I am delighted to welcome both Chris and Jennie to the Board. Further details of this can be found on page 92 of this report.

Guidance issued by the Financial Reporting Council (FRC) is that Nomination Committees should generally look deeper into the Company to identify future leaders for the business; adopt a wider outlook in identifying potential Directors; and look further ahead than any immediate requirement to replace an individual Director. The Committee has addressed this through the further development of the Company's Talent Management Boards to identify future talent

Nomination Committee

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

Members

Committee members	Meetings attended
Kevin Beeston (Chair)	3/3
Kate Barker	3/3
Gwyn Burr ^(a)	3/3
Angela Knight	3/3
Humphrey Singer	3/3
Mike Hussey ^(b)	2/2
Rob Rowley ^(c)	0/1

(a) Appointed to the Committee on 1 February 2018

(b) Stood down from the Board on 19 July 2018

(c) Stood down from the Board on 26 April 2018. See explanation on page 80

Main objective

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

2018 performance

- Oversaw the selection and appointment of two Executive Directors to the Board and the standing down of an Executive Director from the Board.
- Oversaw the selection and appointment of a new Non Executive Director to the Board.
- Led further development of Board and Board Committee succession planning.
- Reviewed contingency and longer term succession planning for all senior roles across the business.

- Further progressed the diversity and inclusivity agenda across the business, including partnering initiatives with selected third parties.
- Monitored action to further deepen, where necessary, the overall strength and succession planning in the Finance function across the business.

2019 objectives

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

Nomination Committee report continued

and ensure that associated training and development plans are in place, to identify those executives with short and longer-term potential to be Directors and progress to other levels of senior management, and to encourage and assist their further development with this aim. The Committee has also focused increasingly on the skills of individual Directors, and of the Board as a whole, in assessing whether each has the necessary skill sets and whether there are any particular skills gaps, particularly in relation to the Company's medium term and longer-term strategic direction and the Board's ability to drive it effectively. More details are set out on pages 72 and 92.

As mentioned on page 63, I joined the Board of Taylor Wimpey in July 2010 and I have enjoyed my time immensely. As part of our ongoing Board succession planning reviews, and in accordance with the requirements of the new Code, the Committee, led by Kate in her role as Senior Independent Director, will be putting the wheels in motion to recruit my successor as Chair of the Board during the course of this year.

The Committee welcomes the Hampton-Alexander Review which seeks to improve Board and senior leadership diversity across FTSE350 companies. Following the appointment of Gwyn Burr and Jennie Daly noted earlier, the Company currently has four women on its Board (44%) and six in total across the combined Board and Group Management Team (43%) and is already compliant with the revised target at both Board level and wider executive positions. I am delighted to report that following recent Board changes in 2018, Taylor Wimpey have been recognised in the Hampton-Alexander Review as the third best performer in the FTSE at that time and was the only housebuilder in the top ten for female representation at a senior level.

The Company strongly supports the Government's initiative on gender pay gap reporting and the Committee has overseen the publication of the Company's second Gender Pay Gap Report. The Company's 2018 Gender Pay Gap Report can be found on the Company's website www.taylorwimpey.co.uk

The Committee made good progress during 2018 and its achievements made during 2018 and its plans for 2019 are set out on page 87.

Following the publication of the 2018 UK Corporate Governance Code, the Committee has taken the opportunity to conduct a thorough review of our terms of reference and has updated them to ensure that they are in line with the new Code. The terms of reference can be found on the Company's website at www.taylorwimpey.co.uk/corporate

The key priorities of the Committee remain the following:

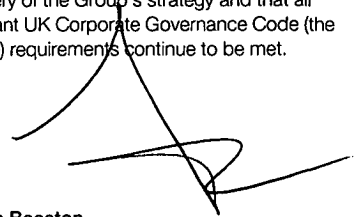
- To regularly review the Board's composition, balance, diversity, skill sets, and individual Directors' time commitment.
- To regularly review our succession and contingency planning across the business, and ensure that there is a clear link to individuals' career development and professional development.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

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

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

The Committee's objectives, the strategy for delivering them, progress made towards them during 2018 and targets and plans for 2019 are described in more detail in this Report.

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



Kevin Beeston
Chair of the Nomination Committee

Committee purpose and responsibilities

The Committee has procedures in place with regard to maintaining a formal, rigorous and transparent process for Board appointments, ensuring that appointments to the Board are made on merit and assessed against objective criteria. The Committee guides the Board in regularly assessing whether there is an appropriate balance of expertise and skills on the Board and other diversity considerations. The Committee noted and welcomed the 2011 report from Lord Davies of Abersoch on Women on Boards (the Davies Report); the 2015 Report which raised the target from 25% to 33% by the end of 2020; and the Hampton-Alexander Review which extends the 33% target by 2020 to include the executives at Board level and those that report directly to the executive committee members (for the Company this is the Group Management Team). As reported in my letter on page 88, at the date of this report we are currently complying with these requirements.

The Committee oversees on behalf of the Board, and advises the Board on, the identification, assessment and selection of candidates for appointment to the Board. The Committee has a formal, rigorous and transparent process against objective criteria. A description of how appointments are typically made from outside of the Company to the Board is set out opposite.

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

ENGAGE

The engagement of independent recruitment consultants who have no other connection to the Company.

CONSIDER

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

SELECT

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

INTERVIEWS AND MEETINGS

Interviews and meetings with the Chair, Chief Executive, other Executive Directors, Group Legal Director and Company Secretary, and with each Non Executive Director.

SELECT CANDIDATE

TAKE UP REFERENCES

APPOINTMENT

INDUCTION

Nomination Committee report continued

Committee activities during 2018

As noted on page 87, the Committee met on three occasions during 2018 and the activities at each meeting were:

April 2018

- Oversaw the selection and appointment of Chris Carney and Jennie Daly as Group Finance Director and Group Operations Director respectively;
- Oversaw the leaving arrangements for Ryan Mangold;
- Oversaw the appointment of Ingrid Osborne as Divisional Chair of the London and South East Division;
- Considered the balance and composition of the Board.

May 2018

- Reviewed succession and contingency planning progress and further plans for:
 - The Board;
 - The Non Executive Directors;
 - Board Committees;
 - The Executive levels immediately below the Board; and
 - Other key roles within the business.
- Reviewed progress and plans for developing talent;
- Reviewed the Board composition.

Oct 2018

- Received an update on Chris Carney's and Jennie Daly's progress to date in their new roles;
- Received an update on progress around Group succession planning and related development plans;
- Received an update on contingency planning for key Executives below Board level;
- Developed a plan for succession to the position of Chair, also taking into account the revised 2018 Code requirement limiting service in that position to nine years;
- Agreed the key attributes to be sought in recruiting an additional Non Executive Director.

As highlighted in the Committee's 2018 performance on page 87, a key focus of the Committee's work during the year was on progressive succession planning at all senior levels of the Company with a view to identifying key prospects and tailoring training and development plans to allow them to demonstrate their potential for future progression. As part of this process, management below Board level is provided with regular access to the Board, including the opportunity to attend Board meetings and other Board-related functions in order to give presentations on specialist topics, project work and the performance of specific regional businesses and Divisions. This helps to provide valuable exposure to the Board for up and coming management as well as being extremely valuable for Board members in assessing the Company's strength in depth. Prior to joining the Board, both Chris Carney and Jennie Daly regularly attended Board meetings by invitation to gain exposure to the Board.

The Committee meets formally at least twice a year, and otherwise as circumstances dictate. The Committee met three times during 2018, with an additional meeting being held in April to oversee the selection and appointment of Chris Carney and Jennie Daly to the Board. The Committee's principal agenda items throughout the year consisted of longer term succession planning, reviewing and approving the contingency plan for key members of staff, considering progress on diversity across the business and monitoring progress of the newly appointed Directors. Wider succession planning and diversity also remained on the Board agenda regularly throughout the year.

Information and professional development

The Company has procedures whereby newly-appointed Directors (including Non Executive Directors) receive a formal induction. This includes training and continuing familiarisation with the Company's business, strategy, operations (including health and safety) and systems, the principles underlying the discharge of their duties as Directors and wider issues relating to the housing sector. For newly appointed Independent Non Executive Directors the induction includes meetings with key executives and function heads from across the business, advisers and site visits. For the newly appointed Executive Directors, the induction process differed slightly and focused on governance, shareholders' views from the Company's perspective and the Board's current areas of focus. Further information on the induction that Gwyn Burr, Chris Carney and Jennie Daly received following their appointment to the Board during 2018 can be found on page 61.

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

All Directors visit Group operations on a regular basis, engaging with employees at all levels in order to foster and maintain an understanding of the business. Board visits are arranged each year to operations and at least one Board meeting per annum takes place either in, or at a nearby location with representatives from, a regional business over three days. In 2018, the Board visit, accompanied by the GMT, encompassed presentations on the Major Developments business; increasing use of direct labour; product and placemaking; large site strategy; building for the private rental and rent to buy markets; and on the performance of the South Thames business unit.

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

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

The ESG briefings allow the Board to assess the significant ESG risks to the Company's short and long term value and to identify any opportunities that may arise to enhance value. Details of ESG risks and value-enhancement pursuits appear in the 2018 Sustainability Report which is available on our website at www.taylorwimpey.co.uk/corporate/sustainability

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

Annual Board Evaluation

In line with the Code, an annual evaluation is carried out of the Board and its individual Directors, which is externally-facilitated at least every third year.

Full details of how the appraisal for 2018 was conducted; the actions taken and planned to address the outcome of that 2018 evaluation; and details of further actions taken during 2018 to address any remaining matters that arose from the previous year's appraisal (for 2017) are each tabulated and explained in greater detail in the Corporate governance report on pages 80 to 81.

Composition of the Board

It is the Company's policy, in line with the Code, that proposed appointments to the Board, and succession planning, are based on merit, and judged against objective criteria, whilst also having due regard to the benefits of diversity and inclusivity, including gender, age, ethnicity, thought and experience. Following recent changes to the Board during 2018, the Board consists of nine Directors, four of whom are women, representing 44% of the Board. The Board is therefore compliant with the increased target proposed by the Hampton-Alexander Review of 33% female representation by 2020.

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

Succession and contingency planning

During the year, succession planning for people at all levels of the organisation has continued to be a key area of focus for the Committee. As part of this, both the Board and the Nomination Committee have visibility of a wide range of employees with leadership potential together with their individual development plans. The appointment of Chris Carney and Jennie Daly to the Board evidences the succession planning processes implemented by the Committee.

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

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

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

Nomination Committee report continued

Board succession

As reported on pages 62 and 63 there were a number of changes to the Board during 2018.

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

The Committee believes that the balance of the Board, consisting of a Chair, four Executive Directors and four Independent Non Executive Directors, recently augmented by Chris Carney and Jennie Daly's wide-ranging additional skill sets, will continue to provide the right blend of experience, expertise and challenge in order to take the Company forward in line with its new strategy whilst ensuring and maintaining good governance and best practice. This will, however, be kept under regular review in line with the guidance set out in the Code.

As mentioned earlier, the Committee has noted the requirement in the July 2018 updating of the Code that a Chair of the Board should not normally serve for longer than nine years, subject to a limited extension to facilitate effective succession planning, and will be taking steps during 2019 to address this requirement.

At the Annual General Meeting of the Company to be held on 25 April 2019, all Directors will again be subject to re-election or, in the case of Chris Carney and Jennie Daly, to election, by shareholders in accordance with the Code. Biographical details of each Director can be found on pages 58 to 59.

Employee diversity

Diversity and inclusivity remained an area of clear focus throughout 2018 which will continue into 2019 and beyond. A working party which includes a variety of members from across the business has been overseeing progress towards achieving the Company's diversity and inclusivity strategy and implementing new initiatives so as to improve our performance in these key areas and comply with the Company's Diversity Policy as set out on pages 94 to 95. The strategy focuses on the challenges faced in developing an inclusive and diverse workforce with each regional business making an appropriate commitment. This includes working with specialist external bodies to maximise all opportunities, including:

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

By embracing diversity and inclusivity the Board believes the Company will better understand how people's differences and similarities can be utilised for the benefit of not only the Company but most importantly also for individuals, the communities that we work within, society as a whole, and our customers. Having a diverse workforce will improve the Company's ability to become a customer-centric business.

Diversity has continued to be a key item on the overall UK governance agenda during 2018, which was highlighted in the new Code. Within Taylor Wimpey, diversity has remained a key priority for the Board's agenda and this will continue to be the case during 2019. Although the Board will continue to appoint on merit, we recognise that boards will generally perform better when they include top quality people from a range of backgrounds and perspectives. Diversity will continue to be a key consideration when contemplating the composition and refreshing of the Board and indeed our senior and wider management teams.

The Company has put in place systems to measure and monitor diversity around the Group more effectively.

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

- A review of Gender Pay. At Taylor Wimpey we are committed to creating a diverse and inclusive place to work. Our fair and transparent approach to recruitment and our people is one of the defining factors in Taylor Wimpey's culture and future workforce. Embracing diversity enables Taylor Wimpey to succeed in a competitive market. We have implemented a Diversity and Inclusivity Strategy which focuses on gender equality as well as other key promoting workforce policies that highlight positive approaches to employee diversity. Our action plan that supports gender equality sets out measures to challenge the traditionally male dominated culture of the construction and home building industries.

- Implementing a flexible working policy in our Southern Counties regional business. As a result of the initial trial a number of further businesses have also introduced revised flexible working arrangements which have been received positively.
- Built on the success of the Young Persons Forum in our West Scotland regional business and rolled out further forums across the business. These forums give young members of the business a platform to discuss business-related issues that are important.
- Gained exposure for the business and the work of the young persons' forum at the young panel session at The Herald and Genalytics Diversity Conference in May.

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

During 2018 we engaged with the Disability Forum with a view to raising awareness of the challenges facing people with disabilities. This will also result in audits of all business units with a view to creating action plans and allowing us to become 'Disability Confident'. We have worked with an external partner to undertake a detailed review of accessibility for disabled people, whether employees; customers; or visitors; to our offices; sites; sales centres; and show homes around the UK. The report will be analysed and any appropriate recommendations implemented during 2019.

With regard to gender, as at 31 December 2018 the diagrams below show the number of women representing each group.

Gender diversity

plc Board

Group Management Team
(Executive Board of Taylor Wimpey UK Limited)

Regional Managing Directors

Women across the Group account for 31% of the workforce

31%

(2017: 32%)

Percentage of new starters with the Group during 2018 that are women

26%

(2017: 28%)

While we continue to make reasonable overall progress and are committed to doing so, we of course recognise that this is a journey and we still have more work to do in order to fulfil our overall diversity ambitions and, as stated on page 81, it is a priority for 2019 to achieve further progress in this area.

Nomination Committee report continued

Progress of our diversity policy

The Company's plans and progress in implementing its diversity policy, benchmarked against appropriate targets, are set out below. Progress is measured and monitored by the Nomination Committee and the Board. The Company is also committed to ensuring that our people are free from any direct or indirect discrimination, harassment, bullying or any other form of victimisation. Our grievance and harassment policies ensure that any reported incidents are investigated. In addition, our whistleblowing policy encourages employees to speak up, including through an independent 'Safecall' telephone facility, against any inappropriate practices or behaviour and we regularly publicise the policy to all staff and workers on site.

Diversity policy	Strategy	Progress
Taylor Wimpey operates in diverse communities. We believe that embracing this diversity will enable us to succeed through a workforce that is inclusive, creative and innovative. Diversity covers many aspects. We have defined diversity to mean that we actively embrace the business and local communities in which we operate and will strive to reflect their richness and character to include such aspects as gender, race, disability and religion but also diversity of thought, background and experience.	We will examine our culture and practices to determine what further actions can be taken to improve diversity and inclusion within Taylor Wimpey.	Our Working Party, the Taylor Wimpey UK Diversity & Inclusivity Committee (the 'Committee'), has been expanded to fully incorporate our previous BAME Working Group. This means we now have full representation across all of our UK Divisions, with every regional business having a link to the Committee via their nominated champions. The Committee meets every quarter with clear objectives and action plans now in place for 2019 which will focus on achieving our Diversity and Inclusion agenda. Our strategy and associated workstreams are designed to move us forward as a diverse and inclusive employer with particular emphasis on gender and BAME this year. The three key objectives stated within TW's Diversity and Inclusion Strategy are; – 21st Century Leadership – Employer of Choice – Expand our Reach During 2018 we engaged with The Disability Forum with a view to raising awareness of the challenges facing people with disabilities. This will also result in audits of all business units with a view to creating action plans and allowing us to become 'Disability Confident'. The committee has also engaged with the EY Foundation. EY Foundation's aim is to reduce the barriers that young people from all backgrounds face when trying to find employment. The Chair of the Committee and the Head of Human Resource Strategy continue to drive the Diversity and Inclusion agenda and will provide updates on progress on our plans and specific initiatives to our Divisional Chairs, Divisional Managing Directors and Managing Directors. This ensures strong two way communication and strengthens the commitment to Diversity and Inclusion from the leaders of our business.
Managing diversity is about valuing everyone as an individual – valuing people as our employees, customers and clients. People have different needs, values and beliefs. Our people management practice demands that employment propositions are both consistently fair but also flexible and inclusive in ways that assist our people while supporting our business needs and objectives.	We will identify people management practices that assist a diverse workforce to achieve their full potential. We will use our Community Engagement Programme to heighten awareness of personal interaction and valuing individuals. We will increase the opportunities for young people to join the Company and will promote continuous personal development.	We are proud of our involvement with the Leonard Cheshire Disability Change 100 programme which we are committed to continuing to support. In 2018 we increased the number of people employed with a disability to 43, compared to 24 in 2017. We were also very proud when one of our Change 100 interns successfully applied for our Graduate programme and commenced on the programme in September 2018. We have continued to promote our 'Employer of Choice' and diversity agenda through numerous publications and recently participated in the Annual Diversity Awards that were sponsored by The Bank of Scotland, Glasgow Herald, and Genalytics. At the award ceremony our West Scotland regional business was nominated for the Diversity Star Performer and Recruitment of Talent and the Youth Employment awards. They went on to win the Diversity Star Performer award. Taylor Wimpey are also documented in the 'Hampton-Alexander Review' an independent review body which aims to increase the number of women on UK boards. We are recognised as a top ten performer amongst the FTSE100 employers for the number of females on boards. During 2018 we continued with the roll out of the Young Persons Forums across our business units. These forums ensure that our young people are fully engaged with the business, creating strong networks that will bring huge benefits to both the individuals and wider business. This ensures that young people have a strong voice within Taylor Wimpey. The principles and benefits of Flexible Working were continually promoted during 2018. This created some fantastic success stories around the business. We now intend to further endorse this initiative which should be accessible for all, and will be launching our Agile Working Campaign in the coming months. The Committee is planning to launch a Career Returners programme so that we can harness the skills and talent of females and males who have been out of work for an extended period but are now ready to return to the work environment.

Diversity policy	Strategy	Progress
We believe that everyone should have the right to equal access to employment and, when in our employ, to equal pay and access to training and career development.	We will ensure that all managers involved in recruitment and selection receive training that incorporates the areas of diversity and promoting equality. We will extend our recruitment sources in order to attract a more diverse range of applicants.	In 2018, we recruited 197 site apprentices, 53 management apprentices and 27 graduates. During 2018, we updated the diversity and inclusion data we hold on our employees in the system. This was always an activity planned 18 months into the delivery of our Diversity and Inclusion action plan, as we continue to raise awareness, and embed a more diverse and inclusive culture. We continued to partner with a number of specific diversity partners in 2018 with the objective of driving the attraction and development of a more diverse and representative workforce. The Company's new strategy was launched during 2018 with clear objectives around Diversity and Inclusion. This initial launch included open sessions chaired by Pete Redfern (and other main Board members) with groups of employees representing all areas of the business. These sessions were designed to allow all voices to be heard and then influence how we achieve our strategic goals. Diversity and Inclusion is also discussed as part of the talent and succession reviews which are completed by all business units twice a year. These reviews are cascaded upwards, culminating in business-wide reviews by the Divisional Chairs with the Chief Executive and Group HR Director. In 2018 a full review of all Taylor Wimpey procedures, policies and website began. This will be viewed through a Diversity and Inclusion 'lens'. This review will be completed during 2019.
We are committed to ensuring that our people are free from any direct or indirect discrimination, harassment or bullying. We will not tolerate any behaviour that detracts from this.	We will encourage our people to speak out and report any direct or indirect discrimination, harassment or bullying. We will act promptly in addressing any inappropriate behaviour or practice.	A specific focus of the Company's whistleblowing campaign is on diversity, encouraging employees to speak up against any inappropriate practices or behaviour. Our grievance policy ensures that any reports of harassment or bullying are investigated and acted upon.
We acknowledge that we must continue to promote diversity in order to create an organisation that attracts, supports and promotes the broadest range of talent. Establishing an organisational culture with diversity as a core value will enable individuals to reach their full potential and provide the best service to our customers.	Diversity will be promoted from the highest level and we will ensure that our people understand the benefits of having a diverse and inclusive workforce.	Diversity is a core message within our strategy; a main item at our Executive and Regional Management meetings; and is a standing agenda item at GMT meetings. In order to support each employee to maximise their performance and achieve their own personal goals we have designed a Cultural Principles framework where we describe the behaviours and attitudes we believe are required for effective performance in order to deliver our vision, mission and values. Encouraging and embracing diversity is an integral part of our philosophy. The Careers section of our website includes a dedicated Diversity and Inclusion section highlighting our focus on this area. During 2018 the 'Proud' campaign was launched and completed across all of the UK businesses. This involved creating videos of employees and their stories which made employees proud to work for Taylor Wimpey. Feedback on the campaign was incredibly positive and created the basis for an Engagement Strategy for use both internally and externally which will identify the benefits of a career within Taylor Wimpey as well as our success and desire to improve as a diverse and inclusive employer. We have built on the success of the female talent forum. Regular Female Talent dinners and events were held throughout 2018 with measurable benefits identified. We published our updated gender pay gap data on 4 March 2019 and it can be viewed on our website at www.taylorwimpey.co.uk

Remuneration Committee report

2018 remuneration at a glance

What are the key elements of our remuneration policy?

Policy elements	Award timeline					Purpose	Key features
Fixed	Year 1	Year 2	Year 3	Year 4	Year 5		
Base salary						To recruit and reward executives of a suitable calibre for the role and duties required	Salaries reviewed annually although no automatic entitlement to an increase
Benefits						To provide a competitive package of benefits to assist with recruitment and retention of staff	Benefits include: company-provided car or a cash allowance, provision of a fuel card, life assurance, private medical insurance
Pension						To provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders	Provided through one or more of the following arrangements: defined contributions, defined benefit arrangements; or a cash allowance
Variable							
Executive Incentive Scheme (Annual bonus) (EIS)						To reward the achievement of stretching objectives that support the Company's annual and strategic goals	Maximum EIS opportunity is 150% of base salary Target performance is 75% of base salary One-third of any EIS payable is deferred into shares for three years
Long Term Incentive Plan (PSP)						To assist with retention and the incentivisation and motivation of senior executives to deliver long term returns to shareholders	Maximum award is 200% of base salary Threshold performance is 40% of base salary Three year performance period Two year holding period post vesting

Which metrics determine variable pay and how did we perform against them in 2018?

In order to standardise disclosure across the EIS and PSP, the EBIT measure will now be referred to in this report and in future reports as Operating Profit; PBIT margin will be referred to as Operating Profit Margin; and ROCE will be referred to as RONOA. There is no change in how the metrics are defined or calculated.

2018 Annual bonus (EIS)

Measure	Weighting	Outcome	Link to strategic objectives
Operating Profit	40%	40%	Increase profit sustainably for the long term to support growth and dividend payments
Cash Conversion	20%	20%	High conversion of operating profit into operating cash flow
RONOA	20%	20%	Deliver at least 15% return through the housing cycle and 30% over the period 2016-2018
Customer Service	20%	13%	Deliver exceptional customer service and strive to improve our customer satisfaction scores
Overall Result		93%	

2016 PSP Award (measuring performance over 3 years to FY 2018)

Measure	Weighting	Outcome	Link to strategic objectives
TSR v Peer group	30%	0%	Deliver long term stock market returns to our shareholders which are higher than can be earned by investing in other listed housebuilders and other FTSE 100 companies generally
TSR v FTSE100	20%	0%	
RONOA in 2018	25%	25%	Deliver at least 15% return through the housing cycle and 30% over the period 2016-2018
Cash Conversion (2016-2018)	25%	25%	High conversion of operating profit into operating cash flow
Overall Vesting		50%	

Executive Directors' remuneration scenarios – 2018 actual remuneration v 2018 on-target potential

Remuneration Committee

Kate Barker DBE
Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the 2018 Directors' Remuneration Report for Taylor Wimpey.

The Remuneration Committee (the 'Committee') remains mindful of the increasing interest in executive remuneration and the importance of considering remuneration from both a wider workforce and wider societal perspective. Accordingly, the Committee looks to ensure that the remuneration policies and practices at Taylor Wimpey drive behaviour that is appropriate and in the long term interests of the Company, our shareholders and our wider stakeholders.

The Committee is also aware and supportive of the changes introduced by the 2018 UK Corporate Governance Code ('2018 Code') which applies to listed companies with effect from 1 January 2019. The changes include the actual setting of remuneration for senior management by the Committee (in addition to Executive Directors) as opposed to recommending and monitoring under previous Codes. In addition, the Committee now also has the responsibility to review workforce remuneration and related policies and for the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Directors. Although the Committee was doing a lot of this already as part of its existing processes, we will be focusing on embedding the 2018 Code into our processes during 2019 as we head into the review of the Remuneration Policy which will be presented for shareholder approval in 2020. We have already reviewed the Committee's terms of reference to ensure that they meet best practice and to also ensure that the Committee considers all relevant matters as part of its wider remit and responsibilities under the 2018 Code going forward.

Shareholders approved the current Remuneration Policy (the 'Policy'), as set out in full on pages 101 to 103 of this Report, at the 2017 Annual General Meeting (AGM). The Committee is of the view that the Policy continues to remain appropriate and should therefore continue to operate until its planned renewal at next year's AGM. As part of our Policy review the Committee will be considering what else the

Company needs to put in place with regard to post employment shareholding requirements in order to meet The Investment Association's Principles of Remuneration and similarly with regard to Executive Director pension contributions.

Shareholder engagement

The Committee has continued its much-valued and long-established practice of engaging and consulting with its key institutional investors and with shareholder representative bodies (Glass Lewis, ISS and The Investment Association) about Executive Director remuneration. As in previous years, the Committee has taken account of all the feedback which it has received (including on the remuneration for our two new Executive Directors appointed during the year) and is, as ever, very grateful for the constructive engagement that has taken place with regard to the 2018 outcomes and remuneration proposals for 2019. We look forward to consulting further, ahead of submitting a new Remuneration Policy for approval at the 2020 AGM.

Board changes

The Committee very carefully considered the remuneration arrangements in relation to the Executive Director changes that were announced by the Company in April 2018. These included the appointments of Chris Carney as Group Finance Director and Jennie Daly as Group Operations Director and the leaving arrangements put in place for Ryan Mangold.

Remuneration Committee

The Committee is chaired by Kate Barker. The Committee consisted of three Independent Non Executive Directors as required by the Code and also the Chair of the Board. Its members are set out in the table below

Members

Committee members	Meetings attended
Kate Barker (Chair)	3/3
Kevin Beeston	3/3
Angela Knight	3/3
Gwyn Burr ^(a)	3/3
Rob Rowley ^(b) (former Director)	1/2

(a) Appointed to the Committee on 1 February 2018
(b) Stood down from the Board on 26 April 2018.
See explanation on page 80.

Main objective

To establish and maintain formal and transparent procedures for developing policy on executive remuneration to deliver the Company's strategy and value for shareholders; to agree, monitor and report on the remuneration of individual Directors and senior executives; and to review wider workforce remuneration and other policies in accordance with the 2018 Code.

2018 activities

- Approved remuneration packages for two newly appointed Executive Directors and agreed the leaving arrangements for the outgoing Group Finance Director.
- Continued to increase alignment with shareholders through increased participation in our all-employee share plans.
- In line with corporate governance developments, reviewed the ways in which employee views will be taken into account in relation to pay at Board level.

2019 objectives

- Review and adopt updated Terms of Reference in line with the 2018 Code.
- To review the existing Policy and to develop a new Remuneration Policy for consideration by shareholders at the 2020 AGM which continues to deliver the Company's strategic objectives, and value for shareholders.
- To continue to embed ways in which employee views are taken into account in relation to pay at Board and Senior Management level and to incorporate the 2018 Code and other governance developments into our remuneration processes.
- To continue to increase the alignment with our shareholders across all of our businesses including through encouraging participation in our all-employee share plans.

Remuneration Committee report continued

Details of the leaving arrangements for Ryan can be found on page 108 of this report.

It is pleasing that both Chris and Jennie were internal appointments and they were both promoted on terms which fall within our Remuneration Policy. Details of their remuneration are set out in this Report, including salary on page 108. The Board is very impressed with the progress that both Chris and Jennie have made since they were appointed. With regard to Jennie, as we explain later, due to the newness of the role, the Committee determined that a more cautious, staged approach should be taken on her base salary progression. Accordingly, on promotion to the Board her salary was increased from £287,000 to £310,000, which was the first stage of the increase to the intended full salary for the role, as it became fully developed. Due to Jennie's outstanding continued personal performance and cognisance of the significant increased development of the role, since her initial appointment (which has included taking over the Chair of the Group Operation Team, assuming formal responsibilities for agreeing key land acquisitions and broader responsibility alongside the Chief Executive for Group performance including signing off the annual Group budget for 2019), the second and final staged increase for this new role to £400,000 took effect from 1 January 2019.

The average annual salary increase being proposed throughout the Company for 2019 is 2% and will apply with effect from 1 April 2019. This increase will also apply to Pete Redfern, Chris Carney and James Jordan as well as to the wider senior management team. Jennie Daly's next salary review will not take place until April 2020 and will then usually be in line with that of the general workforce from that point.

Wider workforce remuneration and employee engagement

The Taylor Wimpey National Employee Forum (the 'NEF') which the Company set up in 2017 in order to further enhance its employee voice and communication initiatives, continued to operate throughout 2018. I was pleased to attend an NEF meeting in November in my capacity as Chair of the Remuneration Committee. During the meeting we discussed the general make-up and approach to executive pay and how this aligns more generally to that of the workforce. We very much welcome the opportunity that this direct engagement with the wider workforce will bring to the Committee's discussions and the Committee is looking forward to engaging and working further with the NEF during 2019.

CEO pay ratio

The Committee believes that the introduction of the CEO pay ratio will become a useful tool in assessing Executive Directors' remuneration. Whilst it is not compulsory to disclose the ratio for 2018, the Committee has opted to publish the information in this Report, and further detail and narrative can be found on page 113.

Post employment shareholding requirements

Our current policy for post cessation shareholdings is that if an executive ceases employment as a 'good leaver', unvested PSP and deferred EIS share awards (in the case of Executive Directors) would generally vest at the normal time after the relevant performance period. For all leavers the two year post vesting holding requirement for PSP awards would continue unaffected. On this basis, there should be an interest in shares for any 'good leaver' post employment. As mentioned earlier, we will be reviewing our post employment shareholding requirement, taking into account the latest investor guidance and market developments, as part of the Remuneration Policy review during 2019.

Executive Directors' total remuneration

The chart below compares the 2018 single figure for total remuneration for each of the Executive Directors with the equivalent figure for 2017.

Performance in 2018

The EIS and PSP operate with clearly defined performance measures set at the start of each financial year.

Our trading performance during 2018 was very strong and as a result the EIS outcome for 2018 was 93% with achievement against the range of challenging targets set for the year, based on the following measures: Operating Profit (40% weighting), Cash Conversion (20%) and Return on Net Operating Assets ('RONOA') (20%). The Company also partially met the challenging Customer Service target. Further details of the 2018 EIS outcome are set out on page 111.

The PSP award granted in 2016, which measured performance over the three years to the end of 2018, vested in part. Our strong trading performance resulted in full vesting in relation to 50% of the award which was based on RONOA and Cash Conversion. For the remaining 50% of the award, which is based on Total Shareholder Return ('TSR') relative to the FTSE 100 and our Peer Group, our TSR over three years was -4.2%, which resulted in 0% vesting against both TSR measures. On this basis, the performance across the four performance measures led to an overall vesting of 50% of the 2016 PSP award.

Full details of the performance targets and the relative achievement against each measure are set out on page 110.

Overall, the Committee is satisfied that the formula driven outcome from our incentive plans has delivered appropriate remuneration for the year under review and that there is no reason to apply any discretion.

2019 remuneration alignment to strategy

The Committee regularly considers the performance measures of our incentive plans to ensure that they remain relevant and directly linked to the achievement of the Taylor Wimpey strategy as set out on page 26. This is to ensure that any payments in relation to these incentive plans are aligned with progress made towards achieving the strategy.

As outlined earlier in this Annual Report, 2018 has been a pivotal year in developing and setting the future strategic direction of Taylor Wimpey as announced at the Company's Capital Markets Day in May 2018. As such, following shareholder consultation, and in order to meet the Company's new strategy, the Committee has made some modifications to the performance conditions for the 2019 EIS. Group Operating Profit, RONOA and Customer Service will continue to be performance measures during 2019; however, Cash Conversion will be removed from the EIS and will be replaced by two new measures – Order Book and Build Quality. The Order Book measure will provide greater direct emphasis on sales volume and will require improvement over the 2018 full year outcome. The Build Quality measure will be used to underpin our goal to deliver high quality homes and to reduce the number of instances requiring remediation. Improvement in performance against both of these new measures is expected to generate improvements in financial performance and shareholder value.

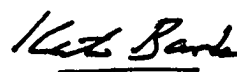
The performance measures for the PSP will remain unchanged from 2018, based on Operating Profit Margin (15%), Cash Conversion (15%), RONOA (20%) and relative TSR measured against a housebuilder group (30%) and against the FTSE 100 (20%). The TSR measures continue to reflect the delivery of value to shareholders across the longer term and the three financial measures are directly linked to the Company's KPIs (see pages 24 to 25 for further information on KPIs).

In addition to encouraging employee share ownership across the business, the Committee firmly believes in ensuring a strong alignment between its Executive Directors and senior management with the interests of the Company's shareholders. Executive Directors' interests continue to be aligned with those of the Company's shareholders in three principal ways:

- Through the share ownership requirements in Taylor Wimpey (which the Committee keeps under regular review);
- Via the requirement to defer each year one-third of their annual cash bonus into shares, which are then required to be held in trust for three years (described in more detail on pages 102 and 107);
- Through the requirement to retain for two years after vesting the net post-tax shares deriving from any vesting of the PSP award.

We believe that the remuneration payable to the Executive Directors for 2018 is appropriate, linked to performance delivered and has taken account of the broader circumstances within which incentive payments should be made.

I very much hope that you will again be able to support the level of remuneration paid with respect to 2018 and how we will implement our policy for 2019.



Kate Barker DBE
Chair of the Remuneration Committee

Remuneration Committee report continued

Committee activities during 2018

February

- Reviewed feedback from key institutional shareholders and shareholder representative bodies on the remuneration consultation conducted in December 2017 around the Company's remuneration proposals for 2018 and the Remuneration Policy which was approved by shareholders at the Company's 2017 AGM
- Considered and approved the salary review proposals for 2018 for the Executive Directors and the wider executive team in light of Company proposals for the wider workforce
- Considered and approved the outcome of the EIS for 2018 and of the PSP vesting in 2018
- Reviewed the draft Remuneration Report for the Company's 2017 Annual Report

April

- Agreed the remuneration packages for the newly appointed Executive Directors
- Agreed the leaving arrangements for Ryan Mangold

December

- Agreed the communication to key institutional shareholders and shareholder representative bodies around the Company's remuneration proposals for 2019
- Considered the draft Remuneration Report for inclusion in the Company's 2018 Annual Report
- Considered reports from Korn Ferry on executive benchmarking
- Considered a general governance update from Korn Ferry on remuneration considerations, including post-employment shareholding requirements
- Preliminary discussion on salary proposals for 2019; projected outcomes of the 2018 EIS and PSP awards
- Discussed CEO Pay Ratio reporting

Introduction

This Report has been prepared to comply with the provisions of the Companies Act 2006 and other applicable legislation, including the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (Regulations), and has also been prepared in line with the recommendations of The UK Corporate Governance Code (the Code) and the UK Listing Authority Listing Rules.

This Report has been prepared by the Remuneration Committee on behalf of the Board.

