Independent auditors' report to the members of Taylor Wimpey plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Taylor Wimpey plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

Taylor Wimpey is a listed housebuilder, predominantly operating in the UK, also with a presence in Spain. The Group focuses on the sale of private dwellings, which comprised 91% of total revenue in 2021, with the majority of the remaining revenue generated through delivery of partnership housing contracts.

The Group's consolidated financial statements are primarily an aggregation of the 23 UK Business Units, representing the regional UK housebuilding businesses encompassed in Taylor Wimpey UK Limited, consolidated with the Group's Spanish operations, Taylor Wimpey de España S.A.U., the Company and the share of the Group's interest in joint ventures. For the purposes of our audit, we considered Taylor Wimpey UK Limited, Taylor Wimpey de España S.A.U. and the Company to be separate components.

The context of our audit is underpinned by 2021 being our first year as external auditors of the Group. As part of our audit transition, we performed specific procedures over opening balances by shadowing the prior year audit undertaken by the predecessor auditor, reviewing the predecessor auditors working papers and risk assessment, both in the UK and Spain, and re-evaluating the predecessor auditors conclusions in respect of key sources of estimation uncertainty in the opening balance sheet at 1 January 2021.

We performed process walkthroughs to understand and evaluate the key financial processes and controls across the Group and, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, a review of the half year financial information. Following this work, we performed a significant amount of early audit procedures in advance of the year-end, covering each of the Business Units and the Group functions. The objective of this audit work was:

- to perform initial testing in relation to the design and operating effectiveness of the controls we planned to place reliance on;
- to ensure that we had a clear plan as to what work needed to be done when and where at year-end;
- to perform initial substantive testing, particularly where larger samples were required; and
- to enable early consideration of the key sources of estimation uncertainty before the year-end.

The audit transition, half year review and pre year-end audit work were important in determining our 2021 Group audit scope, areas of focus and detailed testing approach. As we undertook each phase of this first year audit, we regularly reconsidered our risk assessment to reflect audit findings, including our assessment of the Group's control environment and the impact on our planned audit approach.

In terms of risk assessment:

- given the nature of the Group's operations and the methodology for recognising margin on units sold, we considered margin recognition and forecasting to be the most significant area and therefore have included this as a key audit matter; and
- we considered current Government legislation and announcements, particularly in relation to cladding and fire safety, and hence also included a key audit matter in relation to this.

As part of our audit we also made enquiries of management to understand the process they have adopted to assess the potential impact of climate change on the financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact in the current year and we used our knowledge of the Group and the industry to evaluate management's assessment. We particularly considered the potential impact on forecast build costs, and therefore margins, of new climate related regulations, such as Part L & F of the Building Regulations.

Overview

Audit scope

Our Group audit included full scope audits of Taylor Wimpey UK Limited (which includes the Group's 23 UK Business Units), Taylor Wimpey plc (the "Company") and Taylor Wimpey de España S.A.U. We also performed audit procedures over specified balances and transitions across a number of the Group's joint ventures. Finally we audited the consolidation, including consolidation adjustments.

Taken together, the above procedures included operations covering 100% of revenue, 99% of profit before tax, 99% of profit before tax and exceptional items and 97% of net assets.

Key audit matters

- Margin recognition and site forecasting (Group)
- Cladding fire safety provision (Group)
- Valuation of investments in Group undertakings and amounts due from Group undertakings (Company)

Materiality

- Overall Group materiality: £40.0 million based on 5% of profit before tax and exceptional items.
- Overall Company materiality: £36.0 million based on 1% of net assets capped at 90% of overall Group materiality.
- Performance materiality: £30.0 million (Group) and £27.0 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter

Margin recognition and site forecasting (Group)
Refer to page 104 (Audit Committee report) and page 146 (Critical accounting judgements and key sources of estimation uncertainty).
As at 31 December 2021 the Group's inventory balance is £4,945.7 million (31 December 2020: £4,534.7 million) and is the most significant asset on the Consolidated balance sheet.
The Group's margin recognition policy is based on the margin forecast for each site. These margins reflect estimated sales prices and costs for each site. This is a method of allocating the total forecast costs, representing both land and build costs, of a site to each individual unit.
There is a risk that the margin forecast for the site, and consequently the margin recognised on each unit sold, is not appropriate and reflective of the actual final margin that will be recognised on a site. As a result excess profit margins would be recognised earlier, to the detriment of reduced margins on units sold at the end of the site, or vice versa. The risk is due to the high level of management estimation involved in ensuring the accuracy and completeness of an individual site forecast, and the monitoring of these estimates over time.
Sales prices and build costs are inherently uncertain, as they are influenced by changes in external market factors, such as the availability and affordability of mortgages, changes in customer demand due to market uncertainty, or build cost inflation. There is higher uncertainty when a site is scheduled to be completed over a long timeframe.
Management has implemented internal controls to assess site acquisition and initial forecasts to assist financial appraisal processes, and further controls to monitor the ongoing costs and sales prices within these forecasts, including changes to forecast costs as a result of new climate related regulations, e.g. Part L & F of the Building Regulations. There is a risk that these controls do not operate effectively in ensuring the accuracy and completeness of the forecasts.
We consider the accuracy and completeness of forecasting and the appropriateness of margin recognition across the life of the site to be a significant financial reporting risk, and hence audit risk, for the Group.
	Our audit procedures focused in particular on assessing the judgemental elements used to determine an accurate margin, being forecast costs and forecast revenues. Our procedures included, but were not limited to:
	– We tested a number of key controls within the build cycle, such as:
	  – management's review meetings, where the performance to date and expected outturn are updated, reviewed and challenged for each site on a bi-monthly basis;
	  – review, approval and recognition of cost variations against the original site budgets;
	  – surveyor valuations assessing the stage of completion of individual plots across all sites; and
	  – review and approval of initial site budgets.
	– We assessed management's historical forecasting accuracy on all active sites in 2021, through comparison to historical forecasts from 2020 and 2019, as well as the initial site budget. We investigated significant differences or trends to understand whether they were driven by items that could reasonably have been foreseen or predicted rather than items outside of management's control such as build cost inflation;
	– We tested a sample of forecast costs to third party evidence, such as tender documents, or other appropriate support;
	– We tested a sample of forecast sales prices to the actual sales prices attained on similar properties;
	– We understood risks and opportunities identified in relation to sites to ensure completeness of costs within the site forecast, including consideration of the impact of future climate related regulation and requirements;
	– We tested a sample of actual costs incurred to third party evidence, as well as testing the allocation of costs to the correct sites;
	– We tested a sample of actual revenue recognised in the period to third party contracts, completion statements and bank statements;
	– We verified, by recalculating the margins, that the system correctly recalculates the margin following each cost or sales price amendment made by management; and
	– We tested that the system appropriately apportions the cost of sales associated with each plot when a sale is made.
	Based on the procedures performed, we did not identify any sites where we considered the actual margin recognised or forecast margin to be materially inappropriate.

