Independent auditor's report to the members of Taylor Wimpey plc

Report on the audit of the financial statements

1. 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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
- the related notes 1 to 33 of the Group financial statements and notes 1 to 15 of the Parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 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).

2. 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 6 to the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – inventory costing and margin recognition; – defined benefit pension scheme accounting; and – accounting for the leasehold provision.
Materiality	The materiality that we used for the Group financial statements was £35.0 million which was determined based on 0.9% of net assets.
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 97% of the Group's net operating assets, 98% of the Group's revenue and 95% of the Group's pre-tax profit.
Significant changes in our approach	Our approach to materiality was changed in the current year, due to the impact of the COVID-19 pandemic on profit before tax ('PBT') and an increased user focus on the resilience of company balance sheets. There has been no change in the key audit matters reported in the current year and the scope remains consistent with the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- understanding the relevant controls relating to the assessment of the appropriateness of the going concern assumptions;
- analysing the current and forecast performance of the Group including working capital requirements, by assessing Management's assumptions against market data and the Group's Q1 2021 performance;
- assessing the financing options that are available to the Group;
- recalculating current loan covenants in order to assess compliance over the going concern period;
- assessing the wider macro-economic environment over the going concern period, with respect to COVID-19, Brexit and Climate Change, and whether this has been appropriately reflected in the forecast;
- using various external data sources to identify indicators of potential risk at the entity and industry level; and
- assessing the appropriateness of the going concern disclosure.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Inventory costing and margin recognition

Refer to page 97 (Audit Committee report), page 140 (source of estimation uncertainty) and page 149 (financial statement disclosures)

Key audit matter description	The value of inventory as at 31 December 2020 is £4,534.7 million (2019: £4,196.0 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 plot completes. The Group's cost allocation framework determines the total profit forecasted for each site. This allows the land and build costs of a development to be allocated at a plot level, ensuring the forecast margin per plot is equalised across the development. The margins at a plot level aggregate to form the overall site margin which is a key internal metric. This cost allocation framework drives the recognition of costs as each plot is sold. Additionally, in the current year there is a risk that WIP could include unproductive costs associated with COVID-19 that have been inappropriately capitalised. For each development there is significant judgement and a potential risk of fraud in the following areas: – Estimating the inputs included within a site budget in order to determine the level of profit that each unit of the development is forecast to deliver. These inputs include the total estimated costs to complete and future forecast selling prices; – Appropriately allocating costs, such as shared infrastructure, relating to a development so that the gross profit margin (in % terms) achieved on each individual plot is equal; – Recording the variation when a deviation from the initial budget occurs and ensuring such variations are appropriately recognised; and – Allocating costs correctly in each cost centre so that where actuals are over or under budget (excesses and savings respectively) they are identified within the appropriate category. These judgements impact the carrying value of inventory in the balance sheet and therefore the costs recognised for each plot sold and the total margin that is recognised. These are therefore considered to be a key audit matter.
How the scope of our audit responded to the key audit matter	We have tested the relevant controls governing inventory costing including the initial process to create a site budget and the ongoing monitoring process of assessing the actual site margin against the budget. 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 made inquiries of Management and obtained evidence supporting the variance. For a sample of sites tested, we have reviewed the total excesses and savings balance identified for each tested site, and through recalculation of the expected income statement impact (based on the number of completions in the year), we have determined whether 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 including a specific focus on the period where the sites were shut due to COVID-19. We also tested the valuation of additions to WIP by agreeing a sample to supporting invoices. In completing this procedure we also checked whether all costs could be appropriately capitalised and were not linked to unproductive COVID-19 costs; – we have analysed the cumulative cost over time for a sample of live sites to identify any unusual trends in the costs allocated at a site. Where such a trend was identified we made inquiries of Management and obtained evidence with regards to the trend; and – we have performed a historical analysis of excess recognition across the business units to identify any unusual trends, with any outliers included within our testing procedures described above. We have analysed the 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 had not been recorded by obtaining evidence to support claims made. With the involvement of Deloitte real estate specialists, we assessed costs to complete estimates on a sample of sites, and whether the estimates used by Management were reasonable.
Key observations	Based on the procedures performed, we concluded that the Group's cost allocation framework was reasonable for the intended purpose of recognising appropriate margins on plot completion. We concluded that the additions to WIP were appropriate and unproductive costs were not capitalised whilst the Group's construction activity was suspended due to COVID-19. 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

5.2. Defined benefit pension scheme accounting

Refer to page 97 (Audit Committee report), page 140 (key source of estimation uncertainty) and pages 154-157 (financial statement disclosures)

Key audit matter description	The total value of the defined benefit pension scheme at the balance sheet date is a net deficit of £89.1 million (2019: £84.5 million). The liabilities and assets are valued at £2,493.4 million and £2,404.3 million respectively (2019: £2,366.7 million and £2,282.2 million). Accounting for defined benefit pension scheme 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. These accounting assumptions are inherently complex and require a high level of Management judgement and specialist actuarial input.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls associated with Management's review of the pension assumptions. 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 involved our internal actuarial specialists to assess the appropriateness of the methodology and assumptions used to account for the defined benefit scheme liability. We challenged Management's estimates by comparing key data with market benchmarks used to derive the pension assumptions. We considered whether each of the key assumptions was reasonable in isolation and collectively in determining the value of the pension liabilities at the balance sheet date.
Key observations	We have determined that the assumptions used by Management to determine the valuation of the defined benefit pension scheme fall within an acceptable range. We concur with Management that the sensitivity of the liability to changes in key assumptions is appropriately disclosed as a key source of estimation uncertainty.

5.3. Accounting for the leasehold provision

Refer to page 97 (Audit Committee report), page 140 (source of estimation uncertainty) and page 158 (financial statement disclosures)

Key audit matter description	During the year, £12.6 million (2019: £29.9 million) of the leasehold provision was utilised and the amount of the leasehold provision held as at 31 December 2020 was £59.6 million (31 December 2019: £72.2 million). There have been no further additions or releases. Accounting for these provisions is complex and involves Management making a number of forward-looking estimates. The judgements related to this key audit matter lie in estimating the number and value of 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 is a risk that the number of claimants or the value of the costs provided are inaccurately estimated or valued.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of the relevant controls associated with the review of the calculation of the provision. We have obtained Management's current 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 had correspondence 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 estimated 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 a sample of agreements and recalculated the specific amounts that have been provided for. Where these negotiations have not been completed we have assessed the value that was provided for these freeholder payments. We have assessed the additional costs the Group is required to pay in order to remediate certain historical lease structures.
Key observations	Based on the procedures performed, considering the judgements as a whole and the potential range of outcomes, we consider that the value provided by Management is appropriate.

6. Our application of materiality

6.1. 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 financial statements	Parent Company financial statements
Materiality	£35.0 million (2019: £41.0 million)	£33.2 million (2019: £38.6 million)
Basis for determining materiality	The Group materiality was determined based on net assets of £4,016.8 million (2019: £3,307.8 million), and equates to 0.9% of this amount. In the prior year, materiality was determined by utilising 5% of pre-tax profit, before exceptional items.	0.9% (2019: 1%) of net assets of £4,418.9 million (2019: £3,862.4 million), capped at 95% of Group materiality.
Rationale for the benchmark applied	Using net assets to determine materiality is a change from the prior year to reflect the volatility in the results of the Group arising from the impact of COVID-19 and the additional focus of users of the financial statements on the balance sheet during periods of increased economic uncertainty.	

6.2. Performance materiality

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 2020 audit (2019: 70%). Parent Company performance materiality was set at 70% of Parent Company materiality for the 2020 audit (2019: 70%).

In determining performance materiality, we considered the following factors:

- 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.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.75 million (2019: £2.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

Our 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 audit scope primarily on the UK division (excluding joint ventures) which represents the principal segment within the Group and accounts for 97% (2019: 97%) of the Group's net operating assets, 98% (2019: 97%) of the Group's revenue and 95% (2019: 96%) of the Group's pre-tax profit. Our audit work on the principal segment was executed at a lower level of materiality of £33.2 million (2019: £39.0 million).

We also involved Deloitte Spain to perform an audit of specified account balances over the valuation of inventory and specified audit procedures on management override of controls. We directed their work by issuing referral instructions and monitored work by holding regular discussions with Deloitte Spain and reviewing their working papers.

The UK audit was performed centrally and includes all of the regional business units within the Group's UK division. The Parent Company is located in the UK and audited directly by the Group audit team to the materiality level specified above.

At the Group level we also tested the consolidation process and carried out analytical procedures to reconfirm our conclusion that there were no significant risks of material misstatement to the Group from the remaining components not subject to audit or audit of specified account balances, including those balances not tested by Deloitte Spain.

7.2 Our consideration of the control environment

Across the UK, all business units operate under a common control environment, with a centrally designed and monitored controls operating framework and utilise the same IT infrastructure. We assessed that the common controls environment is appropriately designed and implemented across all business units. We then tested controls at eight (2019: four) business units.

We considered the relevant controls related to certain business processes. These processes were cost allocation, inventory and work in progress expenditure, budgeting, land creditor valuation and the private sales revenue process. We also performed testing of the relevant general IT controls associated with the production of certain system generated data from the key accounting, reporting and consolidation systems. This was to assess whether we could adopt a controls reliance approach which would impact the extent of substantive audit testing that was required. We selected a sample of relevant controls for testing based on the frequency of each control. Based on the procedures performed, we were able to take a controls reliance approach on the IT systems and in the business processes that we planned.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of the audit, or otherwise appears to be materially misstated.

Independent auditor's report continued

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

9. 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.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 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, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of Management, Internal Audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, including any related to the CMA investigation as disclosed within the Strategic report on page 31;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, actuarial, IT and real estate specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in inventory costing and margin recognition and revenue recognised on a percentage completion basis. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. 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 and Company's ability to operate or to avoid a material penalty. These included building regulations, employment law and environmental regulations.

11.2 Audit response to risks identified

As a result of performing the above, we identified inventory costing and margin recognition as a key audit matter related to the potential risk of fraud. 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 provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- 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, reviewing correspondence from the CMA and reviewing internal audit reports;
- in addressing the fraud risk in revenue recognised on a percentage of completion basis, which is primarily within the partnership housing revenue stream, we have tested a sample of revenue recorded in the year through agreement to the contract, valuation certificates and bank statements. Additionally, at an analytical review level, we developed an expectation of the revenue balance with reference to the unit completion figures; 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

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and 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.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 97;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 97;
- the directors' statement on fair, balanced and understandable set out on page 97;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 93;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 93; and
- the section describing the work of the audit committee set out on page 92.

14. Matters on which we are required to report by exception

14.1. 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.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were reappointed by the shareholders on 23 April 2020 to audit the financial statements for the year ending 31 December 2020. Following the merger of Taylor Woodrow and George Wimpey in 2007, we were appointed as auditor of the merged Group for subsequent financial periods. The period of total uninterrupted engagement of the merged Group is 14 years from the year ended 31 December 2007 to 31 December 2020. Prior to that we were the auditor of Taylor Woodrow.

This year is our final year of association with the Group due to mandatory rotation rules.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. 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.

Dean Cook

Dean Cook MA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

1 March 2021

Consolidated income statement

for the year to 31 December 2020

£ million	Note	Before exceptional items 2020	Exceptional items 2020	Total 2020	Before exceptional items 2019	Exceptional items 2019	Total 2019
Continuing operations							
Revenue	4	**2,790.2**	**–**	**2,790.2**	4,341.3	–	4,341.3
Cost of sales		**(2,293.5)**	**–**	**(2,293.5)**	(3,297.2)	–	(3,297.2)
Gross profit before positive contribution		**492.1**	**–**	**492.1**	1,034.0	–	1,034.0
Positive contribution from written down inventory		**4.6**	**–**	**4.6**	10.1	–	10.1
Gross profit		**496.7**	**–**	**496.7**	1,044.1	–	1,044.1
Net operating expenses	6	**(204.3)**	**(10.0)**	**(214.3)**	(201.6)	14.3	(187.3)
Profit on ordinary activities before finance costs		**292.4**	**(10.0)**	**282.4**	842.5	14.3	856.8
Finance income	8	**3.5**	**–**	**3.5**	2.9	–	2.9
Finance costs	8	**(29.4)**	**–**	**(29.4)**	(31.8)	–	(31.8)
Share of results of joint ventures	13	**7.9**	**–**	**7.9**	8.0	–	8.0
Profit before taxation		**274.4**	**(10.0)**	**264.4**	821.6	14.3	835.9
Taxation charge	9	**(49.1)**	**1.7**	**(47.4)**	(159.3)	(2.7)	(162.0)
Profit for the year		**225.3**	**(8.3)**	**217.0**	662.3	11.6	673.9

	Note	2020	2019
Basic earnings per share	10	**6.3p**	20.6p
Diluted earnings per share	10	**6.2p**	20.6p
Adjusted basic earnings per share	10	**6.5p**	20.3p
Adjusted diluted earnings per share	10	**6.5p**	20.2p

All of the profit for the year is attributable to the equity holders of the Parent Company.