The 2018 Remuneration Report includes disclosures which reflect in full the Regulations on remuneration reporting, divided into two sections:

- Remuneration Policy Report: this sets out the Remuneration Policy adopted by shareholders at the 2017 AGM, describing the framework within which the Company remunerates its Directors. The Policy applies for a period of three years from the date of the 2017 AGM or until a revised Policy is approved by shareholders if sooner.
- Annual Report on Remuneration: this sets out how the Company's Remuneration Policy was applied during 2018 and how it is proposed that it be applied during 2019. The Annual Report on Remuneration will be subject to an advisory resolution at the AGM on 25 April 2019. Details of the resolution and its status as an advisory vote are set out in the Notes to the Notice of Meeting on page 187.

The Regulations require that the Company's auditors report to shareholders on certain parts of this Report and state whether in their opinion those

parts have been properly prepared in accordance with the requirements. The Remuneration Policy Report, which describes the Committee's current Remuneration Policy for Executive Directors and which has applied since its approval by shareholders on 27 April 2017, contains unaudited information. Some elements of the Annual Report on Remuneration, which describes how the Committee has implemented its existing policy in 2018, contain audited information.

Remuneration Policy Report

Unaudited information

The Company's Remuneration Policy was subject to a binding shareholder vote at the 2017 AGM of the Company and was approved by 98% of shareholders who voted.

The Policy is designed to ensure that the remuneration framework will support and drive the Taylor Wimpey strategy forward by both challenging and motivating the Executive Directors and the senior management team to deliver it and drive value for our shareholders whilst having due regard to our other stakeholders. The Policy is set out on pages 101 to 103 and is also available to view on the Company's website at www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance

Policy overview

A key part of the Committee's role is to ensure that the remuneration of Executive Directors and senior management is aligned to the Company's strategic objectives. It is, of course, key that the Company is able to attract and retain leaders who are focused and also appropriately incentivised to

deliver the Company's strategic objectives within a framework which is aligned with the long term interests of the Company's shareholders. This alignment is achieved through a combination of deferral into shares of a percentage of the EIS; a two-year retention period for vested PSP awards; and share ownership guidelines which require executives to build up holdings of Taylor Wimpey shares, either directly or by retaining vested PSP share awards. These guidelines, which the Committee regularly reviews, require Executive Directors to put in place a plan to accumulate a holding in the Company equivalent to their basic salary within five years of appointment, followed by a holding equal to twice their basic salary within a specified period to be individually agreed with the Chair of the Board.

The Committee's Remuneration Policy ensures that a significant percentage of the overall remuneration package of Executive Directors and senior management is subject to performance. With all packages for Executive Directors substantially geared towards meeting challenging targets set under the EIS and PSP, the Committee believes that the pay and benefits of its Executive Directors and senior management adequately take account of reward versus risk.

In line with best practice the Committee ensures that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, the Committee under its terms of reference may, where it considers appropriate, take ESG matters into account when considering the overall remuneration structure and as part of its overall discretion.

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	To recruit and reward executives of a suitable calibre for the role and duties required.	Salaries are normally reviewed annually to ensure that they remain competitive with external market practices and are competitive when measured against FTSE peers (other non-financial companies of a similar size in terms of market capitalisation and other large UK housebuilders). There is no automatic entitlement to an increase each year. Takes into account the following: – The performance, role and responsibility of each individual Director. – The economic climate, general market conditions and the performance of the Company. – The level of pay awards across the rest of the business. – Salary levels in comparably-sized companies and other major housebuilders.	The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce. However, larger increases may be awarded in certain circumstances including but not limited to: – Increase in scope or responsibilities of the role. – To apply salary progression for a newly/recently appointed Director. – Where the Director's salary has fallen significantly below the market positioning.	Company and individual performance are factors considered when reviewing salaries.
Chair of the Board and Non Executive Director fees	The Chair's and Non Executive Directors' fees should be in line with recognised best practice and be sufficient to attract and retain high calibre non executives.	Fees consist of a single consolidated fee for the Chair plus the payment of a cash amount to cover his office expenses ¹ , an annual fee for the other Non Executives and additional fees for the Chair of the Audit Committee and of the Remuneration Committee. An additional fee is also paid to the Senior Independent Director in recognition of the responsibilities of that role. Set by reference to the responsibilities undertaken by the non executive, taking into account that each Non Executive Director is expected to be a member of the Nomination Committee and / or the Audit Committee and / or Remuneration Committee. Reviewed periodically but generally annually and at least every other year. Takes into account levels in comparably-sized companies and other major housebuilders. Fees are paid monthly in cash. Non Executive Directors do not participate in any incentive, share scheme, benefits-in-kind or pension arrangements. The Chair is entitled to participate in the Company's private medical insurance scheme. Any reasonable business-related expenses (including tax thereon) which are determined to be a taxable benefit can be reimbursed.	Aggregate annual limit of £1 million imposed by the Articles.	N/A
Other benefits, including benefits-in-kind	Provides a competitive package of benefits to assist with recruitment and retention of staff.	The main benefits offered: – Company-provided car or a cash allowance in lieu. – Provision of a fuel card. – Life assurance. – Private medical insurance. – A 5% discount on the price of a new home acquired from the Group in the UK or Spain. Benefits-in-kind are not pensionable.	Life assurance of up to four times basic salary and a pension of up to two-thirds of the member's entitlement for a spouse on death in service, or in retirement, are provided, together with a children's allowance of up to 100% of the dependant's pension for three or more eligible children. The cost of these benefits is not predetermined. The value of a company-provided car or a cash allowance in lieu is of a level appropriate to the individual's role and is subject to review from time to time. The fuel card covers the cost of all fuel, for both business and personal use. For home purchases, the price discount is calculated at the plot release price less the average discount to third party buyers for that house type on that development, less a further 5% employee discount. No more than one home per annum can be acquired at a discount under the scheme.	N/A

Remuneration Committee report continued

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Annual Bonus Scheme (EIS)	Rewards the achievement of stretching objectives that support the Company's annual and strategic goals. Compulsory deferral in shares is designed to further align the interests of Directors with shareholders.	EIS awards are determined by the Committee after the year end, based on annual performance against targets set at the beginning of each year. One-third of any EIS payable is deferred into shares for three years and held in trust. No further performance conditions apply. Dividends or other distributions will accrue in favour of participants during the three year deferral period and will be received with any shares that vest after the applicable deferral period. A malus and clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts and also for other defined reasons. The period of the clawback is three years from the date of payment. No element of the EIS is pensionable.	The maximum EIS opportunity for Executive Directors is set at 150% of base salary. Target is set at 75% of salary and threshold at 0%.	The EIS measures are based on a scorecard of designated key annual financial, operational and environmental measures and the measures for 2019 are described in the Annual Report on Remuneration. The Committee may vary the metrics and weightings from year to year according to strategy and the market, however financial measures will normally have the most significant weighting.
Long Term Incentive Plan (PSP)	Annual grants of share-based long term incentives assist with retention and the incentivisation and motivation of senior executives to achieve returns for shareholders through the inclusion of relative Total Shareholder Return (TSR) as a measure, driving further UK operating margin progression and improving return on net operating assets through the cycle. The use of shares and a post-vesting shareholding period helps align the interests of senior executives with those of the Company's shareholders.	Executive Directors and other designated senior executives can receive annual awards of PSP shares. Awards of PSP shares provide alignment with shareholders as they deliver (subject to meeting performance conditions) the full value of the shares, which can increase and decrease over the three year performance period. Dividends or other distributions will accrue for Directors during the performance and holding periods and will be received with any shares that vest in favour of participants after the applicable performance period. Performance measures are currently measured over three financial years. A malus and clawback mechanism applies to all participants in the event of a material misstatement of the Group's accounts and also for other defined reasons. The period of the clawback is three years from the date of payment.	The maximum award (currently in performance shares) is normally over shares with a face value of 200% of base salary. In exceptional circumstances this can be increased up to 300%.	The targets and weightings for 2019 are described in the Annual Report on Remuneration. The Committee may vary the measures that are included in the plan and the weightings between the measures from year to year. Any changes to the metrics would be subject to prior consultation with the Company's major shareholders. Awards vest 20% for threshold performance and 100% for maximum performance with straight line vesting in between.
Pension	The Company aims to provide competitive retirement benefits that represent an appropriate level of cost and risk for the Group's shareholders².	Pension benefits for Executive Directors are provided through one or more of the following arrangements: – Personal Choice Plan⁴; – Taylor Wimpey Pension Scheme⁵; – or as cash allowances.	Pete Redfern: cash allowances of 20% of salary up to a scheme specific cap and 25% of salary above the cap. James Jordan: cash allowances of 20% of salary up to a scheme specific cap and 28% of salary above the cap. Chris Carney and Jennie Daly: 20% of salary. Company contributions to any pension scheme in respect of the recruitment of a new Executive Director will not exceed 20% of base salary per annum, which is the Company contribution rate for senior management. A Salary Exchange Arrangement is available, allowing the sacrifice of a portion of salary, to be paid into a pension scheme as a Company contribution.	N/A

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
All-employee share schemes	All employees including Executive Directors are encouraged to become shareholders through the operation of all-employee share plans such as the HMRC tax-advantaged Sharesave plan and a Share Incentive Plan (SIP).	The Sharesave plan and SIP have standard terms under which all UK employees with at least three months' service can participate.	Sharesave: Employees can elect for a savings contract of either three or five years, with a maximum monthly saving set by legislation or by HMRC. Options can be exercised during the six months following the end of the contract. SIP: Employees can elect to contribute an amount per month or per tax year by one or more lump sums. The maximum saving or contribution level is set by legislation or Government from time to time and the Committee reserves the right to increase contribution levels to reflect any approved Government legislative changes.	N/A
Shareholding guidelines	Encourages greater levels of shareholding and aligns employees' interests with those of shareholders.	Executive Directors and senior executives are expected to achieve and maintain a holding of the Company's shares at least equal to a significant proportion of their respective salary.	Executive Directors: 200% of salary (100% within five years of appointment and balance by agreement with the Chair) ²	N/A

1. The Company no longer makes a contribution to the Chair's office-related expenses.
2. In addition to the two-year holding period in respect of the PSP, until the 200% target is achieved, an Executive Director will be required to retain in shares at least 50% of the net of taxes gain arising from any shares vesting or acquired pursuant to the PSP or other share based long term incentive plan.
3. Taylor Wimpey Pension Schemes – The Group has two principal UK pension schemes: Taylor Wimpey Personal Choice Plan and Taylor Wimpey Pension Scheme (TWPS). The latter was created on 7 March 2013 and all members of the George Wimpey Staff Pension Scheme and the Taylor Woodrow Group Pension & Life Assurance Fund, the two legacy defined benefit schemes, were transferred into the TWPS on 1 October 2013. Two Directors are members of the TWPS, which is closed to future accrual.
4. Taylor Wimpey Personal Choice Plan (PCP) – The PCP was introduced on 1 April 2002. It is a defined contribution stakeholder pension scheme, which all new eligible UK employees are invited to join. All active members of the two legacy defined benefit arrangements were invited to join the PCP when those arrangements closed to future accrual.
5. Taylor Wimpey Pension Scheme (TWPS) – Pete Redfern and James Jordan are members of the Executive section of the TWPS. They have a Normal Retirement Age under the TWPS of 62.

Illustration of the Remuneration Policy for 2019

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

1. Salary is £874,161, £438,600, £405,861 and £400,000 for Pete Redfern, Chris Carney, James Jordan and Jennie Daly, respectively with effect from 1 April 2019 with the exception of Jennie Daly which was with effect from 1 January 2019. See page 107 for further details.
2. Benefits are £56,000, £29,000, £53,000 and £18,000 for Pete Redfern, Chris Carney, James Jordan and Jennie Daly, respectively.
3. Pension is £209,226, £87,290, £99,896 and £80,000 for Pete Redfern, Chris Carney, James Jordan and Jennie Daly, respectively.
4. For the EIS the target and maximum award is 75% and 150% of base salary, respectively.
5. For the PSP the target (assumed for these purposes to be at threshold performance) and maximum are 40% and 200% of base salary, respectively.

Remuneration Committee report continued

Committee discretion

The Committee recognises that the exercise of discretion must be undertaken in a careful and considered way as it is an area that will quite rightly come under scrutiny from shareholders and other stakeholders. It is, however, also important for the Committee to retain some discretion to make payments outside of its Remuneration Policy in exceptional circumstances. The Committee confirms that any exercise of discretion in such circumstances would be within the available discretions set out in this Report and that the maximum levels available under any relevant plans would not be exceeded.

As disclosed in the 2017 Annual Report and Accounts, the Committee decided that it was appropriate to exercise its discretion to scale back the EIS entitlement of the three Executive Directors in post at that time. The decision was made to reduce the entitlement by 20% of the EIS maximum (which equated to 30% of salary) to take into account the impact of the leasehold provision.

With regard to both the EIS and the PSP, the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans but in all cases within the applicable scheme rules. These include (but are not limited to) the following matters (with the maximum level of award restricted as set out in the Policy table on pages 101 to 103):

- Who participates in the plans.
- The timing of grant of award and / or payment.
- The size of an award and / or a payment, subject to the limits of the rules.
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction.
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen.
- Discretion to dis-apply time pro-rating in the event of a change of control or good leaver circumstances.
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, acquisition, divestment, change of control, special dividend or a change in prevailing market conditions).
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.
- Discretion to allow participants to sell, transfer, assign or dispose of some or all of their shares in exceptional circumstances before the end of the holding period, subject to such additional terms and conditions as the Committee may specify.

How shareholder views are taken into account

The Remuneration Committee appreciates and considers very seriously all shareholder feedback received in relation to remuneration each year and guidance from shareholder representative bodies more generally. Shareholder views are key inputs when shaping the Remuneration Policy and the Committee welcomes any comment or feedback on any aspects of remuneration and will always consider and respond.

The Committee regularly engages with its largest shareholders and shareholder representative bodies regarding the ongoing Remuneration Policy and implementation, and will take into account any feedback when determining any changes that might apply. The last such consultation took place in December 2018 and included the proposed performance targets and weightings of both the EIS and PSP; the salary proposals for 2019; and the terms of Pete Redfern's proposed purchase of an apartment from the Company under the standard staff 5% discount house purchase scheme. Details of this proposed transaction which will require shareholder approval are set out in the Notes to the Notice of Annual Meeting on page 188.

The Committee follows the principles of good governance relating to Directors' remuneration as set out in the Main Principles, Supporting Principles and Provisions of the Code. The Committee reviews and takes into account governance related developments and guidance that arise, on an ongoing basis.

How our employees' voice is taken into account

The Committee supports and welcomes the introduction of the 'employee voice' initiative. The Taylor Wimpey National Employee Forum (the NEF) was established in 2017 and continues to work with members of the Group Management Team and build upon the existing business wide regional Employee Consultation Committee structure. Since it was established in late 2017, the NEF has met on six occasions and received updates and provided feedback and input into numerous and varied topics such as the development and implementation of the Company's strategy, customer service and other important operational matters including remuneration. The Chair of the Board and the Remuneration Committee Chair attended the NEF meeting in November 2018 and discussed the general make-up and approach to executive pay and how this aligns more generally to that of the workforce. Directors and other executives will attend meetings of the NEF from time to time and also seek feedback on specific topics

via the regular attendance at NEF meetings of the Group Legal Director and Company Secretary, Group Human Resources Director and other Group Management Team members as appropriate.

How performance measures were chosen

The performance metrics that are used for each of the short and long term incentive plans have been selected to reflect the Group's key strategic goals and are designed to align the Directors' interests with those of the Company's shareholders.

The EIS performance metrics include a mix of financial and non-financial metrics reflecting the key annual priorities of the Group. The financial metrics will generally determine at least 50% of the EIS and include operating profit as this reflects the Company's strategic objective to increase profit sustainably. The other financial metrics, selected on an annual basis, will be measurable and will ensure that executives are motivated to deliver across a scorecard of key objectives. The improvement of customer service remains an area of ongoing focus and the Committee has therefore retained it as a challenging measure. The Committee has made some modifications to the performance conditions for the 2019 EIS. Cash Conversion will be replaced by two new measures – Order Book and Build Quality. Further details of these two new measures can be found on page 107.

The performance conditions applicable to the PSP were selected by the Committee as they are consistent with the overall longer term success of the Company. TSR provides an external assessment of the Company's performance in two ways. Firstly, against its competitors via an industry peer group and secondly, relative TSR measured against an appropriate sector of the FTSE. The latter has progressed over recent years, in line with the improvement in the Company's share price and capitalisation, from the FTSE 250, (via a mixture of ranking companies), to the FTSE 100 which applied for 2016 and subsequent awards. It also aligns the rewards received by executives with the returns received by shareholders. The RONOA and Cash Conversion targets ensure that returns to shareholders and the generation of cash to fund them are the result of long term sustainable financial performance. Operating Profit Margin is a key indicator for investors and for the Company's strategy of driving margin improvement.

The Committee will review the choice of performance measures and the appropriateness of the performance targets each year. Targets are set based on a sliding scale that takes account of internal planning and external market expectations for the Company.

Maximum rewards require substantial out-performance of our challenging plans approved at the start of each year, with a significantly lower level of rewards for delivering threshold performance levels.

External Non Executive Director positions

Subject to Board approval and provided that such appointments fall within the general requirements of the Code (and do not give rise to any conflict issues which cannot be managed by the Board and the Executive Director), Executive Directors are permitted to take on non executive positions with other companies. Executive Directors are permitted to retain their fees in respect of such positions. Any such appointments would be the subject of an announcement to the London Stock Exchange as appropriate.

Pete Redfern is an independent non executive director on the Board of Travis Perkins plc where he also serves on its Remuneration Committee and chairs its Stay Safe Committee. His current fees total £68,000 per annum (2017: £68,000), which he retains.

Remuneration Policy for the wider workforce

When setting the policy for Executive Directors, the Committee is made fully aware of pay structures across the workforce. In addition, the Committee will conduct a formal review of relevant elements of remuneration across the Group and for all levels of employee at least every three years as part of its Remuneration Policy review. The most recent such review took place in 2017 and its findings, which included data in preparation for the publication of gender pay gap information in April 2018, were that there were no inherent issues or evidence of inequalities on base pay, bonus and car benefits. Pension arrangements have been more closely aligned across the workforce and will be reviewed further during 2019 as part of the Remuneration Policy review ahead of the 2020 AGM and to take into account the recent governance guidelines from The Investment Association referred to earlier in the Report.

Virtually all of the Company's employees participate in incentive arrangements. Many of our employees can elect to take their performance-related payment in Taylor Wimpey shares rather than in cash, further enhancing the link and alignment between shareholder value and employee reward throughout the Company, which both the Company and the Committee consider important. For further details see employee involvement on pages 120 to 121.

The Company also offers both Sharesave and Share Incentive schemes to all eligible UK employees with more than three months' service and is delighted with the level of participation from across the business.

Remuneration Policy on recruitment or promotion

Base salary levels will be set in accordance with the Remuneration Policy, taking into account the experience and calibre of the individual. Where appropriate, the Company may offer a below market salary initially with a view to making above market and workforce increases over a number of years to reach the desired salary positioning, subject to individual and Company performance. Benefits and pension will be provided in line with those offered to other Executive Directors, with relocation expenses provided for if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. Legal fees and other costs incurred by the individual may also be paid by the Company, if considered appropriate and reasonable to do so.

The variable pay elements that may be offered will be subject to the maximum levels described in the policy table on pages 101 to 103. The Company may also consider applying different performance measures if it feels these appropriately meet the strategic objectives and aims of the Company whilst incentivising the new appointee.

In the case of an external hire, the Company may choose to buy-out any incentive pay or benefit arrangements which would be forfeited on leaving the previous employer. This will only occur where the Company feels that it is a necessary requirement to aid the recruitment. The replacement value would be provided for, taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using Taylor Wimpey's existing share plans wherever and to the extent possible, although in exceptional circumstances awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules. To ensure alignment from the outset with shareholders, malus and clawback provisions may also apply where appropriate and the Committee may require new directors to acquire Company shares up to a pre-agreed level. Shareholders will be informed of any buy-out payments at the time of appointment.

In the case of an internal hire including a promotion, as previously reported, the Company will honour any commitments entered into prior to their appointment to the Board even where it is not consistent with the Policy prevailing at the time such commitment is fulfilled. There were no such commitments with regard to either Chris Carney or Jennie Daly when they were appointed to the Board in April 2018, as Group Finance Director and Group Operations Director respectively. Details of their remuneration on appointment are set out on page 108.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts of employment providing for a maximum of one year's notice either way. This meets the requirements of the Code. Service contracts for all Executive Directors and letters of appointment for all Non Executive Directors are available for inspection at the Company's Registered Office during normal business hours and at the AGM.

Each of the Executive Directors' service contracts provides for:

- The payment of a base salary (details of which are set out on page 107).
- An expensed company car or a cash allowance in lieu; a fuel allowance; life assurance; and private medical insurance (details of which are set out on page 101).
- Employer's contribution to a pension scheme (details of which are set out on page 102).
- A notice period by either side of 12 months.
- A provision requiring a Director to mitigate losses on termination.
- The service contract for each of Pete Redfern and James Jordan additionally provides for a pension allowance.

Each service contract contains the following performance-related provisions:

- Participation in the EIS.
- Participation in one or more long term incentive plan.

The Company has the right to terminate contracts by making a payment in lieu of notice. Any such payment will typically reflect the individual's salary, bonus entitlement, benefits in kind and pension entitlements. The Company will be mindful, on termination of an Executive Director's employment, of the need to mitigate costs and phase payments, which cease when the individual obtains an alternative role. There are no change of control provisions that apply in relation to the service contract of any Executive Director.

Remuneration Committee report continued

Other than in certain 'good leaver' circumstances (which could include by way of example redundancy, ill-health or retirement), no payment would usually be due under the EIS unless the individual remains employed and is not under notice at the payment date. Any payment to a good leaver under the EIS would be based on an assessment of their and the Company's performance over the applicable period and pro-rated for the proportion of the EIS year worked.

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

With regard to long term incentive plan awards, the rules of the PSP provide that, other than in certain good leaver circumstances, awards lapse on cessation of employment. Where an individual is a good leaver, the Committee's normal policy is for the award to vest on cessation of employment following the application of performance targets no later than the normal vesting date of the award and a pro-rata reduction to take account of the proportion of the applicable performance period outstanding post the cessation. The Committee has discretion to deem an individual to be a good leaver. The Committee also has discretion for both early vesting and reducing the impact of pro-rating. In doing so, it will take account of the reason for the departure and the performance of the individual through to the time of departure.

In situations where an Executive Director is dismissed, the Committee reserves the right to make additional exit payments where such payments are made in good faith:

- in discharge of an existing legal obligation (or by way of damages for breach of such an obligation);
- by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment; or
- to contribute towards the individual's legal fees and fees for outplacement services.

The terms of engagement of the Chair of the Board and the Non Executive Directors are regulated by letters of appointment over a term of three years, which are reviewed annually. Both the Company and the aforementioned Directors have a notice period of six months and the Directors are not entitled to compensation on termination other than for the normal notice period if not worked out.

All Executive Directors are proposed for re-election and election in the case of Chris Carney and Jennie Daly, at the 2019 AGM and each will have at that date an unexpired service contract term of one year.

Legacy arrangements

Any commitment which is consistent with the approved Remuneration Policy in force at the time that the commitment was made will be honoured, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Annual Report on Remuneration

This Annual Report on Remuneration will be put to an advisory shareholder vote at the 2019 AGM. The information in the Implementation of the Remuneration Policy during 2018 section on pages 109 to 111 has been audited.

Remuneration Committee

The role of the Remuneration Committee is to recommend to the Board a strategy and framework for remuneration for Executive Directors and Senior Management in order to attract and retain leaders who are focused and incentivised to deliver the Company's strategic business priorities within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long term success of the Company.

Following the publication of the 2018 Code, the Committee has taken the opportunity to review and update its defined terms of reference. These updated terms of reference are available on the Company's website at www.taylorwimpey.co.uk/corporate/investor-relations/corporate-governance. The Committee's main responsibilities are to:

- Establish and maintain formal and transparent procedures for developing policy on executive remuneration and for determining the remuneration packages of individual Directors, and to monitor and report on them.
- Determine the remuneration, including pension arrangements, of the Executive Directors.
- Monitor and make recommendations in respect of remuneration for the tier of Senior Management one level below that of the Board.
- Approve annual and long term incentive arrangements together with their targets and levels of awards.
- Determine the level of fees for the Chair of the Board.
- Select and appoint the external advisers to the Committee.
- Review wider workforce remuneration and other policies.

During 2018, the Committee comprised three Independent Non Executive Directors and also the Chair of the Board. Kate Barker is the Committee Chair and the other members of the Committee were Kevin Beeston, Angela Knight and Gwyn Burr. Rob Rowley was also a member of the Committee until he stood down from the Board immediately following the AGM on 26 April 2018. Membership of the Committee is, and was throughout 2018, in line with the Code.

Details of attendance at Committee meetings held during 2018 appear on page 97.

No Director or other executive is involved in any decisions about his or her own specific remuneration.

Advice to the Committee

The Committee keeps itself fully informed on developments and best practice in the field of remuneration and it seeks advice from external advisers when appropriate.

The Committee appoints its own independent remuneration advisers and during the year it continued to retain the services of Korn Ferry.

Korn Ferry is a member of the Remuneration Consultants Group and signatory to its Code of Conduct. During 2018 Korn Ferry also provided other ad hoc remuneration services outside the scope of the Committee to the Company. The Committee reviews the performance and independence of its advisers on an annual basis and is satisfied that the advice provided is objective and independent.

The Committee also receives legal advice from Slaughter and May, the Company's solicitors, as and when necessary. This generally relates to technical advice on share schemes and also with regard to any senior appointments and termination arrangements. The Committee is satisfied that the advice provided by Slaughter and May is objective and independent.

The fees paid to the Committee's advisers in 2018 were: Korn Ferry £115,280 on a time and materials basis (2017: £38,000 for the period from 20 July 2017). No significant amount of advice was sought from Slaughter and May during the year.

Pete Redfern (the Chief Executive), James Jordan (the Group Legal Director and Company Secretary), and the Group Human Resources Director each attend Committee meetings by invitation only but are not present for any discussions that relate directly to their own remuneration.

How the Remuneration Policy will be applied in 2019

Base Salary

The Committee reviewed the Executive Directors' salaries in February 2019 and decided to award increases of 2% to Pete Redfern, Chris Carney and James Jordan, with effect from 1 April 2019, in line with the general workforce increase. As explained on pages 98 and 108, Jennie Daly received a final planned staged increase of salary based on her performance on 1 January 2019. The proposed 2% 2019 general salary increase referred to above, will not apply to her.

The salaries of the Executive Directors effective from 1 April 2019 will be as follows:

Name	Salary at 1 April 2018 or date of appointment	Salary at 1 April 2019 ^(a)	Increase
Pete Redfern	£857,020	£874,161	2%
Chris Carney	£430,000	£438,600	2%
James Jordan	£397,902	£405,861	2%
Jennie Daly	£310,000	£400,000	29%

(a) In the case of Jennie Daly, her increase was with effect from 1 January 2019 as explained earlier in this Report as part of a planned staged increase based on performance.

Pension and Benefits

Pension and benefits will remain in line with practice in 2018 with Chris Carney and Jennie Daly receiving pension of 20% of salary.

Annual Bonus Scheme

The Executive Incentive Scheme (EIS) performance metrics and their weightings for 2019 are shown in the table below. The precise details of the targets themselves are deemed to be commercially sensitive as they relate to the current financial year. However, detailed retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report in the usual way.

Measure	Weighting
Group Operating Profit	40%
RONOA	20%
Customer Service	20%
Build Quality	10%
Order Book	10%

The metrics and weightings have changed in light of the updated business strategy highlighted at the Company's Capital Markets Day held in May 2018, to ensure that the EIS continues to remain in line with our business priorities and market expectations, whilst maintaining a structure that has a weighting of 70% linked directly to financial targets.

The Order Book measure will provide greater direct emphasis on sales volume and will require improvement over the 2018 full year outturn, whilst the Build Quality measure will be used to underpin our goal to deliver high quality homes and to reduce the number of instances requiring remediation. Both new measures are expected to lead to improvements in our financial performance and improve shareholder value.

The Committee may use discretion to adjust payments where necessary.

One third of any bonus will be deferred in shares for three years without any matching element.

Clawback and malus provisions have been updated in line with the 2018 Code requirements and the Committee is satisfied that they remain fully enforceable if ever needed.

Long Term Incentive Plan

In accordance with the Remuneration Policy, long term incentives comprise a Performance Share Plan ('PSP') award with a maximum award of 200% of base salary (face value of shares at date of award). The annual awards granted to Executive Directors in 2019 will be subject to the following performance conditions:

Measure	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (20% vesting)	Maximum (100% vesting)
TSR v Peer Group	30%	Less than median	Median	Upper quartile
TSR v FTSE 100	20%	Less than median	Median	Upper quartile
RONOA in 2021	20%	Less than 26%	26%	33%
Operating Profit Margin in 2021	15%	Less than 19%	19%	23%
Cash Conversion (2019-2021)	15%	Less than 70%	70%	80%

Awards vest on a straight line basis between the above threshold and maximum vesting levels. The Direct Peer Group Index of housebuilders is an unweighted index comprised of Barratt Developments, Bellway, Berkeley Homes, Bovis Homes Group, Countryside Properties, Crest Nicholson, Galliford Try, Persimmon and Redrow.

The performance measures for 2019 are unchanged from those established for the 2017 and 2018 awards. However, the targets for the three financial performance measures have changed to ensure that they continue to remain stretching and appropriate in the present market outlook for the medium term.

An underlying requirement for any vesting under the current share based incentive plans is that at the time of approving the vesting, the Committee must be satisfied with the overall financial performance of the Group. This will include *inter alia* the Company's RONOA and Operating Profit Margin performance.

The Committee also retains the right (as part of its overall discretion) to reduce the vesting of the award if it considers that volumes (i.e. the number of homes sold) have not been satisfactory during the relevant performance period and there is a broad discretion to adjust payments where necessary. Clawback and malus provisions have been updated in line with the new 2018 Code.

Since 2018, all PSP awards are subject to a two year post vesting holding period.

Dividend equivalents and other distributions will accrue on vested awards and continue to accrue to the extent awards remain unexercised post vesting. In line with best practice, from 2020 it is intended that all accrued dividends will be paid via shares rather than in cash and will be subject to the aforementioned two year post vesting holding period.

Remuneration Committee report continued

Payments for loss of office to former Directors (audited)

As announced, Ryan Mangold left his role as Group Finance Director and stepped down as a Director of the Company on 20 April 2018. He continued to have an active role in the business until 31 December 2018, before going on 'garden leave' for the remainder of his notice period until 19 April 2019. The following arrangements applied in respect of Ryan Mangold's remuneration. These arrangements comply with the Company's remuneration policy as approved by shareholders at the Company's 2017 AGM.

The amounts disclosed in the single figure table on page 109 relate to the period Ryan was an Executive Director between 1 January 2018 and 20 April 2018 when he stepped down from the Board. As noted above, Ryan continued to have an active role in the business until 31 December 2018 during which time he continued to receive salary, benefits and pension, in accordance with his contractual entitlements which totalled £374,331 for 20 April to 31 December 2018. In addition, as he was in active employment for the full year, Ryan was eligible to participate in the 2018 EIS arrangements for the full year. The amount of bonus payable to him under the EIS was determined in the normal way subject to the performance measures being met, as determined by the Remuneration Committee in February 2019. The EIS amount in respect of the period between 20 April and 31 December 2018 totalled £421,447 which is payable in cash at the normal payment date.

Ryan's incentivisation before leaving and alignment with shareholders post departure has been created by the tail of PSP awards (up to circa 0.5 million shares) linked to applicable performance periods followed by the two year post vesting holding periods. The Committee took this into account when structuring his leaving arrangements.

The Committee determined he should receive good leaver treatment for the shares deferred under the EIS and for his outstanding PSP awards. As announced, Ryan's unvested deferred EIS awards will vest early on cessation of employment. His outstanding PSP awards will be pro-rated based on time employed (see page 112), subject to performance measured over the relevant three-year performance period and subject to the holding period. As set out on page 110, the 2016 PSP award vested at 50% of maximum and as such the total pre-tax value of shares vested to Ryan following the publication of this Report is £424,030 (based on a share price of 148.88p being the 3 month average over October to December 2018) part of which relates to the period he was an Executive Director and is included in the single figure table. These shares will be required to be held for the two year holding period referred to above.

Ryan ceased active employment on 31 December 2018 and will be paid £162,556 in respect of his contractual salary, pension and benefits for the remainder of his notice period until 19 April 2019.

As previously disclosed on announcement of Ryan's departure, the Company agreed to pay legal fees incurred by Ryan in relation to his leaving arrangements (capped at a value of £6,000 exclusive of VAT) and in addition, in line with normal practice of the Company, he was provided with outplacement services (capped at a value of £30,000 exclusive of VAT).

There were no payments made to other former Directors.

Remuneration arrangements for Directors promoted during 2018

When Chris Carney and Jennie Daly were appointed to the Board in April 2018, as Group Finance Director and Group Operations Director respectively, the Committee considered carefully the structures to be put in place for each of them and in particular on the appropriate level of salary. The Committee took into account a number of internal and external factors, which included both internal and external market benchmarking, historic increases made to the individual, overall Company performance and the remuneration of other executives.

With regard to Chris Carney, who was promoted from his role as Chair of the London and South East Division, his salary was increased on appointment from £365,000 to £430,000 per annum which is below that of his predecessor and positioned between lower quartile and median of comparable market data. The Committee intends to keep Chris's salary under periodic review as he develops further into the role.

With regard to Jennie Daly, as this was an appointment into a newly created and evolving role, the Committee determined that a more cautious, staged approach should be taken on her base salary progression. Accordingly, her salary was increased on appointment, from £287,000 to £310,000 per annum, which was the first stage of the increase to the intended full salary for the role, as it became fully developed. Due to Jennie's outstanding continued personal performance and cognisance of the significant increased development of the role, since her initial appointment to the Board, (which has included taking over the Chair of the Group Operation Team, assuming formal responsibilities for agreeing key land acquisitions and broader responsibility alongside the Chief Executive for Group performance including signing off the annual Group budget for 2019), the second and final staged increase for this new role to £400,000 took effect from 1 January 2019. Whilst this role is more difficult to benchmark relative to others in the sector and to the market generally, the Committee considers that this level of salary and overall pay level is still between lower quartile and median in external terms. Jennie's next salary review will not take place until April 2020 and is expected to be in line with that of the general workforce from that point. The 2% increase in line with the general workforce to be paid with effect from 1 April 2019 will apply to Chris Carney, but will not apply to Jennie Daly following her final planned staged increase of salary on 1 January 2019, as outlined above.