Key audit matter	How our audit addressed the key audit matter
Cladding fire safety provision (Group) *Refer to page 104 (Audit Committee report) and page 146 (Critical accounting judgements and key sources of estimation uncertainty).* In March 2021 the Group announced it would support owners of buildings constructed by the Group going back 20 years from January 2021, including apartment buildings below 18 metres, in completing remediation works required to achieve RICS EWS1 certification levels. The cost of providing this financial support was estimated at £125.0 million, and a provision was recorded on the grounds that the announcement created a constructive obligation. The provision is identified as a source of estimation uncertainty as there are several factors that could drive changes to the level of financial support required to be given in future periods. The key assumptions are the number of buildings requiring work, the cost of remediation works for each relevant building and the level of funding available to building owners under the Building Safety Fund as at the balance sheet date. Future industry guidance or regulation could also potentially change the obligation, and therefore the financial support required to be provided. Given the estimation uncertainty and the stakeholder focus on what is an industry wide issue, we identified the valuation of the cladding fire safety provision, specifically the £125m recorded during the year, as a significant audit risk.	In addressing the risk that the provision was valued incorrectly, our audit procedures included, but were not limited to, the following: – We enquired with management, including the Group Management Team, to understand the rationale behind the provision and whether it met the requirements of IAS 37 for the recognition of a constructive obligation; – We recalculated and checked the integrity of management's model, to assess the accuracy of the calculation; – We tested the completeness of the buildings included by reference to publicly available information on Taylor Wimpey constructed buildings; – We tested the completeness of the provision by considering whether, for buildings where there was no provision, that conclusion was appropriate by inspecting supporting information including the results from any surveys undertaken; – We tested the valuation of the remediation costs included within the provision back to third party evidence, to corroborate the inputs into the provision calculation. Examples of audit evidence included external wall assessments to determine the extent of works required and third party evidence such as external quantity surveyor quotes. – We assessed the technical capabilities and expertise of the Group's employees and external consultants involved in assessing the expected work and costs; – We understood and assessed the estimated impact of potential contributions from the Building Safety Fund to the overall expected remediation costs; – We assessed the ability of management to forecast remediation costs by comparing original internal estimates to tendered works; – We read recent government guidelines to confirm that management's assumptions and interpretations were appropriate; and – We reviewed the disclosures included in the financial statements, including those on estimation uncertainty required by IAS 1 and those required by IAS 37. Overall, we found that, based on the audit evidence that we obtained, management's assessment of the provision was appropriate given the commitment made and the conditions that existed at the balance sheet date. We also considered the disclosures made in the financial statements to be in line with the requirements of IAS 37 'Provisions, contingent liabilities and contingent assets'.

Independent auditors' report continued

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in Group undertakings and amounts due from Group undertakings (Company) *Refer to page 175 Investments in Group undertakings and Trade and other receivables notes in the Company financial statements.* The carrying value of the investments in Group undertakings and amounts due from Group undertakings in the Company accounts are £2,446.2m (2020: £2,433.0m) and £2,848.7m (£2,922.5m) respectively. The key estimate is whether the carrying values of the investments and intercompany receivables are supported by the forecast future cash flows of the underlying Group undertakings. As such it was this area where we applied the most audit effort in respect of the audit of the Company and hence why it was identified as a key audit matter.	Audit procedures included, but were not limited to, the following: – We assessed the net assets of the underlying investments to confirm that they were in excess of the carrying value of the Company's investment in Group undertakings; – We verified that future cash flows supported the recoverability of amounts due from Group undertakings and that no impairment was required; – We confirmed that the market capitalisation of the Group as at 31 December 2021 exceeded the carrying value of the investment in Group undertakings and confirmed that there were no impairment triggers in the year; and – We verified that the aggregate net current assets of subsidiary undertakings were sufficient to support the intercompany receivables and whether, in accordance with IFRS 9, an expected credit loss was required. We have no issues to report in respect of this work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's consolidated financial statements are primarily an aggregation of the 23 UK Business Units, representing the regional UK housebuilding businesses, consolidated with the Group's Spanish operations, Taylor Wimpey de España S.A.U., the Company and the share of the Group's interest in joint ventures.

The 23 UK Business Units operate under a common control environment, underpinned by the Group's Operating Framework. The Group engagement team's initial testing focused on the effectiveness and consistency of the design and implementation of the controls and processes, and based on this, we determined that the aggregated Business Units could be treated as one population for further testing purposes. In addition, we performed detailed audit work over the consolidation journals and specific financial statement line items within the Group's joint ventures. We instructed PwC Spain to perform procedures over Taylor Wimpey de España S.A.U.'s financial information, which forms part of the Group's consolidated financial statements.