Consolidated statement of comprehensive income

for the year to 31 December 2020

£ million	Note	2020	2019
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	25	**5.2**	(5.5)
Movement in fair value of hedging instruments	25	**(4.2)**	4.1
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension schemes	21	**(36.6)**	(8.9)
Tax credit on items taken directly to other comprehensive income	14	**8.6**	1.7
Other comprehensive expense for the year net of tax		**(27.0)**	(8.6)
Profit for the year		**217.0**	673.9
Total comprehensive income for the year		**190.0**	665.3

All of the comprehensive income for the year is attributable to the equity holders of the Parent Company.

Consolidated balance sheet

at 31 December 2020

£ million	Note	2020	2019
Non-current assets			
Intangible assets	11	**8.1**	7.0
Property, plant and equipment	12	**24.0**	25.6
Right-of-use assets	19	**27.5**	27.4
Interests in joint ventures	13	**82.2**	55.3
Trade and other receivables	16	**26.3**	43.7
Deferred tax assets	14	**33.7**	29.8
		201.8	188.8
Current assets			
Inventories	15	**4,534.7**	4,196.0
Trade and other receivables	16	**189.1**	161.0
Cash and cash equivalents	16	**823.0**	630.4
		5,546.8	4,987.4
Total assets		**5,748.6**	5,176.2
Current liabilities			
Trade and other payables	18	**(919.3)**	(974.8)
Lease liabilities	19	**(6.4)**	(7.6)
Bank and other loans	17	**(13.5)**	–
Tax payables		**(1.1)**	(67.9)
Provisions	22	**(70.6)**	(72.7)
		(1,010.9)	(1,123.0)
Net current assets		**4,535.9**	3,864.4
Non-current liabilities			
Trade and other payables	18	**(459.8)**	(499.7)
Lease liabilities	19	**(21.6)**	(20.3)
Bank and other loans	17	**(90.1)**	(84.7)
Retirement benefit obligations	21	**(89.5)**	(85.0)
Provisions	22	**(59.9)**	(55.7)
		(720.9)	(745.4)
Total liabilities		**(1,731.8)**	(1,868.4)
Net assets		**4,016.8**	3,307.8
Equity			
Share capital	23	**292.2**	288.6
Share premium	24	**773.1**	762.9
Own shares	26	**(11.5)**	(17.6)
Other reserves	25	**543.7**	43.6
Retained earnings		**2,419.3**	2,230.3
Total equity		**4,016.8**	3,307.8

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 1 March 2021. 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 2020

£ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Total equity at 1 January 2019	288.5	762.9	(22.7)	45.0	2,153.1	3,226.8
Other comprehensive expense for the year net of tax	–	–	–	(1.4)	(7.2)	(8.6)
Profit for the year	–	–	–	–	673.9	673.9
Total comprehensive (expense)/income for the year	–	–	–	(1.4)	666.7	665.3
New share capital subscribed	0.1	–	–	–	–	0.1
Utilisation of own shares	–	–	5.1	–	–	5.1
Cash cost of satisfying share options	–	–	–	–	0.3	0.3
Share-based payment credit	–	–	–	–	8.0	8.0
Tax credit on items taken directly to statement of changes in equity	–	–	–	–	1.9	1.9
Dividends approved and paid	–	–	–	–	(599.7)	(599.7)
Total equity at 31 December 2019	288.6	762.9	(17.6)	43.6	2,230.3	3,307.8
Other comprehensive income/(expense) for the year net of tax	**–**	**–**	**–**	**1.0**	**(28.0)**	**(27.0)**
Profit for the year	**–**	**–**	**–**	**–**	**217.0**	**217.0**
Total comprehensive income for the year	**–**	**–**	**–**	**1.0**	**189.0**	**190.0**
New share capital subscribed	**3.6**	**10.2**	**–**	**499.1**	**–**	**512.9**
Utilisation of own shares	**–**	**–**	**6.1**	**–**	**–**	**6.1**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**(8.0)**	**(8.0)**
Share-based payment credit	**–**	**–**	**–**	**–**	**7.0**	**7.0**
Tax credit on items taken directly to statement of changes in equity	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Total equity at 31 December 2020	**292.2**	**773.1**	**(11.5)**	**543.7**	**2,419.3**	**4,016.8**

Consolidated cash flow statement

for the year to 31 December 2020

£ million	Note	2020	2019
Profit on ordinary activities before finance costs		**282.4**	856.8
Adjustments for:			
Depreciation and amortisation		**16.4**	13.5
Pension contributions in excess of charge to the income statement		**(33.4)**	(60.6)
Share-based payment charge		**7.0**	8.0
Increase/(decrease) in provisions excluding exceptional payments		**19.6**	(6.2)
Operating cash flows before movements in working capital		**292.0**	811.5
Increase in inventories		**(362.2)**	(21.7)
Increase in receivables		**(19.5)**	(12.7)
Decrease in payables		**(75.3)**	(74.9)
Cash (used in)/generated by operations		**(165.0)**	702.2
Payments related to exceptional charges		**(17.7)**	(36.8)
Income taxes paid		**(107.7)**	(149.0)
Interest paid		**(10.8)**	(6.4)
Net cash (used in)/from operating activities		**(301.2)**	510.0
Investing activities			
Interest received	8	**3.1**	2.9
Dividends received from joint ventures		**0.8**	7.4
Purchase of property, plant and equipment	12	**(3.1)**	(7.2)
Purchase of software	11	**(4.9)**	(5.4)
Amounts invested in joint ventures		**(19.8)**	(6.3)
Net cash used in investing activities		**(23.9)**	(8.6)
Financing activities			
Lease capital repayments		**(8.0)**	(8.4)
Proceeds from the issue of own shares		**510.1**	0.1
Cash received on exercise of share options		**0.8**	5.4
Proceeds from borrowings		**13.5**	–
Dividends paid		**–**	(599.7)
Net cash generated by/(used in) financing activities		**516.4**	(602.6)
Net increase/(decrease) in cash and cash equivalents		**191.3**	(101.2)
Cash and cash equivalents at beginning of year		**630.4**	734.2
Effect of foreign exchange rate changes		**1.3**	(2.6)
Cash and cash equivalents at end of year	27	**823.0**	630.4

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 in the year, which are relevant to its operations, none of which had a material impact on the financial statements.

- IFRS 3 'Business Combinations' (amendments) – definition of a business
- Amendments to References to the Conceptual Framework in IFRS Standards
- IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (amendments) – definition of material
- IFRS 9, IAS 39 and IFRS 7 (amendments) – interest rate benchmark reform

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:

- IFRS 3 'Business Combinations' (amendments) – references to the Conceptual Framework
- IAS 16 'Property, Plant and Equipment' (amendments) – proceeds before intended use
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (amendments) – cost of fulfilling a contract
- Annual improvement in IFRS Standards 2018-2020
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) – interest rate benchmark reform – phase 2
- IAS 1 'Presentation of Financial Statements' (amendments) – classification of liabilities as current or non-current

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.

Going concern

During the year the Group took a number of mitigating actions, in response to the COVID-19 pandemic, to tightly manage working capital and liquidity, including pausing discretionary land spend and cancelling the 2019 final dividend and 2020 special dividend. The prudent step of fully drawing down the previously unutilised £550 million revolving credit facility was also taken, which was subsequently fully repaid in the year.

In June 2020 the Group also completed a placing of shares that raised £510.1 million, net of fees, that was undertaken to allow the Group to pursue additional near term land acquisition opportunities.

Group forecasts have been prepared that reflect both the actual experienced impact of the pandemic and estimates of future impact based on the current Group operational plan. The forecasts were subject to a range of sensitisation including severe but plausible scenarios together with the likely effectiveness of mitigating actions.

The assessment considered sensitivity analysis on a number of realistically possible, but severe and prolonged, changes to principal assumptions through to the end of December 2025, in line with the viability assessment performed. In determining these, the Group included macro-economic and industry wide projections, taking into account the possible impact of Brexit as well as matters specific to the Group. To arrive at the sensitisation tests, the Group has drawn on experience gained managing the business through previous economic downturns and stress tested the business against a number of scenarios including:

- Volume – a decline in total volumes of 30% from pre-COVID-19 levels, followed by a gradual recovery
- Price – reduction to current selling prices by 10%

In addition, the Group considered what additional reductions to volumes or sales prices would be required, before any further mitigating actions were taken, to cause a potential breach in the Group's financial covenants. Having performed the analysis, the Directors consider the likelihood of such scenarios to be remote and that mitigating actions would be available should they be required. The mitigating actions considered included a reduction in land investment, a reduction in the level of production and work in progress held and optimising the overhead base to ensure it aligned with the scale of the operations through the cycle.

The Group's liquidity (defined as cash and undrawn committed facilities) was £1,373 million at 31 December 2020. The undrawn facilities and the majority of the drawn facilities have maturities more than one year after the current balance sheet date with €100 million due in June 2023, €15 million due in December 2021 and £550 million maturing in February 2025. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis.

Based on these forecasts, it is considered that there are sufficient resources available for the Group to conduct its business for at least the next 12 months. As such 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Notes to the consolidated financial statements continued

1. Significant accounting policies continued

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 the United Kingdom and Spain. The United Kingdom is split into five geographical operating segments, each managed by a Divisional Chair who sits on the Group Management Team. In addition, there are central operations covering the corporate functions and Strategic Land.

The Group aggregates the UK operations into a single reporting segment on the basis that they share similar economic characteristics. In addition each division builds and delivers residential homes, uses consistent methods of construction, sells homes to both private customers and local housing associations, follows a single UK sales process, is subject to the same macro-economic factors including mortgage availability and has the same cost of capital arising from the utilisation of central banking and debt facilities The segmental disclosure has been updated in the year, see Note 5 for further details.

As a result, the Group has the following reporting segments:

- United Kingdom
- Spain

Revenue

Revenue is recognised when the performance obligation associated with the sale is completed. The transaction price 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) Housing 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 and the performance obligation associated with the sale is completed.

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) Long term contracts

Revenue arising on contracts which give the customer control over properties as they are constructed, and for which the Group has a right to payments for work performed, is recognised over time. Revenue and costs are recognised over time with reference to the stage of completion of the contract activity at the balance sheet date where the outcome of a long term contract can be estimated reliably. 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. When land is transferred at the start of a long term contract, revenue is not recognised until control has been transferred to the customer which includes legal title being passed to them.

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. The costs associated with fulfilling a contract 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.

(c) 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.

(d) Cash incentives

The transaction price may include cash incentives. These are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

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 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.

1. Significant accounting policies continued

Finance income

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.

Finance costs

Borrowing costs are recognised on an accruals basis and are payable on the Group's borrowings and lease liabilities. Also included are 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.

The Group uses foreign currency borrowings to hedge its net investment exposure to certain overseas subsidiaries.

Leases

The Group as a lessee

The Group assesses at inception whether a 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.

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.

Intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. 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

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. 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 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.

Notes to the consolidated financial statements continued

1. Significant accounting policies continued

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 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 and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the income statement.

Where an impairment loss subsequently reverses, due to a change in circumstances or in the estimates used to determine the asset's recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so long as it does not exceed the original carrying value prior to the impairment being recognised. A reversal of an impairment loss is recognised as income immediately in the income statement.

Financial instruments

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 at fair value through profit or loss (FVTPL)
– Measured 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.

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. 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.

Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently classified into one of the following measurement categories:

– Measured at amortised cost
– Measured 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. When the acquisition of land has deferred payment terms a land creditor is recognised. Payables are discounted to present value when repayment is due more than one year after initial recognition or the impact is material.

Customer deposits

Customer deposits, measured at amortised cost, are recorded as a liability 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 if the hedged item is sold or no longer qualifies for hedge accounting at which point any cumulative gain or loss on the hedging instrument accumulated in other comprehensive income is transferred to the income statement for the period.

1. Significant accounting policies continued

Provisions

Provisions are recognised when the Group has a present legal or constructive 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 and 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 at 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. 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 taxable profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have 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 vest after adjusting for the effect of non-market vesting conditions.

Employee benefits

For 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 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.