Non Executive Directors' and Chair of the Board's fees

Following a review, the Chair of the Board's fee was increased from £295,000 to £320,000 per annum with effect from 1 July 2018, which represented the first increase in three years. The Non Executive Directors' fees were also reviewed with no changes proposed other than an increase in the fee paid to the Senior Independent Director and, the fees for chairing the Remuneration Committee and Audit Committee to reflect the importance and significant responsibility of these roles. The increases were with effect from 1 July 2018 and are as set out below:

	Annual Fees as at 1 April 2019	Annual Fees as at 1 April 2018
Chair of the Board	£320,000	£295,000
Basic Non Executive Director	£60,000	£60,000
Senior Independent Director	£17,500	£10,000
Audit Committee Chair	£17,500	£15,000
Remuneration Committee Chair	£17,500	£15,000

Chair of the Board and Non Executive Directors

The terms of engagement of the Chair of the Board and the Non Executive Directors are regulated by letters of appointment as follows:

Name	Date of appointment as a Director	Term of appointment	Notice period by Company (months)	Notice period by Director (months)
Kevin Beeston	1 July 2010	3 years, reviewed annually	6	6
Kate Barker	21 April 2011	3 years, reviewed annually	6	6
Gwyn Burr	1 February 2018	3 years, reviewed annually	6	6
Angela Knight	1 November 2016	3 years, reviewed annually	6	6
Humphrey Singer	9 December 2015	3 years, reviewed annually	6	6

Implementation of the Remuneration Policy during 2018

Audited information

Director emoluments

£'000	Year	Fees & Salary	Benefits ^(a)	EIS ^(b)	PSP ^(c)	Pension ^(d)	All employee schemes ^(e)	Total
Executive								
Pete Redfern	2018	852	54	1,195	844	205	2	3,152
	2017	832	53	828	1,773	200	11	3,697
Chris Carney (appointed 20 April 2018) ^(f)	2018	300	21	416	144	60	1	942
	2017	–	–	–	–	–	–	–
James Jordan	2018	395	51	555	392	98	2	1,493
	2017	386	48	384	823	96	11	1,748
Jennie Daly (appointed 20 April 2018) ^(f)	2018	216	12	298	72	43	1	642
	2017	–	–	–	–	–	–	–
Ryan Mangold (stood down 20 April 2018) ^(f)	2018	128	7	178	127	26	–	466
	2017	418	21	416	816	84	11	1,766
Non Executive								
Kevin Beeston	2018	308	1	–	–	–	–	309
	2017	295	1	–	–	–	–	296
Kate Barker	2018	87	–	–	–	–	–	87
	2017	75	–	–	–	–	–	75
Gwyn Burr (appointed 1 February 2018)	2018	55	–	–	–	–	–	55
	2017	–	–	–	–	–	–	–
Mike Hussey (stood down 19 July 2018)	2018	33	–	–	–	–	–	33
	2017	60	–	–	–	–	–	60
Angela Knight	2018	60	–	–	–	–	–	60
	2017	60	–	–	–	–	–	60
Rob Rowley (stood down 26 April 2018)	2018	23	–	–	–	–	–	23
	2017	85	–	–	–	–	–	85
Humphrey Singer	2018	73	–	–	–	–	–	73
	2017	60	–	–	–	–	–	60
Total	2018	2,530	146	2,642	1,579	432	6	7,335
	2017	2,271	123	1,628	3,412	380	33	7,847

- (a) The taxable benefits included are a complete list consistent with The Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013. Benefits comprise non-cash payments to Pete Redfern, James Jordan, Chris Carney and Jennie Daly for private medical insurance, life assurance and company car provision (£39,129 and £38,594 respectively for Pete Redfern and James Jordan) and a cash fuel allowance, and for Ryan Mangold, a non-cash payment for private medical insurance and a cash payment of a car allowance taken in lieu of a company car. Kevin Beeston's benefit relates to the provision of private medical insurance.
- (b) The 2017 figures are the scaled back amounts following the exercise of the Committee's discretion in relation to the provision as referred to on page 104.
- (c) This column shows the vesting during 2018 and 2017 of the PSP as set out in the tables at the top of page 110 and includes the value of dividends accrued during the performance period and payable on vesting. The 2017 totals have been restated to reflect the share price at vesting of 186.0 pence as stated in the PSP award 2015 table on page 110. The 2018 figures for Chris Carney, Jennie Daly and Ryan Mangold have been pro-rated. None of the value received in 2018 relates to a share price increase, however there was a 24.2% increase in the share price from the date of Award and date of vesting of the Award shown for 2017.
- (d) For Pete Redfern and James Jordan these figures represent the cash allowances payable as described in the Remuneration Policy 'Pension' section. For Chris Carney, Jennie Daly and Ryan Mangold these figures represent pension contributions to the amount permissible under HMRC rules and cash allowances.
- (e) These figures represent the value of the 20% discount on the Sharesave option price, matching shares under the Share Incentive Plan and the payment of Special Dividend accrued on Sharesave Options exercised by Pete Redfern, Ryan Mangold and James Jordan during 2017 and grossed-up for Income Tax and National Insurance.
- (f) The 2018 figures for Chris Carney, Jennie Daly and Ryan Mangold have been pro-rated to reflect the time they were an Executive Director.

Remuneration Committee report continued

Performance Share Plan

PSP awards included in the 2017 total remuneration figure – overall vesting: 77.71 %

PSP Award	Performance target	Weighting	% Vesting (max 100%)	Date of end of performance period	Date of vesting	Share price at vesting
2015 PSP ^(a)	TSR FTSE	20%	100%	31/12/2017	28/02/2018	186.00 ^(a)
	TSR Peer Group	30%	25.7%	31/12/2017	28/02/2018	186.00 ^(a)
	RONOA	25%	100%	31/12/2017	28/02/2018	186.00 ^(a)
	Cash Conversion	25%	100%	31/12/2017	28/02/2018	186.00 ^(a)

(a) The share price shown is the closing middle market share price on the date of vesting – 28 February 2018.

PSP awards included in the 2018 total remuneration figure – overall vesting: 50.00%

PSP Award	Performance target	Weighting	% Vesting (max 100%)	Date of end of performance period	Date of vesting	Share price at vesting
2016 PSP ^(a)	TSR FTSE 100	20%	0%	31/12/2018	27/02/2019	149.88 ^(b)
	TSR Peer Group	30%	0%	31/12/2018	27/02/2019	149.88 ^(b)
	RONOA	25%	100%	31/12/2018	27/02/2019	149.88 ^(b)
	Cash Conversion	25%	100%	31/12/2018	27/02/2019	149.88 ^(b)

(a) The share price shown is the average of the share prices for the dealing days in the last three months (October to December 2018) and will be restated in next year's Annual Report and Accounts to reflect the actual share price on vesting on 27 February 2019.

(b) On exercise, an equivalent proportion of cash accrued in lieu of dividends paid during the performance period, will also be paid net of Income Tax and NI.

Vesting of PSP awards in 2018

The performance period for all elements of the 2016 PSP award ended on 31 December 2018 and the final measurement was undertaken based on this date, with the performance outcome being independently calculated by Korn Ferry and as part of the overall audit process.

The outcomes were as follows:

Award	Measure	Weighting	Vesting scale			Performance achieved	% overall award vesting
			No vesting	20% vesting	100% vesting		
7 March 2016	TSR FTSE 100	20%	Below Median	Median	Upper quartile or above	Below median	0%
	TSR Peer Group	30%	Below index TSR	Index TSR	Index TSR + 8% p.a. (multiplicative) or above	TW TSR: -4.2% Index TSR: 10.9%	0%
	RONOA in 2018	25%	Below 18% RONO	18% RONO	26% RONO or above	33.4%	25%
	Cash Conversion (averaged over 2016-2018)	25%	Below 65% cash conversion	65% cash conversion	70% cash conversion or above	86.4%	25%
Total		100%					50%

In deciding whether, and to what extent, any vesting of awards should take place under any PSP, the Committee also considers the overall financial performance of the Company during the period. The Committee has determined that the overall financial performance of the Company has been strong in respect of the performance periods of the above PSP award and therefore determined that the 2016 PSP awards should vest at 50.00% based on the achievement of two performance measures in full, as set out in the table above.

Directors' PSP awards granted during the year

Performance awards were made in March 2018 as summarised below:

	Award	Type	Number of shares	Face value (% of salary) ^(a)	Performance conditions	Performance period	% vesting at threshold performance
Pete Redfern	PSP	Nil cost options	898,423	£1,672,236 (200%)	20% on RNOA; 15% on Cash Conversion; 15% on Operating Profit Margin; 20% on TSR v FTSE 100; 30% on TSR v Peer Group index	01/01/2018 – 31/12/2020	20%
Chris Carney ^(b)	PSP	Nil cost options	294,149	£547,500 (150%)	As above	As above	As above
James Jordan	PSP	Nil cost options	417,125	£776,396 (200%)	As above	As above	As above
Jennie Daly ^(b)	PSP	Nil cost options	225,648	£420,000 (150%)	As above	As above	As above
Ryan Mangold ^(c)	PSP	Nil cost options	451,555	£840,480 (200%)	As above	As above	As above

(a) Calculated using the share price of 186.1 pence being the average of the closing prices for 1, 2 and 5 March 2018.

(b) Chris Carney and Jennie Daly received a PSP Award in 2018 prior to them being appointed to the Board on 20 April 2018. These figures represent the Awards they received in March 2018.

(c) Ryan Mangold received a PSP during the year prior to standing down from the Board on 20 April 2018. This award has been pro-rated upon him leaving the company. Further details on his leaving arrangements can be found on page 108.

EIS in respect of 2018

For 2018, the Committee measured performance against each individual performance target, which is directly linked to the achievement of the Company's strategy, as described in more detail on page 26, as follows:

Summary of targets									
Measure	Strategic Objective	Weighting	Entry (10% vesting)	Target (50% vesting)	Stretch (100% vesting)	Result	% of maximum	% of maximum paid in cash	% of maximum deferred in shares
Operating Profit	To increase aggregate profit	40%	£830m	£850m	£880m	£880.2m	40	26.67	13.33
Cash Conversion	Driving increased cash generation and retention as a proportion of PBIT	20%	70%	75%	80%	92.6%	20	13.33	6.67
RNOA	Driving capital efficiency	20%	29%	30%	32%	33.4%	20	13.33	6.67
Customer Service: 8 week survey	Improving and delivering customer service based on key National House-Building Council performance standards	10%	72%	86%	89%	83.7%	4	2.67	1.33
Customer Service: 9 month survey		10%	68%	70%	71%	70.7%	9	6.00	3.00
Total		100%					93%	62.00%	31.00%

The amounts paid to the Executive Directors' in respect of 2018 are set out in the remuneration table on page 109.

Remuneration Committee report continued

Details of options and conditional awards over shares held by Directors who served during the year are as follows:

Executive Directors' interests in the Company's share schemes (audited)

	Maximum potential outstanding shares at 1 January 2018 (or date of appointment)	Additional maximum potential awarded during the year	Dividend re-investment shares added during the year	Delivered / exercised during the year	Lapsed during the year	Maximum potential receivable as at 31 December 2018	Maximum shares vesting in:			
							2019	2020	2021	2022
Pete Redfern										
Deferred Shares (EIS)	636,442	150,282	44,546	267,827		563,443	204,026	196,234	163,183	
Performance Share Plan (PSP)	2,812,786	898,423		805,043	230,915	2,675,251	888,720	888,108	898,423	
Sharesave Plan	18,863					18,863				18,863
TOTAL	3,468,091	1,048,705	44,546	1,072,870	230,915	3,257,557		1,084,342	1,061,606	18,863
Chris Carney										
Deferred Shares (EIS)										
Performance Share Plan (PSP)	771,087					771,087	216,917	260,021	294,149	
Sharesave Plan	20,891					20,891			11,460	9,431
TOTAL	791,978					791,978	216,917	260,021	305,609	9,431
James Jordan										
Deferred Shares (EIS)	295,490	69,773	20,681	124,349		261,595	94,726	91,106	75,763	
Performance Share Plan (PSP)	1,305,934	417,125		373,770	107,210	1,242,079	412,619	412,335	417,125	
Sharesave Plan	12,534					12,534	6,876	5,658		
TOTAL	1,613,958	486,898	20,681	498,119	107,210	1,516,208	514,221	509,099	492,888	
Jennie Daly										
Deferred Shares (EIS)										
Performance Share Plan (PSP)	467,244					467,244	108,877	132,719	225,648	
Sharesave Plan	22,921					22,921			22,921	
TOTAL	490,165					490,165	108,877	132,719	248,569	
Ryan Mangold										
Deferred Shares (EIS)	308,577	75,533		123,306		260,804	260,804			
Performance Share Plan (PSP)	1,370,012	451,555		370,650	418,322	1,032,595	446,370	345,986	180,399	
Sharesave Plan	12,534					12,534	12,534			
TOTAL	1,691,123	527,088		493,956	418,322	1,305,933	719,708	345,986	180,399	

Vesting of the Deferred Shares and Sharesave Plan options are not dependent on any performance conditions. The vesting of the PSP is subject to the achievement of performance conditions.

There have been no variations to the terms and conditions or performance criteria for outstanding share awards during the financial year. The market price of the ordinary shares on 31 December was 136.25 pence and the range during the year was 129.3 pence to 211.3 pence. Details of any share awards made to the Executive Directors during 2019 will be included in the 2019 Remuneration Report.

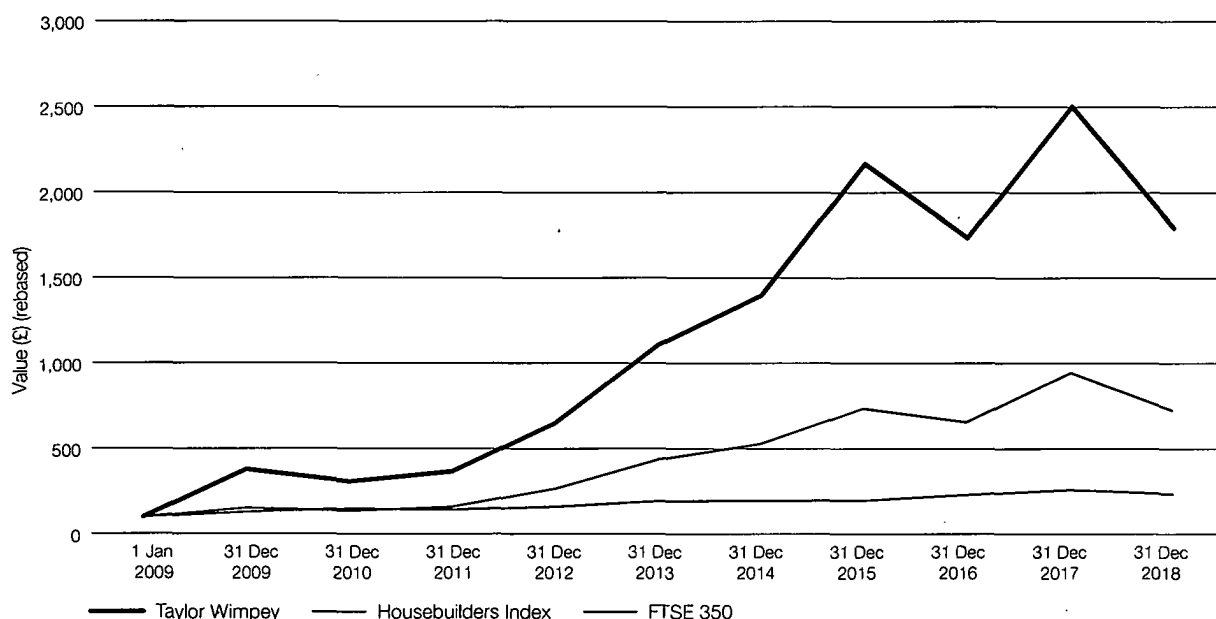
Ryan Mangold stood down from the Board on 20 April 2018 and will be leaving the Company on 19 April 2019. Details of his leaving arrangements are set out on page 107. His outstanding Performance Share Plan awards were pro-rated for time held on leaving. For transparency, these lapses are shown in the 'Lapsed during the year' column.

The Directors do not hold any vested but unexercised share options.

Performance graph (unaudited)

The graph below shows by way of total shareholder return, the value by 31 December 2018 of £100 invested in Taylor Wimpey plc on 1 January 2009 compared with the value of £100 invested in the FTSE 350 and in the average of the housebuilder index introduced for the 2012 Performance Share Plan awards onwards and as varied subsequently for the 2014 and 2016 awards. These benchmarks have been chosen as Taylor Wimpey is a constituent of both.

Total shareholder return



Chief Executive historic remuneration (unaudited)

The table below shows the total remuneration figure for the Chief Executive over the same ten year period as is reflected in the TSR graph above. The total remuneration figure includes the EIS and PSP awards which vested based on performance in those years. The EIS and PSP percentages show the payout for each year as a percentage of the maximum award that could have been paid or received.

	Year ending 31 December									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Remuneration (£'000)	1,657	1,542	1,674	3,009	6,724	6,250	6,888	4,072	3,697	3,152
EIS (%)	100	85	82	95	90	90	78	80	66	93
PSP Vesting (%)	0	0	0	40	85	94	100	81	78	50

CEO Pay Ratios (unaudited)

Year	Method	CEO single figure	All UK employees	Lower quartile	Median	Upper quartile
2018	Option B	£3,151,748	Ratio	103:1	77:1	41:1
			Total pay	£30,745	£41,135	£76,575
			Salary	£26,412	£26,873	£52,458

Our CEO pay ratios have been calculated using 'option B' which is to use the gender pay data to identify the three employees that represent the lower quartile, the median, and the upper quartile. We believe this provides us with a clear methodology involving less adjustments to impute Full-time Equivalent earnings. Therefore, we believe this option is more likely to produce more robust data year on year.

The Committee has reviewed the results of the calculations and is satisfied that they are representative of the respective quartiles and that there would be little difference if calculated on any other basis. More generally the Committee considers that there is a good level of consistency in relation to pay policies throughout Taylor Wimpey, although noting that an in depth review will be undertaken as part of our review of our Directors' remuneration policy in 2019.

Remuneration Committee report continued

Change in Chief Executive pay compared to Taylor Wimpey employees (unaudited) (2018)

The table below shows the percentage year-on-year change in salary, benefits and annual bonus earned between 2017 and 2018 for the Chief Executive and compared to the average percentage year-on-year change of Taylor Wimpey employees during the year.

	Salary	Benefits	Annual Bonus Scheme ^(a)
Pete Redfern	2%	2%	43%
Average pay of Taylor Wimpey employees	3%	2%	1%

(a) As stated on page 104 the Committee used its discretion to scale back the EIS (bonus) payments to Pete Redfern, Ryan Mangold and James Jordan for 2017 performance by an amount equivalent in each case to 20% of the EIS (i.e. equivalent to 30% of each Director's annual salary) in recognition of the leasehold provision created during 2017. Had the 2017 EIS payment for Pete Redfern not been scaled back, the year-on-year change for the Annual Bonus Scheme would have been 11% rather than 43% as referred to above.

Change in Company performance relative to change in remuneration (unaudited)

	2018	2017 ^(a)	Change (%)
Profit before tax, interest and exceptional items	£880.2m	£844.1m	4.1%
Dividends proposed or paid per ordinary share	16.64p	13.94p	19.4%
– interim 2018 / interim 2017 (2.44p / 2.30p)			
– final 2018 / final 2017 (3.80p / 2.44p)			
– special 2018 / special 2017 (10.4p / 9.2p)			
Employee pay in aggregate (see Note 7 to the financial statements)	£270.4m	£245.6m	10.1%
Employee pay average per employee (see Note 7 to the financial statements)	£49,688	£49,169	1.1%

(a) The 2017 profit before tax, interest and exceptional items has been restated following the adoption of IFRS 9 'Financial Instruments'. See Note 32 to the financial statements for further information.

Directors' interests in shares of the Company

Share ownership guidelines

The Taylor Wimpey share ownership guidelines are designed to encourage shareholding in Taylor Wimpey plc by executives at various levels within the Company for the purpose of alignment with the Company's shareholders which the Committee strongly believes is very important. The guidelines cover the Executive Directors and those executives who participate in long term incentive plans with all participating executives required to build up shareholdings through the retention of shares vesting under the Company's share plans.

The level of required shareholding for Executive Directors to attain is two times base salary. Executive Directors are expected to achieve a holding equivalent to one times base salary within five years of their appointment and although there will be no set time limit for achieving a two times salary holding, each Executive Director is required to agree a personal plan with the Chair on the target to be achieved within an agreed time frame. Executive Directors are also required to retain at least 50% of their net of taxes gain arising from any shares vesting or acquired pursuant to the Company's Long Term Incentive Plans, until such time as the guidelines have been met. Beneficially owned shares count toward the guidelines, together with the portion of the annual bonus (EIS) deferred into shares (on a net of tax basis). The Committee keeps the guidelines under regular review.

As mentioned earlier in this Report, any shares that vest under the 2015 and later PSP awards must, as a standard requirement, be retained by executives for at least 24 months. The Chair and the Non Executive Directors are also encouraged to hold shares in the Company in order to align their interests with those of shareholders.

Directors' interests in shares of the Company (audited)

Director	Beneficially owned		Outstanding interests in share plans			Share interests expressed as a % of salary
	at 01/01/18 (or date of appointment) (ordinary shares) ^(a)	at 31/12/18 (or date stood down from the Board) (ordinary shares)	EIS deferred shares (gross)	PSP ^(b)	Sharesave	Value of shares (including EIS deferred shares on a net basis) as at 31/12/18 ^(c)
Kevin Beeston ^(d)	1,155,562	718,432	–	–	–	–
Pete Redfern	1,678,456	2,993,706	563,443	2,675,251	18,863	523%
Chris Carney	189,178	190,606	–	771,087	20,891	60%
James Jordan	672,395	937,858	261,595	1,242,079	12,534	368%
Jennie Daly	51,679	67,477	–	467,244	22,921	30%
Kate Barker	60,000	60,000	–	–	–	–
Gwyn Burr	–	–	–	–	–	–
Angela Knight	5,000	10,000	–	–	–	–
Humphrey Singer	25,000	25,000	–	–	–	–
Ryan Mangold ^(e)	971,496	1,232,710	260,804	1,344,602	29,410	617%
Mike Hussey ^(f)	100,000	100,000	–	–	–	–
Rob Rowley ^(g)	200,000	200,000	–	–	–	–

(a) Or date of appointment.

(b) Vesting is subject to the achievement of performance conditions.

(c) This has been calculated on the basis of beneficially owned shares and the net amount of EIS shares.

(d) Some of Kevin Beeston's shares are held by a connected person.

(e) Ryan Mangold stood down from the Board on 20 April 2018. The closing share price on 20 April 2018 has been used to calculate the value of Ryan's shares on the date he stood down from the Board.

(f) Mike Hussey stood down from the Board on 19 July 2018.

(g) Rob Rowley stood down from the Board on 26 April 2018.

The only changes to the Directors' interests as set out above during the period between 31 December 2018 and 27 February 2019 were the regular monthly purchases of shares and 1:1 matching by the Company under the Share Incentive Plan by Pete Redfern (396 shares), Chris Carney (398 shares), James Jordan (396 shares) and Jennie Daly (396 shares).

Directors' pension entitlements (audited)**Defined benefit schemes****The Taylor Wimpey Pension Scheme**

Pete Redfern and James Jordan are members of the Taylor Wimpey Pension Scheme (TWPS). The following table sets out the transfer value of their accrued benefits under the TWPS calculated in a manner consistent with The Occupational Pension Schemes (Transfer Values) Regulations 2008.

Director	Normal retirement age	Accrued pension as at 31/12/17	Increase in accrued pension from 31/12/17 to 31/12/18	Accrued pension as at 31/12/18 ^(a)	Transfer value gross of Director's contributions at 31/12/18 ^(b)	Transfer value gross of Director's contributions at 31/12/17 ^(b)	Increase (decrease) in transfer value from 31/12/17 to 31/12/18 less Director's contributions ^(c)
Pete Redfern	62	14,809	446	15,255	313,150	321,906	(8,756)
James Jordan	62	27,395	825	28,220	712,473	730,136	(17,663)

(a) The pension benefits are based on service up to 31 August 2010 when the George Wimpey Staff Pension Scheme (GWSPS) closed to future accrual. Members of the GWSPS were transferred into the TWPS on 1 October 2013 and there was no change to members' benefit entitlement. Pension benefits include a two thirds spouse's pension. Pensions accrued up to 5 April 2006 are guaranteed to increase in payment in line with inflation limited each year to 5%. Pensions accrued after 5 April 2006 are guaranteed to increase in payment in line with inflation limited each year to 2.5%. Pensions accrued up to 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 5% per annum. Pensions accrued after 5 April 2009 will revalue in deferment in line with inflation subject to an overall cap of 2.5% per annum. The Company has only taken into account defined benefits accrued over the period to 31 August 2010 and has not included any Defined Contribution pension benefits accrued after this date.

(b) Transfer values have been calculated in accordance with The Occupational Pension Schemes (Transfer Value) Regulations 2008.

(c) The transfer value includes the effect of fluctuations due to factors beyond the control of the Company and Directors, such as financial market movements.

Note: Pete Redfern and James Jordan received cash allowances of £204,991 (2017: £200,340) and £98,001 (2017: £95,898) respectively in lieu of Company pension contributions.

There was no change to benefits during the year and consequently no difference between the changes to any Director's pension benefits in comparison with those of other employees.

Remuneration Committee report continued

Non-Group pension arrangements

	2018 (£)	2017 (£)
Ryan Mangold ^(a)	3,028	10,000
Chris Carney ^(b)	6,985	–
Jennie Daly ^(b)	6,981	–

(a) Pro-rated from 1 January 2018 to 20 April 2018

(b) Pro-rated from 20 April 2018 to 31 December 2018

Notes: Ryan Mangold, Chris Carney and Jennie Daly also received a pension allowance of £22,531 (2017: £73,636), £52,592 (2017: £nil) and £36,114 (2017: £nil) respectively in lieu of Company pension contributions over the Tapered Annual Allowance limit introduced in April 2016.

Statement of shareholder voting (unaudited)

At the 2018 AGM, the result of the shareholders' vote on the Company's Remuneration Report for 2017 was:

	2018 (Votes)
For	1.9 billion (98%)
Against	35 million (2%)
Withheld	20,041,676

At the 2017 AGM, the result of the shareholders' vote on the Company Remuneration Policy was:

	2017 (Votes)
For	1.9 billion (98%)
Against	38 million (2%)
Withheld	1,502,137

Approval

This Remuneration Report was approved by the Board of Directors on 26 February 2019 and signed on its behalf by the Remuneration Committee Chair:



Kate Barker DBE
26 February 2019

Statutory, regulatory and other information

Introduction

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors' report. Certain other matters which are required to be reported on appear in other sections of this Annual Report and Accounts, as detailed below:

Matter	Page(s) in this Annual Report
An indication of likely future developments in the business of the Company and its subsidiaries appears in the Strategic report	2 to 56
The Group's profit before taxation and the profit after taxation and minority interests appear in the Consolidated statement of comprehensive income and in the Notes to the accounts	131 and 135 to 167
The Company's Viability Statement	51
The Remuneration Committee report	96 to 116
Details of the Company's long-term incentive schemes as required by LR 9.4.3 R are set out in the Remuneration Committee report	96 to 116
The reporting on the Company's carbon footprint	40 to 41
A list of the subsidiary and associated undertakings, including branches outside the UK, principally affecting the profits or net assets of the Group in the year	174 to 177
Changes in asset values are set out in the Consolidated balance sheet in the Notes to the accounts	132 and 135 to 167
A detailed statement of the Group's treasury management and funding including information on the exposure of the Company in relation to the use of financial instruments	151 to 154
Details of an arrangement under which a shareholder has waived or agreed to waive any dividends, and where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review	119 and 189
A statement that this Annual Report and Accounts meets the requirements of Section 4, Principle N, Provision 27 of the UK Corporate Governance Code 2018 (the Code) (formerly Provision C.1.1 prior to the July 2018 updating of the Code)	80

All information required to be reported by Listing Rule 9.8.4 R and applicable to the Company or Group for this reporting period is set out in the table above.

Directors

The following Directors held office throughout the year:

- Kevin Beeston, Chair of the Board
- Pete Redfern, Chief Executive
- James Jordan, Group Legal Director and Company Secretary
- Kate Barker DBE, Independent Non Executive Director
- Angela Knight CBE, Independent Non Executive Director
- Humphrey Singer, Independent Non Executive Director.

In addition to the above, Chris Carney and Jennie Daly were appointed to the Board as Group Finance Director and Group Operations Director respectively on 20 April 2018, and Gwyn Burr was appointed to the Board as an Independent Non Executive Director on 1 February 2018. Ryan Mangold stood down from the Board as Group Finance Director on 20 April 2018 and Rob Rowley and Mike Hussey stood down from the Board as Independent Non Executive Directors on 26 April and 19 July 2018 respectively.

The Directors together with their biographical information are shown on pages 58 to 59.

Retirement and re-election

The Company has determined that in accordance with the UK Corporate Governance Code 2016 (the Code) which applied to 2018, all Directors should seek election or re-election, as appropriate, at this year's Annual General Meeting (AGM) as explained in the Notes to the notice of Annual General Meeting and on page 74.

Each of the Directors proposed for election or re-election at the AGM is being unanimously recommended by all the other members of the Board. This recommendation follows the completion of the annual Board evaluation process, which was internally facilitated this year. This included a detailed appraisal of the Board, its Committees and also in respect of each Director, which in turn included a review of their respective time commitments. Further information relating to the evaluation is set out in the Corporate governance report on page 80.

The Articles of Association of the Company further regulate the appointment and removal of Directors, in addition to the Companies Act 2006 and related legislation. The Company's Articles of Association may be amended by special resolution of the shareholders as necessary. The various powers and responsibilities of the Directors are described in the Corporate governance report on pages 60 to 81.

Qualifying third party indemnity

The Company has granted an indemnity in favour of its Directors and Officers and those of its Group companies, including the Trustee Directors of its Pension Trustee Company, against the financial exposure that they may incur in the course of their professional duties as Directors and Officers of the Company and/or its subsidiaries/affiliates. The indemnity has been put in place in accordance with Section 234 of the Companies Act 2006 in respect of which the Company took advice from its corporate lawyers, Slaughter and May.

Audit and auditor

Each Director has, at the date of approval of this Report, formally confirmed that:

- to the best of his or her knowledge there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Statutory, regulatory and other information continued

Deloitte LLP (Deloitte) have confirmed their willingness to continue in office as auditor of the Company. Following a review by the Audit Committee of their effectiveness, details of which are set out on page 85, a resolution to re-appoint Deloitte will be proposed at the AGM.

It is the Company's general policy that its auditor will not carry out non-audit services except where it is appropriate to do so and in accordance with the Company's formal policy for the carrying out of such work. In addition, and in line with the Code, the Audit Committee takes into account the relevant ethical and auditing professional standards guidance regarding the provision of non-audit services by the external auditor. The Company has reviewed the policy in light of the regulation set out on page 85 which applied to the Company from 1 October 2017. Any revision to current regulations or guidelines will be taken into account in framing the Company's policy going forward and reported on in future Annual Reports as appropriate. Deloitte provided some limited non-audit services to the Group during the year within the policy framework as described in the Audit Committee report, details of which are set out in Note 6 on page 143.

General Meeting

A General Meeting of the Company was held on 28 December 2018 for the purpose of seeking a general authority to make market purchases of the Company's ordinary shares following the inclusion of a typographical error in the resolution granting authority at the AGM on 26 April 2018. This error meant that the authority granted at that AGM expired at the end of the meeting instead of remaining available until the end of the 2019 AGM. The Board wanted to correct this error and reinstate the expired authority on exactly the same terms.

The result of the poll in respect of the General Meeting was 99.57% in favour. The authority will last until the earlier of 25 October 2019 (being the later date set out in the resolution granting authority at the AGM of the Company on 26 April 2018) and the conclusion of the Company's AGM in 2019.

Annual General Meeting

The AGM will be held at 11:00 am on 25 April 2019 at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Formal notice of the AGM including details of the special business being proposed is set out in the Notice of Annual General Meeting on pages 181 to 183 and on the Company's website at: www.taylorwimpey.co.uk/corporate. In line with recent practice and good governance, voting on all resolutions at this year's AGM will again be conducted by way of a poll. The Board believes that this method of voting gives as many shareholders as possible the opportunity to have their votes counted as part of the process, whether their votes are tendered by proxy in advance of, or in person at, the AGM.

Web communication

With shareholders' consent, the Company has adopted web communication. The benefits of web communication are that it:

- enables the Company to significantly reduce its printing and postage costs;
- enables shareholders to access information faster, on the day documents are published on the Company's website; and
- reduces the amount of resources consumed, such as paper, and therefore helps to reduce the impact of printing, mailing and related activities on the environment.

Shareholder communications (including the 2018 Annual Report and Accounts) are available electronically through the Company's website.

91% of the Company's shareholders use either electronic or web communication.

The Company will of course continue to provide hard copy documentation to those shareholders who have requested this and is, of course, happy to do so.

Registrar

The Company's Registrar is Link Asset Services (formerly known as Capita Asset Services). Their details, together with information on the services and facilities available to shareholders, are set out in the Shareholder facilities section on pages 189 to 191.

Capital structure

Details of the Company's issued share capital, together with information on the movements in the Company's issued share capital during the year, are shown in Note 23 on page 159.

The Company has two classes of shares: Ordinary Shares of 1p, each of which carries the right to one vote at general meetings of the Company and such other rights and obligations as are set out in the Company's Articles of Association, and Deferred Shares which carry no voting rights.

The authority to make market purchases pursuant to the resolutions passed at both the 2018 AGM and the General Meeting held on 28 December 2018 was not exercised during 2018 or prior to the date of this Report. The Company has no current intention of exercising this authority but will nevertheless be seeking the usual renewal of this authority at the AGM and the Board will continue to keep the position under regular review. The Company currently holds no shares in treasury.

There are no specific restrictions on the size of a holding, the exercise of voting rights, or on the transfer of shares, which are governed by the Articles of Association and prevailing legislation. The Directors are not aware of any agreement or agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in the Remuneration Committee report on pages 96 to 116. The Employee Share Ownership Trust which holds shares on trust for employees under various share schemes, generally abstains from voting at shareholder general meetings in respect of shares held by them.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Substantial interests

The persons set out in the table below have notified the Company pursuant to Rule 5.1 of the Disclosure and Transparency Rules of their interests in the ordinary share capital of the Company.

At 26 February 2019, no change in these holdings had been notified nor, according to the Register of Members, did any other shareholder at that date have a disclosable holding of the Company's issued share capital.

Directors' interests, including interests in the Company's shares, are shown in the Remuneration Committee report on page 115. The Board strongly believes in the alignment of interests between senior management and the Company's shareholders.

Substantial interests in the Company's shares were as follows:

Name	As at 31 December 2018		As at 26 February 2019	
	Number of shares held (millions)	Percentage of issued voting share capital	Number of shares held (millions)	Percentage of issued voting share capital
BlackRock Inc	182.5	5.57	182.5	5.56
Woodford Investment Management Limited	166.4	5.08	166.4	5.08
Legal & General Group plc	98.5	3.00	98.5	3.00
Standard Life Investments Limited	96.5	2.94	96.5	2.94

In addition to the substantial interests shown above, the Company held in its Employee Share Ownership Trust 13.9 million of its own shares at 31 December 2018 representing 0.42% of the shares in issue at that date (2017: 13.1 million; 0.40%). The Company currently holds no shares in treasury.

Dividend

An interim ordinary dividend of 2.44 pence per ordinary share was paid on 9 November 2018 and the Directors recommended a final ordinary dividend of 3.80 pence per ordinary share which, together with the interim dividend, increases the total ordinary dividend for the year to 6.24 pence (2017: 4.74 pence). Information relating to the recommended 2018 final ordinary dividend is set out on page 56 and in the notes to resolution 2 in the Notes to the notice of Annual General Meeting on page 185.

The Directors also recommended a special dividend for 2019 of 10.7 pence per ordinary share (2017: 10.4 pence). Information relating to the recommended 2019 special dividend is set out on page 56 and in the notes to resolution 3 in the Notes to the notice of Annual General Meeting on page 185.

The Company will be operating a Dividend Re-Investment Plan (DRIP), further details of which are set out on page 189 of this Annual Report. The DRIP will operate automatically in respect of the 2018 final ordinary dividend for those shareholders who have previously registered a DRIP mandate (unless varied by shareholders beforehand) and also in respect of all future dividends, including special dividends, until such time as each participating shareholder elects to withdraw from the DRIP, or the DRIP is suspended or terminated in accordance with the terms and conditions of the plan. The Board will continue to keep the availability of the DRIP under regular review.

Shareholders are again reminded to check their position with regard to any dividend mandates

that are in place, should they wish to either participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

The right to receive any dividend has been waived in part by the Trustees of the Company's Employee Share Ownership Trust (ESOT) over that Trust's combined holding of 13,909,816 shares. More details of the ESOT are contained in Note 26 on pages 160 to 161.

Research and development

Our research and development initiatives ('Project 2020') continued throughout 2018 with a focus on technology and innovation driven trends and advances in our industry to enhance our build efficiency and quality. This focus enables us to provide a better quality customer experience, as well as future proof our Company.

Project 2020 is just one example of how we continue to move towards being a customer centred business. For us, this is all about building homes to match how our customers want to live, with construction methods and materials that will deliver the quality they expect.

In 2016 we held an architectural competition with the Royal Institute of British Architects, looking for exciting new ideas in home design. The winning entry, Openstudio Architects' Infinite House, is a set of contemporary housing prototypes designed to offer maximum flexibility, customisation, cost efficiency, enhanced daylight levels and the ability to use diverse construction techniques. These characteristics allow us to offer high

quality, responsive and adaptable homes which we believe can fundamentally change what houses can be and how they are delivered. The Infinite House's external envelope allows it to adapt to suit different contexts without appearing to be a repeated house type, maintaining the efficiency and cost effectiveness of repetition and structural standardisation.

During 2018 we started building nine Infinite House prototypes on three sites, in Glasgow, Manchester and Didcot. The regional teams have been reviewing different build methodologies and new techniques as well as suitable materials to meet the innovative design, functional and technical requirements. In Didcot, we are building five homes trialling Cross Laminated Timber construction, in Manchester we are building two homes using traditional masonry construction and in Glasgow we are building two homes using advanced timber frame.

During the first half of 2019, we will be carrying out post completion evaluations of the prototypes' environmental performance, build times, construction quality and cost. Using the different build methodologies will allow us to compare the production efficiency and energy performance of these build methodologies.

In 2018, we have refined our Direct Labour Model in response to the predicted skills shortage in the housebuilding industry. We are currently pursuing a hybrid labour model which allows for the recruitment of both experienced trades people and the attraction and development of new skills into a shrinking workforce. We will be employing and developing key trades people such as bricklayers, carpenters, scaffolders, roofers and painters.