Our work covered 100% of revenue, 99% of profit before tax, 99% of profit before tax and exceptional items and 97% of net assets. We performed specific audit testing over the exceptional item, relating specifically to the cladding fire safety provision.

We also performed a full scope audit of the Company financial statements which was considered a separate component for the purposes of our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£40.0 million	£36.0 million
How we determined it	5% of profit before tax and exceptional items	1% of net assets capped at 90% of overall Group materiality
Rationale for benchmark applied	Profit before tax is a generally accepted auditing benchmark. On the basis that exceptional items are not reflective of the operating performance of the Group and are excluded from key alternative performance measures we have also excluded them from the benchmark amount.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, which acts solely as a holding company, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £12.5 million to £36.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £30.0 million for the Group financial statements and £27.0 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2.0 million (Group and Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We tested the accuracy and integrity of the underlying model used by management in developing their going concern forecasts, and checked the approval of the forecasts by the Board;
- We tested the key assumptions used in the model, including comparison to third party market information where appropriate and checking that the assumptions used in the "severe but plausible" scenario were sufficiently severe to model potential future economic downturn, in line with those observed in the global financial crisis in 2007-8;
- We considered the historical reliability of management forecasting by comparing budgeted results to actual performance; and
- We reviewed the covenants applicable to the Group's borrowings and facility and checked that the forecasts supported ongoing compliance with the covenants in the going concern assessment period.

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 the 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 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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have 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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

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, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, 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 that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to building regulations, including fire and building safety legislation, health and safety legislation, tax and pension legislation, environmental regulation and employment law and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Listing Rules and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to artificial inflation of reported results via the posting of fraudulent journals, primarily as part of the consolidation process at Group, and bias in the assumptions underpinning significant provisions. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Group Management Team, Business Unit Management, Internal Audit and the Audit Committee, review of internal audit reports and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities, in particular their controls around margin recognition and site forecasting;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates, in particular in relation to margin recognition, site forecasting and provisions; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the Consolidated income statement.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Remuneration Committee report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 22 April 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

2 March 2022

Consolidated income statement
for the year to 31 December 2021

£ million	Note	Before exceptional items 2021	Exceptional items 2021	Total 2021	Before exceptional items 2020	Exceptional items 2020	Total 2020
Continuing operations							
Revenue	4	**4,284.9**	**–**	**4,284.9**	2,790.2	–	2,790.2
Cost of sales		**(3,257.9)**	**–**	**(3,257.9)**	(2,293.5)	–	(2,293.5)
Gross profit		**1,027.0**	**–**	**1,027.0**	496.7	–	496.7
Net operating expenses	6	**(203.8)**	**(125.0)**	**(328.8)**	(204.3)	(10.0)	(214.3)
Profit on ordinary activities before net finance costs		**823.2**	**(125.0)**	**698.2**	292.4	(10.0)	282.4
Finance income	8	**2.4**	**–**	**2.4**	3.5	–	3.5
Finance costs	8	**(26.4)**	**–**	**(26.4)**	(29.4)	–	(29.4)
Share of results of joint ventures	13	**5.4**	**–**	**5.4**	7.9	–	7.9
Profit before taxation		**804.6**	**(125.0)**	**679.6**	274.4	(10.0)	264.4
Taxation (charge)/credit	9	**(147.9)**	**23.8**	**(124.1)**	(49.1)	1.7	(47.4)
Profit for the year		**656.7**	**(101.2)**	**555.5**	225.3	(8.3)	217.0

	Note	2021	2020
Basic earnings per share	10	**15.3p**	6.3p
Diluted earnings per share	10	**15.2p**	6.2p
Adjusted basic earnings per share	10	**18.0p**	6.5p
Adjusted diluted earnings per share	10	**18.0p**	6.5p

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 2021

£ million	Note	2021	2020
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	25	**(6.9)**	5.2
Movement in fair value of hedging instruments	25	**4.8**	(4.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	21	**37.9**	(36.6)
Tax (charge)/credit on items taken directly to other comprehensive income	14	**(5.4)**	8.6
Other comprehensive income/(expense) for the year		**30.4**	(27.0)
Profit for the year		**555.5**	217.0
Total comprehensive income for the year		**585.9**	190.0

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

Consolidated balance sheet

at 31 December 2021

£ million	Note	2021	2020
Non-current assets			
Intangible assets	11	**6.6**	8.1
Property, plant and equipment	12	**21.7**	24.0
Right-of-use assets	19	**26.5**	27.5
Interests in joint ventures	13	**85.4**	82.2
Trade and other receivables	16	**27.5**	26.3
Other financial assets	21	**10.0**	–
Deferred tax assets	14	**26.2**	33.7
		203.9	201.8
Current assets			
Inventories	15	**4,945.7**	4,534.7
Trade and other receivables	16	**168.2**	189.1
Tax receivables		**1.0**	–
Cash and cash equivalents	16	**921.0**	823.0
		6,035.9	5,546.8
Total assets		**6,239.8**	5,748.6
Current liabilities			
Trade and other payables	18	**(901.9)**	(919.3)
Lease liabilities	19	**(7.0)**	(6.4)
Bank and other loans	17	**–**	(13.5)
Tax payables		**(0.8)**	(1.1)
Provisions	22	**(125.4)**	(70.6)
		(1,035.1)	(1,010.9)
Net current assets		**5,000.8**	4,535.9
Non-current liabilities			
Trade and other payables	18	**(629.3)**	(459.8)
Lease liabilities	19	**(20.4)**	(21.6)
Bank and other loans	17	**(84.0)**	(90.1)
Retirement benefit obligations	21	**(37.3)**	(89.5)
Provisions	22	**(119.7)**	(59.9)
		(890.7)	(720.9)
Total liabilities		**(1,925.8)**	(1,731.8)
Net assets		**4,314.0**	4,016.8
Equity			
Share capital	23	**292.2**	292.2
Share premium	24	**777.5**	773.1
Own shares	26	**(14.6)**	(11.5)
Other reserves	25	**541.6**	543.7
Retained earnings		**2,717.3**	2,419.3
Total equity		**4,314.0**	4,016.8