Notes to the consolidated financial statements continued

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

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 assumptions, including discount rate, future rates of inflation, growth, yields, returns on investments and mortality rates. As actual changes in these values 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 2020, 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. The value of the assumptions applied by management directly impacts the final provision recognised. These outcomes are not known with certainty as at 31 December 2020 but represent management's best estimate. It is not anticipated that any reasonable changes would lead to a material adjustment in the value of the provision held. See Note 22 for further details on the provision.

Aluminium Composite Materials (ACM) provision

This provision was established to provide for the cost of replacing ACM cladding on a small number of legacy developments. The Group has estimated the cost of replacement based on engagement with contractors and, where applicable, the management companies of the affected developments. Determining the total cost of replacing cladding across a number of different buildings contains inherent estimation uncertainty, it is not anticipated that any reasonable changes would lead to a material adjustment in the value of the provision for these developments. See Note 22 for further details on the provision. The scope of works may also be impacted by future government guidance or regulations (see Note 33 for details of a post balance sheet event).

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.

3. General information

Taylor Wimpey plc is a company incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's registered office is Taylor Wimpey plc, Gate House, Turnpike Road, High Wycombe, HP12 3NR. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 59.

These financial statements are presented in pounds Sterling as the currency of the primary economic environment in which the Group operates.

4. Revenue

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

£ million	2020	2019
Private sales	**2,507.9**	3,798.3
Partnership housing	**269.3**	490.6
Land & other	**13.0**	52.4
	2,790.2	4,341.3

Other revenue includes income from the sale of commercial properties developed as part of larger residential developments. The Group's revenue includes 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 once control of the property is transferred to the customer.

£ million	2020	2019
Recognised at a point in time	**2,573.7**	4,013.7
Recognised over time	**216.5**	327.6
	2,790.2	4,341.3

At 31 December 2020, the aggregate amount of the transaction price allocated to unsatisfied performance obligations on construction contracts was £572.3 million (2019: £692.7 million), of which approximately 46% is expected to be recognised as revenue during 2021.

5. Operating segments

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

The United Kingdom is split into five geographical operating segments, each managed by a Divisional Chair who sits on the Group Management Team; there are also central operations covering the corporate functions and Strategic Land. As part of a 2020 review of operating efficiencies the Group split its three UK divisions into five and as a result re-assessed its reporting segments in accordance with IFRS 8. It was determined that all the UK operating segments share similar economic characteristics. In making this assessment the Group has considered the key metrics that are used to monitor the performance of the segments; these have been considered over a long term period and have included historic and forecast results. The metrics focus on profitability, return on capital and other asset related measures. In addition each division builds and delivers residential homes, uses consistent methods of construction, sells homes to both private customers and local housing associations, follows a single UK sales process, is subject to the same macro-economic factors including mortgage availability and has the same cost of capital arising from the utilisation of central banking and debt facilities. As a result, the disclosure for the current year has been updated to reflect the two reportable segments of the UK and Spain (2019: five reportable segments) and the comparative period has been shown on the same basis.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1.

Segment information about these businesses is presented below:

	2020			2019		
£ million	UK	Spain	Total	UK	Spain	Total
Revenue						
External sales	**2,726.9**	**63.3**	**2,790.2**	4,220.9	120.4	4,341.3
Result						
Profit before joint ventures, finance costs and exceptional items	**276.6**	**15.8**	**292.4**	810.4	32.1	842.5
Share of results of joint ventures	**7.9**	**–**	**7.9**	8.0	–	8.0
Operating profit (Note 32)	**284.5**	**15.8**	**300.3**	818.4	32.1	850.5
Exceptional items (Note 6)	**(10.0)**	**–**	**(10.0)**	14.3	–	14.3
Profit before finance costs	**274.5**	**15.8**	**290.3**	832.7	32.1	864.8
Net finance costs			**(25.9)**			(28.9)
Profit before taxation			**264.4**			835.9
Taxation charge			**(47.4)**			(162.0)
Profit for the year			**217.0**			673.9

Notes to the consolidated financial statements continued

5. Operating segments continued

£ million	2020 UK	2020 Spain	2020 Total	2019 UK	2019 Spain	2019 Total
Assets and liabilities						
Segment operating assets	4,635.1	174.6	4,809.7	4,299.0	161.7	4,460.7
Joint ventures	82.2	–	82.2	55.3	–	55.3
Segment operating liabilities	(1,564.0)	(63.1)	(1,627.1)	(1,632.2)	(83.6)	(1,715.8)
Net operating assets	3,153.3	111.5	3,264.8	2,722.1	78.1	2,800.2
Net current taxation			(1.1)			(67.9)
Net deferred taxation (Note 14)			33.7			29.8
Net cash (Note 27)			719.4			545.7
Net assets			4,016.8			3,307.8

£ million	2020 UK	2020 Spain	2020 Total	2019 UK	2019 Spain	2019 Total
Other information						
Property, plant and equipment additions	2.8	0.3	3.1	7.2	–	7.2
Right-of-use asset additions	9.1	0.2	9.3	9.1	0.4	9.5
Software additions	4.9	–	4.9	5.4	–	5.4
Property, plant and equipment depreciation	(4.6)	(0.1)	(4.7)	(3.1)	(0.1)	(3.2)
Right-of-use asset depreciation	(7.6)	(0.3)	(7.9)	(8.4)	(0.3)	(8.7)
Amortisation of intangible assets	(3.8)	–	(3.8)	(1.6)	–	(1.6)

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

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

£ million	2020	2019
Administration expenses	206.8	211.7
Other expenses	7.2	4.3
Other income	(9.7)	(14.4)
Exceptional items	10.0	(14.3)

Other income and expenses include 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. In April 2020 the Group took the decision to utilise the Government's Coronavirus Job Retention Scheme. As of June 2020, all employees had returned from furlough and in July 2020 the Group returned the funds to the Government.

Exceptional items: £ million	2020	2019
Provision in relation to Aluminium Composite Materials cladding	10.0	–
Net Pension Increase Exchange credit	–	(14.3)
Exceptional items	10.0	(14.3)

Aluminium Composite Materials (ACM) cladding

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 our 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. In 2020 the provision was increased by £10 million to reflect the latest cost estimates of the work to be performed.

Pension Increase Exchange (PIE)

During 2019, the Group initiated a Pension Increase Exchange exercise which enables pension scheme members to elect to exchange future pension increases on part of their pensions for a one-off increase in pension. The PIE exercise consisted of two stages – the option to select the exchange at retirement for members who have not yet retired and a bulk exercise for members already drawing a pension. The credit arising from the implementation of the PIE was considered a past service credit and recognised through the income statement in accordance with IAS 19.

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:

£ million	2020	2019
Cost of inventories recognised as an expense in cost of sales	2,094.2	3,203.6
Property, plant and equipment depreciation (Note 12)	4.7	3.2
Right-of-use asset depreciation (Note 19)	7.9	8.7
Amortisation of intangible assets (Note 11)	3.8	1.6

During the year the Group identified and expensed £62.7 million of costs relating to the COVID-19 pandemic, with £60.3 million charged to gross profit and £2.4 million to administrative costs. These costs include unproductive site overhead costs incurred during the controlled closure and lockdown period which would ordinarily be capitalised to WIP and expensed as plots legally complete of £29.9 million; additional costs incurred by the business due to extended site durations resulting from the reduced productivity levels as the Group implemented its operational processes under the COVID-secure guidelines totalling £17.4 million; and incremental costs incurred by the business in responding to COVID-19, including to meet its health and safety requirements and complying with Government guidelines, of £15.4 million.

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

£ million	2020	2019
Fees payable for the audit of the Company's annual accounts and consolidated financial statements	0.2	0.2
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	0.5
Other assurance services	0.2	0.1
Total non-audit fees	0.2	0.1
Total fees	0.7	0.6

Non-audit services in 2020 and 2019 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. In both 2020 and 2019 the fees relating to other assurance services predominantly related to the review of the interim statements. 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 2020, non-audit fees also include £50,000 (2019: £1,000) of other services related to enhanced assurance.

7. Staff costs

Number	2020	2019
Average number employed		
United Kingdom	5,948	5,796
Spain	81	87
	6,029	5,883

£ million	2020	2019
Remuneration		
Wages and salaries	264.9	275.9
Redundancy costs	5.5	0.9
Social security costs	28.7	29.8
Other pension costs	15.2	14.5
	314.3	321.1

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 98 to 120 in the Directors' Remuneration Report.

Notes to the consolidated financial statements continued

8. Finance costs and finance income

£ million	2020	2019
Interest receivable	3.1	2.9
Foreign exchange gain	0.4	–
	3.5	2.9

£ million	2020	2019
Interest on bank and other loans	8.3	5.5
Foreign exchange loss	–	1.1
	8.3	6.6
Unwinding of discount on land creditors and other items	19.3	21.5
Interest on lease liabilities (Note 19)	0.4	0.5
Net interest on pension liability (Note 21)	1.4	3.2
	29.4	31.8

9. Taxation

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

£ million		2020	2019
Current tax:			
UK:	Current year	(38.5)	(138.1)
	Adjustment in respect of prior years	(0.6)	(5.2)
Overseas:	Current year	(2.2)	(5.2)
	Adjustment in respect of prior years	–	(0.6)
		(41.3)	(149.1)
Deferred tax:			
UK:	Current year	(5.5)	(10.8)
	Adjustment in respect of prior years	(0.2)	0.5
Overseas:	Current year	(0.4)	(1.8)
	Adjustment in respect of prior years	–	(0.8)
		(6.1)	(12.9)
		(47.4)	(162.0)

Corporation tax is calculated at 19.0% (2019: 19.0%) 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 17.9% (2019: 19.4%). The tax charge for the year includes an exceptional credit of £1.7 million relating to the ACM provision. The tax charge for the prior year includes an exceptional charge of £2.7 million relating to the Pension Increase Exchange exercise. The charge for the year can be reconciled to the profit per the income statement as follows:

£ million	2020	2019
Profit before tax	264.4	835.9
Tax at the UK corporation tax rate of 19.0% (2019: 19.0%)	(50.2)	(158.8)
Net under provision in respect of prior years	(0.9)	(6.1)
Net impact of items that are not taxable or deductible	2.8	3.4
Recognition of deferred tax asset relating to Spanish business	1.1	1.5
Other rate impacting adjustments	(0.2)	(2.0)
Tax charge for the year	(47.4)	(162.0)

10. Earnings per share

	2020	2019
Basic earnings per share	6.3p	20.6p
Diluted earnings per share	6.2p	20.6p
Adjusted basic earnings per share	6.5p	20.3p
Adjusted diluted earnings per share	6.5p	20.2p
Weighted average number of shares for basic earnings per share – million	3,471.2	3,268.2
Weighted average number of shares for diluted earnings per share – million	3,473.6	3,276.2

Adjusted basic and adjusted diluted earnings per share, which exclude the impact of exceptional items and any associated net tax amounts, 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	2020	2019
Earnings for basic and diluted earnings per share	217.0	673.9
Adjust for exceptional items (Note 6)	10.0	(14.3)
Adjust for tax on exceptional items	(1.7)	2.7
Earnings for adjusted basic and adjusted diluted earnings per share	225.3	662.3

Million	2020	2019
Weighted average number of shares for basic earnings per share	3,471.2	3,268.2
Long term incentive share options	1.3	6.3
SAYE options	1.1	1.7
Weighted average number of shares for diluted earnings per share	3,473.6	3,276.2

11. Intangible assets

£ million	Brands	Software	Total
Cost			
At 1 January 2019	140.2	11.8	152.0
Additions	–	5.4	5.4
At 31 December 2019	140.2	17.2	157.4
Additions	–	4.9	4.9
At 31 December 2020	140.2	22.1	162.3
Accumulated amortisation			
At 1 January 2019	(140.2)	(8.6)	(148.8)
Charge for the year	–	(1.6)	(1.6)
At 31 December 2019	(140.2)	(10.2)	(150.4)
Charge for the year	–	(3.8)	(3.8)
At 31 December 2020	(140.2)	(14.0)	(154.2)
Carrying amount			
At 31 December 2020	–	8.1	8.1
At 31 December 2019	–	7.0	7.0

The amortisation of software is recognised within administration expenses in the income statement.