Statutory, regulatory and other information continued

All of our business units are actively recruiting apprentices and we are piloting an apprentice training programme which aims to train and develop apprentices at a faster rate and to a higher standard than the traditional route. Additionally, we are driving a programme encouraging those seeking a change of career to join the housebuilding industry, for example we are encouraging the recruitment of ex-armed forces personnel.

The use of timber frame construction increased during 2018 in line with the developed strategy to diversify construction methods and we remain on course to achieve the strategy target of 20% of all plot completions being built in timber frame during 2020.

During 2018 we continued to support the Horizon Group at the Supply Chain Sustainability School. The Horizon Group have a vision of a more sustainable built environment through the development and implementation of collaborative industrial and academic supply chain research. We are currently in discussions regarding supporting Master's degree theses at Aston and Surrey Universities.

In 2018 we commissioned the leading carbon consultancy, the Carbon Trust, to validate the Carbon Futures approach to quantifying the carbon dioxide emissions from entire sites. This approach takes into account not only the buildings but also the carbon absorption of green and blue infrastructures throughout a development. The Carbon Trust found the concept progressive and the underlying principles sound, but identified that more detailed research was needed to enable Carbon Futures and its innovative approach to lifecycle carbon footprinting, to achieve the robustness required by the existing assurance standards.

The widely publicised skills shortage coupled with shorter build timescales and a desire to improve quality for our customers have accelerated our efforts to explore several off-site construction methods in order to build 'right first time'. An example of this innovation is the construction of fourteen Housing Association units at Great Western Park using a large format block system developed in Holland. The large format blocks are 15 times larger than traditional blocks and one sub-contractor installs the walls, floors and roof with the same trained team in a matter of days. This type of build methodology can have many benefits including improved build speeds, better health and safety, enhanced quality and reduced requirements for skilled trades people. This will adjust the demand for specific trades people and could offer a solution to adapt our approach in geographical locations where certain trades people are difficult to source.

Employee involvement and communication

We are proud of how committed our employees are to the long-term success of the Company and we strive to listen and engage with all employees. The results from our 2017 employee engagement 'Talkback' survey were extremely positive with an increase in response rates from 55% to 72% and overall employee engagement remaining strong at 93%. Additionally, 97% of respondents said they were 'willing to go the extra mile' and 95% were 'proud to work for Taylor Wimpey'.

As a result, we have continued to enhance our work environment by increasing collaboration through moving to open plan offices, improving site technology, promoting a flexible working mindset and supporting our employees with our focus on health and wellbeing.

In March 2019, we plan to run another 'Talkback' survey and again will respond to our employees' feedback. We undertake this engagement survey periodically and it forms an important part of how we involve, gain feedback and communicate with our employees.

In our regional business units, we have active Employee Consultation Committees, which involve elected representatives meeting with management to consult on appropriate issues. As we continue to develop our strategy, senior leaders including the Chief Executive, Group Operations Director and Group Human Resources Director have chaired strategy focus groups. These have provided valuable feedback and insight on how we can continue to improve our employee experience, which then helps to inform our people strategies.

Furthermore, our National Employee Forum continues to meet regularly, with four meetings held in 2018. Chaired by Tim Betts, a Divisional Managing Director, the employee voice continues to build. The Chair of the Board and the Chair of the Remuneration Committee have attended a meeting as well as senior management, including the Group Legal Director and Company Secretary and the Group Human Resources Director also having attended meetings. The topics discussed in 2018 included flexible working, bonus and rewards, and direct trade and apprentices.

We also communicate with our employees via our half yearly Teamtalk magazine and regular Teamtalk email newsletter. Our Intranet system is continually updated with a wide range of employee information from Human Resources policies, to advice for employees on sustainable living.

It also includes an 'Open Door Forum' which puts employees directly in touch with our Chief Executive. Information is also regularly cascaded throughout the Company via email, including regular communications from the Chief Executive and via verbal briefings and management presentations.

Social media platforms have been utilised to inform our employees of developments around the Company and to invite their feedback on them. Our employees have enthusiastically engaged with this new internal communication channel and we have seen an increase in the sharing of examples of best practice. Also, the ability of employees to interact and share across the Company is leading to the spread of knowledge and success throughout the Company. Around half of our employees now post and engage on a regular basis and usage is steadily growing.

Externally, over the last 12 months, we have focused on improving our careers site and digital channels such as LinkedIn and Glassdoor. We have introduced more content to our careers site to drive more interest and focus on future talent with new videos focusing on the careers of our existing employees. We have continued to develop our external channels to market to increase our reach and visibility to a wider candidate audience. Carefully selected updates to our social recruitment channels over the course of the year have resulted in our new follower audience on Glassdoor and LinkedIn increasing significantly. We have also jumped up six places on Glassdoor's 2019 UK Best Places to Work list to within the top ten. Our inclusion in the top ten will give us a greater platform to communicate our positive employee sentiment to a wider job seeking audience.

In the next year, the careers site functionality and technology will be improved with a view to creating a better applicant experience. If we want to become an employer of choice, then a strong first impression is key. Prospective candidates will soon be able to fully complete an application for any vacancy via a mobile device for the first time, upload their CV from a wider variety of sources and proactively register their interest for future vacancies so they are notified if a new role is posted that fits their interest. All this functionality is critical to attract talent in what we already know is a very competitive labour market.

During 2018, employees from across the business have helped us make improvements to the current learning and development offer. As a result, we have increased the number of topics available from 10 to 50, all based on the skills within the Company's cultural principles and job profiles, and there are now more bookable courses for employees to choose from.

The increasing range of topics offered includes negotiation, giving presentations, motivation, delegation and budget management, among many others. Furthermore, the Line Manager Toolkit includes videos, articles and guides as well as People Workshops delivered by the Human Resources team on providing feedback, motivating teams, conducting interviews and developing people. There have also been new course formats introduced and a new partnership with Litmos Heroes, who provide instant access to a variety of online learning materials offering a blend of credible theory and engaging animation. In addition, we offer video tutorials and step by step instructions on various aspects of Microsoft Office including Word, Excel and Outlook.

New employees are encouraged to take part in a set of modules focused on Taylor Wimpey, including the development of the Company and information on diversity and inclusion. One of these modules is 'Welcome to Taylor Wimpey' which introduces users to the Company, informing them what the business is about and giving an overview of the different functions. Another module is 'The role of the plc' which informs users about what it means to be a fully listed public limited company, the rules and processes involved and the corporate governance standards that the Company must adhere to. Although this content forms part of our induction process for new employees, existing employees are encouraged to participate as the content has proved informative for existing employees to broaden their knowledge of the Company.

During 2018, we communicated our commitment to supporting the health and wellbeing of our employees through the introduction of a health and wellbeing project. This is focused on supporting our employees through improved support and awareness across four main areas: mental health, financial health, social health and physical health.

We recently launched our mental health commitment by providing awareness sessions and training for employees and line managers focusing on the importance of mental health in the workplace. We have also introduced mental health first aiders who are able to provide early intervention help and support to those who may be developing a mental health issue. This project is helping to reduce the stigma associated with mental health in the workplace and signals to our employees that we value their health and wellbeing. This project is further supported by the Employee Assistance Programme which is accessible to all employees and provides counselling and support to help individuals with issues that may be affecting their health and wellbeing.

The Company promotes employee share ownership as widely as possible across the business. In addition to the various share-related reward plans described in the Remuneration Committee report on pages 96 to 116 and referred to below, the Company also offers a scheme whereby employees who do not participate in the Executive Incentive Scheme (cash bonus scheme) are offered the opportunity each year to exchange any cash bonus awarded for exceptional performance, for shares of the Company, offering a 20% enhancement to the value if taken entirely in shares and retained for a designated period. The scheme has operated since 2012 and in 2018 resulted in 377,277 shares (2017: 349,835) being acquired by 289 employees (2017: 289).

In addition, the Company also maintains two all employee share plans, namely, the Save As You Earn share option plan and the Share Incentive Plan, which are offered as widely as possible across the Group. The percentage of our eligible employees who either participate in one or both plans or who are already shareholders in the Company has risen to 59% (2017: 57%).

Equal opportunities

We strive to treat our employees fairly and with respect at all times. We have policies and processes in place to ensure that we act in accordance with our vision, mission and values which encompasses equal opportunities, anti-harassment and bullying, anti-corruption and whistleblowing. We encourage our employees and subcontractors to speak up about concerns over any wrongdoing at work and provide access to an independent reporting hotline service.

We remain committed to the belief that embracing diversity and inclusion will enable Taylor Wimpey to succeed through a workforce that is creative and innovative. We continue to actively embrace the local communities in which we operate and will strive to reflect their richness and character, including such aspects as gender, race and religion but also diversity of thought, background and experience.

As set out in our Diversity Policy, we remain committed to equality of opportunity in all of our employment practices, policies and procedures across the Group. To this end, within the framework of applicable law, we are committed, wherever practicable, to achieving and maintaining a workforce which broadly reflects that of the local catchment area within which we operate.

No employee or potential employee will receive less favourable treatment due to their race, creed, colour, nationality, ethnic origin, religion, political or other opinion, affiliation, gender, sexual orientation, marital status, family connections, age, membership or non-membership of a trade union, or disability. We are committed to making reasonable adjustments wherever possible. In exceptional circumstances, for example due to health and safety considerations on construction sites, some adjustments are not possible. As previously mentioned, one of the learning and development modules which forms part of the induction programme highlights the importance of equal opportunities. This will help employees to understand in more detail our commitment to building a more diverse and inclusive workforce.

Our Diversity Policy can be found on the Company's website at: www.taylorwimpey.co.uk/corporate/sustainability/our-policies

Employment of people with disabilities

It is our policy that people with disabilities should have fair consideration for all vacancies within the Group.

The Company is therefore committed, where possible, to ensuring that people with disabilities are supported and encouraged to apply for employment and to achieve progress once employed. They will be treated so as to ensure that they have an equal opportunity to be selected, trained and promoted. In addition, every reasonable effort is made for disabled persons to be retained in the employment of the Group by investigating the possibility of making reasonable adjustments to the job, workplace or equipment.

We have increased the number of employees with disabilities recruited. Working with key partners, we hope to increase permanent and secondment opportunities for people with disabilities.

For example, we continue to engage with the Leonard Cheshire Disability Change 100 Programme, a charity that provides talented disabled students with the opportunity to participate in a 100 day summer internship and professional development programme. Feedback from the students who participated in the programme in 2018 has been very positive and we intend to engage with the programme further during 2019.

Statutory, regulatory and other information continued

Modern Slavery Act

The Company welcomes the aims and objectives of the Modern Slavery Act 2015 and continues to take its responsibilities under the Act with the seriousness that it requires and deserves. A dedicated multidisciplinary team is responsible for ensuring that objectives continue to be met. The Company will shortly be publishing its third statement under the Modern Slavery Act 2015. It will be available on our website at: www.taylorwimpey.co.uk

Charitable donations

We support charities and local community causes that are relevant to our business, communities, partners and people. We aim to make a positive impact through donations of time, money and materials, as well as through encouraging our employees to get involved. For example, our volunteering policy enables employees to take up to four half days, or two full days, paid leave per year to participate in volunteering. Our focus is on our national corporate charities as well as regional and local organisations where we can have a significant impact and our employees can be active participants.

The Charity Committee oversees and prioritises our national charity donations. The Committee members include senior executives such as our Group Legal Director and Company Secretary and our Group Human Resources Director, as well as a combination of employees from across the business including mid-management and junior employees. In addition to the national charities we support, our regional businesses have a discretionary charity budget to support local charities and initiatives.

Our focus is on charitable initiatives that support:

- aspiration and education in disadvantaged areas
- intervening and improving homeless situations for seriously economically disadvantaged groups in the UK
- local projects and initiatives with a direct link to our regional businesses and developments

During 2018, Group Companies donated £927,000 (2017: £816,000) to various charities and local community causes, the majority of which were in the UK. In addition to volunteering in line with our volunteering policy, many employees at all levels and all around the country gave up their work and free time to participate in fundraising events for charitable causes including St Mungo's, the Youth Adventure Trust, CRASH, Crisis, and End Youth Homelessness, which raised a further £357,000 (2017: £295,000).

We want to understand the difference that we are making to our charity partners and how we can increase our impact. During the year, we carried out visits to our charity partners and used their feedback to direct our donations.

For example, through our continued support in 2018 of St Mungo's Bricks and Mortar and Revive projects, 77 individuals experiencing homelessness have received construction skills training. Of these individuals, 17 have gone on to paid employment in the construction industry and we are currently exploring routes into Taylor Wimpey for graduates of this programme.

Further information on the Group's donations, activities and initiatives can be found in the Charities section on page 35 and in the Sustainability Report 2018 which is available on the Company's website at: www.taylorwimpey.co.uk/corporate/sustainability

Political donations

The Company has a policy of not making donations to political parties, and has not made any this year and neither does it intend to make any going forward. The Company does support certain industry-wide and trade organisations which directly assist the house building industry such as the Home Builders Federation and the Confederation of British Industry. Whilst we do not regard this support as political in nature in any way, the Companies Act 2006 definition of 'political organisations' and related terms is very wide and in certain circumstances a donation, subscription or membership fee paid to such organisations or to a charity could retrospectively be categorised as a political donation from a strict legal perspective. Accordingly, as a matter of prudent corporate governance, the Company will therefore be seeking the usual annual dispensation from its shareholders at the 2019 AGM, so as to be able to continue with the above memberships and make charitable donations up to defined levels, without inadvertently breaching the applicable legislation.

Agreements

The Company's borrowing and bank facilities contain the usual change of control provisions which could potentially lead to prepayment and cancellation by the other party upon a change of control of the Company. There are no other significant contracts or agreements which take effect, alter or terminate upon a change of control of the Company.

Branches

A subsidiary, Taylor Wimpey Developments Limited, has a branch in Spain, the former activities of which were taken over some years ago by our Spanish subsidiary Taylor Wimpey de España S.A.U whose details appear on page 191.

Important events since the year end

There have been no important events affecting the Company or any of its subsidiary undertakings since 31 December 2018.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Accordingly, Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the International Accounting Standard ('IAS') Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 (United Kingdom Accounting Standards and applicable law). In accordance with company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:

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

In preparing the Group financial statements, IAS 1 requires that Directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in the IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 4, Principle N, Provision 27 of the Code (formerly Provision C.1.1 prior to the July 2018 updating of the Code) as set out in the Corporate Governance Report on page 80, the Directors are required, inter alia, to ensure that the Annual Report and Accounts provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Details of how this was addressed are set out in the Audit Committee report on page 86.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This Report of the Directors was approved by the Board of Directors on 26 February 2019.



James Jordan
Group Legal Director and Company Secretary,
Taylor Wimpey plc 26 February 2019

Independent auditor's report to the members of Taylor Wimpey plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Taylor Wimpey plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- Notes 1 to 33 relating to the Consolidated Financial Statements and Notes 1 to 15 relating to the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or Parent Company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – inventory costing and margin recognition; – defined benefit pension scheme accounting; – accounting for the leasehold provision; and – accounting for the cladding provision. Within this report, any new key audit matters are identified with (A) and any key audit matters which are the same as the prior year are identified with (B).
Materiality	The materiality that we used for the Group Financial Statements was £42.0 million which was determined on the basis of 5% of pre-tax profit for the year, excluding exceptional items.

Scoping	Based on our scoping assessment, our Group audit was focused on the UK Housing division (excluding joint ventures) which represented the principal segment within the Group and accounted for 98% of the Group's net operating assets 97% of the Group's revenue and 97% of the Group's pre-tax profit before exceptional items.
Significant changes in our approach	In relation to the key audit matters, we have added the accounting for the cladding provision due to the judgement required in estimating the liability. There have been no significant changes in our approach to scoping the audit and in determining materiality.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 44 to 51 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 44 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 51 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each key audit matter we perform procedures to assess the design and implementation of key controls in mitigating the risk that the associated balances are misstated.

Inventory costing and margin recognition

Refer to page 86 (Audit Committee report), page 139 (source of estimation uncertainty) and page 149 (financial statements disclosures).

Key audit matter description 	The value for inventory as at 31 December 2018 is £4,188.2 million (2017: £4,075.7 million) and as such is the most significant asset on the balance sheet (page 132). Inventory comprises land and work in progress ("WIP"); WIP includes the construction cost of developing a site, and is transferred to cost of sales as each legal completion takes place. The Group's cost allocation framework determines the profit forecasted for each site, and acts as a method of allocating land and build cost of a development to each individual plot, ensuring the forecast gross margin (in % terms) to be achieved on each individual plot is equal across the development. This cost allocation framework drives the recognition of costs as each plot is sold. We consider the appropriate margin recognition across the life of the site to be a key audit matter. There is significant judgement and a risk of potential fraud in the following areas: – estimating the selling price and build costs included within the initial site budget. This is due to the inherent judgement relating to forecasting external factors such as future selling prices and build cost inflation. The level of uncertainty associated with these macro-economic factors has increased in the current period due to the uncertainty in relation to the United Kingdom's exit from the European Union; – appropriately allocating costs such as shared infrastructure costs relating to a development so that the gross profit margin (in % terms) budgeted on each individual plot is equal; and – recording the variation when a deviation from the initial budget occurs and ensuring such variations are appropriately spread across the remainder of the development. These judgements impact the carrying value of inventory in the balance sheet and therefore the profit recognised on each plot sold.
How the scope of our audit responded to the key audit matter 	We visited a number of the Group's business units (as described on page 128). As part of these visits we assessed the design and implementation, and tested the operating effectiveness of controls in relation to: – the preparation and approval of site budgets; – the process of monitoring site budgets; and – the regular review meetings where Management reviews actual costs against detailed site budgets. We have also performed substantive testing as noted below: For all UK business units we enquired with local Management as to the primary judgements associated with the cost allocation. Upon reviewing this correspondence we performed additional substantive procedures targeted to certain developments. For a sample of sites we have analysed completions in the period and compared the achieved margin to the initial margin determined when the original site budget was approved. Where differences fell outside of an acceptable threshold, we performed corroborative inquiries with Management and obtained evidence supporting the variance. For a further sample of sites tested, we have reviewed the total excesses and savings balance identified for each given site, and through recalculation of the expected income statement impact (based on the number of legal completions in the year), we have determined that the excesses and savings have been appropriately allocated and recognised. Through the use of IT interrogation techniques, we have analysed journal postings being made to the inventory balances to highlight any items which potentially should have been recorded as an expense. Additionally, we have tested WIP additions to the inventory balance to determine whether the costs have been appropriately capitalised, by tracing these through to supporting invoices. We have analysed cost per square foot of plots sold at a regional business unit level for the current year and compared this to cost per square foot in previous years, to analyse for any unusual trends which required corroboration from Management. We performed a review of sites where the initial site budget was created a number of years ago, which may indicate the use of an outdated budget. Given the age of these sites, we challenged Management where savings from the budget had been made or additional costs have not been recognised. We engaged with internal specialists who are quantity surveyors to assess the costs to complete included within a sample of models and whether, based on this specialist's opinion, the assumptions used by Management are reasonable. This included reviewing forward looking assumptions in relation to costs and potential changes in macro-economic factors.
Key observations 	Based on the procedures performed, we concluded that the Group's cost allocation framework appears reasonable for the intended purpose of recognising appropriate margins on plot completion. The accounting for cost allocation, both at the inception of a site and on an ongoing basis is in line with this framework.

Independent auditor's report continued

Defined benefit pension scheme accounting

Refer to page 86 (Audit Committee report), page 139 (key source of estimation uncertainty) and page 154 (financial statements disclosures).

Key audit matter description	The total value of the defined benefit pension scheme at the balance sheet date is a net deficit of £133.0 million (2017: £63.7 million). The liabilities (including the adjustment for IFRIC 14) and assets are valued at £2,237.2 million (2017: £2,327.2 million) and £2,104.2 million (2017: £2,263.5 million) respectively.
	Accounting for a defined benefit pension scheme and the value of liabilities is dependent on significant assumptions, including an assessment of the discount rate, price inflation and key demographic figures including life expectancy and mortality rates. A change in any of these assumptions could cause a material change in the value of the liabilities overall and the net pension deficit on the Group's balance sheet. As explained in Note 6 (page 142), in the year the Group recorded a £16.1 million exceptional charge in relation to Guaranteed Minimum Pension ("GMP") equalisation payments and there is judgement in estimating the total value of these future payments. The Group is obligated to pay contributions into the pension scheme to reduce the size of the total net deficit. Certain contributions are associated with the funding status of the scheme as detailed on page 155. There is judgement in assessing the nature and quantum of future contributions that the Group is obligated to pay. These judgements directly impact the size of the future funding contributions and the size of the IFRIC 14 adjustment which directly influences the size of the total net deficit. These accounting judgements are inherently complex, require a high level of Management judgement and specialist actuarial input.
How the scope of our audit responded to the key audit matter	We assessed the competence and objectivity of the qualified actuary engaged by the Group to value the scheme's defined benefits pension position under IAS 19 "Employee benefits". We engaged our internal actuarial specialists to assess the appropriateness of the assumptions used to account for the defined benefit scheme. This included comparison of key data with market benchmarks and to challenge the methodology used by the scheme actuary. We considered whether each of the key assumptions was reasonable in isolation and collectively in determining the pension liability at the balance sheet date. Furthermore, we have performed a sensitivity analysis on the key assumptions determined by the Directors. Our internal actuarial specialists have also reviewed the methodology used to calculate the required GMP payment. We reviewed the pension scheme documentation to determine the size and nature of the future funding contributions. This included reviewing the judgements made by Management's actuaries in determining the future funding status of the scheme. We performed procedures to assess the adjustment made in respect of future funding obligations taking this into account. In doing so we reviewed the schedule of payments the group is obligated to provide and checked whether the calculation was arithmetically correct.
Key observations	Based on the procedures performed, we concluded that the methodology and assumptions used in valuing the pension scheme liabilities are considered to be within an acceptable range. We concluded that the quantum of the GMP adjustment and the methodology used to calculate it are reasonable. We concurred with the IFRIC 14 adjustment recorded and that this included the relevant funding commitments the Group had based on the schedule of payments agreed as part of the latest triennial valuation. We concurred with the inclusion of Accounting for Employee Benefits as a key source of estimation uncertainty in Note 2 to the consolidated financial statements.

Accounting for the leasehold provision

Refer to page 86 (Audit Committee report), page 139 (source of estimation uncertainty) and pages 142 and 159 (financial statements disclosures).

Key audit matter description	The provision the Group has made in relation to remediating certain historical lease structures at 31 December 2018 stands at £102.1 million (2017: £127.6 million), the reduction relating to costs incurred and payments made over the twelve month period.
	Accounting for these provisions is complex and involves Management making a number of forward-looking estimates. The key judgements related to this key audit matter lie in estimating the final settlements with the stakeholders impacted by the historical lease structures. This provision has multiple components that relate to payments to a number of parties including freeholders and individual customers. Within the provision are additional costs relating to the implementation of the measures that have been identified. There are a number of risks associated with this provision: – costs could be provided that the Group is not yet committed to incur, or obligated to pay, thereby inflating the provision; and – for costs that are provided there is a risk that these are inaccurately estimated or valued.
How the scope of our audit responded to the key audit matter	In addressing this risk, we have obtained Management's estimation of the total costs. For each component of the provision we have performed procedures to assess, based on current facts and circumstances, whether the estimates made by Management are accurate. We have held discussions with legal counsel to ascertain whether Management's model reflects the progress of negotiations that have been held with freeholders. The largest component of this calculation are the payments to be made to freeholders in order to alter the terms of the leases. In order to verify these amounts we have confirmed the status of negotiations with freeholders and, where these negotiations had been completed, obtained the agreements and recalculated the specific amounts that have been provided for. Where these negotiations had not been completed we assessed the value that was provided for these freeholder payments.
Key observations	Based on the procedures performed, we considered the provision calculated by Management to be prudent. However, our estimate of any potential overstatement in the provision was below materiality and, if adjusted would not have increased the post-tax profit of the Group by a material amount as at 31 December 2018.

Accounting for the cladding provision

Refer to page 86 (Audit Committee report), page 139 (source of estimation uncertainty) and pages 142 and 159 (financial statements disclosures).

Key audit matter description 	As described in Note 6, following the tragic events at Grenfell Tower in 2017, the Group undertook a review of its legacy developments to identify those that have been constructed with aluminium composite materials ('ACM'). Where ACM was identified the Group received advice from external experts and, where required, created a provision for any constructive obligations that the Group had to remediate the building. Upon completion of this review the Group made a provision for £30.0 million and, as at 31 December 2018, the provision stands at £29.6 million as initial costs were incurred in beginning the remediation works. Accounting for these provisions is complex and involves Management making a number of forward-looking estimates. The key judgements related to this key audit matter lie in determining which buildings the Group has an obligation to remediate, the cost of the future works at the various buildings and that the disclosure made within the financial statements is representative of the current facts and circumstances. There are a number of risks associated with this provision: – that buildings are captured in the provision that the Group is not obligated to remediate; – for costs that are provided there is a risk that these are inaccurately estimated or valued; and – there is a risk that the disclosure made within the financial statements does not appropriately explain the obligations that the Group has in relation to remediation.
How the scope of our audit responded to the key audit matter 	In addressing this risk we have considered and assessed the process by which Management had determined which buildings the Group had an obligation to remediate as at 31 December 2018. This included verifying the identification exercise that Management performed and reviewing correspondence the Group had with relevant stakeholders. Where Management did have an obligation we assessed how the value of the provision had been determined for each development. This included obtaining and verifying the quotes the Group had received for the remediation works. We have reviewed the disclosure made in Note 6 and considered whether this reflects the current facts and circumstances associated with the replacement of the ACM cladding on identified properties.
Key observations 	Based on the procedures performed, we considered the provision recorded by Management to reflect the properties for which the Group has an obligation to remediate at the balance sheet date and that the amount provided is appropriate. We considered the disclosure made in Note 6 to be complete and representative of the current facts and circumstances.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£42.0 million (2017: £40.0 million)
Basis for determining materiality	Approximately 5% (2017: 5%) of pre-tax profit for the year, excluding exceptional items, of £856.8 million (2017: £812.0 million) as described on page 130. The increase in materiality is directly attributable to the increase in pre-tax profit for the Group.
Rationale for the benchmark applied	Pre-tax profit, excluding exceptional items, has been chosen for the basis for materiality as this is the measure by which stakeholders and the market assess the wider performance of the entity. The exceptional items are excluded as they do not represent part of the underlying trading performance of the business.
Parent Company materiality	£39.9 million (2017: £38.0 million)
Basis for determining materiality	Approximately 1% (2017: approximately 1%) of net assets of £3,918.2 million (2017: £3,862.7 million). This is capped at 95% (2017: 95%) of Group materiality which we considered appropriate for the consolidation of this set of financial statements to the Group's results. The increase in materiality is driven by the increase in Group materiality.
Rationale for the benchmark applied	Net assets is used as the benchmark as this entity is a Parent Company and not a trading entity.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2018 audit (2017: 70%). In determining performance materiality, we considered factors including:

- our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.0 million (2017: £1.5 million) for the Group and £2.0 million (2017: £1.5 million) for the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. This increase in threshold is the result of an increase in the Group's pre-tax profit during the year. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report continued

An overview of the scope of our audit

The Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the UK Housing division (excluding joint ventures) which represents the principal segment within the Group and accounts for 98% (2017: 98%) of the Group's net operating assets, 97% (2017: 98%) of the Group's revenue and 97% (2017: 97%) of the Group's pre-tax profit before exceptional items. Our audit work on the principal segment was executed at a lower level of materiality £38.0 million (2017: £34.2 million).

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

For the Spanish operations and material joint ventures desktop review procedures are conducted by the UK team.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The audit is performed centrally and includes all of the 24 regional business units within the Group's UK Housing division. We choose to visit a sample of these business units selected on a rotational basis. The purpose of these visits is to conduct procedures over selected controls that are in place at each business unit and also to perform substantive testing of certain balances. In the current year we performed regional visits to four (2017: four) locations. In addition, we also visit other business units throughout the entity which are chosen on a random basis. During these visits we assess the commonality of the controls in line with the group-wide controls identified, as well as performing substantive testing. This was performed at four (2017: four) locations.

The Parent Company is located in the UK and audited directly by the Group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report including the strategic report, Director's report and corporate governance statement, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team and involving relevant internal specialists, including tax, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the inventory costing and margin recognition key audit matter as described on page 125; and
- obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation, and housebuilding and construction legislation. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to continue as a going concern or to avoid a material penalty, such as employment law and health and safety requirements.

Audit response to risks identified

As a result of performing the above, we identified inventory costing and margin recognition as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following recommendation of the audit committee, we were reappointed by the shareholders of Taylor Wimpey plc on 26 April 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.

Following the merger of Taylor Woodrow and George Wimpey, we were appointed as auditor of the merged group for subsequent financial periods. Prior to that we were the auditor of Taylor Woodrow.

As explained on page 85, our final year of association with the Group will be the year ending 31 December 2020. After the 2020 year end we are required to mandatorily rotate from our role as auditor.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee that we are required to provide in accordance with ISAs (UK).

Use of our report

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



Edward Hanson ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, United Kingdom
26 February 2019

Consolidated income statement for the year to 31 December 2018

£ million	Note	Before exceptional items 2018	Exceptional items 2018	Total 2018	Before exceptional items 2017 (restated)	Exceptional items 2017	Total 2017 (restated)
Continuing operations							
Revenue	4	4,082.0	–	4,082.0	3,965.2	–	3,965.2
Cost of sales		(3,007.5)	–	(3,007.5)	(2,933.4)	–	(2,933.4)
Gross profit before positive contribution		1,066.8	–	1,066.8	1,014.4	–	1,014.4
Positive contribution from written down inventory		7.7	–	7.7	17.4	–	17.4
Gross profit		1,074.5	–	1,074.5	1,031.8	–	1,031.8
Net operating expenses	6	(199.6)	(46.1)	(245.7)	(195.3)	(130.0)	(325.3)
Profit on ordinary activities before finance costs		874.9	(46.1)	828.8	836.5	(130.0)	706.5
Interest receivable	8	2.9	–	2.9	0.8	–	0.8
Finance costs	8	(26.3)	–	(26.3)	(32.9)	–	(32.9)
Share of results of joint ventures	13	5.3	–	5.3	7.6	–	7.6
Profit on ordinary activities before taxation		856.8	(46.1)	810.7	812.0	(130.0)	682.0
Taxation (charge)/credit	9	(162.3)	8.2	(154.1)	(151.7)	25.0	(126.7)
Profit for the year		694.5	(37.9)	656.6	660.3	(105.0)	555.3
Attributable to:							
Equity holders of the parent				656.6			555.3
				656.6			555.3
	Note			2018			2017
Basic earnings per share	10			20.1p			17.0p
Diluted earnings per share	10			20.0p			16.9p
Adjusted basic earnings per share	10			21.3p			20.2p
Adjusted diluted earnings per share	10			21.2p			20.1p

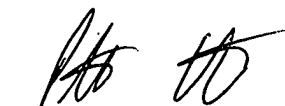
Consolidated statement of comprehensive income for the year to 31 December 2018

£ million	Note	2018	2017
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	25	1.5	2.2
Movement in fair value of hedging instruments	25	(0.7)	(1.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	21	(84.3)	154.8
Tax credit/(charge) on items taken directly to other comprehensive income	14	14.7	(26.5)
Other comprehensive (expense)/income for the year net of tax		(68.8)	129.3
Profit for the year		656.6	555.3
Total comprehensive income for the year		587.8	684.6
Attributable to:			
Equity holders of the parent		587.8	684.6
		587.8	684.6

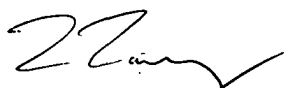
Consolidated balance sheet at 31 December 2018

£ million	Note	2018	2017
Non-current assets			
Intangible assets	11	3.2	3.9
Property, plant and equipment	12	21.6	22.8
Right-of-use assets	19	27.1	–
Interests in joint ventures	13	48.3	50.9
Trade and other receivables	16	55.7	60.1
Deferred tax assets	14	40.7	29.3
		196.6	167.0
Current assets			
Inventories	15	4,188.2	4,075.7
Trade and other receivables	16	134.7	122.2
Tax receivables		0.5	0.7
Cash and cash equivalents	16	734.2	600.5
		5,057.6	4,799.1
Total assets		5,254.2	4,966.1
Current liabilities			
Trade and other payables	18	(1,044.3)	(1,024.5)
Lease liabilities	19	(8.2)	–
Tax payables		(70.4)	(58.6)
Provisions	22	(76.9)	(87.3)
		(1,199.8)	(1,170.4)
Net current assets		3,857.8	3,628.7
Non-current liabilities			
Trade and other payables	18	(491.3)	(430.6)
Lease liabilities	19	(19.2)	–
Bank and other loans	17	(90.1)	(88.7)
Retirement benefit obligations	21	(133.6)	(64.8)
Provisions	22	(93.4)	(74.3)
		(827.6)	(658.4)
Total liabilities		(2,027.4)	(1,828.8)
Net assets		3,226.8	3,137.3
Equity			
Share capital	23	288.5	288.5
Share premium	24	762.9	762.9
Own shares	26	(22.7)	(21.3)
Other reserves	25	45.0	44.2
Retained earnings	25	2,153.1	2,063.0
Equity attributable to parent		3,226.8	3,137.3
Total equity		3,226.8	3,137.3

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 26 February 2019. They were signed on its behalf by:



P Redfern
Director



C Carney
Director

Consolidated statement of changes in equity for the year to 31 December 2018

For the year to 31 December 2018 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2018	288.5	762.9	(21.3)	44.2	2,063.0	3,137.3
Exchange differences on translation of foreign operations	-	-	-	1.5	-	1.5
Movement in fair value of hedging instruments	-	-	-	(0.7)	-	(0.7)
Actuarial loss on defined benefit pension schemes	-	-	-	-	(84.3)	(84.3)
Tax credit on items taken directly to other comprehensive income	-	-	-	-	14.7	14.7
Other comprehensive income/(expense) for the year net of tax	-	-	-	0.8	(69.6)	(68.8)
Profit for the year	-	-	-	-	656.6	656.6
Total comprehensive income for the year	-	-	-	0.8	587.0	587.8
Impact on adoption of IFRS 16 (Note 32)	-	-	-	-	(1.5)	(1.5)
Own shares acquired	-	-	(9.9)	-	-	(9.9)
Utilisation of own shares	-	-	8.5	-	-	8.5
Cash cost of satisfying share options	-	-	-	-	(7.0)	(7.0)
Share-based payment credit	-	-	-	-	12.2	12.2
Tax charge on items taken directly to statement of changes in equity	-	-	-	-	(1.1)	(1.1)
Dividends approved and paid	-	-	-	-	(499.5)	(499.5)
Total equity as at 31 December 2018	288.5	762.9	(22.7)	45.0	2,153.1	3,226.8

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 instruments	-	-	-	(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)
Total equity as at 31 December 2017	288.5	762.9	(21.3)	44.2	2,063.0	3,137.3

Consolidated cash flow statement for the year to 31 December 2018

£ million	Note	2018	2017
Net cash from operating activities	27	641.3	604.1
Investing activities			
Interest received		2.8	0.8
Dividends received from joint ventures		14.3	0.7
Proceeds on disposal of property, plant and equipment		0.4	–
Purchases of property, plant and equipment	12	(2.1)	(4.2)
Purchases of software	11	(0.3)	(1.5)
Amounts (invested in)/repaid by joint ventures		(6.4)	6.1
Proceeds from sale of interest in subsidiary		–	2.7
Net cash generated from investing activities		8.7	4.6
Financing activities			
Lease capital repayments		(8.3)	–
Proceeds from the issue of own shares		–	0.1
Cash received on exercise of share options		1.5	3.5
Purchase of own shares		(9.9)	(13.3)
Dividends paid		(499.5)	(450.5)
Net cash used in financing activities		(516.2)	(460.2)
Net increase in cash and cash equivalents		133.8	148.5
Cash and cash equivalents at beginning of year		600.5	450.2
Effect of foreign exchange rate changes		(0.1)	1.8
Cash and cash equivalents at end of year	27	734.2	600.5

Notes to the consolidated financial statements

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except as otherwise stated below.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Adoption of new and revised standards

The Group has adopted and applied the following standards and amendments issued by the International Accounting Standards Board (IASB) that are relevant to its operations for the first time in the year commencing 1 January 2018:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- IFRS 2 'Share-based Payment' (amendments) – classification and measurement of share-based payment transactions
- Annual improvements to IFRSs 2014 – 2016 Cycle

Information on the initial application of IFRS 9, IFRS 15 and IFRS 16, including the impact on the financial position and performance of the Group, can be found in Note 32. The adoption of the other amendments in the year did not have a material impact on the financial statements.