The financial statements of Taylor Wimpey plc (registered number: 296805) were approved by the Board of Directors and authorised for issue on 2 March 2022. 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 2021

£ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Total equity at 1 January 2020	288.6	762.9	(17.6)	43.6	2,230.3	3,307.8
Other comprehensive income/(expense) for the year	–	–	–	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
Other comprehensive (expense)/income for the year	**–**	**–**	**–**	**(2.1)**	**32.5**	**30.4**
Profit for the year	**–**	**–**	**–**	**–**	**555.5**	**555.5**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(2.1)**	**588.0**	**585.9**
New share capital subscribed	**–**	**4.4**	**–**	**–**	**–**	**4.4**
Own shares acquired	**–**	**–**	**(4.2)**	**–**	**–**	**(4.2)**
Utilisation of own shares	**–**	**–**	**1.1**	**–**	**–**	**1.1**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Share-based payment credit	**–**	**–**	**–**	**–**	**13.2**	**13.2**
Tax credit on items taken directly to statement of changes in equity	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(301.5)**	**(301.5)**
Total equity at 31 December 2021	**292.2**	**777.5**	**(14.6)**	**541.6**	**2,717.3**	**4,314.0**

Consolidated cash flow statement

for the year to 31 December 2021

£ million	Note	2021	2020
Profit on ordinary activities before net finance costs		**698.2**	282.4
Adjustments for:			
Depreciation and amortisation		**15.6**	16.4
Pension contributions in excess of charge to the income statement		**(15.2)**	(33.4)
Share-based payment charge		**13.2**	7.0
Increase in provisions excluding exceptional payments		**130.0**	19.6
Operating cash flows before movements in working capital		**841.8**	292.0
Increase in inventories		**(293.2)**	(362.2)
Decrease/(Increase) in receivables		**32.1**	(19.5)
Decrease in payables		**(6.0)**	(75.3)
Cash generated from/(used in) operations		**574.7**	(165.0)
Payments related to exceptional charges		**(15.1)**	(17.7)
Income taxes paid		**(123.0)**	(107.7)
Interest paid		**(4.7)**	(10.8)
Net cash generated from/(used in) operating activities		**431.9**	(301.2)
Investing activities			
Interest received	8	**2.1**	3.1
Dividends received from joint ventures		**8.1**	0.8
Purchase of property, plant and equipment	12	**(2.5)**	(3.1)
Purchase of software	11	**(2.1)**	(4.9)
Investment in pension scheme escrow		**(10.0)**	–
Amounts invested in joint ventures		**(5.9)**	(19.8)
Net cash used in investing activities		**(10.3)**	(23.9)
Financing activities			
Lease capital repayments		**(6.9)**	(8.0)
Proceeds from the issue of own shares		**–**	510.1
Cash received on exercise of share options		**3.6**	0.8
Purchase of own shares		**(4.2)**	–
Repayment of borrowings		**(12.7)**	–
Proceeds from borrowings		**–**	13.5
Dividends paid	31	**(301.5)**	–
Net cash (used in)/generated from financing activities		**(321.7)**	516.4
Net increase in cash and cash equivalents		**99.9**	191.3
Cash and cash equivalents at beginning of year		**823.0**	630.4
Effect of foreign exchange rate changes		**(1.9)**	1.3
Cash and cash equivalents at end of year	27	**921.0**	823.0

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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition.

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) – interest rate benchmark reform – phase 2

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 1 ‘Presentation of Financial Statements’ (amendments) – classification of liabilities as current or non-current
- IAS 1 ‘Presentation of Financial Statements’ (amendments) – disclosure of accounting policies
- IAS 12 ‘Income Taxes’ (amendments) – deferred tax related to assets and liabilities arising from a single transaction
- IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ (amendments) – definition of accounting estimates
- Annual improvement in IFRS Standards 2018-2020

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

Group forecasts have been prepared that have considered the Group’s current financial position and current market circumstances. The forecasts were subject to sensitivity analysis together with the likely effectiveness of mitigating actions.

The assessment considers sensitivity analysis on a series of realistically possible, but severe and prolonged, changes to principal assumptions. In determining these the Group has included macro-economic and industry-wide projections as well as matters specific to the Group.

The severe but plausible downside scenario reflects the aggregated impact of the sensitivities, taking account of a sharp decline in customer confidence, disposable incomes, and mortgage availability. To arrive at the stress test the Group has drawn on experience gained managing the business through previous economic downturns and the COVID-19 pandemic. As a result, the Group has stress tested the business against the following severe but plausible downside scenario which can be attributed back to the Group’s Principal Risks that have been identified as having the most impact on the longer-term prospects and viability of the Group. The impact of the Principal Risk ‘Natural resources and climate change’ is not deemed to be material within the forecast period, albeit known costs from regulations have been included in the modelling.

- Volume – a decline in total volumes of 20% from 2021, recovering by the end of the forecast period
- Price – a reduction to current selling prices of 20%, recovering by the end of the forecast period
- Costs – a one-off exceptional charge and cash cost of £150 million for an unanticipated event, change in Government regulations or financial penalty (e.g. from a cyber security breach)

Within the scenario build costs are forecast to reduce with lower volumes reducing pressure on the availability of materials and resources and land cost remains flat as the possible increase in availability due to lower volumes is offset by a restriction in supply. An estimate for the cost of the Future Homes Standard has been assumed.