Notes to the consolidated financial statements continued

12. Property, plant and equipment

£ million	Freehold land and buildings	Plant, equipment and leasehold improvements	Total
Cost			
At 1 January 2019	16.2	20.8	37.0
Additions	0.3	6.9	7.2
Disposals	–	(2.7)	(2.7)
Exchange movements	–	(0.1)	(0.1)
At 31 December 2019	16.5	24.9	41.4
Additions	**–**	**3.1**	**3.1**
Disposals	**–**	**–**	**–**
Exchange movements	**–**	**0.1**	**0.1**
At 31 December 2020	**16.5**	**28.1**	**44.6**
Accumulated depreciation			
At 1 January 2019	(2.2)	(13.2)	(15.4)
Charge for the year	(0.5)	(2.7)	(3.2)
Disposals	–	2.7	2.7
Exchange movements	–	0.1	0.1
At 31 December 2019	(2.7)	(13.1)	(15.8)
Charge for the year	**(0.5)**	**(4.2)**	**(4.7)**
Disposals	**–**	**–**	**–**
Exchange movements	**–**	**(0.1)**	**(0.1)**
At 31 December 2020	**(3.2)**	**(17.4)**	**(20.6)**
Carrying amount			
At 31 December 2020	**13.3**	**10.7**	**24.0**
At 31 December 2019	13.8	11.8	25.6

13. Interests in joint ventures

£ million	2020	2019
Aggregated amounts relating to share of all joint ventures:		
Non-current assets	**25.3**	21.9
Current assets	**115.0**	101.0
Total assets	**140.3**	122.9
Current liabilities	**(28.2)**	(22.5)
Non-current liabilities	**(91.8)**	(87.9)
Total liabilities	**(120.0)**	(110.4)
Carrying amount	**24.3**	18.3
Loans to joint ventures	**57.9**	37.0
Total interests in joint ventures	**82.2**	55.3

Loans to joint ventures includes £(4.0) million (2019: £(5.8) million) relating to the Group's share of losses recognised under the equity method in excess of the investment in ordinary shares.

13. Interests in joint ventures continued

£ million	2020	2019
Group share of:		
Revenue	**96.0**	99.9
Cost of sales	**(77.4)**	(85.7)
Gross profit	**18.6**	14.2
Net operating expenses	**(5.3)**	(2.7)
Profit before finance costs	**13.3**	11.5
Net finance costs	**(3.3)**	(1.8)
Profit before taxation	**10.0**	9.7
Taxation	**(2.1)**	(1.7)
Share of joint ventures' post-tax results for the year	**7.9**	8.0

The Group has five material (2019: 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 2020 are as follows:

Joint venture	Country of incorporation	Interest in the issued ordinary share capital*
Greenwich Millennium Village Limited	United Kingdom	50%
Chobham Manor Limited Liability Partnership	United Kingdom	50%
Winstanley and York Road Regeneration LLP	United Kingdom	50%
Whitehill & Bordon Development Company Phase 1a Limited	United Kingdom	50%
Whitehill & Bordon Regeneration Company Limited	United Kingdom	50%

* Interests held by subsidiary undertakings.

Further information on the particulars of joint ventures can be found on page 172.

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 2020	Chobham Manor 2020	Winstanley and York Road Regeneration 2020	Whitehill & Bordon Development Company Phase 1a 2020	Whitehill & Bordon Regeneration Company 2020	Total 2020
Non-current assets	**–**	**–**	**–**	**0.3**	**49.6**	**49.9**
Current assets	**39.0**	**57.0**	**59.8**	**16.0**	**2.1**	**173.9**
Cash and cash equivalents	**19.5**	**12.2**	**12.8**	**1.8**	**0.6**	**46.9**
Current financial liabilities	**(10.0)**	**(13.9)**	**(12.2)**	**(7.1)**	**(9.2)**	**(52.4)**
Current other liabilities	**(2.8)**	**–**	**–**	**–**	**–**	**(2.8)**
Non-current financial liabilities*	**(10.0)**	**(49.7)**	**(68.4)**	**(7.8)**	**(40.9)**	**(176.8)**
Net assets/(liabilities) (100%)	**35.7**	**5.6**	**(8.0)**	**3.2**	**2.2**	**38.7**
Group share of net assets/(liabilities)	**17.9**	**2.8**	**(4.0)**	**1.6**	**1.1**	**19.4**
Loans to joint ventures	**2.5**	**22.6**	**29.7**	**–**	**3.3**	**58.1**
Total interests in material joint ventures	**20.4**	**25.4**	**25.7**	**1.6**	**4.4**	**77.5**
Revenue	**72.7**	**23.3**	**52.6**	**23.8**	**19.7**	**192.1**
Interest expense	**(0.1)**	**–**	**(5.2)**	**(1.1)**	**–**	**(6.4)**
Income tax expense	**(3.6)**	**–**	**–**	**(0.5)**	**(0.2)**	**(4.3)**
Profit/(loss) for the year	**15.3**	**(1.0)**	**3.5**	**2.3**	**0.2**	**20.3**
Group share of profit/(loss) for the year	**7.6**	**(0.5)**	**1.8**	**1.2**	**0.1**	**10.2**

* 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	Greenwich Millennium Village 2019	Chobham Manor 2019	Winstanley and York Road Regeneration 2019	Whitehill & Bordon Development Company Phase 1a 2019	Whitehill & Bordon Regeneration Company 2019	Total 2019
Non-current assets	0.4	0.9	–	0.4	37.3	39.0
Current assets	36.2	35.9	76.9	20.8	5.8	175.6
Cash and cash equivalents	6.9	0.7	5.6	0.3	3.3	16.8
Current financial liabilities	(5.5)	(13.1)	(10.3)	(4.8)	(8.3)	(42.0)
Current other liabilities	(1.9)	–	–	–	–	(1.9)
Non-current financial liabilities*	(16.8)	(17.8)	(83.7)	(15.4)	(36.2)	(169.9)
Net assets/(liabilities) (100%)	19.3	6.6	(11.5)	1.3	1.9	17.6
Group share of net assets/(liabilities)	9.7	3.3	(5.8)	0.7	0.9	8.8
Loans to joint ventures	6.1	8.3	22.1	0.6	2.8	39.9
Total interests in material joint ventures	15.8	11.6	16.3	1.3	3.7	48.7
Revenue	60.1	97.5	8.5	19.2	14.5	199.8
Interest expense	(0.4)	–	(3.1)	(1.0)	0.9	(3.6)
Income tax (expense)/credit	(2.9)	–	–	(0.5)	0.1	(3.3)
Profit/(loss) for the year	12.9	4.9	(5.1)	2.4	0.9	16.0
Group share of profit/(loss) for the year	6.5	2.5	(2.6)	1.2	0.4	8.0

* 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.

Aggregated amounts relating to share of individually immaterial joint ventures:

£ million	2020	2019
Non-current assets	**0.3**	2.4
Current assets	**4.6**	4.8
Total assets	**4.9**	7.2
Current liabilities	**(0.6)**	(0.6)
Non-current liabilities	**(3.4)**	(2.9)
Total liabilities	**(4.0)**	(3.5)
Carrying amount	**0.9**	3.7
Loans to individually immaterial joint ventures	**3.8**	2.9
Total interests in individually immaterial joint ventures	**4.7**	6.6

The aggregate loss relating to individually immaterial joint ventures was £2.3 million (2019: nil).

14. Deferred tax

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2019	2.3	2.4	8.5	22.6	4.9	40.7
Credit/(charge) to income	0.3	(0.1)	(2.7)	(10.9)	0.5	(12.9)
Credit to other comprehensive income	–	–	–	1.7	–	1.7
Credit to statement of changes in equity	0.8	–	–	–	–	0.8
Foreign exchange	–	–	(0.5)	–	–	(0.5)
At 31 December 2019	3.4	2.3	5.3	13.4	5.4	29.8
(Charge)/credit to income	**(1.3)**	**(0.3)**	**–**	**(5.1)**	**0.6**	**(6.1)**
Credit to other comprehensive income	**–**	**–**	**–**	**8.6**	**–**	**8.6**
Credit to statement of changes in equity	**0.8**	**–**	**–**	**–**	**–**	**0.8**
Foreign exchange	**–**	**–**	**0.6**	**–**	**–**	**0.6**
At 31 December 2020	**2.9**	**2.0**	**5.9**	**16.9**	**6.0**	**33.7**

14. Deferred tax continued

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply (based on currently enacted law) for the period when the asset is realised, or the liability is settled. Accordingly, the temporary differences have been calculated at 19% (2019: between 19% and 17%).

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

£ million	2020	2019
Deferred tax assets	**35.1**	31.1
Deferred tax liabilities	**(1.4)**	(1.3)
	33.7	29.8

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £2.4 million (2019: £2.4 million) in the UK and £38.7 million (2019: £39.6 million) in Spain. The UK temporary differences have not been recognised as they are predominantly non-trading in nature and insufficient certainty exists as to their future utilisation. The temporary differences in Spain have not been recognised due to uncertainty of sufficient taxable profits in the future against which to utilise these amounts.

At the balance sheet date, the Group has unused UK capital losses of £269.5 million (2019: £269.5 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2020 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

15. Inventories

£ million	2020	2019
Land	**2,875.7**	2,735.9
Development and construction costs	**1,638.8**	1,404.7
Part exchange and other	**20.2**	55.4
	4,534.7	4,196.0

The markets in our core geographies, which are the primary drivers of our business, continue to trade positively. At 31 December 2020, the Group completed a net realisable value assessment of inventory. This review resulted in a reallocation of nil (2019: £4.3 million) of historically booked provision between sites which continue to hold a provision due to poor site location and complex site requirements and a small increase at one of those historic sites.

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 £34.5 million (2019: £39.0 million) with associated impairments of £25.5 million (2019: £30.5 million). At 31 December 2020, Spain had land and work in progress that has been written down to net realisable value of £19.3 million (2019: £20.3 million) with associated impairments of £38.9 million (2019: £38.1 million).

The table below details the movements on the inventory provision recorded in the year.

£ million	2020	2019
1 January	**68.6**	83.0
Net utilised	**(6.6)**	(11.8)
Foreign exchange	**2.4**	(2.6)
31 December	**64.4**	68.6

16. Other financial assets

Trade and other receivables

£ million	Current 2020	Current 2019	Non-current 2020	Non-current 2019
Trade receivables	**127.5**	120.7	**19.3**	31.4
Other receivables	**61.6**	40.3	**7.0**	12.3
	189.1	161.0	**26.3**	43.7

Included within trade receivables are mortgage receivables of £26.7 million (2019: £34.0 million), including shared equity loans. Shared equity loans were provided to certain customers to facilitate their house purchase and are measured at fair value through profit or loss.

Cash and cash equivalents

£ million	2020	2019
Cash and cash equivalents	**823.0**	630.4

Further information on financial assets can be found in Note 20.

Notes to the consolidated financial statements continued

17. Bank and other loans

£ million	2020	2019
€100.0 million 2.02% Senior Loan Notes 2023	90.1	84.7
€15.0 million 1.65% Loan 2021	13.5	–
	103.6	84.7

£ million	2020	2019
Amounts due for settlement within one year	13.5	–
Amount due for settlement after one year	90.1	84.7
Total borrowings	103.6	84.7

Further information on loan facilities can be found in Note 20.

18. Trade and other payables

	Current		Non-current	
£ million	2020	2019	2020	2019
Trade payables	275.0	369.2	21.4	23.5
Land creditors	347.9	339.9	328.0	389.3
Social security and other taxes	8.6	9.2	–	–
Customer deposits	82.8	65.0	7.4	9.9
Completed site accruals	115.0	97.0	46.1	38.7
Accrued expenses and deferred income	77.9	80.1	43.2	24.8
Other payables	12.1	14.4	13.7	13.5
	919.3	974.8	459.8	499.7

Revenue recognised in the current year that was included in the customer deposit balance brought forward at the beginning of the period was £65.0 million (2019: £65.1 million). Other payables include £19.4 million (2019: £21.0 million) of repayable grants.

Land creditors are denominated as follows:

£ million	2020	2019
Sterling	663.4	710.1
Euros	12.5	19.1
	675.9	729.2

Land creditors of £430.4 million (2019: £429.8 million) are secured against land acquired for development.

Further information on financial liabilities can be found in Note 20.

19. Leases

The Group as a lessee

The Group's leases consist primarily of office premises and equipment.