Standards, interpretations and amendments in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new or revised standards and interpretations that have been issued but are not yet effective and in some cases, had not yet been adopted by the EU:

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IAS 19 'Employee Benefits' (amendments) – plan amendment, curtailment or settlement
- IAS 28 'Investments in Associates and Joint Ventures' (amendments) – long-term interests in associates and joint ventures
- Annual improvements to IFRSs 2015 – 2017 Cycle

The Directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the Group in future periods.

Going concern

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified on pages 44 to 51. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

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

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS as endorsed by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling interest's proportion of the fair value of the assets and liabilities recognised. Subsequently, all comprehensive income is attributed to the owners and the non-controlling interests, which may result in the non-controlling interest having a debit balance.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control of the rights and assets of the undertaking via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses.

Joint operations arise where the Group has joint control of an operation, but has rights to only its own assets and obligations related to the operation. These assets and obligations, and the Group's share of revenues and costs, are included in the Group's results.

Joint ventures and joint operations are entered into to develop specific sites. Each arrangement is site or project specific and once the development or project is complete the arrangement is wound down.

Segmental reporting

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

The United Kingdom is split into three geographical operating segments, each managed by a Divisional Chair who sits on the Group Management Team. In addition, there is an operating segment covering the corporate functions, Major Developments and Strategic Land.

As such the segmental reporting for 2018 is:

- Housing United Kingdom:
 - North
 - Central and South West
 - London and South East (including Central London)
 - Corporate
- Housing Spain

Revenue

In the current year, the Group adopted IFRS 15 'Revenue from Contracts with Customers'. The new standard establishes a comprehensive five-step model to determine the amount and timing of revenue recognised from contracts with customers. The adoption of IFRS 15 has not had a significant impact on the revenue recognition policies of the Group. Further information on the adoption of IFRS 15 and the impact on the financial position and performance of the Group for the current and prior year can be found in Note 32.

Notes to the consolidated financial statements continued

1. Significant accounting policies continued

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when control is transferred to the customer, this is deemed to be when title of the property passes to the customer on legal completion. Revenue in respect of the sale of residential properties, whether under the Government's Help to Buy Scheme or not, is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Part exchange

In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value is established by independent surveyors, reduced for costs to sell. Net proceeds generated from the subsequent sale of part exchange properties are recorded as a reduction to net operating expenses. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts.

(c) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

(d) Contracting work and partnership housing contracts

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised over time with reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a long term contract cannot be estimated reliably, contract revenue where recoverability is probable is recognised to the extent of contract costs incurred. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Cost of sales

The Group determines the value of inventory charged to cost of sales based on the total budgeted cost of developing a site. Once the total expected costs of development are established they are allocated to individual plots to achieve a standard build cost per plot.

To the extent that additional costs or savings are identified as the site progresses, these are recognised over the remaining plots unless they are specific to a particular plot, in which case they are recognised in the income statement at the point of sale.

Positive contribution

The positive contribution presented on the face of the income statement represents the net amount of previous impairments allocated to inventory on a plot that has subsequently resulted in a gross profit on completion. This is due to the combination of selling prices and costs, or product mix improvements exceeding our market assumptions in the previous net realisable value (NRV) exercise. These amounts are stated before the allocation of overheads, which are excluded from the Group's NRV exercise.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material or unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 'Presentation of Financial Statements'. Should these items be reversed, disclosure of this would also be as exceptional items.

Interest receivable

Interest income on bank deposits is recognised on an accruals basis. Also included in interest receivable are interest and interest-related payments the Group receives on other receivables.

Borrowing costs

Borrowing costs are recognised on an accruals basis and are payable on the Group's borrowings and lease liabilities. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Capitalised finance costs are held in other receivables and amortised over the period of the facility.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing at the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operation are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are recognised within other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the income statement in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group uses foreign currency borrowings to hedge its net investment exposure to certain overseas subsidiaries (see page 138 for details of the Group's accounting policies in respect of such financial instruments).

Leases

During the year, the Group adopted IFRS 16 'Leases' using the modified retrospective approach allowed under the standard. Comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The details of the current and prior years accounting policies are disclosed separately below. Further information on the adoption and initial application of IFRS 16 can be found in Note 19 and Note 32.

Policy applicable from 1 January 2018

For contracts entered into on or after 1 January 2018, the Group assesses at inception whether the contract is, or contains, a lease. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessment includes whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract period; and
- the Group has the right to direct the use of the asset.

1. Significant accounting policies continued

The Group as a lessee

At the commencement of a lease, the Group recognises a right-of-use asset along with a corresponding lease liability.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option based on operational needs and contractual terms. Subsequently, the lease liability is measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, estimated asset retirement obligations, lease incentives received and initial direct costs. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

Right-of-use assets are presented within non-current assets on the face of the balance sheet, and lease liabilities are shown separately on the balance sheet in current liabilities and non-current liabilities depending on the length of the lease term.

Policy applicable prior to 1 January 2018

Rentals payable under operating leases were charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease were also spread on a straight-line basis over the lease term.

The Group did not act as a lessor under any arrangement in the prior year.

Intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. Their values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses. Brands are amortised over their estimated useful life on a straight-line basis.

Software development costs

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

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

Plant and equipment is stated at cost less depreciation.

Depreciation is charged so as to expense the cost or valuation of assets over their estimated useful lives. Other assets are depreciated using the straight-line method, on the following bases:

- Plant and equipment 20-33% per annum
- Leasehold improvements over the term of the lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset. This difference is recognised in the income statement.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, impairment losses are allocated first to the intangible assets in the cash-generating unit.

If the full impairment of intangible assets is not sufficient to reduce the carrying value of the cash-generating unit to its recoverable amount, tangible fixed assets must then be impaired. If the recoverable amount of tangible fixed assets exceeds their carrying value, no further impairment is required. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

In the current year the Group adopted IFRS 9 'Financial Instruments'. The standard was applied retrospectively and comparative information has been restated accordingly. Further information on the adoption of IFRS 9 and the impact on the financial position and performance of the Group for the current and prior year can be found in Note 32.

Financial assets

Financial assets are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- measured at amortised cost;
- measured subsequently at fair value through profit or loss (FVTPL); and
- measured subsequently at fair value through other comprehensive income (FVOCI).

The classification of financial assets depends on the Group's business model for managing the asset and the contractual terms of the cash flows. Assets that are held for the collection of contractual cash flows that represent solely payments of principal and interest are measured at amortised cost, with any interest income recognised in the income statement using the effective interest rate method.

Financial assets that do not meet the criteria to be measured at amortised cost are classified by the Group as measured at FVTPL. Fair value gains and losses on financial assets measured at FVTPL are recognised in the income statement and presented within net operating expenses.

The Group currently has no financial assets measured at FVOCI.

Notes to the consolidated financial statements continued

1. Significant accounting policies continued

Trade and other receivables

Trade and other receivables are measured at amortised cost, less any loss allowance.

Shared equity loans

Shared equity loans were provided to certain customers to facilitate a house purchase. The contractual cash flows on shared equity loans are linked to a national house price index, which represents a non-closely related embedded derivative. Under IFRS 9, financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Accordingly, shared equity loans are classified as FVTPL with fair value gains and losses arising on the remeasurement of the loan presented in the income statement within net operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less from inception and are subject to insignificant risk of changes in value.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit/losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:

- measured at amortised cost; and
- measured subsequently at fair value through profit or loss (FVTPL).

Non-derivative financial liabilities are measured at FVTPL when they are considered held for trading or designated as such on initial recognition. The Group has no non-derivative financial liabilities measured at FVTPL.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost.

Trade and other payables

Trade and other payables are measured at amortised cost.

Customer deposits

Customer deposits are measured at amortised cost and recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Parent Company are recorded as the proceeds are received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group uses foreign currency borrowings and derivatives to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the Parent Company.

Derivative financial instruments are measured at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in other comprehensive income and the ineffective portion, if any, is recognised immediately in the income statement.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the consolidated income statement. Gains or losses from remeasuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in accumulated other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in accumulated other comprehensive income is transferred to the income statement for the period. If a derivative financial instrument does not meet the specific criteria of IFRS 9 'Financial Instruments' for hedge accounting it is presented as a held for trading asset or liability.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is probable that the option will not be exercised.

Taxation

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

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

1. Significant accounting policies continued

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Share-based payments

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

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 'Employee benefits' (amended 2014). In respect of defined benefit plans, a finance charge is determined on the net defined benefit pension liability. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the service period of employees, past service costs are recognised as an expense at the earlier of when the plan is amended or curtailment occurs, at the same time as which the entity will recognise related restructuring costs or termination benefits. Certain liability management costs and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The retirement benefit obligation recognised in the consolidated statement of financial position represents either the net liability (deficit) position of the scheme or, should the scheme be in an IAS 19 accounting surplus, the IFRIC 14 liability equal to the present value of future committed cash contributions.

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

2. Critical accounting judgements and key sources of estimation uncertainty

Preparation of the financial statements requires Management to make significant judgements and estimates. Management have considered whether there are any such sources of estimation or accounting judgements in forming the financial statements and highlight the following areas. In identifying these areas Management have considered the size of the associated balance and the potential likelihood of changes due to macro-economic factors.

Critical accounting judgements

Management have not made any individual critical accounting judgements that are material to the Group, apart from those estimations which are set out below.

Key sources of estimation uncertainty

Key sources of estimation uncertainty are those which present a significant risk of potential material misstatement to carrying amounts of assets or liabilities within the next financial year.

Employee benefits

The value of the defined benefit plan liabilities is determined by using various long term actuarial assumptions, including future rates of inflation, growth, yields, returns on investments and mortality rates. The value of the defined benefit scheme recorded on the balance sheet is currently subject to IFRIC 14, which under certain circumstances requires an adjustment to turn an accounting surplus into a liability equal to the present value of committed future payments of the scheme. Determining the IFRIC 14 adjustment requires the use of actuarial assumptions to project forward the funding position of the scheme over the commitment period. As actual changes in inflation, growth, yields and investment returns may differ from those assumed, this is a key source of estimation uncertainty within the financial statements. Changes in these assumptions over time and differences to the actual outcome will be reflected in the statement of comprehensive income. Note 21 details the main assumptions in accounting for the Group's defined benefit pension scheme along with sensitivities of the liabilities to changes in these assumptions.

Other sources of estimation uncertainty

Provision for leasehold

The value of this provision has been established using information available to Management at 31 December 2018, together with a range of assumptions including the number of units which have been sold by the original Taylor Wimpey customer and as such are not eligible for the scheme, and the final deed of variation valuations for those freeholders with whom the Group has not yet agreed a settlement.

Cost allocation

In order to determine the profit that the Group is able to recognise on its developments in a specific period, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments, and make estimates relating to future sales price margins on those developments and units. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Aluminium Composite Materials (ACM) provision

This provision was established to provide for the cost of replacing ACM cladding on a small number of legacy buildings. The Group has estimated the cost of replacement based on engagement with contractors and, where applicable, the management companies of the effected developments. Determining the total cost of replacing cladding across a number of different buildings contains inherent estimation uncertainty. The scope of the replacement may also be impacted by future Government guidance or regulations.

3. General information

Taylor Wimpey plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 191. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 56.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on page 136.

Notes to the consolidated financial statements continued

4. Revenue

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

£ million	2018	2017
Housing:		
Private sales	3,550.5	3,532.2
Partnership housing	465.3	365.6
Other	9.6	27.9
Total housing	4,025.4	3,925.7
Land sales	56.6	39.5
Revenue for the year	4,082.0	3,965.2

Partnership housing includes £361.6 million (2017: £288.8 million) of revenue from construction contracts that are recognised over time by reference to the stage of completion of the contract with the customer. All other revenue is recognised at a point in time when control of the property is transferred to the customer.

Housing revenue includes £281.3 million (2017: £239.5 million) generated where the sale has been achieved using part exchange incentives. Other revenue includes income from the sale of commercial properties developed as part of larger residential developments and the sale of leasehold properties.

As at 31 December 2018, the aggregate amount of the transaction price allocated to unsatisfied performance obligations is £448.0 million, of which approximately half is expected to be recognised as revenue during 2019. As permitted under the transition provisions of IFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2017 has not been disclosed.

5. Operating segments

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

The United Kingdom is split into three geographical operating segments, each managed by a Divisional Chair who sits on the Group Management Team. In addition, there is an operating segment covering the corporate functions, Major Developments and Strategic Land.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs including Divisional and Group salaries.

Segment information about these businesses is presented below:

For the year to 31 December 2018 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	1,418.7	1,347.2	1,210.3	1.6	104.2	4,082.0
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	307.0	344.7	265.3	(71.3)	29.2	874.9
Share of results of joint ventures	0.1	–	5.3	(0.1)	–	5.3
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	307.1	344.7	270.6	(71.4)	29.2	880.2
Exceptional items (Note 6)	–	–	–	(46.1)	–	(46.1)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	307.1	344.7	270.6	(117.5)	29.2	834.1
Net finance costs						(23.4)
Profit on ordinary activities before taxation						810.7
Taxation (including exceptional tax)						(154.1)
Profit for the year						656.6

As at 31 December 2018 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,213.0	1,290.7	1,504.3	254.0	168.5	4,430.5
Joint ventures	2.0	3.7	40.5	2.1	–	48.3
Segment operating liabilities	(375.5)	(520.9)	(510.0)	(355.0)	(105.5)	(1,866.9)
Net operating assets/(liabilities)	839.5	773.5	1,034.8	(98.9)	63.0	2,611.9
Net current taxation						(69.9)
Net deferred taxation						40.7
Net cash						644.1
Net assets						3,226.8

5. Operating segments continued

For the year to 31 December 2018 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Other information						
Property, plant and equipment additions	0.2	0.8	–	1.0	0.1	2.1
Right-of-use asset additions	1.5	0.8	5.7	2.5	0.2	10.7
Software development additions	–	–	–	0.3	–	0.3
Property, plant and equipment depreciation	(0.6)	(0.9)	(0.5)	(1.1)	–	(3.1)
Right-of-use asset depreciation	(2.5)	(1.5)	(2.6)	(2.2)	(0.2)	(9.0)
Software amortisation	–	–	–	(1.0)	–	(1.0)
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	(66.8)	26.8	836.5
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	(67.0)	26.8	844.1
Exceptional items (Note 6)	–	–	–	(130.0)	–	(130.0)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	294.9	318.0	271.4	(197.0)	26.8	714.1
Net finance costs						(32.1)
Profit on ordinary activities before taxation						682.0
Taxation (including exceptional tax)						(126.7)
Profit for the year						555.3
Assets and liabilities						
Segment operating assets	1,192.5	1,233.2	1,501.3	212.7	145.0	4,284.7
Joint ventures	2.1	3.5	42.3	3.0	–	50.9
Segment operating liabilities	(353.9)	(486.9)	(486.9)	(264.2)	(89.6)	(1,681.5)
Net operating assets/(liabilities)	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
Other information						
Property, plant and equipment additions	0.7	0.7	0.9	1.9	–	4.2
Software development additions	–	–	–	1.5	–	1.5
Property, plant and equipment depreciation	(0.1)	(0.9)	(0.4)	(0.9)	–	(2.3)
Software amortisation	–	–	–	(1.1)	–	(1.1)

For the year to 31 December 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,192.5	1,233.2	1,501.3	212.7	145.0	4,284.7
Joint ventures	2.1	3.5	42.3	3.0	–	50.9
Segment operating liabilities	(353.9)	(486.9)	(486.9)	(264.2)	(89.6)	(1,681.5)
Net operating assets/(liabilities)	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
Other information						
Property, plant and equipment additions	0.7	0.7	0.9	1.9	–	4.2
Software development additions	–	–	–	1.5	–	1.5
Property, plant and equipment depreciation	(0.1)	(0.9)	(0.4)	(0.9)	–	(2.3)
Software amortisation	–	–	–	(1.1)	–	(1.1)

Notes to the consolidated financial statements continued

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

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

£ million	2018	2017
Administration expenses	212.9	201.9
Other expense	3.9	8.7
Other income	(17.2)	(15.3)
Exceptional items	46.1	130.0

Other income includes profits on the sale of property, plant and equipment and the revaluation of certain shared equity mortgage receivables, pre-acquisition and abortive costs, and profit/loss on the sale of part exchange properties.

Exceptional items: £ million	2018	2017
Provision in relation to Aluminium Composite Materials cladding	30.0	–
Guaranteed Minimum Pension equalisation charge	16.1	–
Exceptional item recognised in relation to leasehold	–	130.0
Exceptional items	46.1	130.0

Aluminium Composite Materials (ACM) Cladding provision

Following the tragic fire at Grenfell Tower, the Group conducted a detailed review into all legacy and current buildings ACM cladding and worked with building owners, management companies, and the Fire Service to implement Government advice on interim mitigation measures, where applicable. Whilst each situation is different, and this is an exceptionally complex issue, the Group has in a number of cases, having regard to all of the relevant facts and circumstances, agreed to support customers both financially and practically with removal and replacement of ACM cladding, even though the buildings concerned met the requirements of building regulations at the time construction was formally approved. This decision was taken for buildings recently constructed by the Group because Management believe that it is morally right, not because it is legally required. At the year end, replacement works had been completed on one development and were underway on another. Since the year end work started on a further development.

Uncertainty over the remediation costs will remain until all the works are fully designed and contracted. Following the creation of the exceptional provision, the Government issued further guidance which the Group considered as part of its ongoing review. As at 31 December 2018, £30.0 million continues to represent Management's best estimate of the cost of replacing the cladding at all buildings identified.

Guaranteed Minimum Pension (GMP) equalisation

A High Court judgement handed down in October 2018, relating to defined benefit pension schemes, held that the GMP element of pension accrued by men and women should be comparable and any additional obligation required to equalise the members' benefits must be allowed for in the scheme liabilities. The additional obligation is considered a past service cost and recognised through the income statement in accordance with IAS 19. As at 31 December 2018, the Group has estimated that the additional obligation required to equalise benefits accrued under the Group's defined benefit pension scheme is £16.1 million and has recognised this amount as an exceptional past service cost in the current year income statement. The impact of future changes in estimates and assumptions related to the equalisation of GMP will be accounted for as scheme experience and recognised in other comprehensive income.

Leasehold provision

Following concerns raised by certain customers in the latter part of 2016 relating to the mortgageability and saleability of their homes due to the ground rents structure in their leases, the Group undertook a review of historic leasehold structures on developments which were commenced between 2007 and 2011. As a result of this review, in order to address these concerns and to make the future ground rent more affordable, a voluntary help scheme – the Taylor Wimpey Ground Rent Review Assistance Scheme (GRRAS), was announced in April 2017, together with a provision of £130.0 million. This was designed to help affected customers to convert the ground rent structure of their leases from one which doubles every ten years until the fiftieth anniversary, to one based on RPI.

As part of the GRRAS, the Group have completed negotiations with the respective freehold owners of virtually all the leasehold homes to convert our customers' leases to an RPI structure, with the Group bearing the financial cost of doing so. The provision was calculated using a range of assumptions including the total number of properties owned by each freeholder and whether the applications are likely to fall within the eligibility criteria of the GRRAS. Assumptions are regularly reviewed.

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

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

£ million	2018	2017
Cost of inventories recognised as expense in cost of sales	2,921.1	2,794.6
Property, plant and equipment depreciation	3.1	2.3
Right-of-use assets depreciation	9.0	–
(Gain)/loss on disposal of property, plant and equipment	(0.2)	0.1
Amortisation of intangible assets	1.0	1.1
Payments under operating leases*	–	6.4

* Under IFRS 16 'Leases', which the Group adopted in the current year, payments under operating leases are not charged to the income statement.

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

£ million	2018	2017
Fees payable to the Company's auditor for the audit of the Company's annual accounts and consolidated financial statements	0.2	0.1
Fees payable to the Company's auditor and its associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Total audit fees	0.5	0.4
Other assurance services	0.1	0.1
Total non-audit fees	0.1	0.1
Total fees	0.6	0.5

Non-audit services in 2018 and 2017 predominantly relate to work undertaken as a result of Deloitte LLP's role as auditor, or work resulting from knowledge and experience gained as part of the role. The work was either the subject of a competitive tender or was best performed by the Group's auditor because of its knowledge of the Group. In 2018, non-audit fees also include £23 thousand (2017: £54 thousand) of other services related to consultancy.

7. Staff costs

	2018 Number	2017 Number
Average number employed		
United Kingdom	5,358	4,893
Spain	84	102
	5,442	4,995
£ million	2018	2017
Remuneration		
Wages and salaries	258.0	235.2
Redundancy costs	0.4	–
Social security costs	27.7	25.8
Other pension costs	12.4	10.4
	298.5	271.4

The information relating to Director and Senior Management remuneration required by the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority is contained in Note 30 and pages 96 to 116 in the Directors' Remuneration Report.

8. Finance costs and interest receivable

£ million	2018	2017
Interest receivable	2.9	0.8
Finance costs are analysed as follows:		
£ million	2018	2017
Interest on overdrafts, bank and other loans	5.2	6.0
Foreign exchange movements	1.0	0.1
	6.2	6.1
Unwinding of discount on land creditors and other items	18.5	20.9
Interest on IFRS 16 lease liabilities	0.5	–
Net notional interest on pension liability (Note 21)	1.1	5.9
	26.3	32.9

Notes to the consolidated financial statements continued

9. Taxation

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

£ million		2018	2017
Current tax:			
UK corporation tax:	Current year	(143.4)	(122.6)
	Adjustment in respect of prior years	(5.3)	1.5
Foreign tax:	Current year	(3.6)	(3.3)
		(152.3)	(124.4)
Deferred tax:			
UK:	Current year	(4.1)	(2.8)
	Adjustment in respect of prior years	3.7	–
Foreign tax:	Current year	(1.4)	0.5
		(1.8)	(2.3)
		(154.1)	(126.7)

Corporation tax is calculated at 19.0% (2017: 19.25%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate, before exceptional items, is 18.9% (2017: 18.7%).

The tax charge for the year includes credits of £5.1 million in respect of the exceptional provision for ACM cladding replacement and £3.1 million relating to the exceptional charge for the impact of GMP equalisation on the Group's defined benefit pension scheme. The tax charge for the prior year includes a credit of £25.0 million in respect of the exceptional charge relating to the leasehold review.

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

£ million	2018	2017
Profit before tax	810.7	682.0
Tax at the UK corporation tax rate of 19.0% (2017: 19.25%)	(154.0)	(131.3)
Net (under)/over provision in respect of prior years	(1.7)	1.5
Net impact of items that are not taxable or deductible	1.7	0.2
Recognition of deferred tax asset relating to Spanish business	2.3	3.9
Other rate impacting adjustments	(2.4)	(1.0)
Tax charge for the year	(154.1)	(126.7)

10. Earnings per share

	2018	2017
Basic earnings per share	20.1p	17.0p
Diluted earnings per share	20.0p	16.9p
Adjusted basic earnings per share	21.3p	20.2p
Adjusted diluted earnings per share	21.2p	20.1p
Weighted average number of shares for basic/adjusted earnings per share – million	3,266.3	3,264.0
Weighted average number of shares for diluted basic/adjusted earnings per share – million	3,275.7	3,280.4

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 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	2018	2017
Earnings for basic and diluted earnings per share	656.6	555.3
Adjust for exceptional items (Note 6)	46.1	130.0
Adjust for tax on exceptional items (Note 6)	(8.2)	(25.0)
Earnings for adjusted basic and adjusted diluted earnings per share	694.5	660.3

Million	2018	2017
Weighted average number of shares for basic earnings per share	3,266.3	3,264.0
Long term incentive share options	6.9	9.2
SAYE options	2.5	7.2
Weighted average number of shares for diluted earnings per share	3,275.7	3,280.4

11. Intangible assets

£ million	Brands	Software development costs	Total
Cost			
At 1 January 2017	140.2	10.0	150.2
Additions	–	1.5	1.5
At 31 December 2017	140.2	11.5	151.7
Additions	–	0.3	0.3
At 31 December 2018	140.2	11.8	152.0
Amortisation/impairment			
At 1 January 2017	(140.2)	(6.5)	(146.7)
Charge for the year	–	(1.1)	(1.1)
At 31 December 2017	(140.2)	(7.6)	(147.8)
Charge for the year	–	(1.0)	(1.0)
At 31 December 2018	(140.2)	(8.6)	(148.8)
Carrying amount			
31 December 2018	–	3.2	3.2
31 December 2017	–	3.9	3.9

The Group has assessed its brands and their associated values and has concluded that given the majority of the legacy brands are currently not used, it would not be appropriate to reverse any of the previously recognised impairment charges.

The amortisation of software development costs is recognised within administration expenses in the income statement.

12. Property, plant and equipment

£ million	Freehold land and buildings	Plant, equipment and leasehold improvements	Total
Cost			
At 1 January 2017	15.0	17.2	32.2
Additions	1.4	2.8	4.2
Disposals	–	(1.0)	(1.0)
At 31 December 2017	16.4	19.0	35.4
Additions	0.1	2.0	2.1
Disposals	(0.3)	(0.2)	(0.5)
At 31 December 2018	16.2	20.8	37.0
Accumulated depreciation			
At 1 January 2017	(1.2)	(10.0)	(11.2)
Disposals	–	0.9	0.9
Charge for the year	(0.5)	(1.8)	(2.3)
At 31 December 2017	(1.7)	(10.9)	(12.6)
Disposals	0.1	0.2	0.3
Charge for the year	(0.6)	(2.5)	(3.1)
At 31 December 2018	(2.2)	(13.2)	(15.4)
Carrying amount			
At 31 December 2018	14.0	7.6	21.6
At 31 December 2017	14.7	8.1	22.8

Notes to the consolidated financial statements continued

13. Interests in joint ventures

£ million	2018	2017
Aggregated amounts relating to share of joint ventures:		
Non-current assets	19.4	6.7
Current assets	78.0	79.5
Total assets	97.4	86.2
Current liabilities	(22.0)	(16.6)
Non-current liabilities	(63.4)	(49.3)
Total liabilities	(85.4)	(65.9)
Carrying amount	15.2	20.3
Loans to joint ventures	33.1	30.6
Total interests in joint ventures	48.3	50.9

Loans to joint ventures includes £(3.2) million (2017: nil) relating to the Group's share of losses recognised under the equity method in excess of the investment in ordinary shares.

£ million	2018	2017
Group share of:		
Revenue	72.3	93.2
Cost of sales	(60.3)	(82.1)
Gross profit	12.0	11.1
Net operating expenses	(3.4)	(1.0)
Profit on ordinary activities before finance costs	8.6	10.1
Finance costs	(1.9)	(0.4)
Profit on ordinary activities before tax	6.7	9.7
Taxation	(1.4)	(2.1)
Share of joint ventures' post-tax results for the year	5.3	7.6

The Group has five material (2017: five) joint ventures whose principal activity is residential housebuilding or development. The Group considers a joint venture to be material when it is financially or strategically important to the Group.

The particulars of the material joint ventures for 2018 are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts	Taylor Wimpey plc interest in the issued ordinary share capital
United Kingdom	Greenwich Millennium Village Limited*	50%
United Kingdom	Chobham Manor Limited Liability Partnership*	50%
United Kingdom	Winstanley and York Road Regeneration LLP*	50%
United Kingdom	Whitehill & Bordon Development Company Phase 1a Limited*	50%
United Kingdom	Whitehill & Bordon Regeneration Company Limited*	50%

* Interest held by subsidiary undertakings.

Further information of the particulars of joint ventures can be found on pages 174 to 177.

13. Interests in joint ventures continued

The following two tables show summary financial information for the material joint ventures. Unless specifically indicated, this information represents 100% of the joint venture before intercompany eliminations.

£ million	Greenwich Millennium Village 2018	Chobham Manor 2018	Winstanley and York Road Regeneration 2018	Whitehill & Bordon Development Company Phase 1a 2018	Whitehill & Bordon Regeneration Company 2018	Total 2018
Percentage ownership interest	50%	50%	50%	50%	50%	
Non-current assets	0.4	–	–	0.3	32.6	33.3
Current assets	24.6	53.3	34.2	20.5	0.7	133.3
Cash and cash equivalents	4.3	4.2	0.4	1.9	0.5	11.3
Current financial liabilities	(3.5)	(27.0)	(1.5)	(4.6)	(3.7)	(40.3)
Current other liabilities	(2.5)	–	–	–	–	(2.5)
Non-current financial liabilities*	(4.2)	(28.8)	(39.4)	(19.2)	(29.1)	(120.7)
Net assets/(liabilities) (100%)	19.1	1.7	(6.3)	(1.1)	1.0	14.4
Group share of net assets/(liabilities)	9.6	0.9	(3.2)	(0.6)	0.5	7.2
Loans to joint ventures	–	13.3	17.1	1.2	1.6	33.2
Total interests in material joint ventures	9.6	14.2	13.9	0.6	2.1	40.4
Revenue	68.3	47.9	–	5.5	22.9	144.6
Interest expense	(0.4)	–	(1.5)	(1.3)	(0.7)	(3.9)
Income tax (expense)/credit	(2.8)	–	–	0.2	(0.1)	(2.7)
Profit/(loss) for the year	12.0	5.2	(5.8)	(0.7)	(0.1)	10.6
Group share of profit/(loss) for the year	6.0	2.6	(2.9)	(0.3)	(0.1)	5.3

* Non-current financial liabilities include amounts owed to joint venture partners

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

£ million	Greenwich Millennium Village 2017	Chobham Manor 2017	Winstanley and York Road Regeneration 2017	Whitehill & Bordon Development Company Phase 1a 2017	Whitehill & Bordon Regeneration Company 2017	Total 2017
Percentage ownership interest	50%	50%	50%	50%	50%	
Non-current assets	1.0	–	–	–	9.9	10.9
Current assets	37.9	29.8	17.4	14.4	16.8	116.3
Cash and cash equivalents	5.5	14.3	0.7	5.9	1.3	27.7
Current financial liabilities	(2.1)	(13.0)	(0.7)	(7.0)	(7.2)	(30.0)
Current other liabilities	(2.2)	–	–	–	–	(2.2)
Non-current financial liabilities*	(6.1)	(34.7)	(18.0)	(13.7)	(20.0)	(92.5)
Net assets/(liabilities) (100%)	34.0	(3.6)	(0.6)	(0.4)	0.8	30.2
Group share of net assets/(liabilities)	17.0	(1.8)	(0.3)	(0.2)	0.4	15.1
Loans to joint ventures	–	16.8	4.7	3.8	2.6	27.9
Total interests in material joint ventures	17.0	15.0	4.4	3.6	3.0	43.0
Revenue	69.6	94.9	–	–	22.0	186.5
Interest expense	(0.2)	–	(0.3)	(0.2)	(0.2)	(0.9)
Income tax expense	(2.9)	–	–	–	–	(2.9)
Profit/(loss) for the year	12.4	5.1	(0.5)	(0.5)	(0.4)	16.1
Group share of profit/(loss) for the year	6.2	2.6	(0.3)	(0.2)	(0.2)	8.1

* Non-current financial liabilities include amounts owed to joint venture partners.

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

Notes to the consolidated financial statements continued

13. Interests in joint ventures continued

£ million	2018	2017
Aggregated amounts relating to share of individually immaterial joint ventures		
Non-current assets	2.7	1.2
Current assets	5.7	7.5
Total assets	8.4	8.7
Current liabilities	(0.6)	(0.5)
Non-current liabilities	(3.0)	(3.0)
Total liabilities	(3.6)	(3.5)
Carrying amount	4.8	5.2
Loans to individually immaterial joint ventures	3.1	2.7
Total interests in individually immaterial joint ventures	7.9	7.9
£ million	2018	2017
Group share of:		
Revenue	–	–
Cost of sales	(0.1)	–
Gross profit	(0.1)	–
Net operating expense	0.1	–
Profit on ordinary activities before finance costs	–	–
Finance costs	–	(0.1)
(Loss)/profit on ordinary activities before tax	–	(0.1)
Taxation	–	(0.4)
Share of individually immaterial joint ventures results for the year	–	(0.5)

14. Deferred tax

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

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2017	4.8	3.4	8.8	40.0	0.4	57.4
(Charge)/credit to income	(0.2)	(0.3)	0.3	(2.8)	0.7	(2.3)
Charge to other comprehensive income	–	–	–	(26.5)	–	(26.5)
Credit to statement of changes in equity	0.4	–	–	–	–	0.4
Foreign exchange	–	–	0.3	–	–	0.3
At 31 December 2017	5.0	3.1	9.4	10.7	1.1	29.3
Impact of IFRS 16 adoption (Note 32)	–	–	–	–	0.3	0.3
(Charge)/credit to income	(0.7)	(0.7)	(1.1)	(2.8)	3.5	(1.8)
Credit to other comprehensive income	–	–	–	14.7	–	14.7
Charge to statement of changes in equity	(2.0)	–	–	–	–	(2.0)
Foreign exchange	–	–	0.2	–	–	0.2
At 31 December 2018	2.3	2.4	8.5	22.6	4.9	40.7

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% (2017: 19% and 17%).

14. Deferred tax continued

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

£ million	2018	2017
Deferred tax assets	42.1	30.9
Deferred tax liabilities	(1.4)	(1.6)
	40.7	29.3

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £3.0 million (2017: £2.8 million) in the UK and £47.8 million (2017: £58.0 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 (2017: £269.6 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2018 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

15. Inventories

£ million	2018	2017
Raw materials and consumables	1.8	1.9
Finished goods and goods for resale	43.3	24.0
Residential developments:		
Land*	2,757.7	2,682.6
Development and construction costs	1,378.9	1,360.0
Commercial, industrial and mixed development properties	6.5	7.2
	4,188.2	4,075.7

* Details of land creditors are in Note 18.

During the year, contract costs of £266.5 million (2017: £212.2 million) have been recognised within Cost of Sales in respect of construction contracts where revenue is recognised on an over-time basis.

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 2018, 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 (2017: no net change) but resulted in a reallocation of £1.1 million (2017: £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.

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 £46.6 million (2017: £69.9 million) with associated impairments of £38.7 million (2017: £46.9 million). As at 31 December 2018, 2% (31 December 2017: 2%) of the UK short term owned and controlled land is impaired. In the year 2% (2017: 5%) of the Group's UK completions were from pre-2009 impaired sites.

In the year, 17 plots (2017: 35 plots) were completed in Spain that had previously been impaired. At 31 December 2018, Spain had land and work in progress that has been written down to net realisable value of £27.2 million (2017: £17.7 million) with associated impairments of £44.3 million (2017: £46.4 million).

The table below details the movements on the inventory provision recorded in the year.

Inventory provision £ million	2018	2017
1 January	93.3	147.0
Utilised	(10.8)	(52.9)
Foreign exchange	0.5	(0.8)
31 December	83.0	93.3

Notes to the consolidated financial statements continued

16. Other financial assets

Trade and other receivables

£ million	Current		Non-current	
	2018	2017	2018	2017
Trade receivables	105.3	76.9	43.2	56.4
Other receivables	29.4	45.3	12.5	3.7
	134.7	122.2	55.7	60.1

Included within trade receivables are mortgage receivables of £45.3 million (2017: £63.1 million) including shared equity loans. Shared equity loans are provided to certain customers to facilitate their house purchase and are measured at fair value through profit or loss.

Included within trade receivables is £2.8 million (2017: £1.3 million) of retentions in relation to partnership housing contracts.

Cash and cash equivalents

£ million	2018	2017
Cash and cash equivalents	734.2	600.5

Further information on financial assets can be found in Note 20.

17. Bank and other loans

£ million	2018	2017
€100.0 million 2.02% Senior Loan Notes 2023	90.1	88.7
	90.1	88.7

£ million	2018	2017
Amount due for settlement after one year	90.1	88.7
Total borrowings	90.1	88.7

£ million	2018	2017
Analysis of borrowings by currency:		
Euros	90.1	88.7
	90.1	88.7

18. Trade and other payables

£ million	Current		Non-current	
	2018	2017	2018	2017
Trade payables	854.5	785.4	412.9	341.6
Customer deposits	65.1	75.8	10.6	10.6
Completed site accruals	106.8	128.6	41.3	46.3
Other payables	17.9	34.7	26.5	32.1
	1,044.3	1,024.5	491.3	430.6

Revenue recognised in the current year that was included in the customer deposit balance carried forward at the beginning of the period was £75.8 million (2017: £88.7 million).

Other payables include £31.8 million (2017: £48.0 million) of repayable grants.

Land creditors (included within trade payables) are due as follows:

£ million	2018	2017
Due within one year	359.5	319.5
Due in more than one year	379.1	319.6
	738.6	639.1

Land creditors are denominated as follows:

£ million	2018	2017
Sterling	715.7	618.3
Euros	22.9	20.8
	738.6	639.1

Land creditors of £367.1 million (2017: £489.6 million) are secured against land acquired for development.