The mitigating actions considered in the model include a reduction in land investment, a reduction in the level of production and work in progress held and reducing our overhead base to reflect the lower volumes. If these scenarios were to occur, the Group also has a range of additional options to maintain its financial strength, including: a reduction in capital expenditure, the sale of assets, reducing the dividend, and or raising debt.

The Group’s liquidity (defined as cash and undrawn committed facilities) was £1,471 million at 31 December 2021. The undrawn facilities of £550 million mature in February 2025 with the drawn facility maturing more than one year after the current balance sheet date with €100 million due in June 2023. 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, and meet its liabilities as they fall due, for at least the next 12 months from the date of these consolidated financial statements. Consequently 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) as adopted by the UK.

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.

1. Significant accounting policies continued

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.

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. Loans to joint ventures form part of the Group's net investment and is assessed for recoverability on a periodic basis. 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 and operating framework, 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 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 highly 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 consistent margin for the site.

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.

1. Significant accounting policies continued

Positive contribution

Positive contribution 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.

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 effective interest rate 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.

1. Significant accounting policies continued

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.

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.

1. Significant accounting policies continued

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.

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.

Notes to the consolidated financial statements continued

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.

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

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, including those driven by climate related regulation such as the implementation of Parts L&F, 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.

Cladding fire safety provision

In 2018 the Group established an exceptional provision for the cost of replacing ACM on a small number of legacy developments, which was increased in 2020 to reflect the latest estimate of costs to complete the planned works. Following the guidance issued by RICS in the current year the Group announced an additional £125.0 million provision to fund cladding fire safety improvements. The Group has estimated the provision based on the number of buildings that may require works under EWS1 requirements, costs to carry out the identified works and eligibility of buildings for the UK Government's Building Safety Fund. In determining the total cost of works across a number of different buildings, management initially used internal QS estimates, which have increasingly been supported by externally sourced quotations, where available, both of which contain inherent estimation uncertainty, however it is not anticipated that any reasonable possible changes would lead to a material adjustment in the value of the provision. The scope of works may also be impacted by future industry guidance or regulations.

Provision for leasehold

The value of this provision has been established using information available to management at 31 December 2021, 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 original GRRAS scheme, and the final deed of variation valuations for those freeholders with whom the Group has not yet agreed a settlement. Following the agreement of voluntary undertakings with the CMA the level of uncertainty of assumptions has decreased. Whilst, as at 31 December 2021, final outcomes are not known with absolute certainty it is not anticipated that any reasonable possible changes would lead to a material adjustment in the value of the provision held. See Note 22 for further details on the provision.

3. General information

Taylor Wimpey plc is a public company limited by shares, incorporated and domiciled 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, Buckinghamshire, HP12 3NR. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 71.

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	2021	2020
Private sales	**3,890.3**	2,507.9
Partnership housing	**363.1**	269.3
Land & other	**31.5**	13.0
	4,284.9	2,790.2

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	2021	2020
Recognised at a point in time	**3,939.2**	2,573.7
Recognised over time	**345.7**	216.5
	4,284.9	2,790.2

At 31 December 2021, the aggregate amount of the transaction price allocated to unsatisfied performance obligations on construction contracts was £594.3 million (2020: £572.3 million), of which approximately half is expected to be recognised as revenue during 2022.

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. 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 and operating framework, 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 reflects the two reportable segments of the UK and Spain. Revenue in Spain arises entirely on private sales.

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:

	2021			2020		
£ million	UK	Spain	Total	UK	Spain	Total
Revenue						
External sales	**4,208.1**	**76.8**	**4,284.9**	2,726.9	63.3	2,790.2
Result						
Profit before joint ventures, finance costs and exceptional items	**808.6**	**14.6**	**823.2**	276.6	15.8	292.4
Share of results of joint ventures	**5.4**	**–**	**5.4**	7.9	–	7.9
Operating profit (Note 32)	**814.0**	**14.6**	**828.6**	284.5	15.8	300.3
Exceptional items (Note 6)	**(125.0)**	**–**	**(125.0)**	(10.0)	–	(10.0)
Profit before net finance costs	**689.0**	**14.6**	**703.6**	274.5	15.8	290.3
Net finance costs			**(24.0)**			(25.9)
Profit before taxation			**679.6**			264.4
Taxation charge			**(124.1)**			(47.4)
Profit for the year			**555.5**			217.0

5. Operating segments continued

£ million	2021 UK	2021 Spain	2021 Total	2020 UK	2020 Spain	2020 Total
Assets and liabilities						
Segment operating assets	5,013.6	192.6	5,206.2	4,635.1	174.6	4,809.7
Joint ventures	85.4	–	85.4	82.2	–	82.2
Segment operating liabilities	(1,757.3)	(83.7)	(1,841.0)	(1,564.0)	(63.1)	(1,627.1)
Net operating assets	3,341.7	108.9	3,450.6	3,153.3	111.5	3,264.8
Net current taxation			0.2			(1.1)
Net deferred taxation (Note 14)			26.2			33.7
Net cash (Note 27)			837.0			719.4
Net assets			4,314.0			4,016.8

£ million	2021 UK	2021 Spain	2021 Total	2020 UK	2020 Spain	2020 Total
Other information						
Property, plant and equipment additions	2.4	0.1	2.5	2.8	0.3	3.1
Right-of-use asset additions	6.1	0.6	6.7	9.1	0.2	9.3
Software additions	2.1	–	2.1	4.9	–	4.9
Property, plant and equipment depreciation	(4.6)	(0.1)	(4.7)	(4.6)	(0.1)	(4.7)
Right-of-use asset depreciation	(7.1)	(0.2)	(7.3)	(7.6)	(0.3)	(7.9)
Amortisation of intangible assets	(3.6)	–	(3.6)	(3.8)	–	(3.8)

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

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

£ million	2021	2020
Administration expenses	211.0	206.8
Other expenses	13.1	7.2
Other income	(20.3)	(9.7)
Exceptional items	125.0	10.0

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.