Right-of-use assets: £ million	Office premises	Equipment	Total
At 1 January 2020	18.0	9.4	27.4
At 31 December 2020	**18.4**	**9.1**	**27.5**
Additions during the year	**5.2**	**4.1**	**9.3**

Lease liabilities: £ million	2020	2019
Current	6.4	7.6
Non-current	21.6	20.3
Total	28.0	27.9

19. Leases continued

Amounts recognised in the income statement: £ million	2020	2019
Depreciation charged on right-of-use office premises	3.7	3.8
Depreciation charged on right-of-use equipment	4.2	4.9
Interest on lease liabilities	0.4	0.5
Total	8.3	9.2

The total cash outflow for leases during the current year was £8.4 million, including £0.4 million of interest (2019: £8.9 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 balance sheet and to have an appropriate funding structure. Shareholders' equity and long term debt are used to finance intangible assets, 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:

		Carrying value		Fair value	
Financial assets £ million	Fair value hierarchy	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash and cash equivalents	a	823.0	630.4	823.0	630.4
Land receivables	a	4.6	12.8	4.6	12.8
Trade and other receivables	a	118.2	113.5	118.2	113.5
Mortgage receivables	b	26.7	34.0	26.7	34.0
		972.5	790.7	972.5	790.7

(a) The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements to approximate their fair value.

(b) 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).

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 £65.9 million (2019: £44.4 million) of non-financial assets.

		Carrying value		Fair value	
Financial liabilities £ million	Fair value hierarchy	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bank and other loans	a	103.6	84.7	102.9	85.8
Land creditors	b	675.9	729.2	675.9	729.2
Trade and other payables	b	539.2	628.2	539.2	628.2
Lease liabilities	b	28.0	27.9	28.0	27.9
		1,346.7	1,470.0	1,346.0	1,471.1

(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 cost in the consolidated financial statements to approximate their fair value.

Current and non-current trade and other payables, as disclosed in Note 18, include £164.0 million (2019: £117.1 million) of non-financial liabilities.

The Group has designated the carrying value of €79.0 million of foreign currency borrowings (2019: €79.0 million foreign currency borrowings) as a net investment hedge.

The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs (level 3), nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

Forward contracts have been entered into to offset the foreign exchange movements on intra-Group loans to buy/(sell) against Sterling: €21.0 million (2019: €15.0 million). The fair value of the forward contracts is not material 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.

Notes to the consolidated financial statements continued

20. Financial instruments and fair value disclosures continued

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. Interest-rate hedging using derivatives has not taken place in the current or previous year. 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 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.

£ million	Income sensitivity 2020	Equity sensitivity 2020	Income sensitivity 2019	Equity sensitivity 2019
0.25% increase in interest rates	2.0	2.0	1.6	1.6

£ million	Income sensitivity 2020	Equity sensitivity 2020	Income sensitivity 2019	Equity sensitivity 2019
0.25% decrease in interest rates	(2.0)	(2.0)	(1.6)	(1.6)

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates. Its Spanish subsidiary is the only foreign operation of the Group.

The Group is not materially exposed to transaction risks as all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is 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 €79.0 million of foreign currency borrowings (2019: €79.0 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 £4.2 million (2019: £(4.1) million) 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 10% (2019: 10%) change in the currency's value against Sterling, all other variables remaining constant.

The 10% change represents a reasonably possible change in the specified Euro exchange rates in relation to Sterling.

£ million	Income sensitivity 2020	Equity sensitivity 2020	Income sensitivity 2019	Equity sensitivity 2019
Euro weakens against Sterling	(0.9)	5.5	(1.2)	4.8
Euro strengthens against Sterling	1.1	(6.8)	1.5	(5.9)

20. Financial instruments and fair value disclosures continued

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. If the credit risk is not acceptable, then the deferred payment must have adequate security, either by 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, other housebuilders and amounts in relation to Help to Buy. 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 various historical sales promotion schemes and are measured at fair value through profit or loss. The mortgages are secured by a second charge over the property with a low level of experienced credit losses due to non-payment.

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. At 31 December 2020, the Group's borrowings and facilities had a range of maturities with an average life of 3.8 years (2019: 4.0 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 (2019: £550.0 million) and cash and cash equivalents were £823.0 million (2019: £630.4 million).

The maturity profile of the anticipated future cash flows including interest, using the latest applicable relevant rate, based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

£ million	Bank and other loans	Land creditors	Trade and other payables	Lease liabilities	Total
On demand	–	–	–	–	–
Within one year	15.5	355.3	456.9	6.8	834.5
More than one year and less than two years	1.8	169.2	50.1	6.1	227.2
More than two years and less than five years	91.0	151.5	25.2	11.7	279.4
More than five years	–	26.8	7.1	4.7	38.6
31 December 2020	108.3	702.8	539.3	29.3	1,379.7

£ million	Bank and other loans	Land creditors	Trade and other payables	Lease liabilities	Total
On demand	–	–	–	–	–
Within one year	1.7	346.5	547.5	8.0	903.7
More than one year and less than two years	1.7	197.7	51.7	6.3	257.4
More than two years and less than five years	87.3	191.8	23.7	9.3	312.1
More than five years	–	23.9	5.3	5.6	34.8
31 December 2019	90.7	759.9	628.2	29.2	1,508.0

Notes to the consolidated financial statements continued

21. Retirement benefit obligations

Total retirement benefit obligations of £89.5 million (2019: £85.0 million) comprise a defined benefit pension liability of £89.1 million (2019: £84.5 million) and a post-retirement healthcare liability of £0.4 million (2019: £0.5 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 an arrangement under which the Group pays contributions to an independently administered fund or policy; 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/policy once the contributions have been paid. Employees' benefits are determined by the amount of contributions paid by the Group and the employee, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the employee chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that invested assets will not perform in line with expectations) fall on the employee.

The Group's 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 £15.2 million in the year (2019: £14.5 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 an individual member's 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 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.

During 2017, the Group engaged with the TWPS Trustee on the triennial valuation of the TWPS with a reference date of 31 December 2016. The table below sets out the key assumptions agreed as part of this valuation.

Assumptions	
Discount rate (pre-retirement)	4.20%
Discount rate (post-retirement)	2.35%
RPI inflation	3.50%
CPI inflation	2.70%
Mortality	100% of S2PXA tables, CMI_2016 improvements with 1.50% trend rate and a smoothing factor of 7.5

The result of this valuation 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 committed 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 were only required whilst the TWPS remained in a Technical Provisions deficit position. Should the TWPS become fully funded, then these cash contributions would be suspended until such time that the scheme's Technical Provisions funding level fell to below 96% at the end of any subsequent 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 suspend 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 therefore recommenced from 1 January 2019 and were payable throughout 2020. During April 2020 and in response to the site shutdowns, a temporary suspension of the deficit reduction contributions was agreed with the TWPS Trustee for the three months between April and June 2020. Following this deferment, contributions of £10.3 million are to be paid between January 2021 and March 2021.

During 2020, the Group has engaged with the TWPS Trustee on the triennial valuation of the pension scheme with a reference date of 31 December 2019. At the current time discussions are ongoing with the TWPS Trustee to agree the valuation as well as future contributions (if applicable). Legislation requires that agreement must be reached by 31 March 2021.

21. Retirement benefit obligations continued

On an IAS 19 accounting basis the underlying deficit in the scheme at 31 December 2020 was £89.1 million (2019: surplus of £100.5 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, in 2019, the Group recognised an adjustment to the underlying surplus in the TWPS on an IAS 19 accounting basis of £185.0 million, resulting in an IFRIC 14 deficit of £84.5 million, which represented the present value of future contributions under the funding plan at that time. No such adjustment has been recognised as of 31 December 2020 since the scheme was in deficit on an IAS 19 accounting basis.

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 Pension 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. At 31 December 2020 there was £90.3 million of property and £21.9 million of cash held within the structure (2019: £96.0 million of property and £16.1 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 to the scheme equal to the lower of £100.0 million or the Technical Provisions deficit at that time.

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 that is currently used for investment strategy purposes. 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.

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 to the duration of the TWPS liabilities, 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 106% of S3PXA tables, CMI_2019 improvements with a 1.25% long-term trend rate, a smoothing factor of 7 and an initial addition parameter of 0.25%. The mortality assumption used in 2019 was 107% of S2PXA tables, CMI_2018 improvements with a 1.25% long-term trend rate, a smoothing factor of 7 and an initial addition parameter of nil.

Accounting valuation assumptions	2020	2019
At 31 December:		
Discount rate for scheme liabilities	**1.30%**	2.10%
General pay inflation	**n/a**	n/a
Deferred pension increases	**2.15%**	2.15%
Pension increases*	**2.05%-3.60%**	2.05%-3.60%

* Pension increases depend on the section of the scheme of which each member is a part.

The current life expectancies (in years) underlying the value of the accrued liabilities for the TWPS are:

	2020		2019	
Life expectancy	Male	Female	Male	Female
Member currently aged 65	**87**	**89**	86	88
Member currently aged 45	**88**	**90**	87	89

The table below shows the impact to the present value of scheme liabilities of movements in key assumptions, measured using the same method as the defined benefit scheme.

Assumption	Change in assumption	Impact on scheme liabilities	Impact on scheme liabilities (%)
Discount rate	Decrease by 0.1% p.a.	Increase by £41m	1.6
Rate of inflation*	Increase by 0.1% p.a.	Increase by £25m	1.0
Life expectancy	Members live 1 year longer	Increase by £104m	4.2

* 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 risks and risk management at the end of this note.

21. Retirement benefit obligations continued

Fair value of scheme assets of the TWPS	31 December 2020 £ million	31 December 2020 Percentage of total scheme assets	31 December 2019 £ million	31 December 2019 Percentage of total scheme assets
Unquoted equities[(a)]	118.3	4.9%	134.4	5.9%
Diversified growth funds[(b)]	357.7	14.9%	388.9	17.0%
Hedge funds[(c)]	175.5	7.3%	169.7	7.4%
Property	19.0	0.8%	27.5	1.2%
Multi-asset credit	261.5	10.9%	269.1	11.8%
Direct lending	167.0	6.9%	139.0	6.1%
Corporate bonds	115.4	4.8%	97.8	4.3%
Liability driven investment[(d)]	951.3	39.6%	849.0	37.2%
Insurance policies in respect of certain members	211.1	8.8%	196.4	8.6%
Cash	27.5	1.1%	10.4	0.5%
	2,404.3	100.0%	2,282.2	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 2020 was 3.4x (31 December 2019: 3.1x).

(b) This amount relates to the Scheme's Diversified Risk Premia (DRP) allocation. The leverage on the two funds in the DRP allocation at 31 December 2020 was 1.9x and 1.7x respectively (31 December 2019: 0.3x and 1.8x).

(c) The leverage on this fund at 31 December 2020 was 0.9x (31 December 2019: 0.8x).

(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 at 31 December 2020 is approximately 3.7x (31 December 2019: 4x).

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	2020 Present value of obligation	2020 Fair value of scheme assets	2020 Asset/(liability) recognised on balance sheet	2019 Present value of obligation	2019 Fair value of scheme assets	2019 Asset/(liability) recognised on balance sheet
At 1 January	(2,366.7)	2,282.2	(84.5)	(2,237.2)	2,104.2	(133.0)
Past service cost related to GMP equalisation	(1.2)	–	(1.2)	–	–	–
Past service credit related to PIE exercise (Note 6)	–	–	–	15.3	–	15.3
Administration expenses	–	(2.5)	(2.5)	–	(1.8)	(1.8)
Interest (expense)/income	(48.5)	47.1	(1.4)	(64.3)	61.1	(3.2)
Total amount recognised in income statement	(49.7)	44.6	(5.1)	(49.0)	59.3	10.3
Return on plan assets in excess of interest income	–	159.1	159.1	–	187.0	187.0
Change in demographic assumptions	(100.8)	–	(100.8)	46.1	–	46.1
Change in financial assumptions	(286.3)	–	(286.3)	(245.9)	–	(245.9)
Experience gain	2.5	–	2.5	17.9	–	17.9
Adjustment to liabilities for IFRIC 14	188.9	–	188.9	(14.0)	–	(14.0)
Total remeasurements in other comprehensive income	(195.7)	159.1	(36.6)	(195.9)	187.0	(8.9)
Employer contributions	–	37.1	37.1	–	47.1	47.1
Employee contributions	–	–	–	–	–	–
Benefit payments	118.7	(118.7)	–	115.4	(115.4)	–
At 31 December	(2,493.4)	2,404.3	(89.1)	(2,366.7)	2,282.2	(84.5)

21. Retirement benefit obligations continued

Accounting valuation

£ million	2020	2019
Fair value of scheme assets	2,404.3	2,282.2
Present value of scheme obligations	(2,493.4)	(2,181.7)
(Deficit)/surplus in scheme	(89.1)	100.5
IFRIC 14 limitation on recognition of surplus	–	(185.0)
Deficit after IFRIC 14 adjustment	(89.1)	(84.5)

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, the Trustee 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%. There were no significant changes to the TWPS' asset allocation over 2020, which remains well diversified, with risk significantly below the agreed risk budget.
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 £397 million (17%) of the asset portfolio of the TWPS. Excluding these amounts, approximately 57% 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 11% of assets are invested in pooled funds with monthly redemption dates. The remaining 16% could be redeemed within approximately six to nine 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 (now Just Group plc) 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.