Further information on financial liabilities can be found in Note 20.

19. Leases

The Group adopted IFRS 16 with an initial application date of 1 January 2018. The Group applied the modified retrospective approach and comparative information has not been presented. Further information on the adoption of IFRS 16 can be found in Note 32.

The Group as a lessee

The Group's leases consist primarily of office premises and equipment. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

£ million	Office premises	Equipment	Total
At 1 January 2018	15.8	10.7	26.5
At 31 December 2018	18.2	8.9	27.1
Additions during the year	7.3	3.4	10.7

Lease liabilities included in the balance sheet:

£ million	2018
Current	8.2
Non-current	19.2
Total	27.4

Amounts recognised in the income statement:

£ million	2018
Depreciation charged on right-of-use office premises	3.9
Depreciation charged on right-of-use equipment	5.1
Interest on lease liabilities	0.5
Total	9.5

The total cash outflow for leases during the current year was £8.8 million, including £0.5 million of interest.

20. Financial instruments and fair value disclosures

Capital management

The Group's policy is to maintain a strong credit rating for the business and to have an appropriate funding structure. Shareholders' equity and long term debt are used to finance property, plant and equipment and the medium to long term inventories. Revolving credit facilities are used to finance net current assets including development and construction costs. The Group's financing facilities contain the usual financial covenants including minimum interest cover and maximum gearing. The Group met these requirements throughout the year and up to the date of the approval of the financial statements.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets £ million	Fair value hierarchy	Carrying value		Fair value	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
Cash and cash equivalents	b	734.2	600.5	734.2	600.5
Land receivables	b	9.6	13.8	9.6	13.8
Trade and other receivables	b	97.8	67.2	97.8	67.2
Mortgage receivables	a	45.3	63.1	45.3	63.1
		886.9	744.6	886.9	744.6

(a) Mortgage receivables relate to sales incentives including shared equity loans and are measured at fair value through profit or loss. The fair value is established based on a publicly available national house price index, being significant other observable inputs (level 2).

(b) The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair value.

As at 31 December 2018, mortgage receivables of £5.3 million were past due (2017: nil).

Notes to the consolidated financial statements continued

20. Financial instruments and fair value disclosures continued

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts.

Current and non-current trade and other receivables, as disclosed in Note 16, include £37.7 million (2017: £38.2 million) of non-financial assets.

Financial liabilities £ million	Fair value hierarchy	Carrying value		Fair value	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
Overdrafts, bank and other loans	a	90.1	88.7	90.4	87.8
Land creditors	b	738.6	639.1	738.6	639.1
Trade and other payables	b	698.0	690.7	698.0	690.7
Lease liabilities	b	27.4	–	27.4	–
		1,554.1	1,418.5	1,554.4	1,417.6

(a) The fair value of the €100 million fixed rate loan notes has been determined by reference to external interest rates and the Directors' assessment of the margin for credit risk (level 2).

(b) The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair value.

Land creditors are included in the balance sheet as trade and other payables for current and non-current amounts. Current and non-current trade and other payables, as disclosed in Note 18, include £99.0 million (2017: £125.3 million) of non-financial liabilities.

The Group has designated the carrying value of €54.0 million of foreign currency borrowings (2017: €54.0 million foreign currency borrowings) as a net investment hedge.

The Group has no other financial instruments with fair values that are determined by reference to significant unobservable inputs (level 3), nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy/(sell) against Sterling: €55.0 million (2017: €65.0 million). The fair value of the forward contracts is not materially different to their book value as they were entered into on or near 31 December in each year and mature less than one month later, hence the value of the derivative is negligible.

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks using fixed or variable rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group can be exposed to interest rate risk as the Group borrows funds, when required, at variable interest rates. The exposure to variable rate borrowings can fluctuate during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. Group policy is to manage the volatility risk by a combination of fixed rate borrowings and interest rate swaps such that the sensitivity to potential changes in variable rates is within acceptable levels. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility. This policy has not changed during the year.

To measure the risk, variable rate borrowings and the expected interest cost for the year are forecast monthly and compared to budget using Management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year.

Interest rate sensitivity

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at the balance sheet date, is shown in the table below. The Group does not currently have any outstanding interest rate derivatives. The 0.25% change represents a reasonably possible change in interest rates over the next financial period.

The table assumes all other variables remain constant in accordance with IFRS 7.

0.25% increase in interest rates £ million	Sensitivity income 2018	Sensitivity equity 2018	Sensitivity income 2017	Sensitivity equity 2017
Derivatives	–	–	–	–
Non-derivatives	1.8	1.8	1.5	1.5
	1.8	1.8	1.5	1.5

0.25% decrease in interest rates £ million	Sensitivity income 2018	Sensitivity equity 2018	Sensitivity income 2017	Sensitivity equity 2017
Derivatives	–	–	–	–
Non-derivatives	(1.8)	(1.8)	(1.5)	(1.5)
	(1.8)	(1.8)	(1.5)	(1.5)

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates. Its Spanish subsidiary is the only foreign operation of the Group.

The Group is not materially exposed to transaction risks as all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

20. Financial instruments and fair value disclosures continued

The Group is exposed to the translation risk from accounting for both the income and the net investment held in a functional currency other than Sterling. The net investment risk may be hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates. Income is also measured monthly using the latest exchange rates and compared with a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings, the translation risk of income is not hedged using derivatives. The policy is kept under periodic review and has not changed during the year.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with Group policy.

The Group has designated the carrying value of €54.0 million of foreign currency borrowings (2017: €54.0 million borrowings) held at the balance sheet date as a net investment hedge of part of the Group's investment in Euro denominated assets.

The change in the carrying value of the borrowings designated as a net investment hedge offset the exchange movement on the foreign currency net investments and are presented in the Statement of Other Comprehensive Income.

Foreign currency sensitivity

The Group is exposed to the Euro due to its Spanish operations. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis following a 15% change in the currency's value against Sterling, and in accordance with IFRS 7, all other variables remaining constant.

The 15% change represents a reasonably possible change in the specified Euro exchange rates in relation to Sterling.

£ million	Income sensitivity 2018	Equity sensitivity 2018	Income sensitivity 2017	Equity sensitivity 2017
Euro weakens against Sterling	(1.7)	4.7	(1.3)	4.9
Euro strengthens against Sterling	2.3	(6.3)	1.8	(6.6)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Group policy is that surplus cash, when not used to repay borrowings, is placed on deposit with the Group's main relationship banks and with other banks or money market funds based on a minimum credit rating and maximum exposure. There is no significant concentration of risk to any single counterparty.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that, if the credit risk is not acceptable, then the deferred payment must have adequate security, either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by Management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management consider that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk.

Mortgage receivables, including shared equity loans, are in connection with the various historical promotion schemes to support sales on a selective basis, and are measured at fair value through profit or loss. The mortgages are secured by a second charge over the property.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a minimum of 12 months to maturity.

Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. As at 31 December 2018, the Group's borrowings and facilities had a range of maturities with an average life of 4.2 years (2017: 2.6 years). In February 2019, the Group agreed with its banks, to extend the £550 million facility for one year to February 2024, increasing the average life of the Group's borrowings and facilities to 5.0 years (2017: 5.2 years).

In addition to fixed term borrowings, the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £550.0 million (2017: £550.0 million) and cash and cash equivalents were £734.2 million (2017: £600.5 million).

Notes to the consolidated financial statements continued

20. Financial instruments and fair value disclosures continued

The maturity profile of the anticipated future cash flows, including interest using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

Financial liabilities £ million	Overdrafts, bank and other loans	Land creditors	Trade and other payables	Lease liabilities	Total
On demand	–	–	–	–	–
Within one year	1.8	367.8	612.2	8.6	990.4
More than one year and less than two years	1.8	205.8	53.9	6.4	267.9
More than two years and less than five years	94.6	183.9	31.4	9.0	318.9
In more than five years	–	14.4	0.5	4.6	19.5
31 December 2018	98.2	771.9	698.0	28.6	1,596.7

Financial liabilities £ million	Overdrafts, bank and other loans	Land creditors	Trade and other payables	Lease liabilities	Total
On demand	–	–	–	–	–
Within one year	1.8	326.6	589.1	–	917.5
More than one year and less than two years	1.8	201.6	61.8	–	265.2
More than two years and less than five years	5.4	107.0	37.7	–	150.1
In more than five years	89.6	35.7	2.1	–	127.4
31 December 2017	98.6	670.9	690.7	–	1,460.2

21. Retirement benefit obligations

Retirement benefit obligations comprise a defined benefit pension liability of £133.0 million (2017: £63.7 million) and a post-retirement healthcare liability of £0.6 million (2017: £1.1 million).

The Group operates the Taylor Wimpey Pension Scheme (TWPS), a defined benefit pension scheme, which is closed to both new members and to future accrual. The Group also operates defined contribution pension arrangements in the UK, which are available to new and existing UK employees.

Defined contribution pension plan

A defined contribution plan is a pension plan under which the Group pays contributions to an independently administered fund – such contributions are based on a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's defined contribution plan, the Taylor Wimpey Personal Choice Plan (TWPCP), is offered to all new and existing monthly paid employees. The People's Pension is used for auto enrolment purposes for all weekly paid employees and those monthly paid employees not participating in the TWPCP. The People's Pension is provided by B&CE, one of the UK's largest providers of financial benefits to construction industry employers and individuals.

The Group made contributions to its defined contribution arrangements of £12.4 million in 2018 (2017: £10.4 million), which is included in the income statement charge.

Defined benefit pension schemes

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

The TWPS was formed by the merger of the Taylor Woodrow Group Pension and Life Assurance Fund and the George Wimpey Staff Pension Scheme in 2013. The TWPS is closed to new members and future accrual.

The Group operates the TWPS under the UK regulatory framework. Benefits are paid to members from a Trustee-administered fund and the Trustee is responsible for ensuring that the TWPS is well-managed and that members' benefits are secure. Scheme assets are held in trust.

The TWPS Trustee's other duties include managing the investment of scheme assets, administration of scheme benefits and exercising of discretionary powers. The Group works closely with the Trustee to manage the TWPS. The Trustee of the TWPS owes fiduciary duties to the TWPS' beneficiaries. The appointment of the Directors to the Trustee Board is determined by the TWPS trust documentation.

21. Retirement benefit obligations continued

During 2017, the Group engaged with the TWPS Trustee on the triennial valuation of the pension scheme with a reference date of 31 December 2016. The table below sets out the key assumptions agreed as part of this valuation.

Assumptions

Discount rate (pre-retirement)	4.20%
Discount rate (post-retirement)	2.35%
RPI inflation	3.50%
CPI inflation	2.70%
Mortality	100% of S2PXA tables, CML_2016 improvements with 1.50% trend rate and a smoothing factor of 7.5

The result of this valuation was a Technical Provisions deficit at 31 December 2016 of £222.0 million. To meet this deficit, a revised funding plan was agreed in February 2018. The funding plan commits the Group to £40.0 million per annum of deficit reduction contributions from 1 April 2018 to 31 December 2020 and £2.0 million per annum for scheme expenses from 1 February 2018 to 31 January 2023. In addition, £5.1 million per annum is received by the TWPS from the Pension Funding Partnership (as described below). However, £40.0 million per annum of cash contributions are only required whilst the TWPS remains in a Technical Provisions deficit position. Should the scheme become fully funded, then these cash contributions will be suspended until such time that the scheme's Technical Provisions funding level falls to below 96% at the end of any quarter. In April 2018, the Group paid a one-off contribution of £23.0 million into the TWPS to increase the funding level to 100% and thereby pause any future contributions from 31 March 2018. The funding level of the TWPS remained above the threshold of 96% until 31 December 2018. Contributions of £40.0 million per annum have therefore recommenced from 1 January 2019 and will be payable until 31 December 2020, or until such time as the funding level increases to at least 100% if earlier.

On an IAS 19 accounting basis the underlying surplus in the scheme as at 31 December 2018 was £30.9 million (2017: £23.9 million).

The terms of the TWPS 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 the underlying surplus in the TWPS on an IAS19 accounting basis of £163.9 million, resulting in an IFRIC 14 deficit of £133.0 million, which represents the present value of future contributions under the 2016 funding plan.

In 2013, the Group introduced a £100.0 million Pension Funding Partnership utilising show homes, as well as seven offices, in a sale and leaseback structure. This provides an additional £5.1 million of annual funding for the TWPS. The assets held within the Funding Partnership do not affect the IAS 19 figures (before IFRIC 14) as they remain assets of the Group, and are not assets of the TWPS. As at 31 December 2018, there was £89.9 million of property and £22.4 million of cash held within the structure (2017: £101.5 million of property and £9.5 million of cash). The terms of this Funding Partnership are such that, should the TWPS be in a Technical Provisions deficit at 31 December 2028, then a bullet payment will be due equal to the lower of £100.0 million or the Technical Provisions deficit at that time. The IFRIC 14 deficit at 31 December 2018 does not include any value in respect of this bullet payment as modelling undertaken by an independent actuary indicates that the TWPS is expected to be fully funded by 2028 and 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 TWPS assets are approximately 90% hedged against changes in both interest rates and inflation expectations on the scheme's long-term, 'self-sufficiency' basis. The TWPS 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.

The duration, or average term to payment for the benefits due, weighted by liability, is approximately 16 years for the TWPS.

Accounting assumptions

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

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds with regard for the duration of the TWPS. The assumption for RPI inflation is set by reference to the Bank of England's implied inflation curve with regard for the duration of the TWPS, with appropriate adjustments to reflect distortions due to supply and demand for inflation-linked securities. CPI inflation is set by reference to RPI inflation as no CPI-linked bonds exist to render implied CPI inflation directly observable.

The life expectancies have been derived using mortality assumptions that were based on the results of a Medically Underwritten Mortality Study conducted by the Group during 2017, combined with experience data. Using the results from this study, the mortality assumption is based on 107% of S2PXA tables, CML_2017 improvements with a 1.25% trend rate and smoothing factor of 7.5. The mortality assumption used in 2017 was 107% of S2PXA tables, CML_2016 improvements with a 1.25% trend rate and a smoothing factor of 7.5.

Accounting valuation assumptions	TWPS	
	2018	2017
As at 31 December:		
Discount rate for scheme liabilities	2.95%	2.55%
General pay inflation	n/a	n/a
Deferred pension increases	2.25%	2.20%
Pension increases*	2.15%-3.70%	2.10%-3.65%

* Pension increases depend on the section of the scheme of which each member is a part.

Notes to the consolidated financial statements continued

21. Retirement benefit obligations continued

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

Life expectancy	2018		2017	
	Male	Female	Male	Female
Member currently aged 65	86	88	87	88
Member currently aged 45	88	90	88	90

The pension liability is the difference between the scheme assets and liabilities. The liability is sensitive to the assumptions used. The table below shows the impact to the liability of movement in key assumptions, measured using the same method as the defined benefit scheme.

Assumption	Change in assumption	Impact on defined benefit obligation	Impact on defined benefit obligation (%)
Discount rate	Decrease by 0.1% p.a.	Increase by £32m	1.4
Rate of inflation*	Increase by 0.1% p.a.	Increase by £24m	1.1
Life expectancy	Members live 1 year longer	Increase by £97m	4.3

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

The sensitivity of increasing life expectancy has been reduced by a medically underwritten buy-in. See the section on additional areas of risk management at the end of this Note.

The fair value of the assets of the TWPS is set out below:

	£ million	Percentage of total scheme assets held
At 31 December 2018		
Assets:		
Unquoted equities ^(a)	79.6	3.8%
Diversified growth funds ^(b)	352.8	16.8%
Hedge funds ^(c)	166.9	7.9%
Property	37.2	1.8%
Multi-asset credit	219.8	10.4%
Direct lending	111.6	5.3%
Corporate bonds	85.5	4.1%
Liability driven investment ^(d)	841.1	40.0%
Insurance policies in respect of certain members	196.7	9.3%
Cash	13.0	0.6%
	2,104.2	100.0%
At 31 December 2017		
Assets:		
Unquoted equities ^(a)	244.3	10.8%
Diversified growth funds ^(b)	375.5	16.6%
Hedge funds ^(c)	152.5	6.7%
Property	44.8	2.0%
Multi-asset credit	232.9	10.3%
Direct lending	70.9	3.1%
Corporate bonds	87.0	3.8%
Liability driven investment ^(d)	835.1	36.9%
Insurance policies in respect of certain members	213.9	9.5%
Cash	6.6	0.3%
	2,263.5	100.0%

(a) This amount relates to Volatility Controlled Equities (VCE). This fund has 2.5 – 8x leverage exposure, with a target of 4x. The leverage at 31 December 2018 was 4.6x (31 December 2017: 2.6x).

(b) This amount relates to the scheme's Diversified Risk Premia (DRP) allocation. The leverage on the DRP allocation as at 31 December 2018 was 1.8x (31 December 2017: 2.2x).

(c) The leverage on this fund as at 31 December 2018 was 0.9x (31 December 2017: 1.6x).

(d) The bespoke Liability Driven Investment (LDI) fund is designed to protect the scheme against movements in interest rates and inflation. The overall leverage on the LDI fund is approximately 3x.

21. Retirement benefit obligations continued

The value of the annuities held by the TWPS are set equal to the value of the liabilities which these annuities match. All other fair values are provided by the fund managers and collated by Northern Trust as custodian, who independently price the securities from their preferred vendor sources where the data is publicly available and rely on investment manager data where this information is not available. Where available, the fair values are quoted prices (e.g. listed equity). Unlisted investments (e.g. private equity) are included at values provided by the fund manager in accordance with relevant guidance. Other significant assets are valued based on observable inputs.

There are no investments in respect of the Group's own securities.

The table below details the movements in the TWPS pension liability and assets recorded through the income statement and other comprehensive income.

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2018	(2,327.2)	2,263.5	(63.7)
Past service cost related to GMP equalisation	(16.1)	–	(16.1)
Administration expenses	–	(1.9)	(1.9)
Interest (expense)/income	(57.9)	56.8	(1.1)
Total amount recognised in income statement	(74.0)	54.9	(19.1)
Remeasurement loss on scheme assets not included in income statement	–	(132.2)	(132.2)
Change in demographic assumptions	15.9	–	15.9
Change in financial assumptions	121.3	–	121.3
Experience loss	(13.0)	–	(13.0)
Adjustment to liabilities for IFRIC 14	(76.3)	–	(76.3)
Total remeasurements in other comprehensive income	47.9	(132.2)	(84.3)
Employer contributions	–	34.1	34.1
Employee contributions	–	–	–
Benefit payments	116.1	(116.1)	–
At 31 December 2018	(2,237.2)	2,104.2	(133.0)

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2017	(2,368.8)	2,136.1	(232.7)
Current service cost	–	–	–
Administration expenses	–	(3.0)	(3.0)
Interest (expense)/income	(62.0)	56.1	(5.9)
Total amount recognised in income statement	(62.0)	53.1	(8.9)
Return on scheme assets not included in income statement	–	193.7	193.7
Change in demographic assumptions	78.9	–	78.9
Change in financial assumptions	(44.1)	–	(44.1)
Experience gains	13.9	–	13.9
Adjustment to liabilities for IFRIC 14	(87.6)	–	(87.6)
Total remeasurements in other comprehensive income	(38.9)	193.7	154.8
Employer contributions	–	23.1	23.1
Employee contributions	–	–	–
Benefit payments	142.5	(142.5)	–
At 31 December 2017	(2,327.2)	2,263.5	(63.7)

Accounting valuation	2018	2017
£ million		
Fair value of scheme assets	2,104.2	2,263.5
Present value of scheme obligations	(2,073.3)	(2,239.6)
IAS 19 surplus before IFRIC 14 adjustment	30.9	23.9
IFRIC 14 adjustment	(163.9)	(87.6)
IAS 19 deficit after IFRIC 14 adjustment	(133.0)	(63.7)

Notes to the consolidated financial statements continued

21. Retirement benefit obligations continued

Risks and risk management

The TWPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Although investment decisions in the UK are the responsibility of the TWPS Trustee, the Group takes an active interest to ensure that the pension scheme risks are managed efficiently. The Group has regular meetings with the Trustee to discuss investment performance, regulatory changes and proposals to actively manage the position of the TWPS.

Risk	Description
Asset volatility	In November 2017, the Trustee agreed to diversify their Diversified Risk Premia (DRP) allocation between two managers, disinvesting half of the current DRP allocation with AQR, and allocating this to the Bridgewater Optimal fund. This transition occurred on 1 February 2018 (with £188 million allocated to the Bridgewater Optimal fund) and has led to greater diversification and reduced manager concentration risk. In March 2018, the Trustee put in place a de-risking framework to ensure that any asset outperformance above expectations of the TWPS objectives was captured. This led to the TWPS de-risking from the Schroders Volatility Controlled Equities fund in Q2 2018 where c.£60 million (one third of the allocation) was disinvested. The TWPS strategy remains well diversified through its exposure to a range of asset classes, including volatility controlled equities, commercial real estate debt, direct loans, fund of hedge funds, Government bonds and a broad spectrum of corporate bonds and other fixed income exposures. The TWPS does not target a specific asset allocation but instead bases its strategic asset allocation on the return objectives and risk constraints agreed upon by the Trustee. These were revisited and reviewed in 2018 to ensure they reflected the TWPS latest position. Given the TWPS improved funding position, it was agreed that the TWPS full funding objective would be brought forward to 2025 (from 2030) on a low-risk, self-sufficiency basis. The TWPS risk budget was also reduced from a funding-ratio-at-risk measure of 10% to 7.5%.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in bond and liability-matching derivatives offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.
Investing in foreign currency	To maintain appropriate diversification of investments within the TWPS assets and to take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies while having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.
Asset/liability mismatch	In order to manage the TWPS economic exposure to interest rates and inflation rates, a liability-hedging programme has been put in place. Derivatives are being used to hedge changes in the TWPS funding level from changes in its liabilities in an unfunded way, substantially reducing asset/liability mismatch risk.
Liquidity	Insurance policies, real estate and illiquid debt (which include commercial real estate debt and direct lending bonds) make up £470 million (22%) of the asset portfolio of the TWPS. Excluding these amounts, approximately 53% of assets are managed in either segregated accounts or daily/weekly dealt pooled funds and can be realised within a few business days under normal market conditions. Of the remaining investments, a further 7% are in pooled funds with weekly redemption dates and 31% are pooled funds with monthly redemption dates. The remainder of 9% could be redeemed within approximately six months of notification in normal market conditions.
Life expectancy	The majority of the TWPS obligations are to provide a pension for the life of the member on retirement, so increases in life expectancy will result in an increase in the TWPS liabilities. The inflation-linked nature of the majority of benefit payments from the TWPS increases the sensitivity of the liabilities to changes in life expectancy. During 2014, the Group reached agreement with Partnership Life Assurance Company Limited to insure the benefits of 10% of members with the greatest anticipated liabilities through a medically underwritten buy-in. By insuring these members, the Group has removed more than 10% of risk from the TWPS by significantly reducing the longevity risk in relation to a large proportion of the liabilities.

22. Provisions

£ million	ACM cladding provision (Note 6)	Leasehold provision (Note 6)	North America disposal	Other	Total
At 1 January 2017	–	–	10.5	22.6	33.1
Additional provision in the year	–	130.0	–	11.9	141.9
Utilisation of provision	–	(2.4)	(0.8)	(5.7)	(8.9)
Released	–	–	–	(4.5)	(4.5)
At 31 December 2017	–	127.6	9.7	24.3	161.6
Additional provision in the year	30.0	–	–	15.3	45.3
Utilisation of provision	(0.4)	(25.5)	(0.1)	(1.4)	(27.4)
Released	–	–	(3.6)	(4.7)	(8.3)
Other movements	–	–	–	(0.9)	(0.9)
At 31 December 2018	29.6	102.1	6.0	32.6	170.3

£ million	2018	2017
Current	76.9	87.3
Non-current	93.4	74.3
31 December	170.3	161.6

In 2018, the Group established an exceptional provision for the cost of replacing Aluminium Composite Materials (ACM) on a small number of legacy developments. The majority of the provision is expected to be utilised within two years.

In 2017, the Group launched an assistance scheme to help certain customers restructure their ground rent agreements with their freeholder and established an associated provision of £130.0 million to fund this. The amounts and timing of the outflows depend largely on the number and rate of eligible applicants to the scheme and ongoing discussions with freeholders. The Group expects the scheme will run for several years and anticipates approximately £40.0 million of the remaining provision will be utilised within the next 12 months.

Other provisions consist of a remedial work provision covering various obligations on a limited number of sites across the Group. Other provisions also includes provisions for legal claims, onerous leases and other contract-related costs associated with various matters arising across the Group, the majority of which are anticipated to be settled within a three year period; however, there is some uncertainty regarding the timing of these outflows due to the nature of the claims and the length of time it can take to reach settlement. Onerous leases and vacant property costs included in this provision are expected to be utilised within approximately five years.

23. Share capital

£ million	2018	2017
Authorised:		
22,200,819,176 (2017: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2017: 1,158,299,201) deferred ordinary shares of 24p each	278.0	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2017	3,275,418,330	288.5
Ordinary shares issued in the year	2,636,433	–
31 December 2018	3,278,054,763	288.5

During the year, the Company issued an additional 2.6 million (2017: 5.1 million) ordinary shares to satisfy option exercises.

During the year, options were exercised over 8,242,974 ordinary shares (2017: 9,298,098) which were met from new issues of share capital and from our holding of shares in our Employee Share Ownership Trusts (ESOTs) at varying prices from nil pence to 159.1 pence per share. Under the Group's performance share plan, employees held conditional awards at 31 December 2018 in respect of up to 18,601,569 shares, subject to achievement of performance tests (2017: 18,568,767) at nil pence per share nominally exercisable up to September 2021.

Under the Group's savings-related share option schemes, employees held options at 31 December 2018 to purchase 19,229,800 shares (2017: 17,149,237) at prices between 84.7 pence and 159.1 pence per share exercisable up to May 2024. Under the Group's share incentive plan, employees held conditional awards at 31 December 2018 in respect of 5,386,991 shares (2017: 5,086,637) at nil pence per share.

Notes to the consolidated financial statements continued

24. Share premium

£ million	2018	2017
At 1 January and 31 December	762.9	762.9

25. Reserves

£ million	Retained earnings	Capital redemption reserve	Translation reserve	Other	Total other reserves
Balance at 1 January 2017	1,817.3	31.5	6.8	4.9	43.2
Exchange differences on translation of foreign operations	-	-	2.2	-	2.2
Movement in fair value of hedging instruments	-	-	(1.2)	-	(1.2)
Actuarial gain on defined benefit pension schemes	154.8	-	-	-	-
Deferred tax charge on defined benefit movement	(26.5)	-	-	-	-
Cash cost of satisfying share options	(0.7)	-	-	-	-
Share-based payment credit	11.5	-	-	-	-
Tax credit on items taken directly to statement of changes in equity	1.8	-	-	-	-
Dividends approved and paid	(450.5)	-	-	-	-
Profit for the year	555.3	-	-	-	-
Balance at 31 December 2017	2,063.0	31.5	7.8	4.9	44.2
Impact on adoption of IFRS 16 (Note 32)	(1.5)	-	-	-	-
Exchange differences on translation of foreign operations	-	-	1.5	-	1.5
Movement in fair value of hedging instruments	-	-	(0.7)	-	(0.7)
Actuarial loss on defined benefit pension schemes	(84.3)	-	-	-	-
Deferred tax credit on defined benefit movement	14.7	-	-	-	-
Cash cost of satisfying share options	(7.0)	-	-	-	-
Share-based payment credit	12.2	-	-	-	-
Tax charge on items taken directly to statement of changes in equity	(1.1)	-	-	-	-
Dividends approved and paid	(499.5)	-	-	-	-
Profit for the year	656.6	-	-	-	-
Balance at 31 December 2018	2,153.1	31.5	8.6	4.9	45.0

Other reserves

Capital redemption reserve

The capital redemption reserve arose on the historical redemption of Parent Company shares, and is not distributable.

Translation reserve

The translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging instruments where such instruments are designated and effective as hedges of investment in overseas operations.

Other reserve

The Group issued 57.9 million of warrants with a fair value of £5.5 million in 2009 as part of its debt refinancing agreement. The full cost of the warrants was recognised in the other reserve on their issuance.

26. Own shares

£ million	
Balance at 1 January 2017	12.2
Shares acquired	13.3
Disposed of on exercise of options	(4.2)
Balance at 31 December 2017	21.3
Shares acquired	9.9
Disposed of on exercise of options	(8.5)
Balance at 31 December 2018	22.7

26. Own shares continued

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market, those held as treasury shares and those held by the Taylor Wimpey Employee Share Ownership Trusts to satisfy options and conditional share awards under the Group's share plans.

Million shares	2018	2017
Ordinary shares held in trust for bonus, option and performance award plans	13.9	13.1

Employee Share Ownership Trusts (ESOTs) are used to hold the Company's shares which have been acquired on the market. These shares are used to meet the valid exercise of options and/or vesting of conditional awards and/or award of shares under the Executive Incentive Scheme, Bonus Deferral Plan, Performance Share Plan, Executive Share Option Scheme, Savings-Related Share Option Scheme and the matching award of shares under the Share Incentive Plan.

During the year, Taylor Wimpey plc purchased £9.9 million of its own shares which are held in the ESOTs (2017: £13.3 million).

The ESOTs' entire holding of shares at 31 December 2018, aggregating 13.9 million shares (2017: 13.1 million), was covered by outstanding options and conditional awards over shares at that date.

27. Notes to the cash flow statement

£ million	2018	2017
Profit on ordinary activities before finance costs	828.8	706.5
Adjustments for:		
Depreciation of buildings, plant and equipment	3.1	2.3
Depreciation of right-of-use assets	9.0	–
Amortisation of software development	1.0	1.1
Pension contributions in excess of charge to the income statement	(16.1)	(20.1)
Share-based payment charge	12.2	11.5
(Gain)/loss on disposal of property, plant and equipment	(0.2)	0.1
Increase in provisions excluding exceptional payments	32.1	128.5
Operating cash flows before movements in working capital	869.9	829.9
Increase in inventories	(1.7)	(61.7)
Increase in receivables	(10.9)	(15.8)
Decrease in payables	(41.9)	(16.5)
Cash generated by operations	815.4	735.9
Payments related to exceptional charges	(25.9)	–
Income taxes paid	(139.6)	(126.7)
Interest paid	(8.6)	(5.1)
Net cash from operating activities	641.3	604.1

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, bank and other loans	Total net cash/(debt)
Balance 1 January 2017	450.2	(85.5)	364.7
Net cash flow	148.5	–	148.5
Foreign exchange	1.8	(3.2)	(1.4)
Balance 31 December 2017	600.5	(88.7)	511.8
Net cash flow	133.8	–	133.8
Foreign exchange	(0.1)	(1.4)	(1.5)
Balance 31 December 2018	734.2	(90.1)	644.1

Changes in liabilities arising from financing activities

There have been no changes in liabilities due to financing activity in the year. The movement of £1.4 million (2017: £3.2 million) on the bank loan is due to changes in the Euro exchange rate during the year and is shown in the net cash/(debt) reconciliation above.

Notes to the consolidated financial statements continued

28. Contingent liabilities and capital commitments

General

The Group in the normal course of business has given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed.

The Group has no significant capital commitments as at 31 December 2018 (2017: none).

29. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the Remuneration Report on pages 96 to 116.

	2018		2017	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Schemes requiring consideration from participants:				
Outstanding at beginning of year	22,235,874	1.33	24,914,877	0.84
Granted during the year	8,577,379	1.33	6,186,031	1.59
Forfeited during the year	(2,776,902)	1.52	(2,641,339)	1.21
Exercised during the year	(3,419,560)	0.96	(6,223,695)	0.71
Outstanding at the end of the year	24,616,791	1.36	22,235,874	1.33
Exercisable at the end of the year	4,668,021	1.40	4,063,350	0.84

The table above includes shares that are granted to employees on a matching basis, when the employee joins the scheme, purchased shares are matched on a 1:1 basis. 5,386,991 of these awards, which do not expire, were in issue at 31 December 2018 (2017: 5,086,637). The remaining options outstanding at 31 December 2018 had a range of exercise prices from £0.85 to £1.59 (2017: £0.46 to £1.59) and a weighted average remaining contractual life of 2.61 years (2017: 2.57 years).

	2018		2017	
	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Schemes not requiring consideration from participants:				
Outstanding at beginning of year	18,568,767	–	17,088,352	–
Granted during the year	6,980,446	–	6,443,624	–
Forfeited during the year	(2,124,230)	–	(1,888,806)	–
Exercised during the year	(4,823,414)	–	(3,074,403)	–
Outstanding at the end of the year	18,601,569	–	18,568,767	–
Exercisable at the end of the year	–	–	–	–

The conditional awards outstanding at 31 December 2018 had a weighted average remaining contractual life of 1.74 years (2017: 1.69 years).

The average share price at the date of exercise across all options exercised during the period was £1.78 (2017: £1.88).

For share plans with no market conditions granted during the current and preceding year, the fair value of the awards at the grant date was determined using the Binomial model. The inputs into that model were as follows:

	2018	2017
Weighted average share price	£1.72	£1.94
Weighted average exercise price	£0.90	£0.98
Expected volatility	34%	36%
Expected life	3/5 years	3/5 years
Risk free rate	1.1%	0.6%
Expected dividend yield	2.88%	2.02%

The weighted average fair value of share awards granted during the year was £0.93 (2017: £1.10).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

29. Share-based payments continued

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

	2018	2017
Weighted average share price	£1.88	£1.86
Weighted average exercise price	Nil	Nil
Expected volatility	37%	38%
Expected life	3 years	0.8/3 years
Risk free rate	0.9%	0.1%
Expected dividend yield	0.0%	0.0%

The weighted average fair value of share options granted during the year was £0.99 (2017: £1.21).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term. The expected life used in the model was based on historical exercise patterns.

The Group recognised a total expense of £12.2 million related to equity-settled share-based payment transactions in 2018 (2017: £11.5 million).

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in Note 21. Transactions between the Group and its joint ventures are disclosed below. The Group has loans with joint ventures that are detailed in Note 13.

Trading transactions

During the year, Group purchases from joint ventures totalled £nil million (2017: £6.8 million), and sales to joint ventures totalled £18.5 million (2017: £2.1 million).

Remuneration of key management personnel

The key management personnel of the Group are the members of the Group Management Team (GMT) as presented on pages 6 and 7. The remuneration information for the four Executive Directors is set out in the Remuneration Report on page 109. The aggregate compensation for the other members of the GMT is as follows:

£ million	2018	2017
Short term employee benefits	3.6	4.1
Post-employment benefits	0.3	0.3
Total (excluding share-based payments charge)	3.9	4.4

In addition to the amounts above, a share-based payment charge of £1.1 million (2017: £1.5 million) related to share options held by members of the GMT.

31. Dividends

£ million	2018	2017
Proposed		
Interim dividend 2018: 2.44p (2017: 2.30p) per ordinary share of 1p each	79.7	75.2
Final dividend 2018: 3.80p (2017: 2.44p) per ordinary share of 1p each	125.0	80.0
	204.7	155.2
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2017: 2.44p (2016: 2.29p) per ordinary share of 1p each	79.8	74.8
Interim dividend 2018: 2.44p (2017: 2.30p) per ordinary share of 1p each	79.7	75.2
Special dividend 2018: 10.40p (2017: 9.20p) per ordinary share of 1p each	340.0	300.5
	499.5	450.5

The Directors recommend a final dividend for the year ended 31 December 2018 of 3.80 pence per share (2017: 2.44 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£125.0 million (2017: £79.8 million). The final dividend will be paid on 17 May 2019 to all shareholders registered at the close of business on 5 April 2019.

The Directors additionally recommend a special dividend of c.£350.0 million (2017: c.£340.0 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 12 July 2019 to all shareholders registered at the close of business on 7 June 2019.

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 2018.

Notes to the consolidated financial statements continued

32. Adoption of new accounting standards

In the current year, the Group has adopted and applied the following accounting standards issued by the International Accounting Standards Board that are relevant to the operations of the Group.

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'

The impact of the adoption of these new standards on the Group's financial statements is explained below. None of these standards had a material impact on the financial statements of the Company.

IFRS 9 'Financial Instruments'

IFRS 9 became effective for accounting periods beginning on or after 1 January 2018 and replaced IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduced new requirements for the classification and measurement of financial instruments, impairment of financial assets using an expected credit loss (ECL) model, and hedge accounting.

The adoption of IFRS 9 did not have a material impact on the Group financial statements, the effect being limited to a reclassification of certain mortgage receivables. This reclassification did not have an impact on the net assets or profit for the year of the Group. The Group has elected to restate comparative information for the effect of applying IFRS 9.