During 2021 positive contribution of £4.1 million was recognised (2020: £4.6 million).

Exceptional items: £ million	2021	2020
Provision in relation to cladding fire safety	125.0	10.0
Exceptional items	125.0	10.0

Cladding fire safety

In 2018 the Group established an exceptional provision for the cost of replacing ACM on a small number of legacy developments, which was increased by £10.0 million in 2020 to reflect the latest estimate of costs to complete the planned works. During 2021 the Group announced its intention to support building owners and leaseholders with investment to ensure their apartment buildings are safe and meet current EWS1 (External Wall Fire Review) requirements. This applies to Taylor Wimpey apartment buildings constructed going back 20 years from January 2021, including apartment buildings below 18 metres. As a result the Group has recognised an additional £125.0 million provision and, in line with Group policy, recognised it as an exceptional item. This is a complex and exceptional situation, but Taylor Wimpey is focused on doing the right thing for its customers. The Board has determined that the Group will fund and oversee the improvement works of apartment buildings in its ownership, regardless of eligibility for the UK Government Building Safety Fund, to make them safe and mortgageable by achieving EWS1 certification. If Taylor Wimpey no longer owns the building and it is not eligible for the Building Safety Fund, or similar support that may be announced in the future, where a freeholder produces a fair and proportionate plan for fire safety improvement works following EWS1 assessment, the Group will contribute funding to bring those buildings up to the standards required by current Royal Institution of Chartered Surveyors (RICS) EWS1 guidance. Whilst the legal responsibility continues to rest with the building owner, the Group will also provide advice and other assistance where appropriate.

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

Profit on ordinary activities before net finance costs has been arrived at after charging:

£ million	2021	2020
Cost of inventories recognised as an expense in cost of sales	3,135.0	2,094.2
Property, plant and equipment depreciation (Note 12)	4.7	4.7
Right-of-use asset depreciation (Note 19)	7.3	7.9
Amortisation of intangible assets (Note 11)	3.6	3.8

During 2020 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 included unproductive site overhead costs incurred during the controlled closure and lockdown period which would ordinarily be capitalised to WIP and expensed as plots legally completed 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. No costs in relation to COVID-19 have been separately identified in 2021.

The remuneration paid to the Group's external auditors, PricewaterhouseCoopers LLP (2020: Deloitte LLP), is as follows:

£ million	2021	2020
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 auditors and its associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	0.6	0.3
Total audit fees	0.8	0.5
Other assurance services	0.1	0.2
Total non-audit fees	0.1	0.2
Total fees	0.9	0.7

Non-audit services in 2021 and 2020 predominantly relate to work undertaken as a result of PricewaterhouseCoopers LLP's (2020: Deloitte LLP's) role as auditors, or work resulting from knowledge and experience gained as part of the role. In 2021 the fees relating to other assurance services primarily related to the review of the interim statements and also included £2,000 for a subscription service providing factual updates and changes to applicable law, regulation or accounting and auditing standards. In 2020, non-audit fees predominantly related to the review of the interim statements and also included £50,000 of other services related to enhanced assurance.

7. Staff costs

Number	2021	2020
Monthly average number employed		
United Kingdom	5,271	5,948
Spain	87	81
	5,358	6,029

£ million	2021	2020
Remuneration		
Wages and salaries	278.0	264.9
Redundancy costs	0.4	5.5
Social security costs	28.9	28.7
Other pension costs	14.1	15.2
	321.4	314.3

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 105 to 124 in the Directors' Remuneration Report.

Notes to the consolidated financial statements continued

8. Finance income and finance costs

Finance income £ million	2021	2020
Interest receivable	2.4	3.1
Foreign exchange gain	–	0.4
	2.4	3.5

Finance costs £ million	2021	2020
Interest on bank and other loans	(5.0)	(8.3)
Foreign exchange loss	(0.8)	–
	(5.8)	(8.3)
Unwinding of discount on land creditors and other items	(19.2)	(19.3)
Interest on lease liabilities (Note 19)	(0.4)	(0.4)
Net interest on pension liability (Note 21)	(1.0)	(1.4)
	(26.4)	(29.4)

9. Taxation charge

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

£ million		2021	2020
Current tax:			
UK:	Current year	(122.0)	(38.5)
	Adjustment in respect of prior years	2.3	(0.6)
Overseas:	Current year	(2.5)	(2.2)
	Adjustment in respect of prior years	(0.1)	–
		(122.3)	(41.3)
Deferred tax:			
UK:	Current year	(2.7)	(5.5)
	Adjustment in respect of prior years	(0.3)	(0.2)
Overseas:	Current year	1.2	(0.4)
	Adjustment in respect of prior years	–	–
		(1.8)	(6.1)
		(124.1)	(47.4)

Corporation tax is calculated at 19.0% (2020: 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 18.4% (2020: 17.9%). The tax charge for the year includes an exceptional credit of £23.8 million relating to the cladding fire safety provision. The tax charge for the prior year includes an exceptional credit of £1.7 million relating to the cladding fire safety provision. The charge for the year can be reconciled to the profit per the income statement as follows:

£ million	2021	2020
Profit before tax	679.6	264.4
Tax at the UK corporation tax rate of 19.0% (2020: 19.0%)	(129.1)	(50.2)
Net over/(under) provision in respect of prior years	1.9	(0.9)
Net impact of items that are not taxable or deductible	2.6	2.8
Recognition of deferred tax asset relating to Spanish business	2.2	1.1
Other rate impacting adjustments	(1.7)	(0.2)
Tax charge for the year	(124.1)	(47.4)

10. Earnings per share

	2021	2020
Basic earnings per share	15.3p	6.3p
Diluted earnings per share	15.2p	6.2p
Adjusted basic earnings per share	18.0p	6.5p
Adjusted diluted earnings per share	18.0p	6.5p
Weighted average number of shares for basic earnings per share – million	3,639.3	3,471.2
Weighted average number of shares for diluted earnings per share – million	3,649.0	3,473.6

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	2021	2020
Earnings for basic and diluted earnings per share	555.5	217.0
Adjust for exceptional items (Note 6)	125.0	10.0
Adjust for tax on exceptional items	(23.8)	(1.7)
Earnings for adjusted basic and adjusted diluted earnings per share	656.7	225.3

Million	2021	2020
Weighted average number of shares for basic earnings per share	3,639.3	3,471.2
Share options	9.7	2.4
Weighted average number of shares for diluted earnings per share	3,649.0	3,473.6

11. Intangible assets

£ million	Brands	Software	Total
Cost			
At 1 January 2020	140.2	17.2	157.4
Additions	–	4.9	4.9
At 31 December 2020	140.2	22.1	162.3
Additions	–	2.1	2.1
Disposals	–	(0.9)	(0.9)
At 31 December 2021	140.2	23.3	163.5
Accumulated amortisation			
At 1 January 2020	(140.2)	(10.2)	(150.4)
Charge for the year	–	(3.8)	(3.8)
At 31 December 2020	(140.2)	(14.0)	(154.2)
Charge for the year	–	(3.6)	(3.6)
Disposals	–	0.9	0.9
At 31 December 2021	(140.2)	(16.7)	(156.9)
Carrying amount			
At 31 December 2021	–	6.6	6.6
At 31 December 2020	–	8.1	8.1

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

12. Property, plant and equipment

£ million	Freehold land and buildings	Plant, equipment and leasehold improvements	Total
Cost			
At 1 January 2020	16.5	24.9	41.4
Additions	–	3.1	3.1
Exchange movements	–	0.1	0.1
At 31 December 2020	16.5	28.1	44.6
Additions	**–**	**2.5**	**2.5**
Disposals	**–**	**(0.7)**	**(0.7)**
Exchange movements	**–**	**(0.1)**	**(0.1)**
At 31 December 2021	**16.5**	**29.8**	**46.3**
Accumulated depreciation			
At 1 January 2020	(2.7)	(13.1)	(15.8)
Charge for the year	(0.5)	(4.2)	(4.7)
Exchange movements	–	(0.1)	(0.1)
At 31 December 2020	(3.2)	(17.4)	(20.6)
Charge for the year	**(0.9)**	**(3.8)**	**(4.7)**
Disposals	**–**	**0.7**	**0.7**
Exchange movements	**–**	**–**	**–**
At 31 December 2021	**(4.1)**	**(20.5)**	**(24.6)**
Carrying amount			
At 31 December 2021	**12.4**	**9.3**	**21.7**
At 31 December 2020	13.3	10.7	24.0

13. Interests in joint ventures

£ million	2021	2020
Aggregated amounts relating to share of all joint ventures:		
Non-current assets	**16.7**	25.3
Current assets	**145.1**	115.0
Total assets	**161.8**	140.3
Current liabilities	**(43.7)**	(28.2)
Non-current liabilities	**(100.0)**	(91.8)
Total liabilities	**(143.7)**	(120.0)
Carrying amount	**24.4**	24.3
Loans to joint ventures	**61.0**	57.9
Total interests in joint ventures	**85.4**	82.2

Loans to joint ventures includes £(6.3) million (2020: £(4.0) 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	2021	2020
Group share of:		
Revenue	**99.9**	96.0
Cost of sales	**(87.5)**	(77.4)
Gross profit	**12.4**	18.6
Net operating expenses	**(3.3)**	(5.3)
Profit before net finance costs	**9.1**	13.3
Net finance costs	**(2.2)**	(3.3)
Profit before taxation	**6.9**	10.0
Taxation	**(1.5)**	(2.1)
Share of joint ventures' post-tax results for the year	**5.4**	7.9

The Group has five material (2020: 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 2021 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 180.

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 2021	Chobham Manor 2021	Winstanley and York Road Regeneration 2021	Whitehill & Bordon Development Company Phase 1a 2021	Whitehill & Bordon Regeneration Company 2021	Total 2021
Non-current assets	–	–	–	–	32.8	32.8
Current assets	46.5	73.0	61.3	8.1	8.7	197.6
Cash and cash equivalents	22.4	37.1	2.6	1.2	2.1	65.4
Current financial liabilities	(6.4)	(43.6)	(3.1)	(5.4)	(6.6)	(65.1)
Current other liabilities	(2.4)	–	–	(0.8)	(0.2)	(3.4)
Non-current financial liabilities*	(27.8)	(56.3)	(73.4)	(0.3)	(34.2)	(192.0)
Net assets/(liabilities) (100%)	32.3	10.2	(12.6)	2.8	2.6	35.3
Group share of net assets/(liabilities)	16.2	5.1	(6.3)	1.4	1.3	17.7
Loans to joint ventures	7.5	27.4	31.4	–	0.1	66.4
Total interests in material joint ventures	23.7	32.5	25.1	1.4	1.4	84.1
Revenue	39.9	66.0	11.2	27.7	26.0	170.8
Interest (expense)/income	(0.5)	–	(3.7)	(0.6)	0.9	(3.9)
Income tax expense	(1.7)	–	–	(0.8)	(0.2)	(2.7)
Profit/(loss) for the year	7.2	4.6	(4.6)	3.2	0.6	11.0
Group share of profit/(loss) for the year	3.6	2.3	(2.3)	1.6	0.3	5.5

* Non-current financial liabilities include amounts owed to joint venture partners.