Notes to the consolidated financial statements continued

22. Provisions

£ million	ACM cladding	Leasehold	Other	Total
At 1 January 2019	29.6	102.1	38.6	170.3
Additions	–	–	11.2	11.2
Utilisation	(5.9)	(29.9)	(9.0)	(44.8)
Released	–	–	(8.2)	(8.2)
Other movements	–	–	(0.1)	(0.1)
At 31 December 2019	23.7	72.2	32.5	128.4
Additions	**10.0**	**–**	**22.6**	**32.6**
Utilisation	**(5.1)**	**(12.6)**	**(9.0)**	**(26.7)**
Released	**–**	**–**	**(4.0)**	**(4.0)**
Other movements	**–**	**–**	**0.2**	**0.2**
At 31 December 2020	**28.6**	**59.6**	**42.3**	**130.5**

£ million	2020	2019
Current	**70.6**	72.7
Non-current	**59.9**	55.7
31 December	**130.5**	128.4

In 2018 the Group established an exceptional provision for the cost of replacing Aluminium Composite Material (ACM) on a small number of legacy developments, which was increased in the year to reflect the latest estimate of costs to complete the planned works. The majority of the provision is expected to be utilised over 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 £30.0 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 amounts for restructuring costs and legal claims 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.

23. Share capital

£ million	2020	2019
Authorised:		
22,200,819,176 (2019: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2019: 1,158,299,201) deferred ordinary shares of 24p each	**278.0**	278.0
	500.0	500.0

	Number of ordinary shares	Number of deferred ordinary shares	£ million
Issued and fully paid:			
31 December 2019	3,283,108,174	1,065,566,274	288.6
Shares issued in year	**362,308,473**	**–**	**3.6**
31 December 2020	**3,645,416,647**	**1,065,566,274**	**292.2**

In June 2020 the Company issued 360,265,931 ordinary shares of 1p at a price of 145p to raise total net proceeds of £510.1 million after expenses. 355,000,000 of these shares were placed via a cash box structure (the "Placing") in which the cash box entity issued redeemable preference shares in consideration for the receipt of the net cash proceeds arising from the placement of those shares. Taylor Wimpey plc ordinary shares were issued in consideration for the transfer of the redeemable preference shares, that it did not already own, of the cash box entity. It was therefore determined that the placing of those shares qualified for merger relief under section 612 of the Companies Act 2006 such that the excess of the value of the acquired shares in the cash box entity over the nominal value of the ordinary shares issued by Taylor Wimpey plc was credited to Other Reserves. The remainder of the shares issued, 5,265,931, were issued via a Retail Offer open to employees and other retail investors and a Directors' Subscription. The Placing was performed to allow the Group to pursue additional near term land acquisition opportunities.

The Placing, Retail and Subscription shares placed rank pari passu in all respects with the existing ordinary shares of the Company, including, without limitation, the right to receive all dividends and other distributions declared, made or paid after the date of issue.

In addition during the year, the Company issued 2.0 million (2019: 5.1 million) ordinary shares to satisfy option exercises.

23. Share capital continued

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.
- Deferred ordinary shares of 24p, which carry no voting rights and no entitlement to any dividend. The deferred ordinary shares were issued as part of a capital reorganisation in 2009 and have not subsequently changed.

24. Share premium

£ million	2020	2019
At 1 January	**762.9**	762.9
Shares issued in year	**10.2**	–
At 31 December	**773.1**	762.9

25. Other reserves

£ million	Capital redemption reserve	Translation reserve	Other	Total other reserves
Balance at 1 January 2019	31.5	8.6	4.9	45.0
Exchange differences on translation of foreign operations	–	(5.5)	–	(5.5)
Movement in fair value of hedging instruments	–	4.1	–	4.1
Balance at 31 December 2019	31.5	7.2	4.9	43.6
Exchange differences on translation of foreign operations	**–**	**5.2**	**–**	**5.2**
Movement in fair value of hedging instruments	**–**	**(4.2)**	**–**	**(4.2)**
Shares issued in year	**–**	**–**	**499.1**	**499.1**
Balance at 31 December 2020	**31.5**	**8.2**	**504.0**	**543.7**

Capital redemption reserve

The capital redemption reserve arose on an historic redemption of the Company's 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

£499.1 million of other reserves arose on the cash box placing that occurred in June 2020 and qualified for merger relief under section 612 of the Companies Act 2006 (see Note 23).

26. Own shares

£ million	
Balance at 1 January 2019	22.7
Disposed of on exercise of options	(5.1)
Balance at 31 December 2019	17.6
Disposed of on exercise of options	**(6.1)**
Balance at 31 December 2020	**11.5**

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	2020	2019
Ordinary shares held in trust for bonus, option and performance award plans	**7.1**	10.7

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, Savings-Related Share Option Scheme and the matching award of shares under the Share Incentive Plan. During the year, Taylor Wimpey plc did not purchase any of its own shares to be held in the ESOTs (2019: none).

The ESOTs' entire holding of shares at 31 December 2020 was covered by outstanding options and conditional awards over shares at that date.

Notes to the consolidated financial statements continued

27. Notes to the cash flow statement

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less.

Movement in net cash

£ million	Cash and cash equivalents	Bank and other loans	Total net cash
Balance at 1 January 2019	734.2	(90.1)	644.1
Net cash flow	(101.2)	–	(101.2)
Foreign exchange	(2.6)	5.4	2.8
Balance at 31 December 2019	630.4	(84.7)	545.7
Net cash flow	**191.3**	**(13.5)**	**177.8**
Foreign exchange	**1.3**	**(5.4)**	**(4.1)**
Balance at 31 December 2020	**823.0**	**(103.6)**	**719.4**

28. Contingent liabilities and capital commitments

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 has 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 at 31 December 2020 (2019: 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 Directors' Remuneration Report on pages 98 to 120. The tables below show the movements in the schemes in the year as well as their weighted average exercise price (WAEP).

Sharesave (SAYE):	2020 Options	2020 WAEP (in £)	2019 Options	2019 WAEP (in £)
Outstanding at the beginning of the year	**19,740,433**	**1.32**	19,229,800	1.36
Granted during the year	**18,043,668**	**0.97**	8,514,599	1.21
Forfeited during the year	**(7,359,577)**	**1.29**	(2,941,723)	1.41
Exercised during the year	**(2,042,542)**	**1.38**	(5,062,243)	1.26
Outstanding at the end of the year	**28,381,982**	**1.10**	19,740,433	1.32
Exercisable at the end of the year	**1,504,748**	**1.48**	1,018,291	1.17

The remaining Sharesave options outstanding at 31 December 2020 had a range of exercise prices from £0.97 to £1.59 (2019: £0.90 to £1.59) and a weighted average remaining contractual life of 3.40 years (2019: 2.93 years).

Share Incentive Plan (SIP):	2020 Options	2020 WAEP (in £)	2019 Options	2019 WAEP (in £)
Outstanding at the beginning of the year	**5,789,856**	**–**	5,386,991	–
Granted during the year	**1,874,590**	**–**	1,480,352	–
Forfeited during the year	**(385,229)**	**–**	(409,804)	–
Exercised during the year	**(556,828)**	**–**	(667,683)	–
Outstanding at the end of the year	**6,722,389**	**–**	5,789,856	–
Exercisable at the end of the year	**2,810,423**	**–**	2,729,080	–

The table above represents 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, these awards do not expire.

Performance Share Plan (PSP):	2020 Options	2020 WAEP (in £)	2019 Options	2019 WAEP (in £)
Outstanding at the beginning of the year	**19,466,040**	**–**	18,601,569	–
Granted during the year	**6,876,632**	**–**	7,489,917	–
Forfeited during the year	**(2,854,138)**	**–**	(3,933,994)	–
Exercised during the year	**(3,371,590)**	**–**	(2,691,452)	–
Outstanding at the end of the year	**20,116,944**	**–**	19,466,040	–
Exercisable at the end of the year	**–**	**–**	–	–

29. Share-based payments continued

The conditional awards outstanding at 31 December 2020 had a weighted average remaining contractual life of 1.70 years (2019: 1.76 years).

The average share price at the date of exercise across all options exercised during the period was £1.80 (2019: £1.73). For share plans granted during the current and preceding year, the fair value of the awards at the grant date was determined as follows:

	Share awards with no market conditions 2020	Share awards with no market conditions 2019	Share awards with market conditions 2020	Share awards with market conditions 2019
Model	**Binomial**	Binomial	**Monte Carlo**	Monte Carlo
Weighted average share price	**£1.28**	£1.60	**£2.11**	£1.85
Weighted average exercise price	**£0.79**	£0.84	**Nil**	Nil
Expected volatility	**39%**	35%	**25%**	35%
Expected life	**3/5 years**	3/5 years	**3 years**	3 years
Risk-free rate	**0.1%**	0.3%	**0.2%**	0.8%
Expected dividend yield	**2.02%**	4.54%	**0.0%**	0.0%
Weighted average fair value of options granted in year	**£0.66**	£0.81	**£1.17**	£1.07

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 share-based payment expense of £8.2 million in the year (2019: £10.1 million), which was composed of £7.0 million in relation to equity settled schemes and £1.2 million in relation to cash settled elements.

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 sales to joint ventures totalled £19.9 million (2019: £15.6 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 page 15. The remuneration information for the Executive Directors is set out in the Remuneration Report on page 113. The aggregate compensation for the other members of the GMT is as follows:

£ million	2020	2019
Short term employee benefits	**2.6**	2.4
Post-employment benefits	**0.3**	0.3
Total (excluding share-based payments charge)	**2.9**	2.7

In addition to the amounts above, a share-based payment charge of £0.5 million (2019: £0.9 million) related to share options held by members of the GMT.

31. Dividends

£ million	2020	2019
Proposed		
Interim dividend 2020: nil (2019: 3.84p) per ordinary share of 1p each	**–**	125.6
Final dividend 2020: 4.14p (2019: nil) per ordinary share of 1p each	**151.0**	–
	151.0	125.6
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2019: nil (2018: 3.80p) per ordinary share of 1p each	**–**	124.2
Interim dividend 2020: nil (2019: 3.84p) per ordinary share of 1p each	**–**	125.6
Special dividend 2020: nil (2019: 10.70p) per ordinary share of 1p each	**–**	349.9
	–	599.7

Notes to the consolidated financial statements continued

31. Dividends continued

The Directors recommend a final dividend for the year ended 31 December 2020 of 4.14 pence per share (2019: nil pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£151.0 million (2019: nil). The final dividend will be paid on 14 May 2021 to all shareholders registered at the close of business on 6 April 2021.

In accordance with IAS 10 'Events after the Reporting Period', the proposed final dividend has not been accrued as a liability at 31 December 2020.

32. Alternative performance measures

The Group uses a number of alternative performance measures (APMs) which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures should be considered alongside IFRS measures. The following APMs are referred to throughout the year end results.

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 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. 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 the underlying performance of the Group. Operating profit margin is calculated as operating profit divided by total revenue. The Directors consider this to be a metric which reflects the underlying performance of the business.

	2020	2019
Profit on ordinary activities before finance costs (£m)	282.4	856.8
Adjusted for:		
Share of results of joint ventures (£m)	7.9	8.0
Exceptional items (£m)	10.0	(14.3)
Operating profit (£m)	300.3	850.5
Revenue (£m)	2,790.2	4,341.3
Operating profit margin	10.8%	19.6%

Net operating assets

Net operating assets is defined as basic net assets less net cash, excluding net taxation balances and accrued dividends. Average net operating assets is the average of the opening and closing net operating assets of the 12-month period. With return on net operating assets, the Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

	2020	2019	2018
Basic net assets (£m)	4,016.8	3,307.8	3,226.8
Adjusted for:			
Cash (£m) (Note 16)	(823.0)	(630.4)	(734.2)
Borrowings (£m) (Note 17)	103.6	84.7	90.1
Net taxation (£m)	(32.6)	38.1	29.2
Accrued dividends (£m)	–	–	–
Net operating assets (£m)	3,264.8	2,800.2	2,611.9
Average basic net assets (£m)	3,662.3	3,267.3	
Average net operating assets (£m)	3,032.5	2,706.1	

32. Alternative performance measures continued

Return on net operating assets

Return on net operating assets is defined as operating profit divided by average net operating assets. The Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

	2020	2019
Operating profit (£m)	300.3	850.5
Average net operating assets (£m)	3,032.5	2,706.1
Return on net operating assets	9.9%	31.4%

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.