Classification and measurement of financial assets

All financial assets within the scope of IFRS 9 are initially measured at fair value and subsequently measured at amortised cost, or fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI).

The Directors have reviewed and assessed the Group's financial assets and concluded that the application of IFRS 9 has had the following impact on the classification and measurement of the Group's financial assets:

Financial assets classified as land, trade and other receivables under IAS 39 'Financial Instruments: Recognition and Measurement' continue to be measured at amortised cost under IFRS 9. They are held to collect contractual cash flows which consist only of payments of principal and, where relevant, interest on the principal amount outstanding.

The Group's mortgage receivables contain non-closely related embedded derivatives. In accordance with IAS 39, the Group's previous accounting policy was to separately measure the embedded derivative and the mortgage receivable host. The mortgage receivable host was measured at amortised cost with the associated unwind of discount credited to the income statement within finance costs. Fair value gains and losses arising from the remeasurement of the embedded derivative were presented within net operating expenses. On adoption of IFRS 9, mortgage receivables are no longer separated but instead measured at FVTPL in their entirety with associated fair value gains and losses presented within net operating expenses. This reclassification has not impacted net assets or profit for the year of the Group.

Impairment of financial assets

IFRS 9 requires an expected credit loss approach to impairment rather than the incurred credit loss model under IAS 39. This requires the assessment of the expected credit loss on each class of financial asset at the reporting date. This assessment should take into consideration any changes in credit risk since the initial recognition of the financial asset.

The Directors have reviewed and assessed the Group's financial assets, and amounts due from customers using reasonable and supportable information to determine the credit risk of each item and concluded that there is no financial impact on the Group. The main financial assets held by the Group are cash and cash equivalents which are placed on deposit with a number of institutions based on a minimum credit rating and maximum exposure and accordingly the expected credit loss is considered low. Financial assets also include mortgage receivables where the expected credit loss is included in the assessment of fair value. Other receivables include completion monies for house sales and other deposits which are both held for short periods of time and mainly relate to the Help to Buy scheme, exposing the Group to limited credit risk. Land debtors have been assessed for credit risk but, this is also considered to be limited, as the period of deferment is short.

Classification and measurement of financial liabilities

All the Group's financial liabilities are held at amortised cost. The IFRS 9 requirements regarding the classification and measurement of financial liabilities are broadly consistent with the previous standard, IAS 39. Accordingly, the adoption of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Hedge accounting

In accordance with the allowed transition provisions, the Group has applied the IFRS 9 hedge accounting requirements prospectively from 1 January 2018. The qualifying hedge relationships in place under IAS 39 also qualify for hedge accounting in accordance with IFRS 9, and therefore have been regarded as continuing hedge relationships. The critical terms of the hedging instruments match those of the hedged items and all hedge relationships have continued to be effective under the assessment requirements of IFRS 9. There are no hedging relationships under IFRS 9 which would not have qualified for hedge accounting under IAS 39.

The only hedge relationship within the Group is a net investment hedge to manage the Group's exposure to movements in the Euro exchange rate impacting the results from the Spanish business. There are no changes to the treatment of net investment hedges under IFRS 9 and therefore the application of IFRS 9 hedge accounting requirements has had no impact on the results or financial position of the Group.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 became effective for accounting periods beginning on or after 1 January 2018 and replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised.

The adoption of IFRS 15 did not have a material impact on the Group financial statements, the effect being limited to a presentational adjustment associated with the purchase and sale of part exchange properties. This reclassification did not have an impact on the net assets or profit for the year of the Group. Comparative information has been restated for the effect of applying IFRS 15.

32. Adoption of new accounting standards continued

An assessment of the Group's main revenue streams against the requirements of IFRS 15 compared with previous accounting policies is set out below:

Revenue stream	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Private development, certain partnership housing contracts and land sales	Customers obtain control of a unit once the sale is complete and monies have been received by Taylor Wimpey. A house sale invoice is generated and revenue recognised at this point.	Under IAS 18 revenue was recognised when the risks and rewards were transferred to the customer which was also at the point when monies were received by Taylor Wimpey. Under IFRS 15, there is no change to the point of revenue recognition as the performance obligations are deemed to be satisfied at the point when legal title is transferred to the purchaser.
Partnership housing long term contracts	The Group has determined that, where contracts with Housing Associations (HA) or Local Councils are such that cash is received during the manufacture of the units, that the customer controls all the work in progress as the house is being built. This is because the unit is being built to an agreed specification and if the contract is terminated by the customer then the Group is entitled to reimbursement of the costs incurred to date. Therefore, revenue from these contracts and associated costs are recognised overtime and invoices are issued accordingly. Un-invoiced amounts are presented as contract assets.	These contracts were previously accounted for under IAS 11 and IFRIC 15 'Agreements for the Construction of Real Estate' and as such were recognised over time when certain milestones in the development were reached. There is no change to the timing of revenue recognition under IFRS 15. The conditions of the sale include the requirements for the customer to make stage payments throughout the contract and accordingly the revenue should continue to be recognised over time.

Historically, under IAS 18, the purchase and sale of part exchange (PX) properties was treated as a linked transaction with the sale of the new build unit, and as such the net impact of the purchase and sale of a PX property was recognised in cost of sales. Under IFRS 15, this is now a separate transaction as it can no longer be linked with the sale of the new build house. However, this has not been reclassified as revenue and cost of sales because the Group does not consider the purchase and sale of PX properties to be a principal activity and therefore the net impact has been reclassified to other income/expense. Sales of PX properties in the year amounted to £154.3 million with an associated acquired value of £156.5 million.

Impact on adoption of IFRS 9 and IFRS 15

The financial statement line items impacted by the adoption of IFRS 9 and IFRS 15 for the current and previously reported year is shown below. There was no impact on current or previously reported balance sheet information or current year earnings per share.

31 December 2018 £ million	IFRS 15	IFRS 9	Total
Impact on profit/(loss) for the year			
Cost of sales			
Reclass of net impact of PX sales to net operating expenses	(0.2)	–	(0.2)
Net operating expenses			
Reclass of net impact of PX sales to net operating expenses	0.2	–	0.2
Mortgage receivable classified as FVTPL in entirety	–	1.8	1.8
Finance costs			
Mortgage receivable classified as FVTPL in entirety	–	(1.8)	(1.8)
Impact on profit for the year	–	–	–

Notes to the consolidated financial statements continued

32. Adoption of new accounting standards continued

31 December 2017 £ million	As previously reported*	IFRS 15	IFRS 9	Restated
Revenue	3,965.2	–	–	3,965.2
Cost of sales	(2,932.2)	(1.2)	–	(2,933.4)
Gross profit	1,033.0	(1.2)	–	1,031.8
Net operating expenses				
Other income	2.5	1.2	2.9	6.6
Administration expenses	(201.9)	–	–	(201.9)
Profit on ordinary activities before finance costs and tax	833.6	–	2.9	836.5
Net finance costs	(29.2)	–	(2.9)	(32.1)
Share of results of joint venture	7.6	–	–	7.6
Profit before tax	812.0	–	–	812.0
Operating profit	841.2	–	2.9	844.1
Operating profit margin	21.2%	–	0.1%	21.3%

* Before exceptional items, see Alternative Performance Measures on page 178.

IFRS 16 'Leases'

IFRS 16 replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease' and is mandatorily effective for accounting periods beginning on or after 1 January 2019. The Group has elected to early adopt IFRS 16 with a date of initial application of 1 January 2018. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings at 1 January 2018. Comparative information has therefore not been restated and is reported under the previous accounting policies.

The details of the changes in accounting policies are described below.

Definition of a lease

Prior to the adoption of IFRS 16, the Group determined at inception whether an arrangement is a lease under IAS 17 or contains a lease under IFRIC 4. Under IFRS 16, the Group assess whether an arrangement is or contains a lease based on the definitions in the new standard.

The Group elected to apply the practical expedient in the transition provisions of IFRS 16 to grandfather the assessment of arrangements undertaken in prior periods. Accordingly, IFRS 16 has only been applied to contracts that were either previously identified as leases or entered into subsequent to the initial application of IFRS 16 on 1 January 2018.

The Group as a lessee

The Group previously classified leases as either operating or finance leases based on an assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the leased asset. Immediately prior to the initial application of IFRS 16, the Group had operating leases related to office premises and equipment and no finance leases.

Under IFRS 16, most leases previously classified as operating leases under IAS 17 are recognised on the balance sheet as a right-of-use asset along with a corresponding lease liability.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs and an estimate of asset retirement obligations, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease. For the year ended 31 December 2018, payments charged to the income statement related to low value and short-term leases were insignificant.

Right-of-use assets are presented within non-current assets on the face of the balance sheet and lease liabilities are shown separately on the balance sheet in current liabilities and non-current liabilities depending on the length of the lease term.

32. Adoption of new accounting standards continued

Impact on the financial statements

On transition to IFRS 16, the Group recognised an additional £26.5 million of right-of-use assets, £28.5 million of lease liabilities and £0.5 million of other assets, primarily related to deferred tax and lease prepayments and accruals. The net difference of £1.5 million was recognised in retained earnings.

The lease liabilities were determined by discounting the relevant lease payments at the Group's incremental borrowing rate of between 1.3% and 1.8%.

The reconciliation between operating lease commitments previously reported in the financial statements for the year ended 31 December 2017 discounted at the Group's incremental borrowing rate and the lease liabilities recognised in the balance sheet on initial application of IFRS 16 is shown below.

£ million	
Operating lease commitments at 31 December 2017 as previously reported	25.2
Discounted at the Group's incremental borrowing rate at 1 January 2018	24.6
Reasonably certain extension options	4.6
Other*	(0.7)
Lease liabilities recognised at 1 January 2018	28.5

* Primarily attributable to non-lease components associated with the Group's vehicle fleet arrangements reported as operating lease commitments in the prior year. The Group elected to exclude non-lease components from the lease liability balance determined under IFRS 16.

33. Post balance sheet events

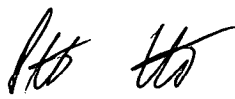
The Group evaluated events subsequent to 31 December 2018. No events were identified that require recognition or disclosure in the financial statements.

Company balance sheet at 31 December 2018

£ million	Note	2018	2017
Non-current assets			
Investments in Group undertakings	4	2,418.0	2,405.8
Trade and other receivables	5	3.2	1.7
		2,421.2	2,407.5
Current assets			
Trade and other receivables	5	2,517.1	2,589.3
Cash and cash equivalents		703.6	583.5
		3,220.7	3,172.8
Current liabilities			
Trade and other payables	6	(1,632.0)	(1,627.0)
		(1,632.0)	(1,627.0)
Net current assets		1,588.7	1,545.8
Total assets less current liabilities		4,009.9	3,953.3
Non-current liabilities			
Trade and other payables	6	(0.6)	(1.3)
Bank and other loans	7	(90.1)	(88.7)
Provisions		(1.0)	(0.6)
Net assets		3,918.2	3,862.7
Equity			
Share capital	8	288.5	288.5
Share premium	9	762.9	762.9
Own shares	10	(22.7)	(21.3)
Other reserves	11	36.0	36.0
Retained earnings	12	2,853.5	2,796.6
Total equity		3,918.2	3,862.7

As permitted by Section 408 of the Companies Act 2006, Taylor Wimpey plc has not presented its own income statement. The profit of the Company for the financial year was £549.2 million (2017: £553.3 million).

The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2019. They were signed on its behalf by:


P Redfern
Director


C Carney
Director

Company statement of changes in equity for the year to 31 December 2018

For the year to 31 December 2018 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2018	288.5	762.9	(21.3)	36.0	2,796.6	3,862.7
Profit for the year	-	-	-	-	549.2	549.2
Total comprehensive income for the year	-	-	-	-	549.2	549.2
New share capital subscribed	-	-	-	-	-	-
Own shares acquired	-	-	(9.9)	-	-	(9.9)
Utilisation of own shares	-	-	8.5	-	-	8.5
Cash cost of satisfying share options	-	-	-	-	(5.0)	(5.0)
Capital contribution on share-based payments	-	-	-	-	12.2	12.2
Dividends approved and paid	-	-	-	-	(499.5)	(499.5)
Total equity as at 31 December 2018	288.5	762.9	(22.7)	36.0	2,853.5	3,918.2
For the year to 31 December 2017 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2017	288.4	762.9	(12.2)	36.0	2,682.0	3,757.1
Profit for the year	-	-	-	-	553.3	553.3
Total comprehensive income for the year	-	-	-	-	553.3	553.3
New share capital subscribed	0.1	-	-	-	-	0.1
Own shares acquired	-	-	(13.3)	-	-	(13.3)
Utilisation of own shares	-	-	4.2	-	-	4.2
Cash cost of satisfying share options	-	-	-	-	0.3	0.3
Capital contribution on share-based payments	-	-	-	-	11.5	11.5
Dividends approved and paid	-	-	-	-	(450.5)	(450.5)
Total equity as at 31 December 2017	288.5	762.9	(21.3)	36.0	2,796.6	3,862.7

Notes to the Company financial statements

1. Significant accounting policies

The following accounting policies have been used consistently, unless otherwise stated, in dealing with items which are considered material.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The principal accounting policies adopted are set out below.

Going concern

The Group has prepared forecasts, including certain sensitivities taking into account the principal risks identified on pages 44 to 51. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months.

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

Critical accounting judgements and key sources of estimation uncertainty

Management have not made any individual accounting judgements that are material to the Company and does not consider there to be any key sources of estimation uncertainty.

Investments in Group undertakings

Investments are included in the balance sheet at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is expensed immediately; if the impairment is not considered to be a permanent diminution in value, it may reverse in a future period to the extent it is no longer considered necessary.

The Company values its investments in subsidiary holding companies based on a comparison between the net assets recoverable by the subsidiary company and the investment held. Where the net assets are lower than the investment an impairment is recorded. For trading subsidiaries, the investment carrying value in the Company is assessed against the net present value of the discounted cash flows from the subsidiary.

Borrowing costs

Capitalised finance costs are held in other receivables and amortised over the period of the facility.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax

Deferred tax is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

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

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are recorded in Sterling at actual rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates after the date of the transaction is included as an exchange gain or loss in profit and loss. Unrealised exchange differences on intercompany long term loans and foreign currency borrowings, to the extent that they hedge the Company's investment in overseas investments, are taken to the translation reserve.

Trade and other receivables

Trade and other receivables are measured at amortised cost, less any loss allowance based on expected credit losses. The measurement of expected credit losses is based on the probability of default and the magnitude of the loss if there is a default. The assessment of probability of default is based on historical data adjusted for any known factors that would influence the future amount to be received in relation to the receivable.

Derivative financial instruments and hedge accounting

The Company uses foreign currency borrowings to hedge its investment in overseas operations. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of investment in overseas operations are recognised directly in other comprehensive income and the ineffective portion, if any, is recognised immediately in the income statement. The hedged items are adjusted for changes in exchange rates, with gains or losses from re-measuring the carrying amount being recognised directly in other comprehensive income.

Share-based payments

The Company issues equity-settled share-based payments to certain employees of its subsidiaries. Equity-settled share-based payments are measured at fair value at the grant date. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. The cost of equity-settled share-based payments granted to employees of subsidiary companies is borne by the employing company, without recharge. As such the Company's investment in the subsidiary is increased by an equivalent amount.

1. Significant accounting policies continued

Provisions

Provisions are recognised at the Directors' best estimate when the Company has a present obligation as a result of a past event and it is probable that the Company will have to settle the obligation.

Own shares

The cost of the Company's investment in its own shares, which comprise shares held in treasury by the Company and shares held by employee benefit trusts for the purpose of funding certain of the Company's share option plans, is shown as a reduction in shareholders' equity.

Dividends paid

Dividends are charged to the Company's retained earnings reserve in the period of payment in respect of an interim dividend, and in the period in which shareholders' approval is obtained in respect of the Company's final dividend.

2. Particulars of employees

	2018 Number	2017 Number
Directors	4	3

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 96 to 116 from Taylor Wimpey UK Limited. This remuneration is reflective of the Directors' service to the Company and all its subsidiaries.

3. Auditor's remuneration

£ million	2018	2017
Total audit fees	0.2	0.1
Non-audit fees	–	–
Total	0.2	0.1

A description of other services is included in Note 6 to the Group financial statements.

4. Investments in Group undertakings

£ million	Shares	Loans	Total
Cost			
1 January 2018	5,280.0	–	5,280.0
Capital contribution relating to share-based payments	12.2	–	12.2
31 December 2018	5,292.2	–	5,292.2
Provision for impairment			
1 January 2018	2,874.2	–	2,874.2
Charge for the year	–	–	–
31 December 2018	2,874.2	–	2,874.2
Carrying amount			
31 December 2018	2,418.0	–	2,418.0
31 December 2017	2,405.8	–	2,405.8

All investments are unlisted and information about all subsidiaries is listed on pages 174 to 177.

5. Trade and other receivables

£ million	Current		Non-current	
	2018	2017	2018	2017
Due from Group undertakings	2,514.6	2,587.0	–	–
Other receivables	2.5	2.3	3.2	1.7
	2,517.1	2,589.3	3.2	1.7

Notes to the Company financial statements continued

6. Trade and other payables

£ million	Current		Non-current	
	2018	2017	2018	2017
Due to Group undertakings	1,625.9	1,623.7	–	–
Other payables	1.2	2.3	0.6	1.3
Corporation tax creditor	4.9	1.0	–	–
	1,632.0	1,627.0	0.6	1.3

7. Bank and other loans

£ million	2018	2017
Other loans	90.1	88.7
Other loans are repayable as follows:		
Amounts due for settlement after one year	90.1	88.7

At 31 December 2018, other loans relate to €100.0 million 2.02% Senior Loan Notes.

8. Share capital

£ million	2018	2017
Authorised:		
22,200,819,176 (2017: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2017: 1,158,299,201) deferred ordinary shares of 24p each	278.0	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2017	3,275,418,330	288.5
Ordinary shares issued in the year	2,636,433	–
31 December 2018	3,278,054,763	288.5

During the year, the Company issued an additional 2.6 million (2017: 5.1 million) ordinary shares to satisfy option exercises.

During the year, options were exercised over 8,242,974 ordinary shares (2017: 9,298,098) which were met from new issues of share capital and from our holding of shares in our Employee Share Ownership Trusts (ESOTs) at varying prices from nil pence to 159.1 pence per share. Under the Group's performance share plan, employees held conditional awards at 31 December 2018 in respect of up to 18,601,569 shares, subject to achievement of performance tests (2017: 18,568,767) at nil pence per share nominally exercisable up to September 2021.

Under the Group's savings-related share option schemes, employees held options at 31 December 2018 to purchase 19,229,800 shares (2017: 17,149,237) at prices between 84.7 pence and 159.1 pence per share exercisable up to May 2024. Under the Group's share incentive plan, employees held conditional awards at 31 December 2018 in respect of 5,386,991 shares (2017: 5,086,637) at nil pence per share.

9. Share premium

£ million	2018	2017
At 1 January and 31 December	762.9	762.9

10. Own shares

£ million	2018	2017
Own shares	22.7	21.3

These comprise ordinary shares of the Company:	Number	Number
Shares held in trust for bonus, options and performance award plans	13.9m	13.1m

The market value of the shares at 31 December 2018 was £19.0 million (2017: £27.0 million) and their nominal value was £0.1 million (2017: £0.1 million).

Dividends on these shares have been waived except for a nominal aggregate amount in pence.

10. Own shares continued

ESOTs are used to hold the Company's shares which have been acquired on the market. These shares are used to meet the valid exercise of options and/or vesting of conditional awards and/or award of shares under the Executive Incentive Scheme, Bonus Deferral Plan, Performance Share Plan, Executive Share Option Scheme, Savings-Related Share Option Scheme and the matching award of shares under the Share Incentive Plan.

During the year, Taylor Wimpey plc purchased £9.9 million of its own shares which are held in the ESOTs (2017: £13.3 million).

The ESOTs' entire holding of shares at 31 December 2018, aggregating 13.9 million shares (2017: 13.1 million), was covered by outstanding options and conditional awards over shares at that date.

11. Other reserves

£ million	2018	2017
At 31 December	36.0	36.0

Other reserves includes £31.5 million (2017: £31.5 million) in respect of the historical redemption of Parent Company shares which is non distributable.

12. Retained earnings

Retained earnings of £2,853.5 million (2017: £2,796.6 million) includes profit for the year and dividends received from subsidiaries of £500.0 million (2017: £500.0 million). Included in retained earnings is £718.5 million (2017: £668.1 million) which is not distributable.

13. Share-based payments

The Company has taken advantage of the FRS 101 disclosure exemption in relation to share-based payments. Details of share awards granted by the Company to employees of subsidiaries, and that remain outstanding at the year end over the Company's shares, are set out in Note 29 to the Group financial statements. The Company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

14. Contingent liabilities

The Company has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts.

Provision is made for the Directors' best estimate of known legal claims and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed.

The Company has in issue a guarantee in respect of the Taylor Wimpey Pension Scheme (TWPS), which had a deficit under IAS 19 of £133.0 million at 31 December 2018 (2017: £63.7 million). The guarantee commits the Company to ensure that the participating subsidiaries make deficit repair contributions in accordance with a schedule agreed with the Trustee of £40.0 million per annum until 31 December 2020, whilst the scheme is in a Technical Provisions deficit. Once the TWPS is fully funded, these cash contributions would be suspended until such time that the TWPS Technical Provisions funding levels falls to below 96%. In addition, £5.1 million per annum from the Pension Funding Partnership and £2.0 million per annum to cover scheme expenses is due.

15. Dividends

£ million	2018	2017
Proposed		
Interim dividend 2018: 2.44p (2017: 2.30p) per ordinary share of 1p each	79.7	75.2
Final dividend 2018: 3.80p (2017: 2.44p) per ordinary share of 1p each	125.0	80.0
	204.7	155.2
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2017: 2.44p (2016: 2.29p) per ordinary share of 1p each	79.8	74.8
Interim dividend 2018: 2.44p (2017: 2.30p) per ordinary share of 1p each	79.7	75.2
Special dividend 2018: 10.40p (2017: 9.20p) per ordinary share of 1p each	340.0	300.5
	499.5	450.5

The Directors recommend a final dividend for the year ended 31 December 2018 of 3.80 pence per share (2017: 2.44 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£125.0 million (2017: £79.8 million). The final dividend will be paid on 17 May 2019 to all shareholders registered at the close of business on 5 April 2019.

The Directors additionally recommend a special dividend of c.£350.0 million (2017: c.£340.0 million) subject to shareholder approval at the Annual General Meeting. The special dividend will be paid on 12 July 2019 to all shareholders registered at the close of business on 7 June 2019.

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 2018.

Particulars of subsidiaries, associates and joint ventures

Country of incorporation and principal operations	Taylor Wimpey plc interest is 100% in the issued ordinary share capital of these undertakings included in the consolidated accounts	Activity	Registered office
United Kingdom	Taylor Wimpey Holdings Limited	Holding company	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
United Kingdom	George Wimpey Limited	Holding company	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
United Kingdom	Taylor Wimpey UK Limited ^(a)	United Kingdom housebuilder	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
United Kingdom	Taylor Wimpey Developments Limited ^(a)	Holding company	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
Spain	Taylor Wimpey de España S.A.U. ^{(a)(b)}	Spanish housebuilder	C/Aragó, 223 223A, 07008, Palma de Mallorca, Balears, Spain

(a) Interests held by subsidiary undertakings.

(b) 9% cumulative, redeemable preference shares are additionally held.

The entries listed below are companies incorporated in the United Kingdom and registered in England and Wales and the registered office is Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR. All of the below are 100% subsidiaries of Group companies and only have ordinary share capital unless otherwise stated.

Admiral Developments Limited	George Wimpey North West Limited	MCA Leicester Limited
Admiral Homes (Eastern) Limited	George Wimpey North Yorkshire Limited	MCA London Limited
Admiral Homes Limited	George Wimpey South East Limited	MCA Northumbria Limited
Ashton Park Limited	George Wimpey South Midlands Limited	MCA Partnership Housing Limited
BGS (Pentian Green) Holdings Limited	George Wimpey South West Limited	MCA South West Limited
Broadleaf Park LLP	George Wimpey South Yorkshire Limited	MCA West Midlands Limited
Bryad Developments Limited	George Wimpey Southern Counties Limited	MCA Yorkshire Limited
Bryant Country Homes Limited	George Wimpey West London Limited	McLean Homes Limited
Bryant Group Services Limited	George Wimpey West Midlands Limited	McLean Homes Bristol & West Limited
Bryant Homes Central Limited	George Wimpey West Yorkshire Limited	McLean Homes Southern Limited
Bryant Homes East Midlands Limited	Globe Road Limited	Melbourne Investments Limited
Bryant Homes Limited	Grand Union Vision Limited	Pangbourne Developments Limited
Bryant Homes North East Limited	Groveside Homes Limited	Prestoplan Limited
Bryant Homes Northern Limited	Hamme Construction Limited	River Farm Developments Limited
Bryant Homes South West Limited	Hanger Lane Holdings Limited	South Bristol (Ashton Park) Limited
Bryant Homes Southern Limited	Harrock Limited	Spinks & Denning Limited
Bryant Properties Limited	Hassall Homes (Cheshire) Limited	St. Katharine By The Tower Limited
Candlemakers (TW) Limited	Hassall Homes (Mercia) Limited	St. Katharine Haven Limited
Clipper Investments Limited	Hassall Homes (Southern) Limited	Tawnywood Developments Limited
Compine Developments (Wootton) Limited	Hassall Homes (Wessex) Limited	Taylor Wimpey (Solihull) Limited
Dormant Nominees One Limited	Haverhill Developments Limited	Taylor Wimpey 2007 Limited
Dormant Nominees Two Limited	Jim 1 Limited	Taylor Wimpey Capital Developments Limited
Farrods Water Engineers Limited	Jim 3 Limited	Taylor Wimpey Commercial Properties Limited
Flyover House Limited	Jim 4 Limited	Taylor Wimpey Garage Nominees No 1 Limited
George Wimpey Bristol Limited	Jim 5 Limited	Taylor Wimpey Garage Nominees No 2 Limited
George Wimpey City 2 Limited	L. & A. Freeman Limited	Taylor Wimpey International Limited
George Wimpey City Limited	Laing Homes Limited	Taylor Wimpey Property Company Limited
George Wimpey East Anglia Limited	Laing Land Limited	Taylor Wimpey Property Management Limited
George Wimpey East London Limited	LandTrust Developments Limited	Taylor Wimpey SH Capital Limited
George Wimpey East Midlands Limited	Leawood (Management) Company Limited	Thamesway Homes Limited
George Wimpey Manchester Limited	Limebrook Manor LLP	The Garden Village Partnership Limited
George Wimpey Midland Limited	MCA Developments Limited	The Wilson Connolly Employee Benefit Trust Limited
George Wimpey North East Limited	MCA East Limited	This is G2 Limited
George Wimpey North London Limited	MCA Holdings Limited	Thomas Lowe and Sons, Limited
George Wimpey North Midlands Limited	MCA Land Limited	Thomas Lowe Homes Limited

TW NCA Limited
 TW Springboard Limited
 Twyman Regent Limited
 Wain Estates Limited
 Wainhomes (Chester) Limited
 Wainhomes (Northern) Limited
 Wainhomes (Southern) Limited
 Wainhomes (Yorkshire) Limited
 Wainhomes Group Limited
 Wainhomes Holdings Limited
 Wainhomes Limited
 Whelmar (Chester) Limited
 Whelmar (Lancashire) Limited

Whelmar (North Wales) Limited
 Whelmar Developments Limited
 Wilcon Homes Anglia Limited
 Wilcon Homes Eastern Limited
 Wilcon Homes Midlands Limited
 Wilcon Homes Northern Limited
 Wilcon Homes Southern Limited
 Wilcon Homes Western Limited
 Wilcon Lifestyle Homes Limited
 Wilfrid Homes Limited
 Wilson Connolly Holdings Limited
 Wilson Connolly Investments Limited
 Wilson Connolly Limited

Wilson Connolly Properties Limited
 Wilson Connolly Quest Limited
 Wimgrove Developments Limited
 Wimgrove Property Trading Limited
 Wimpey Construction Developments Limited
 Wimpey Construction Iran Limited
 Wimpey Corporate Services Limited
 Wimpey Dormant Investments Limited
 Wimpey Geotech Limited
 Wimpey Group Services Limited
 Wimpey Gulf Holdings Limited
 Wimpey Overseas Holdings Limited

Particulars of subsidiaries, associates and joint ventures continued

Company Name	% Owned	Registered Office
Academy Central LLP	62%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Bishops Park Limited	50%	The Manor House, North Ash Road, New Ash Green, Longfield, Kent, DA3 8HQ, United Kingdom
Bishop's Stortford North Consortium Limited	33.33%	St. Bride's House, 10 Salisbury Square, London, EC4Y 8EH, United Kingdom
Bordon Developments Holding Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Bromley Park (Holdings) Limited	50%	Kent House, 14-17 Market Place, London, W1W 8AJ, United Kingdom
Bromley Park Limited	50%	Kent House, 14-17 Market Place, London, W1W 8AJ, United Kingdom
Bryant Homes Scotland Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Capital Court Property Management Limited	17.17%	4 Capital Court, Bittern Road, Sowton Industrial Estate, Exeter, Devon, EX2 7FW, United Kingdom
Chobham Manor LLP	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Chobham Manor Property Management Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Countryside 27 Limited	50%	Countryside House, The Drive, Great Warley, Brentwood, Essex, CM13 3AT, United Kingdom
DFE TW Residential Limited	50%	7 Whiteladies Road, Clifton, Bristol, BS8 1NN, United Kingdom
Emersons Green Urban Village Limited	54.44%	135 Aztec West, Almondsbury, Bristol, Avon, BS32 4UB, United Kingdom
Falcon Wharf Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Gallagher Bathgate Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
George Wimpey East Scotland Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
George Wimpey West Scotland Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
GN Tower Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Greenwich Millennium Village Limited	50%	Countryside House, The Drive, Great Warley, Brentwood, Essex, CM13 3AT, United Kingdom
GW City Ventures Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
GWNW City Developments Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Haydon Development Company Limited	19.27%	6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL, United Kingdom
London and Clydeside Estates Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
London and Clydeside Holdings Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Los Arqueros Golf and Country Club S.A.	75%	Carretera de Ronda A-397, Km.44.5, Benahavis, Malaga, Spain
Morrison Land Development Inc	100%	9366, 49St NW, Edmonton, AB T6B 2L7, Canada
North Swindon Development Company Limited	16.79%	6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL, United Kingdom
Padyear Limited	50%	Hanson House, 14 Castle Hill, Maidenhead, SL6 4JJ, United Kingdom
Paycause Limited	66.67%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Phoenix Birmingham Latitude Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Quedgeley Urban Village Limited	50%	135 Aztec West, Almondsbury, Bristol, Avon, BS32 4UB, United Kingdom
Redhill Park Limited	50%	5 Market Yard Mews, 194 – 204 Bermondsey Street, London SE1 3TQ, United Kingdom
St George Little Britain (No.1) Limited	50%	Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG, United Kingdom
St George Little Britain (No.2) Limited	50%	Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG, United Kingdom
Strada Developments Limited	50%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Taylor Wimpey (General Partner) Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Taylor Wimpey (Initial LP) Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Taylor Wimpey Pension Trustees Limited	99%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Taylor Wimpey Scottish Limited Partnership	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Taylor Woodrow (Gibraltar) Limited	100%	17 Bayside Road, Gibraltar, United Kingdom

Company Name	% Owned	Registered Office
Triumphdeal Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
TW Cavendish Holdings Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Vumpine Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Weaver Developments (Woodfield Plantation) Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Whatco England Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Whitehill & Bordon Regeneration Company Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Whitehill & Bordon Development Company phase 1a Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Wilcon Homes Scotland Limited	100%	Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ, United Kingdom
Wimpey Laing Iran Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Wimpey Laing Limited	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom
Winstanley & York Road Regeneration LLP	50%	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR, United Kingdom

Five year review and alternative performance measures

The Group uses a number of Alternative Performance Measures (APMs) which are not defined within IFRS. The Directors use these measures to assess the underlying operational performance of the Group and, as such, these measures should be considered alongside the IFRS measures. Reconciliations from Statutory Performance Measures to the APMs are shown following the five-year review.

£ million	2018	2017 (restated)	2016 (restated)	2015 (restated)	2014 (restated)
Revenue – continuing operations	4,082.0	3,965.2	3,676.2	3,139.8	2,686.1
Profit on ordinary activities before finance costs and tax	828.8	706.5	766.4	635.7	501.7
Adjust for: Share of results of joint ventures	5.3	7.6	1.2	4.9	2.6
Adjust for: Exceptional items	46.1	130.0	0.5	0.6	(18.7)
Operating profit	880.2	844.1	768.1	641.2	485.6
Net finance costs excluding exceptional items	(23.4)	(32.1)	(34.7)	(37.4)	(35.5)
Profit for the financial year before taxation and exceptional items	856.8	812.0	733.4	603.8	450.1
Adjust for: Exceptional items	(46.1)	(130.0)	(0.5)	(0.6)	18.7
Taxation charge including taxation on exceptional items	(154.1)	(126.7)	(143.6)	(113.4)	(94.4)
Profit for the year from discontinued operations	–	–	–	–	–
Profit for the financial year	656.6	555.3	589.3	489.8	374.4
Balance sheet					
Intangible assets	3.2	3.9	3.5	2.7	2.5
Property, plant and equipment	21.6	22.8	21.0	20.0	16.8
Right-of-use assets	27.1	–	–	–	–
Interests in joint ventures	48.3	50.9	50.3	27.1	38.6
Non-current trade and other receivables	55.7	60.1	87.2	95.4	111.1
Non-current assets (excluding tax)	155.9	137.7	162.0	145.2	169.0
Inventories	4,188.2	4,075.7	3,984.0	3,891.2	3,490.1
Other current assets (excluding tax and cash)	134.7	122.2	91.4	114.0	102.6
Trade and other payables excluding land creditors	(684.8)	(705.0)	(721.8)	(750.7)	(681.6)
Land creditors	(359.5)	(319.5)	(266.3)	(342.7)	(228.4)
Lease liabilities	(8.2)	–	–	–	–
Provisions	(76.9)	(87.3)	(28.0)	(31.1)	(40.4)
Net current assets (excluding tax and cash)	3,193.5	3,086.1	3,059.3	2,880.7	2,642.3
Trade and other payables excluding land creditors	(112.2)	(111.0)	(109.0)	(114.9)	(102.2)
Land creditors	(379.1)	(319.6)	(333.5)	(287.1)	(259.3)
Retirement benefit obligations	(133.6)	(64.8)	(234.1)	(178.4)	(183.8)
Lease liabilities	(19.2)	–	–	–	–
Provisions	(93.4)	(74.3)	(5.1)	(2.9)	(1.0)
Non-current liabilities (excluding debt)	(737.5)	(569.7)	(681.7)	(583.3)	(546.3)
Cash and cash equivalents	734.2	600.5	450.2	323.3	212.8
Bank and other loans	(90.1)	(88.7)	(85.5)	(100.0)	(100.0)
Taxation balances	(29.2)	(28.6)	(4.0)	57.4	157.5
Basic net assets	3,226.8	3,137.3	2,900.3	2,723.3	2,535.3
Statistics					
Basic earnings per share – continuing operations	20.1p	17.0p	18.1p	15.1p	11.6p
Adjusted basic earnings per share – continuing operations	21.3p	20.2p	18.1p	14.9p	11.2p
Tangible net assets per share	98.3p	95.7p	88.6p	83.5p	77.9p
Dividends paid (pence per share)	15.28	13.79	10.91	9.49	2.25
Number of shares in issue at the year end (millions)	3,278.1	3,275.4	3,270.3	3,258.6	3,253.5
UK short term landbank (plots)	75,995	74,849	76,234	75,710	75,136
UK average selling price £'000	264	264	255	230	213
UK completions (homes including JVs)	14,933	14,541	13,881	13,341	12,454

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

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

Operating profit and operating profit margin

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

Operating profit to profit before interest and tax reconciliation

	2018			2017		
	Profit £m	Revenue £m	Margin %	Profit £m	Revenue £m	Margin %
Profit before interest and tax	828.8	4,082.0	20.3	706.5	3,965.2	17.8
Adjusted for:						
Share of results of joint ventures	5.3	–	0.1	7.6	–	0.2
Exceptional items (Note 6)	46.1	–	1.2	130.0	–	3.3
Operating profit	880.2	4,082.0	21.6	844.1	3,965.2	21.3

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	2018	2017	2016
Basic net assets	3,226.8	3,137.3	2,900.3
Average basic net assets	3,182.1	3,018.8	
Adjusted for:			
Cash (Note 16)	(734.2)	(600.5)	(450.2)
Borrowings (Note 17)	90.1	88.7	85.5
Net taxation	29.2	28.6	4.0
Accrued dividends	–	–	–
Net operating assets	2,611.9	2,654.1	2,539.6
Average net operating assets	2,633.0	2,596.9	

Return on net operating assets

	2018			2017		
	Net assets £m	Profit £m	Return on net assets %	Net assets £m	Profit £m	Return on net assets %
Average basic net assets	3,182.1	828.8	26.0	3,018.8	706.5	23.4
Adjusted for:						
Average cash	(667.4)	–	6.6	(525.4)	–	4.7
Average borrowings	89.4	–	(0.9)	87.1	–	(0.8)
Average taxation	28.9	–	(0.3)	16.4	–	(0.1)
Share of results of joint ventures (Note 13)	–	5.3	0.2	–	7.6	0.3
Exceptional items (Note 6)	–	46.1	1.8	–	130.0	5.0
Average net operating assets	2,633.0	880.2	33.4	2,596.9	844.1	32.5

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

	2018			2017		
	Net assets £m	Ordinary shares in issue	Net assets per share pence	Net assets £m	Ordinary shares in issue	Net assets per share pence
Basic net assets	3,226.8	3,278.1	98.4	3,137.3	3,275.4	95.8
Adjusted for:						
Intangible assets (Note 11)	(3.2)	–	(0.1)	(3.9)	–	(0.1)
Tangible net assets	3,223.6	3,278.1	98.3	3,133.4	3,275.4	95.7

Five year review and alternative performance measures continued

Adjusted basic earnings' per share

This is calculated as earnings attributed to the shareholders, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares. The Directors consider this provides an important measure of the underlying earnings capacity of the Group. Note 10 shows a reconciliation from basic earnings per share to adjusted basic earnings per share.