	2020	2019
Basic net assets (£m)	4,016.8	3,307.8
Adjusted for:		
Intangible assets (£m) (Note 11)	(8.1)	(7.0)
Tangible net assets (£m)	4,008.7	3,300.8
Ordinary shares in issue (millions)	3,645.4	3,283.1
Tangible net assets per share (pence)	110.0	100.5

Adjusted basic earnings per share

This is calculated as earnings attributed to 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 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 shareholders.

	2020	2019
Revenue (£m)	2,790.2	4,341.3
Average net operating assets (£m)	3,032.5	2,706.1
Net operating asset turn	0.92	1.60

Net cash

Net cash is defined as cash and cash equivalent less total borrowings. 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 (used in)/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.

	2020	2019
Cash (used in)/generated by operations (£m)	(165.0)	702.2
Operating profit (£m)	300.3	850.5
Cash conversion	(54.9)%	82.6%

Notes to the consolidated financial statements continued

32. Alternative performance measures continued

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.

	2020	2019
Cash (£m) (Note 16)	**823.0**	630.4
Loans (£m) (Note 17)	**(103.6)**	(84.7)
Net cash (£m)	**719.4**	545.7
Land creditors (£m) (Note 18)	**(675.9)**	(729.2)
Adjusted net debt (£m)	**43.5**	(183.5)
Basic net assets (£m)	**4,016.8**	3,307.8
Adjusted gearing	**(1.1)%**	5.5%

33. Post balance sheet events

The safety of our customers is of paramount importance and we have always been guided by this principle. Following the tragic fire at Grenfell Tower, Taylor Wimpey moved quickly to identify where action was needed to remove ACM cladding on legacy high rise apartment buildings, even though the buildings concerned met the requirements of building regulations at the time construction was approved. A £40.0 million provision to cover the cost of removing and replacing ACM cladding on those buildings has previously been recognised.

In January 2021, the Royal Institution of Chartered Surveyors (RICS) issued proposed guidance for public consultation to improve consistency in EWS1 (External Wall Fire Review) requests. This consultation clarified the circumstances in which an EWS1 form is required. The UK Government announcement on 10 February 2021 endorsed this updated guidance, which has made fire safety improvement requirements clearer and enabled the Group to focus on resolving issues for leaseholders using EWS1 forms as an independent framework. Whilst the Group awaits a further update from RICS, it believes that it is right to provide as much clarity as possible for customers at this point.

As a result of this clarified guidance the Group has announced an additional £125 million provision to fund the fire safety improvement works for leaseholders in Taylor Wimpey apartment buildings constructed over the last 20 years. This decision was taken in 2021 and was informed by the RICS proposed guidance in January 2021 and the UK Government endorsement of the guidance in February 2021. In accordance with IAS 10 'Events after the Reporting Period', as the Group had not created this constructive obligation as of 31 December 2020 in respect of these works the additional provision is a non-adjusting post balance sheet event with the cost recognised in 2021.

Company balance sheet

at 31 December 2020

£ million	Note	2020	2019
Non-current assets			
Investments in Group undertakings	4	**2,433.0**	2,426.0
Trade and other receivables	5	**3.1**	3.3
		2,436.1	2,429.3
Current assets			
Trade and other receivables	5	**2,924.1**	2,558.2
Cash and cash equivalents		**791.6**	600.2
		3,715.7	3,158.4
Current liabilities			
Trade and other payables	6	**(1,640.3)**	(1,638.2)
		(1,640.3)	(1,638.2)
Net current assets		**2,075.4**	1,520.2
Total assets less current liabilities		**4,511.5**	3,949.5
Non-current liabilities			
Trade and other payables	6	**(1.5)**	(1.4)
Bank and other loans	7	**(90.1)**	(84.7)
Provisions		**(1.0)**	(1.0)
Net assets		**4,418.9**	3,862.4
Equity			
Share capital	8	**292.2**	288.6
Share premium	9	**773.1**	762.9
Own shares	10	**(11.5)**	(17.6)
Other reserves	11	**535.1**	36.0
Retained earnings	12	**2,830.0**	2,792.5
Total equity		**4,418.9**	3,862.4

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 £36.3 million (2019: £528.6 million).

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2021. 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 2020

£ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Total equity at 1 January 2019	288.5	762.9	(22.7)	36.0	2,853.5	3,918.2
Profit for the year	–	–	–	–	528.6	528.6
Total comprehensive income for the year	–	–	–	–	528.6	528.6
New share capital subscribed	0.1	–	–	–	–	0.1
Utilisation of own shares	–	–	5.1	–	–	5.1
Cash cost of satisfying share options	–	–	–	–	2.1	2.1
Capital contribution on share-based payments	–	–	–	–	8.0	8.0
Dividends approved and paid	–	–	–	–	(599.7)	(599.7)
Total equity at 31 December 2019	288.6	762.9	(17.6)	36.0	2,792.5	3,862.4
Profit for the year	**–**	**–**	**–**	**–**	**36.3**	**36.3**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**36.3**	**36.3**
New share capital subscribed	**3.6**	**10.2**	**–**	**499.1**	**–**	**512.9**
Utilisation of own shares	**–**	**–**	**6.1**	**–**	**–**	**6.1**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**(5.8)**	**(5.8)**
Capital contribution on share-based payments	**–**	**–**	**–**	**–**	**7.0**	**7.0**
Total equity at 31 December 2020	**292.2**	**773.1**	**(11.5)**	**535.1**	**2,830.0**	**4,418.9**

Notes to the Company financial statements

for the year to 31 December 2020

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 Financial Reporting Standard 101 (FRS 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 49 to 53. 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. Where an impairment loss subsequently reverses, due to a change in circumstances or in the estimates used to determine the asset's recoverable amount, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, so long as it does not exceed the original carrying value prior to the impairment being recognised.

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 cash flows of the subsidiary.

Borrowing costs

Capitalised finance costs are held in other receivables and amortised over the period of the facility.

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.

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.

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.

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 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.

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.

Notes to the Company financial statements continued

2. Particulars of employees

Number	2020	2019
Directors	3	4

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 98 to 120, 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	2020	2019
Total audit fees	0.2	0.2
Non-audit fees	–	–
Total	0.2	0.2

A description of other services is included in Note 6 of the Group financial statements.

4. Investments in Group undertakings

£ million	Shares
Cost	
At 1 January 2020	5,237.3
Capital contribution relating to share-based payments	7.0
At 31 December 2020	**5,244.3**
Provision for impairment	
At 1 January 2020	(2,811.3)
At 31 December 2020	**(2,811.3)**
Carrying amount	
At 31 December 2020	**2,433.0**
At 31 December 2019	2,426.0

All investments are unlisted and information about all subsidiaries is listed on pages 171 to 172.

5. Trade and other receivables

	Current		Non-current	
£ million	2020	2019	2020	2019
Due from Group undertakings	2,922.5	2,556.3	–	–
Other receivables	1.6	1.9	3.1	3.3
	2,924.1	2,558.2	3.1	3.3

Amounts due from Group undertakings are repayable on demand and are predominantly interest bearing.

6. Trade and other payables

	Current		Non-current	
£ million	2020	2019	2020	2019
Due to Group undertakings	1,635.8	1,634.6	–	–
Other payables	0.8	1.1	1.5	1.4
Corporation tax creditor	3.7	2.5	–	–
	1,640.3	1,638.2	1.5	1.4

Amounts due to Group undertakings are repayable on demand and are predominantly interest bearing.

7. Bank and other loans

£ million	2020	2019
€100.0 million 2.02% Senior Loan Notes	90.1	84.7
These loans are repayable as follows:		
Amounts due for settlement after one year	90.1	84.7

8. Share capital

£ million	2020	2019
Authorised:		
22,200,819,176 (2019: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2019: 1,158,299,201) deferred ordinary shares of 24p each	278.0	278.0
	500.0	500.0

	Number of ordinary shares	Number of deferred ordinary shares	£ million
Issued and fully paid:			
31 December 2019	3,283,108,174	1,065,566,274	288.6
Shares issued in year	362,308,473	–	3.6
31 December 2020	**3,645,416,647**	**1,065,566,274**	**292.2**

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.
- Deferred ordinary shares of 24p, which carry no voting rights and no entitlement to any dividend. The deferred ordinary shares were issued as part of a capital reorganisation in 2009 and have not subsequently changed.

In June 2020 the Company issued 360,265,931 ordinary shares of 1p at a price of 145p to raise total net proceeds of £510.1 million after expenses. 355,000,000 of these shares were placed via a cash box structure (the "Placing") in which the cash box entity issued redeemable preference shares in consideration for the receipt of the net cash proceeds arising from the placement of those shares. Taylor Wimpey plc ordinary shares were issued in consideration for the transfer of the redeemable preference shares, that it did not already own, of the cash box entity. It was therefore determined that the placing of those shares qualified for merger relief under section 612 of the Companies Act 2006 such that the excess of the value of the acquired shares in the cash box entity over the nominal value of the ordinary shares issued by Taylor Wimpey plc was credited to Other Reserves. The remainder of the shares issued, 5,265,931, were issued via a Retail Offer open to employees and other retail investors and a Directors' Subscription. The Placing was performed to allow the Group to pursue additional near term land acquisition opportunities.

The Placing, Retail and Subscription shares placed rank pari passu in all respects with the existing ordinary shares of the Company, including, without limitation, the right to receive all dividends and other distributions declared, made or paid after the date of issue.

In addition during the year, the Company issued 2.0 million (2019: 5.1 million) ordinary shares to satisfy option exercises.

9. Share premium

£ million	2020	2019
At 1 January	762.9	762.9
Shares issued in year	10.2	–
At 31 December	773.1	762.9

10. Own shares

£ million	2020	2019
Own shares	11.5	17.6

These comprise ordinary shares of the Company:	Number	Number
Shares held in trust for bonus, options and performance award plans	7.1m	10.7m

Notes to the Company financial statements continued

10. Own shares continued

During the year, the Company did not purchase any of its own shares to be held in the ESOTs (2019: none). The market value of the shares held at 31 December 2020 was £11.7 million (2019: £20.8 million) and their nominal value was £0.1 million (2019: £0.1 million). Dividends on these shares have been waived except for a nominal aggregate amount in pence.

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, Savings-Related Share Option Scheme and the matching award of shares under the Share Incentive Plan.

The ESOTs' entire holding of shares at 31 December 2020 was covered by outstanding options and conditional awards over shares at that date.

11. Other reserves

£ million	2020	2019
At 1 January	36.0	36.0
Shares issued in year	499.1	–
At 31 December	535.1	36.0

£499.1 million of other reserves arose on the cash box placing that occurred in June 2020 and qualified for merger relief under section 612 of the Companies Act 2006 (see Note 8). Other reserves also includes £31.5 million (2019: £31.5 million) in respect of the historical redemption of the Company's shares, which is non distributable.

12. Retained earnings

Retained earnings of £2,830.0 million (2019: £2,792.5 million) includes profit for the year and dividends received from subsidiaries of nil (2019: £500.0 million). Included in retained earnings is £861.0 million (2019: £816.5 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 of 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 an IAS 19 deficit of £89.1 million at 31 December 2020 (2019: £84.5 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, to the end of 2020, whilst the scheme is in a Technical Provisions deficit. During April 2020 and in response to the site shutdowns, it was agreed with the Trustee there would be a temporary suspension of the agreed contributions for the three months between April and June. Those suspended contributions are to be paid instead between January 2021 and March 2021. 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. Dividend

£ million	2020	2019
Proposed		
Interim dividend 2020: nil (2019: 3.84p) per ordinary share of 1p each	–	125.6
Final dividend 2020: 4.14p (2019: nil) per ordinary share of 1p each	151.0	–
	151.0	125.6
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2019: nil (2018: 3.80p) per ordinary share of 1p each	–	124.2
Interim dividend 2020: nil (2019: 3.84p) per ordinary share of 1p each	–	125.6
Special dividend 2020: nil (2019: 10.70p) per ordinary share of 1p each	–	349.9
	–	599.7

The Directors recommend a final dividend for the year ended 31 December 2020 of 4.14 pence per share (2019: nil pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£151.0 million (2019: nil). The final dividend will be paid on 14 May 2021 to all shareholders registered at the close of business on 6 April 2021.

In accordance with IAS 10 'Events after the Reporting Period', the proposed final dividend has not been accrued as a liability at 31 December 2020.

Particulars of subsidiaries, associates and joint ventures

The entities listed below are companies incorporated in the United Kingdom and the registered office is Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR. All of the below are 100% subsidiaries of the Group, either directly or indirectly held by Taylor Wimpey plc, and only have ordinary share capital.

Admiral Developments Limited
Admiral Homes (Eastern) Limited
Admiral Homes Limited
Ashton Park Limited
BGS (Pentian Green) Holdings Limited
Broadleaf Park LLP
Bryad Developments Limited
Bryant Country Homes Limited
Bryant Group Services Limited
Bryant Homes Central Limited
Bryant Homes East Midlands Limited
Bryant Homes Limited
Bryant Homes North East Limited
Bryant Homes Northern Limited
Bryant Homes South West Limited
Bryant Homes Southern Limited
Bryant Properties Limited
Candlemakers (TW) Limited
Clipper Investments Limited
Compine Developments (Wootton) Limited
Dormant Nominees One Limited
Dormant Nominees Two Limited
Farrods Water Engineers Limited
Flyover House Limited
George Wimpey Limited
George Wimpey Bristol Limited
George Wimpey City Limited
George Wimpey City 2 Limited
George Wimpey East Anglia Limited
George Wimpey East London Limited
George Wimpey East Midlands Limited
George Wimpey Manchester Limited
George Wimpey Midland Limited
George Wimpey North East Limited
George Wimpey North London Limited
George Wimpey North Midlands Limited
George Wimpey North West Limited
George Wimpey North Yorkshire Limited
George Wimpey South East Limited
George Wimpey South Midlands Limited
George Wimpey South West Limited
George Wimpey South Yorkshire Limited
George Wimpey Southern Counties Limited
George Wimpey West London Limited
George Wimpey West Midlands Limited
George Wimpey West Yorkshire Limited
Globe Road Limited
Grand Union Vision Limited
Groveside Homes Limited
Hamme Construction Limited
Hanger Lane Holdings Limited
Hassall Homes (Cheshire) Limited
Hassall Homes (Mercia) Limited
Hassall Homes (Southern) Limited
Hassall Homes (Wessex) Limited
Haverhilll Developments Limited
Jim 1 Limited
Jim 3 Limited
Jim 4 Limited
Jim 5 Limited
L. & A. Freeman Limited
Ladbroke Grove Apartment Management Company Limited
Laing Homes Limited
Laing Land Limited
LandTrust Developments Limited
Leawood (Management) Company Limited
Limebrook Manor LLP
MCA Developments Limited
MCA East Limited
MCA Holdings Limited
MCA Land Limited
MCA Leicester Limited
MCA London Limited
MCA Northumbria Limited
MCA Partnership Housing Limited
MCA South West Limited
MCA West Midlands Limited
MCA Yorkshire Limited
McLean Homes Limited
McLean Homes Bristol & West Limited
McLean Homes Southern Limited
McLean TW Estates Limited
McLean TW (Chester) Limited
McLean TW (Northern) Limited
McLean TW (Southern) Limited
McLean TW (Yorkshire) Limited
McLean TW Group Limited
McLean TW Holdings Limited
McLean TW Limited
McLean TW No. 2 Limited
Melbourne Investments Limited
Pangbourne Developments Limited
Prestoplan Limited
River Farm Developments Limited
South Bristol (Ashton Park) Limited
Spinks & Denning Limited
St. Dunstans Apartment Management Company Limited
St. Katharine By The Tower Limited
St. Katharine Haven Limited
Tawnywood Developments Limited
Taylor Wimpey 2007 Limited
Taylor Wimpey Capital Developments Limited
Taylor Wimpey Commercial Properties Limited
Taylor Wimpey Developments Limited
Taylor Wimpey Garage Nominees No 1 Limited
Taylor Wimpey Garage Nominees No 2 Limited
Taylor Wimpey Holdings Limited
Taylor Wimpey International Limited
Taylor Wimpey Property Company Limited
Taylor Wimpey Property Management Limited
Taylor Wimpey SH Capital Limited
Taylor Wimpey UK Limited
Thameswey Homes Limited
The Garden Village Partnership Limited
The Junction Flat Management Company Limited
The Wilson Connolly Employee Benefit Trust Limited
This is G2 Limited
Thomas Lowe and Sons, Limited
Thomas Lowe Homes Limited
TW NCA Limited
TW Springboard Limited
Twyman Regent Limited
Valley Park Developments 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 Overseas 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

The entities listed below are companies incorporated in the United Kingdom and the registered office is Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR.

Company Name	% Owned	Company Name	% Owned
Academy Central LLP	62%	Taylor Wimpey Pension Trustees Limited	99%
Bordon Developments Holdings Limited	50%	Triumphdeal Limited	50%
Chobham Manor LLP	50%	TW Cavendish Holdings Limited	50%
Chobham Manor Property Management Limited	50%	Vumpine Limited	50%
DFE TW Residential Limited	50%	Whitehill & Bordon Regeneration Company Limited	50%
Falcon Wharf Limited	50%	Whitehill & Bordon Development Company Phase 1a Limited	50%
GWNW City Developments Limited	50%	Wimpey Laing Overseas Limited	50%
Paycause Limited	66.67%	Wimpey Laing Limited	50%
Phoenix Birmingham Latitude Limited	50%	Winstanley & York Road Regeneration LLP	50%

The entities listed below are companies incorporated in the United Kingdom and the registered office is Unit C, Ground Floor, Cirrus Glasgow Airport Business Park, Marchburn Drive, Abbotsinch, Paisley, PA3 2SJ.

Company Name	% Owned	Company Name	% Owned
Bryant Homes Scotland Limited	100%	Taylor Wimpey (General Partner) Limited	100%
George Wimpey East Scotland Limited	100%	Taylor Wimpey (Initial LP) Limited	100%
George Wimpey West Scotland Limited	100%	Taylor Wimpey Scottish Limited Partnership	100%
London and Clydeside Estates Limited	100%	Whatco England Limited	100%
London and Clydeside Holdings Limited	100%	Wilcon Homes Scotland Limited	100%
Strada Developments Limited	50%		

Other entities incorporated in the United Kingdom, unless otherwise stated, and the Group's ownership share are shown below.

Company Name	% Owned	Registered Office
Bishops Park Limited	50%	11 Tower View, Kings Hill, West Malling, ME19 4UY
Bishop's Stortford North Consortium Limited	33.33%	Bath House, 6-8 Bath Street, Bristol, BS1 6HL
Bromley Park (Holdings) Limited Bromley Park Limited	50%	Kent House, 14-17 Market Place, London, W1W 8AJ
Brunswick Dock (Liverpool) Management Company Limited	100%	168 Northenden Road, Sale, Manchester, M33 3HE
Capital Court Property Management Limited	17.17%	4 Capital Court, Bittern Road, Sowton Industrial Estate, Exeter, EX2 7FW
Countryside 27 Limited	50%	Countryside House, The Drive, Great Warley, Brentwood, CM13 3AT
Emersons Green Urban Village Limited	54.44%	250 Aztec West, Almondsbury, Bristol, BS32 4TR
Gallagher Bathgate Limited	50%	Gallagher House, Gallagher Business Park, Heathcote, Warwick, CV34 6AF
Greenwich Millennium Village Limited	50%	Countryside House, The Drive, Great Warley, Brentwood, CM13 3AT
Haydon Development Company Limited	19.27%	6 Drakes Meadow, Penny Lane, Swindon, SN3 3LL
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, 49 St NW, Edmonton, AB T6B 2L7, Canada
Newcastle Great Park (Estates) Limited NGP Management Company (Cell F) Limited NGP Management Company (Commercial) Limited NGP Management Company (Town Centre) Limited NGP Management Company Residential (Cell G) Limited	50%	3rd Floor Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE
North Swindon Development Company Limited	16.79%	6 Drakes Meadow, Penny Lane, Swindon, SN3 3LL
Padyear Limited	50%	Hanson House, 14 Castle Hill, Maidenhead, SL6 4JJ
Quedgeley Urban Village Limited	50%	250 Aztec West, Almondsbury, Bristol, BS32 4TR
Redhill Park Limited	50%	5 Market Yard Mews, 194 – 204 Bermondsey Street, London SE1 3TQ
St George Little Britain (No.1) Limited St George Little Britain (No.2) Limited	50%	Berkeley House, 19 Portsmouth Road, Cobham, KT11 1JG
Taylor Wimpey de España S.A.U.*	100%	C/Aragón 223-223 A, 07008 Palma de Mallorca, Spain
Taylor Woodrow (Gibraltar) Limited	100%	17 Bayside Road, Gibraltar
Weaver Developments (Woodfield Plantation) Limited	50%	Quay Point, Lakeside Boulevard, Doncaster, DN4 5PL
Wisley Property Investments Limited	100%	27 Hospital Road, George Town, Cayman Islands

* 9% cumulative, redeemable preference shares are held in addition to ordinary shares.

Five year review

£ million	2020	2019	2018	2017	2016
Revenue	**2,790.2**	4,341.3	4,082.0	3,965.2	3,676.2
Profit on ordinary activities before finance costs and tax	**282.4**	856.8	828.8	706.5	766.4
Adjust for: Share of results of joint ventures	**7.9**	8.0	5.3	7.6	1.2
Adjust for: Exceptional items	**10.0**	(14.3)	46.1	130.0	0.5
Operating profit	**300.3**	850.5	880.2	844.1	768.1
Net finance costs	**(25.9)**	(28.9)	(23.4)	(32.1)	(34.7)
Profit for the financial year before taxation and exceptional items	**274.4**	821.6	856.8	812.0	733.4
Exceptional items	**(10.0)**	14.3	(46.1)	(130.0)	(0.5)
Taxation charge including taxation on exceptional items	**(47.4)**	(162.0)	(154.1)	(126.7)	(143.6)
Profit for the financial year	**217.0**	673.9	656.6	555.3	589.3
Balance sheet					
Intangible assets	**8.1**	7.0	3.2	3.9	3.5
Property, plant and equipment	**24.0**	25.6	21.6	22.8	21.0
Right-of-use assets	**27.5**	27.4	27.1	–	–
Interests in joint ventures	**82.2**	55.3	48.3	50.9	50.3
Non-current trade and other receivables	**26.3**	43.7	55.7	60.1	87.2
Non-current assets (excluding tax)	**168.1**	159.0	155.9	137.7	162.0
Inventories	**4,534.7**	4,196.0	4,188.2	4,075.7	3,984.0
Other current assets (excluding tax and cash)	**189.1**	161.0	134.7	122.2	91.4
Trade and other payables excluding land creditors	**(571.4)**	(634.9)	(684.8)	(705.0)	(721.8)
Land creditors	**(347.9)**	(339.9)	(359.5)	(319.5)	(266.3)
Lease liabilities	**(6.4)**	(7.6)	(8.2)	–	–
Provisions	**(70.6)**	(72.7)	(76.9)	(87.3)	(28.0)
Net current assets (excluding tax and net cash)	**3,727.5**	3,301.9	3,193.5	3,086.1	3,059.3
Trade and other payables excluding land creditors	**(131.8)**	(110.4)	(112.2)	(111.0)	(109.0)
Land creditors	**(328.0)**	(389.3)	(379.1)	(319.6)	(333.5)
Retirement benefit obligations	**(89.5)**	(85.0)	(133.6)	(64.8)	(234.1)
Lease liabilities	**(21.6)**	(20.3)	(19.2)	–	–
Provisions	**(59.9)**	(55.7)	(93.4)	(74.3)	(5.1)
Non-current liabilities (excluding debt)	**(630.8)**	(660.7)	(737.5)	(569.7)	(681.7)
Cash and cash equivalents	**823.0**	630.4	734.2	600.5	450.2
Bank and other loans	**(103.6)**	(84.7)	(90.1)	(88.7)	(85.5)
Taxation balances	**32.6**	(38.1)	(29.2)	(28.6)	(4.0)
Basic net assets	**4,016.8**	3,307.8	3,226.8	3,137.3	2,900.3

Statistics					
Basic earnings per share	**6.3p**	20.6p	20.1p	17.0p	18.1p
Adjusted basic earnings per share	**6.5p**	20.3p	21.3p	20.2p	18.1p
Tangible net assets per share	**110.0p**	100.5p	98.3p	95.7p	88.6p
Dividends paid (pence per share)	**–**	18.34	15.28	13.79	10.91
Number of ordinary shares in issue at the year end (millions)	**3,645.4**	3,283.1	3,278.1	3,275.4	3,270.3
UK short term landbank (plots)	**77,435**	75,612	75,995	74,849	76,234
UK average selling price (£'000)	**288**	269	264	264	255
UK completions (homes including JVs)	**9,609**	15,719	14,933	14,541	13,881

The results for 2016 shown above include unaudited adjustments for the adoption of IFRS 9 and IFRS 15 in 2018.