Net operating asset turn

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

Net operating asset turn

	2018			2017		
	Net assets £m	Revenue £m	Net asset turn	Net assets £m	Revenue £m	Net asset turn
Average basic net assets	3,182.1	4,082.0	1.28	3,018.8	3,965.2	1.31
Adjusted for:						
Average cash	(667.4)	–	0.33	(525.4)	–	0.27
Average borrowings	89.4	–	(0.04)	87.1	–	(0.04)
Average taxation	28.9	–	(0.02)	16.4	–	(0.01)
Average net operating assets	2,633.0	4,082.0	1.55	2,596.9	3,965.2	1.53

Net cash/(debt)

Net cash/(debt) 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 27.

Cash conversion

This is defined as cash generated by 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

	2018			2017		
	Profit £m	Cash generated by operations £m	Cash conversion %	Profit £m	Cash generated by operations £m	Cash conversion %
Profit before interest and tax	828.8	815.4	98.4	706.5	735.9	104.2
Adjusted for:						
Share of results of joint ventures (Note 13)	5.3	–	(0.6)	7.6	–	(0.9)
Exceptional items (Note 6)	46.1	–	(5.2)	130.0	–	(16.1)
Operating profit	880.2	815.4	92.6	844.1	735.9	87.2

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

	2018 £m	2017 £m
Cash (Note 16)	734.2	600.5
Private placement loan notes (Note 17)	(90.1)	(88.7)
Net cash	644.1	511.8
Land creditors (Note 18)	(738.6)	(639.1)
Adjusted net debt	(94.5)	(127.3)
Basic net assets	3,226.8	3,137.3
Adjusted gearing	2.9%	4.1%

Notice of Annual General Meeting

Notice of Annual General Meeting

This notice of meeting is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from a stockbroker, solicitor, bank manager, accountant, or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Taylor Wimpey plc (the 'Company'), please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares. If you have sold or transferred part only of your holding of shares in the Company, please consult the person who arranged the sale or transfer.

Notice is hereby given of the eighty fourth Annual General Meeting of the Company to be held on 25 April 2019 at 11:00 am at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP for the following purposes:

Ordinary business

Ordinary resolutions:

1. To receive the Directors' report, Strategic report, Remuneration committee report, Independent auditor's report and Financial statements for the year ended 31 December 2018.
2. To declare due and payable on 17 May 2019 a final dividend of 3.80 pence per ordinary share of the Company for the year ended 31 December 2018 to shareholders on the register at close of business on 5 April 2019.
3. To declare due and payable on 12 July 2019 a special dividend of 10.7 pence per ordinary share of the Company to shareholders on the register at close of business on 7 June 2019.
4. To re-elect as a Director, Kevin Beeston.
5. To re-elect as a Director, Pete Redfern.
6. To re-elect as a Director, James Jordan.
7. To re-elect as a Director, Kate Barker DBE.
8. To re-elect as a Director, Gwyn Burr.
9. To re-elect as a Director, Angela Knight CBE.
10. To re-elect as a Director, Humphrey Singer.
11. To elect as a Director, Chris Carney.
12. To elect as a Director, Jennie Daly.
13. To re-appoint Deloitte LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
14. Subject to the passing of resolution 13, to authorise the Audit Committee to determine the remuneration of the auditor on behalf of the Board.
15. That the Board be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:
 - a. up to a nominal amount of £10,929,724 (such amount to be reduced by any allotments or grants made under paragraph b below, in excess of £10,929,724); and

- b. comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £21,859,449 (such amount to be reduced by any allotments or grants made under paragraph a above) in connection with an offer by way of a rights issue:
 - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii. to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary, and so the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the next Annual General Meeting of the Company (or, if earlier, until the close of business on 24 July 2020) but, in each case, so that the Company may make offers and enter into agreements during this period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends; and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

Special resolutions:

16. That if resolution 15 is passed, the Board be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:
 - a. to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph b of resolution 15, by way of a rights issue only):
 - i. to ordinary shareholders in proportion (as nearly as practicable) to their existing holdings; and
 - ii. to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matters; and
 - b. in the case of the authority granted under paragraph a of resolution 15 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph a above) up to a nominal amount of £1,639,458.

Such power to apply until the end of the next Annual General Meeting of the Company (or, if earlier, until the close of business on 24 July 2020) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Notice of Annual General Meeting continued

17. That if resolution 15 is passed, the Board be given the power in addition to any power granted under resolution 16 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority granted under paragraph a of resolution 15 and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be:

- a. limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £1,639,458; and
- b. used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice or for the purposes of refinancing such a transaction within six months of its taking place.

Such power to apply until the end of the next Annual General Meeting of the Company (or, if earlier, until the close of business on 24 July 2020) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

18. That the Company be authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of the ordinary shares of 1 pence each of the Company (ordinary shares), provided that:

- a. the maximum number of ordinary shares hereby authorised to be purchased shall be 327,891,739;
- b. the minimum price (exclusive of expenses) which may be paid for ordinary shares is 1 pence per ordinary share;
- c. the maximum price (exclusive of expenses) which may be paid for an ordinary share is the highest of:
 - i. an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which such ordinary share is purchased; and
 - ii. the higher of the price of the last independent trade and the highest independent bid on the trading venues where the purchase is carried out;
- d. the authority hereby conferred shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company and 24 October 2020 unless such authority is renewed prior to such time; and
- e. the Company may make contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may purchase ordinary shares in pursuance of any such contracts, as if the authority conferred by this resolution had not expired.

Special business

Ordinary resolutions:

19. That the Directors' Remuneration report for the year ended 31 December 2018, as set out on pages 96 to 116 of the Annual Report and Accounts for the financial year ended 31 December 2018, be approved in accordance with Section 439 of the Companies Act 2006.
20. That in accordance with Sections 366 and 367 of the Companies Act 2006, the Company and all companies which are its subsidiaries when this resolution is passed are authorised to:
 - a. make political donations to political parties and/or independent election candidates not exceeding £250,000 in aggregate;
 - b. make political donations to political organisations other than political parties not exceeding £250,000 in aggregate; and
 - c. incur political expenditure not exceeding £250,000 in aggregate, during the period beginning with the date of passing this resolution and the conclusion of the next Annual General Meeting of the Company.

For the purposes of this resolution the terms 'political donations', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' have the meanings given by Sections 363 to 365 of the Companies Act 2006.

21. That the sale of an apartment at the Palace View development in Central London by Taylor Wimpey UK Limited, for the sum of £2,043,600, to Mr Pete Redfern, a Director of the Company, be hereby approved in accordance with Section 190 of the Companies Act 2006.

Special resolution:

22. That a general meeting other than an Annual General Meeting of the Company may continue to be called on not less than 14 clear days' notice.

Explanatory notes relating to each of the above resolutions are set out on pages 185 to 188.

Action to be taken

If you wish to attend and vote at the Annual General Meeting in person, please bring with you the attendance card accompanying this document. It will help to authenticate your right to attend, speak and vote, and will help us to register your attendance without delay. Registration will be available from 9:30 am on the day of the Meeting. For the safety and comfort of those attending the Meeting, large bags, cameras, recording equipment and similar items will not be allowed into the building and in the interests of security, by attending the Meeting, upon request, you hereby agree to be searched together with any bags and other possessions. The Meeting will commence at 11:00 am and light refreshments will be available from 9:30 am and also after the conclusion of the Meeting. There is wheelchair access to the venue for shareholders who require it or those with reduced mobility. However, where required, attendees are strongly advised to bring their own carers to assist with their general mobility around the venue. An induction loop system operates in the meeting room. Directions to the venue can be found on the reverse of your attendance card.

If you would like to vote on the resolutions but cannot come to the Annual General Meeting, please complete the proxy form sent to you with this notice and return it to our registrar as soon as possible. In order for it to count, the registrar must receive it by no later than 11:00 am on 23 April 2019. If you prefer, you can submit your proxy electronically either via the internet at www.signalshares.com or, if you are a CREST member, through the CREST system by completing and transmitting a CREST proxy instruction as described in the procedural notes below.

Recommendation

Your Directors are of the opinion that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend you to vote in favour of them. Each Director will be doing so in respect of all of his or her own beneficial shareholding.

Inspection of documents

The following documents will be available for inspection at the Company's registered office, Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR during normal business hours from the date of this Notice of Annual General Meeting until the date of the Annual General Meeting. They will also be available at The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP from 15 minutes before the Annual General Meeting until the Meeting ends:

- copies of the Executive Directors' service contracts;
- copies of the letters of appointment of the Chair of the Board and the Independent Non Executive Directors; and
- a copy of the full Annual Report and Financial Statements of the Company for the year ended 31 December 2018, including the Directors' Remuneration report referred to in resolution 19. This document is also available on our website at www.taylorwimpey.co.uk/corporate

By Order of the Board



James Jordan
Group Legal Director and Company Secretary

Taylor Wimpey plc
Registered Office:
Gate House
Turnpike Road
High Wycombe
Buckinghamshire
HP12 3NR

(Registered in England and Wales under number 296805)

7 March 2019

Procedural notes

1. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes which shareholders may cast), shareholders must be registered in the Register of Members of the Company by 6:00 pm on 23 April 2019 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Shareholders then on the Register of Members shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Members after that deadline shall be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
2. As at 4 March 2019 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 3,278,917,398 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 March 2019 were 3,278,917,398.
3. If you are a shareholder of the Company at the time and date set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend and to speak and vote on your behalf at the Meeting. Shareholders may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company but must attend the Annual General Meeting to represent you. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Link Asset Services as soon as possible on 0871 664 0300 if calling from the United Kingdom (calls cost 12p per minute plus your phone company's access charge); from overseas +44 (0)371 664 0300 (calls outside the United Kingdom will be charged at the applicable international rate). Link Asset Services is open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holdings (the first-named being the most senior).
4. To be valid, any proxy form or other instrument appointing a proxy must be received by Link Asset Services at PXS 1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, or, if you want to use an envelope the address to use is FREEPOST PXS, 34 Beckenham Road, BR3 9ZA or, if you prefer, electronically via the internet at www.signalshares.com or, if you are a member of CREST, via the service provided by Euroclear UK and Ireland Limited at the electronic address provided in Note 9, in each case no later than 11:00 am on 23 April 2019. Please note that all forms of proxy received after this time will be void. A form of proxy sent electronically at any time that is found to contain any virus will not be accepted.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as further described in Notes 8 and 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he / she wishes to do so.

Notes to the notice of Annual General Meeting

6. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Such persons should direct any communications and enquiries to the registered holder of the shares by whom they were nominated and not to the Company or its registrar.
7. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 3 and 4 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, it must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 11:00 am on 23 April 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his / her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
 - a. the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the Annual General Meeting; or
 - b. any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
14. Any member attending the Annual General Meeting has the right to ask questions and participate in the Meeting. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
15. A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found at www.taylorwimpey.co.uk/corporate
16. Voting on all resolutions at this year's Annual General Meeting will be conducted by way of a poll, rather than on a show of hands. The Board believes that a poll is more representative of shareholders' voting intentions because it gives as many shareholders as possible the opportunity to have their votes counted (whether their votes are tendered by proxy in advance of, or in person at, the Annual General Meeting). The results of the poll will be announced via a Regulatory Information Service and made available at www.taylorwimpey.co.uk/corporate as soon as practicable after the Annual General Meeting.
17. Personal data provided by shareholders at or in relation to the Annual General Meeting (including names, contact details, votes and Shareholder Reference Numbers), will be processed in line with the Company's privacy policy which is available at www.taylorwimpey.co.uk/privacy-policy

Explanatory notes to the resolutions

Ordinary business

Ordinary resolutions

Ordinary resolutions require more than half of the votes cast to be in favour.

Resolution 1: To receive the annual report and financial statements
English company law requires the Directors to lay the Financial Statements of the Company for the year ended 31 December 2018 and the reports of the Directors, namely the Strategic report, Directors' report, Directors' Remuneration report, and Auditor's report; before a general meeting of the Company (the Annual Report).

Resolution 2: To declare a final dividend

The Directors recommend the payment of a final dividend of 3.80 pence per share in respect of the year ended 31 December 2018. If approved at the Annual General Meeting, the dividend will be paid on 17 May 2019 to shareholders who are on the Register of Members at the close of business on 5 April 2019.

Resolution 3: To declare a special dividend

The Company has announced its intention to return cash to its shareholders, through the payment of annual special dividends, always subject to market and performance fluctuations. Due to the size of these special dividends, the Company believes it is appropriate to seek prior shareholder approval for payment, as it has done at the last five Annual General Meetings for such dividends.

Further details of the rationale for paying special dividends and the link to the Company's current strategy, can be found on page 56.

The aggregate cost of the special dividend for 2019 will be around £350 million and will be met from profits and surplus cash generated during 2018. If approved, it will be paid on 12 July 2019 to shareholders on the register at the close of business on 7 June 2019.

Dividend Re-Investment Plan

Subject to shareholders approving either or both of the dividends as set out in Resolutions 2 and 3 at the Annual General Meeting scheduled for 25 April 2019, the Company will be offering a Dividend Re-Investment Plan (DRIP) on each one. The DRIP is provided and administered by the DRIP plan administrator, Link Market Services Trustees Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). The DRIP offers shareholders the opportunity to elect to invest cash dividends received on their ordinary shares, in purchasing further ordinary shares of the Company. These shares would be bought in the market, on competitive dealing terms.

The DRIP will operate automatically in respect of the Final Dividend for 2018 (unless varied beforehand by shareholders) and all future dividends, including special dividends, until such time as you withdraw from the DRIP or the DRIP is suspended or terminated in accordance with the terms and conditions.

Shareholders are again reminded to check the position with regard to any dividend mandates that are in place, should you wish to either participate in the DRIP or to discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

CREST

For shares held in uncertificated form (CREST), please note that elections continue to apply only to one dividend and a fresh election must be made, via CREST, for each dividend.

Full details of the terms and conditions of the DRIP and the actions required to make or revoke an election, both in respect of ordinary dividends (i.e. in this case, the 2018 final dividend) and any special dividends, are available at www.signalshares.com or on request from the Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, email: shares@linkgroup.co.uk or call +44 (0)371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Registrar is open between 9:00 am and 5:30 pm, Monday to Friday excluding public holidays in England and Wales.

Resolution 4-12: Election of Directors

In accordance with the UK Corporate Governance Code 2016 (the 'Code') which states that all directors of FTSE 350 companies should be subject to annual election by shareholders, the Board has resolved that all Directors of the Company will retire and, being eligible, offer themselves for re-election or election, as appropriate, by shareholders at the Annual General Meeting.

Details of the Directors' service contracts, remuneration and interests in the Company's shares and other securities are given in the Directors' Remuneration Report to shareholders on pages 96 to 116 of the Annual Report and Accounts. Full biographical information concerning each Director can be found on pages 58 to 59 of the Annual Report and Accounts.

The following summary information is given in support of the Board's proposal for the re-election or election, as appropriate, of each Director of the Company.

Kevin Beeston – offers himself for re-election.

Kevin has been Chair of the Board since July 2010. The Board is satisfied that he continues to carry out his duties to a very high standard including at meetings of the Board and of the Nomination Committee (which he Chairs) and the Remuneration Committee, and that he will be able to allocate sufficient time to the Company to discharge his responsibilities.

Pete Redfern – offers himself for re-election.

Pete has been Chief Executive since July 2007 and was previously Group Chief Executive of George Wimpey Plc.

James Jordan – offers himself for re-election.

James has been Group Legal Director since July 2011 and is also the Group Company Secretary, a position he has held since 2007. Prior to 2007 and the merger with Taylor Woodrow, he held the same role with George Wimpey Plc.

Kate Barker DBE – offers herself for re-election.

Kate is the Company's Senior Independent Director and has been an Independent Non Executive Director since April 2011. The Board is satisfied that she continues to be independent in character and judgement in applying her expertise and input at meetings of the Board and of the Remuneration Committee (which she Chairs) and the Audit and Nomination Committees, and that she will continue to be able to allocate sufficient time to the Company to discharge her responsibilities.

Gwyn Burr – offers herself for re-election.

Gwyn has been an Independent Non Executive Director since 1 February 2018. The Board is satisfied that she is independent in character and judgement in applying her expertise at meetings of the Board and of the Nomination and Remuneration Committees, and that she will be able to allocate sufficient time to the Company to discharge her responsibilities effectively.

Notes to the notice of Annual General Meeting continued

Angela Knight CBE – offers herself for re-election.

Angela has been an Independent Non Executive Director since November 2016. The Board is satisfied that she is independent in character and judgement in applying her expertise at meetings of the Board and of the Audit, Nomination and Remuneration Committees, and that she will be able to allocate sufficient time to the Company to discharge her responsibilities effectively.

Humphrey Singer – offers himself for re-election.

Humphrey has been an Independent Non Executive Director since December 2015. The Board is satisfied that he is independent in character and judgement in applying his expertise at meetings of the Board and of the Audit Committee (which he Chairs) and the Nomination Committee, and that he will be able to allocate sufficient time to the Company to discharge his responsibilities effectively.

Chris Carney – offers himself for election.

Chris has been the Group Finance Director since 20 April 2018, having been appointed by the Board since the last AGM.

Jennie Daly – offers herself for election.

Jennie has been the Group Operations Director since 20 April 2018, having been appointed by the Board since the last AGM.

The Board confirms that each of the above Directors has recently been subject to formal performance evaluation, details of which are set out in the Corporate Governance Report in the Annual Report and Accounts on page 80, and that each continues to demonstrate commitment and to be an effective member of the Board able to devote sufficient time in line with the Code to fulfill their role and duties.

In compliance with provision B.7.2 of the Code, the Chair also hereby confirms that, following the formal performance evaluation referred to above, carried out as part of the overall Board Evaluation process, the performance of each of the Non Executive Directors continues to be effective and that each Director continues to demonstrate commitment to the role.

Resolution 13: Re-appointment of Deloitte LLP (Deloitte) as auditor of the Company

The Company is required to appoint auditors at each general meeting at which accounts are laid before the shareholders. It is therefore proposed that the auditor is appointed from the conclusion of the 2019 Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before shareholders. Following an annual review of Deloitte's performance, and following consideration of the guidance on the timing of the rotation of the external auditor, details as set out on page 85, the Board recommends the re-appointment of Deloitte as the Company's auditor.

Resolution 14: Authorisation of the Audit Committee to agree on behalf of the Board the remuneration of Deloitte as auditor

The Board seeks shareholders' authority for the Audit Committee to determine on behalf of the Board the remuneration of Deloitte for their services. The Board has adopted a procedure governing the appointment of Deloitte to carry out non-audit services, details of which are given in the Audit Committee Report. Details of non-audit services performed by Deloitte in 2018 are given in Note 6 on page 143 of the Annual Report and Accounts.

Resolution 15: Authority to allot shares

The Directors wish to renew the existing authority to allot unissued shares in the Company, which was granted (i) at the Company's last Annual General Meeting held on 26 April 2018 and (ii) at the General Meeting held on 28 December 2018 and which is due to expire at the conclusion of this Annual General Meeting. Accordingly, paragraph a of resolution 15 would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £10,929,724 (representing 1,092,972,466 ordinary shares).

This amount represents approximately one-third of the issued ordinary share capital of the Company as at 4 March 2019, the latest practicable date prior to publication of this Notice of Meeting.

In line with guidance issued by The Investment Association (formerly the Association of British Insurers) (TIA), paragraph b of resolution 15 would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £21,859,449 (representing 2,185,944,932 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph a of resolution 15. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 4 March 2019, the latest practicable date prior to publication of this Notice of Meeting.

The Company does not hold any shares in treasury.

The authorities sought under paragraphs a and b of resolution 15 will expire at the earlier of 24 July 2020 and the conclusion of the Annual General Meeting of the Company to be held in 2020.

The Directors have no present intention to exercise either of the authorities sought under this resolution. However, if they do exercise the authorities, the Directors intend to follow TIA recommendations concerning their use (including as regards the Directors standing for re-election in certain cases).

Special Resolutions

Special resolutions require at least a 75% majority of votes cast to be cast in favour.

Resolutions 16 and 17: Authority to dis-apply pre-emption rights
Resolutions 16 and 17 will be proposed as special resolutions, each of which requires a 75% majority of the votes to be cast in favour. They would give the Directors the power to allot ordinary shares (or sell any ordinary shares which the Company holds in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

The power set out in resolution 16 would be, similar to previous years, limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares, or as the Board otherwise considers necessary, or (b) otherwise up to an aggregate nominal amount of £1,639,458 (representing 163,945,869 ordinary shares).

This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 4 March 2019, the latest practicable date prior to publication of this Notice.

In respect of the power under resolution 16(b), the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three year period where the Principles provide that usage in excess of 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders.

Resolution 17 is intended to give the Company flexibility to make non pre-emptive issues of ordinary shares in connection with acquisitions and other capital investments as contemplated by the Pre-emption Group's Statement of Principles. The power under resolution 17 is in addition to that proposed by resolution 16 and would be limited to allotments or sales of up to an aggregate nominal amount of £1,639,458 (representing 163,945,869 ordinary shares) in addition to the power set out in resolution 16. This aggregate nominal amount represents an additional 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 4 March 2019, the latest practicable date prior to publication of this Notice.

The powers under resolutions 16 and 17 will expire at the earlier of 24 July 2020 and the conclusion of the next Annual General Meeting of the Company.

Resolution 18: Authority to make market purchases of shares

Any purchases under this authority would be made in one or more tranches and would be limited in aggregate to 10% of the ordinary shares of the Company in issue at the close of business on 4 March 2019.

The minimum price (exclusive of expenses) which may be paid for an ordinary share is 1 pence per ordinary share. The maximum price to be paid on any exercise of the authority would not exceed the highest of (i) 105% of the average of the middle market quotations for the Company's ordinary shares for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out. Shares purchased pursuant to these authorities could be held as treasury shares, which the Company can re-issue quickly and cost-effectively, and provides the Company with additional flexibility in the management of its capital base. The total number of shares held as treasury shall not at any one time exceed 10% of the Company's issued share capital. Accordingly, any shares bought back over the 10% limit will be cancelled. The Company currently holds no shares in treasury.

This is a standard resolution, sought by the majority of public listed companies at Annual General Meetings. The authority was renewed during 2018 by shareholders at a General Meeting of the Company held on 28 December 2018, which was held for the sole purpose of correcting a typographical error in the equivalent resolution passed by shareholders at the 2018 AGM, which meant the authority expired earlier than intended.

The Board's current intention of utilising this authority is generally limited to acquiring shares for the various share scheme arrangements. Although the Board will continue to keep the matter under review, the Board would only consider a more formal share purchase programme if it would result in an increase in earnings per share and was in the best interests of shareholders generally, having regard to all relevant circumstances.

The total number of options and conditional share awards to subscribe for ordinary shares outstanding as at the close of business on 4 March 2019 was 36,743,152, representing approximately 1.1% of the issued ordinary share capital of the Company as at that date and approximately 1.2% of the Company's issued ordinary share capital following any exercise in full of this authority to make market purchases.

This authority will last until the earlier of 24 October 2020 and the conclusion of the Company's next Annual General Meeting.

Special business**Ordinary resolutions****Resolution 19: Approval of the Directors' Remuneration report**

The Remuneration Committee of the Board (the 'Committee') is seeking shareholders' approval of the Directors' Remuneration Report in resolution 19, which will be proposed as an ordinary resolution.

The Directors are required to prepare the Directors' remuneration report, comprising an annual report detailing the remuneration of the Directors and a statement by the Chair of the Remuneration Committee. The Company is required to seek shareholders' approval in respect of the contents of this report on an annual basis (excluding the part containing the Directors' Remuneration Policy, which was approved by shareholders at the Company's 2017 Annual General Meeting when it was proposed for its latest three-yearly vote). The vote on the Directors' remuneration report is an advisory one only.

Resolution 20: Authority to make political donations

In order to comply with its obligations under the Companies Act 2006 and to avoid any inadvertent infringement of that Act, the Board wishes to renew its existing authority for a general level of political donation and/or expenditure. Resolution 20 seeks to renew the existing authority for the Company to make political donations and incur political expenditure. The Companies Act 2006 requires this authority to be divided into three heads (as set out in Resolution 20) with a separate amount specified as permitted for each. An amount not exceeding £250,000 for each head of the authority has been proposed. In accordance with the Companies Act 2006, Resolution 20 extends approval to all of the Company's subsidiaries.

This authority will expire at the conclusion of the next Annual General Meeting of the Company, unless renewal is sought at that meeting.

The Company and the Group do not make any donations to political parties or organisations and do not intend to going forward, but do support certain industry-wide bodies such as the Home Builders Federation in the UK. Whilst the Board does not regard this as political in nature, in certain circumstances such support together with donations made for charitable or similar purposes could possibly be treated as a donation to a political organisation under the relevant provisions of the Companies Act 2006. For example, a donation to a humanitarian charity which may also operate as a political lobby, sponsorship, subscriptions, paid leave to employees fulfilling public duties and payments to industry representative bodies could constitute a donation to a political organisation within the current definitions in the Companies Act 2006.

Details of the Company's and the Group's charitable donations appear on page 122 of the Annual Report and Accounts.

Notes to the notice of Annual General Meeting continued

Resolution 21: Substantial property transaction

Pete Redfern, a Director of the Company, is proposing to purchase, subject to shareholder approval, an apartment at the Palace View development in Central London being undertaken by the Company's wholly-owned subsidiary company Taylor Wimpey UK Limited, for the sum of £2,043,600.

The calculation of the price to be paid by Pete Redfern (excluding VAT or any other taxes) is as follows:

Price at which the property was first available on the market to third party buyers:	£2,480,000
Average discount available to a third party buyer:	£336,400
Price payable by a third party buyer:	£2,143,600
Standard employee discount (5% = £107,180 but capped at £100,000 over a five year period):	£100,000
Price payable by Pete Redfern:	£2,043,600

The purchase price was agreed following a review of the prices already obtained in the open market for similar properties by Internal Audit, less a discount pursuant to the Company's standard employee discount scheme which is open to all eligible employees of 5%. Under the scheme, the amount of discount available to any employee is capped such that the maximum permitted aggregate discount over any five year period is £100,000 and on no more than three properties.

Other than the standard employee discount, the price being paid by Pete Redfern assumes that the transaction is an arm's length sale. The agreements between Taylor Wimpey UK Limited and Pete Redfern will be a standard form sale and purchase agreement used by Taylor Wimpey UK Limited for the Palace View development, save that it will be conditional upon the approval of the Company's shareholders.

The terms of the proposed purchase have been subjected to the usual level of detailed scrutiny and review applied to all employee discount purchases which includes a review by the Company's Internal Audit function.

As the transaction is in excess of £100,000, it constitutes a substantial property transaction with a Director of the Company under Sections 190 and 191 of the Companies Act 2006 and therefore requires the approval of shareholders, which is being sought at this Annual General Meeting.

The Board believes the terms of the proposed agreement will be fair and reasonable and that the price to be paid by Pete Redfern will be the market value of the property (less the standard 5% discount as described above) as at the date of exchange of contracts.

Special resolution

Special resolutions require at least a 75% majority of votes cast to be cast in favour.

Resolution 22: Notice of general meetings

This resolution will be proposed as a special resolution and therefore requires a 75% majority of votes to be cast in favour. The Companies (Shareholders' Rights) Regulations 2009 have increased the notice period required for general meetings of the Company to 21 clear days unless shareholders agree to a shorter notice period, which cannot be less than 14 clear days. At the last Annual General Meeting, a resolution was passed approving the Company's ability to call general meetings (other than Annual General Meetings, which will continue to be held on at least 21 clear days' notice) on not less than 14 clear days' notice. As this approval will expire at the conclusion of this Annual General Meeting, Resolution 22 proposes its renewal. The shorter notice period of 14 clear days would not be used as a matter of routine for any general meeting, but only where the flexibility is merited by the business of a particular meeting and is thought to be to the advantage of shareholders as a whole. The renewed approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Note that in order to be able to call a general meeting on less than 21 clear days' notice, the Company must in respect of that meeting make available electronic voting to all shareholders.

Shareholder facilities

Shareholders' services

Web communications

Shareholders have previously passed a resolution enabling the Company to make documents and information available to shareholders by electronic means and via a website, rather than by sending hard copies. This way of communicating is enabled in accordance with the Companies Act 2006, Rule 6 of the Disclosure and Transparency Rules and the Company's Articles of Association.

Making documents and information available electronically:

- enables the Company to reduce printing and postage costs;
- allows faster access to information and enables shareholders to access documents on the day they are published on the Company's website; and
- reduces the amount of resources consumed, such as paper, and lessens the impact of printing and mailing activities on the environment.

The Company provides hard copy documentation to those shareholders who have requested this and is, of course, happy to provide hard copies to any shareholders upon request.

The Company's website is www.taylorwimpey.co.uk and shareholder documentation made available electronically is generally accessible at www.taylorwimpey.co.uk/corporate/shareholder-information

Electronic communications

The Company also encourages shareholders to elect to receive notification of the availability of Company documentation by means of an email. Shareholders can sign up for this facility by logging onto our website at www.taylorwimpey.co.uk/corporate/shareholder-information/electronic-communications

Online facilities for shareholders

You can access our Annual and Interim Reports and copies of recent shareholder communications online at: www.taylorwimpey.co.uk/corporate/investor-relations/reporting-centre

To register for online access, go to www.taylorwimpey.co.uk/corporate/shareholder-information and click on the service you require. To access some of these services you will first be required to apply online.

Once you have registered for access, you can make online enquiries about your shareholding and advise the Company of changes in personal details.

Dividend Re-Investment Plan

You can choose to invest your cash dividends, including any special dividend, in purchasing Taylor Wimpey shares on the market under the terms of the Dividend Re-Investment Plan ('DRIP'). For further information on the Plan and how to join, contact Link Asset Services.

Shareholders are again reminded to check the position with regard to any dividend mandates that are in place, should you wish to either participate in the DRIP or discontinue or vary any participation, as existing mandates will apply to all dividend payments (including special dividends) unless or until revoked.

CREST

The Company offers shareholders who hold their Taylor Wimpey shares in CREST a facility for the receipt of dividends through the CREST system.

For shares held in uncertificated form (CREST), please note that elections continue to apply only to one dividend and a fresh election must be made, via CREST, for each dividend.

Full details of the terms and conditions of the DRIP and the actions required to make or revoke an election, both in respect of ordinary dividends (i.e. in this case, the 2018 final dividend) and any special dividends, are available at www.signalshares.com or on request from the Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, email: shares@linkgroup.co.uk, tel: +44 (0)371 664 0381. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 am and 5:30 pm Monday to Friday excluding public holidays in England and Wales.

Dividend mandates

We strongly encourage all shareholders to receive their cash dividends by direct transfer to a bank or building society account. This ensures that dividends are credited promptly to shareholders without the cost and inconvenience of having to pay in dividend cheques at a bank. If you wish to use this cost-effective and simple facility, complete and return the dividend mandate form attached to your dividend cheque. Additional mandate forms may be obtained from Link Asset Services.

Duplicate share register accounts

If you are receiving more than one copy of our Annual Report and Accounts, it may be that your shares are registered in two or more accounts on our Register of Members. You might wish to consider merging them into one single entry. Please contact Link Asset Services who will be pleased to carry out your instructions in this regard.

Shareholder facilities continued

Share dealing services

We have arranged both telephone and online share dealing services. Link Share Dealing Services allows you to buy and sell shares in a large number of companies that have Link as their registrar. The services are operated by Link Asset Services. To use the services either visit www.linksharedeal.com or telephone +44 (0)371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8:00 am and 5:30 pm Monday to Friday excluding public holidays in England and Wales. To deal, you will need to provide your surname, postcode, date of birth and investor code (which can be found on your share certificate or any form of proxy you have been sent). Shareholders are not in any way obliged to use this service when dealing in the Company's shares.

Taylor Wimpey and CREST

Taylor Wimpey shares can be held in CREST accounts, which do not require share certificates. This may make it quicker and easier for some shareholders to settle stock market transactions. Shareholders who deal infrequently may, however, prefer to continue to hold their shares in certificated form and this facility will remain available for the time being, pending the likely general introduction of dematerialised shareholdings in due course.

Taylor Wimpey share price

Our share price is printed in many of the UK daily newspapers and is also available on our website at www.taylorwimpey.co.uk/corporate. It appears on BBC Text and other digital television interactive services. It may also be obtained by telephoning the FT Cityline service on telephone +44 (0)9058 171690 and ask for 'Taylor Wimpey' on the voice activated response (calls cost 75p per minute from a BT landline, other networks may vary).

Gifting shares to charity

If you have a small holding of Taylor Wimpey plc shares, you may wish to consider gifting them to charity. You can do so through 'ShareGift', which is administered by a registered charity, Orr Mackintosh Foundation Limited. Shares gifted are re-registered in the name of the charity, combined with other donated shares and then sold through stockbrokers who charge no commission. The proceeds are distributed to a wide range of recognised charities. For further details, please contact Link Asset Services or approach ShareGift directly on www.sharegift.org or telephone them on +44 (0)20 7930 3737.

Unsolicited approaches to shareholders and 'Boiler Room' scams

We receive reports from time to time from Taylor Wimpey shareholders who have each received what appear to be fraudulent approaches from third parties with respect to their shareholding in the Company. In some cases these are 'cold calls' and in others correspondence. They generally purport to be from a firm of solicitors or an investment company and offer, or hold out the prospect of, large gains on Taylor Wimpey shares or other investments you may hold.

The approaches normally include the seeking of an advance payment from the shareholder, the disclosure of the shareholder's bank details or the sale of an unrelated investment. Shareholders are advised to be extremely wary of such approaches and deal with firms authorised by the UK Financial Conduct Authority (FCA). More information is available on our website www.taylorwimpey.co.uk/corporate/shareholder-information/ boiler-room-scams and you can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/consumers or by calling +44 (0)800 111 6768.

Annual General Meeting

11:00 am on 25 April 2019 at:

The British Medical Association, BMA House, Tavistock Square, London, WC1H 9JP.

Latest date for receipt of proxy instructions for the 2019 Annual General Meeting: 11:00 am on 23 April 2019.

Group Legal Director and Company Secretary

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Email: james.jordan@taylorwimpey.com

Registrar

For any enquiries concerning your shareholding or details of shareholder services, please contact:

Link Asset Services
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34 Beckenham Road
Beckenham
Kent
BR3 4TU
Email: enquiries@linkgroup.co.uk
Tel: 0871 664 0300 (UK)
Tel: +44 (0)371 664 0300 (from overseas)

Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00 am and 5:30 pm Monday to Friday, excluding public holidays in England and Wales.

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Deloitte LLP

Solicitors

Slaughter and May

Stockbrokers

J.P. Morgan Cazenove
Jeffries Hoare Govett

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More online

- Ⓜ View our Annual Report and Accounts online:
www.taylorwimpey.co.uk/corporate
- Ⓜ Further information about our sustainability activities and policies can be found within our dedicated Sustainability Report on our website: www.taylorwimpey.co.uk/corporate/sustainability



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