13. Interests in joint ventures continued

£ 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 current and prior 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	2021	2020
Non-current assets	**0.3**	0.3
Current assets	**13.6**	4.6
Total assets	**13.9**	4.9
Current liabilities	**(9.5)**	(0.6)
Non-current liabilities	**(4.0)**	(3.4)
Total liabilities	**(13.5)**	(4.0)
Carrying amount	**0.4**	0.9
Loans to individually immaterial joint ventures	**0.9**	3.8
Total interests in individually immaterial joint ventures	**1.3**	4.7

The aggregate loss relating to individually immaterial joint ventures was £0.1 million (2020: £2.3 million).

14. Deferred tax

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2020	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
Credit/(charge) to income	**0.9**	**0.4**	**1.2**	**(2.7)**	**(1.6)**	**(1.8)**
Charge to other comprehensive income	**–**	**–**	**–**	**(5.4)**	**–**	**(5.4)**
Credit to statement of changes in equity	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Foreign exchange	**–**	**–**	**(0.4)**	**–**	**–**	**(0.4)**
At 31 December 2021	**3.9**	**2.4**	**6.7**	**8.8**	**4.4**	**26.2**

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 rates between 19% and 25% (2020: 19%), depending on when the asset will unwind.

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

£ million	2021	2020
Deferred tax assets	**27.6**	35.1
Deferred tax liabilities	**(1.4)**	(1.4)
	26.2	33.7

In the Autumn Budget 2021, a new 4% residential property developer tax (RPDT) was announced which will be effective from 1 April 2022. Although now enacted, at the balance sheet date, the legislation for the RPDT had not been substantively enacted and therefore measurement of the Group's UK deferred tax assets do not reflect this change. From 1 April 2023, the UK Corporation Tax rate is legislated to increase to 25%. This increase in rate had been enacted by the balance sheet date so has been reflected in the measurement of the Group's closing UK deferred tax assets.

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £1.9 million (2020: £2.4 million) in the UK and £27.4 million (2020: £38.7 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 (2020: £269.5 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2021 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

15. Inventories

£ million	2021	2020
Land	**3,385.7**	2,875.7
Development and construction costs	**1,548.1**	1,638.8
Part exchange and other	**11.9**	20.2
	4,945.7	4,534.7

The markets in our core geographies, which are the primary drivers of our business, continue to trade positively. At 31 December 2021, the Group completed a net realisable value assessment of inventory, considering each site individually and based on estimates of sales price, costs to complete and costs to sell. At 31 December 2021 the provision held in the United Kingdom was £19.3 million (2020: £25.5 million) and £35.5 million in Spain (2020: £38.9 million). The table below details the movements on the inventory provision recorded in the year.

£ million	2021	2020
1 January	**64.4**	68.6
Net utilised	**(7.0)**	(6.6)
Foreign exchange	**(2.6)**	2.4
31 December	**54.8**	64.4

16. Other financial assets

Trade and other receivables

	Current		Non-current	
£ million	2021	2020	2021	2020
Trade receivables	**105.7**	127.5	**15.8**	19.3
Other receivables	**62.5**	61.6	**11.7**	7.0
	168.2	189.1	**27.5**	26.3

Included within trade receivables are mortgage receivables of £17.9 million (2020: £26.7 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	2021	2020
Cash and cash equivalents	**921.0**	823.0

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

17. Bank and other loans

£ million	2021	2020
€100.0 million 2.02% Senior Loan Notes 2023	84.0	90.1
€15.0 million 1.65% Loan 2021	–	13.5
	84.0	103.6

£ million	2021	2020
Amounts due for settlement within one year	–	13.5
Amount due for settlement after one year	84.0	90.1
Total borrowings	84.0	103.6

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

18. Trade and other payables

	Current		Non-current	
£ million	2021	2020	2021	2020
Trade payables	274.3	275.0	19.3	21.4
Land creditors	314.2	347.9	492.2	328.0
Social security and other taxes	8.8	8.6	–	–
Customer deposits	82.4	82.8	20.9	7.4
Completed site accruals	122.6	115.0	40.9	46.1
Accrued expenses and deferred income	92.3	77.9	44.7	43.2
Other payables	7.3	12.1	11.3	13.7
	901.9	919.3	629.3	459.8

Revenue recognised in the current year that was included in the customer deposit balance brought forward at the beginning of the period was £82.8 million (2020: £65.0 million). Other payables include £13.9 million (2020: £19.4 million) of repayable grants.

Land creditors are denominated as follows:

£ million	2021	2020
Sterling	782.1	663.4
Euros	24.3	12.5
	806.4	675.9

Land creditors of £523.1 million (2020: £430.4 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 2021	18.4	9.1	27.5
At 31 December 2021	**17.6**	**8.9**	**26.5**
Additions during the year	**2.4**	**4.3**	**6.7**

Lease liabilities: £ million	2021	2020
Current	7.0	6.4
Non-current	20.4	21.6
Total	27.4	28.0

19. Leases continued

Amounts recognised in the income statement: £ million	2021	2020
Depreciation charged on right-of-use office premises	3.1	3.7
Depreciation charged on right-of-use equipment	4.2	4.2
Interest on lease liabilities	0.4	0.4
Total	7.7	8.3

The total cash outflow for leases during the current year was £7.3 million, including £0.4 million of interest (2020: £8.4 million, including £0.4 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 term debt are used to finance non-current assets 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. The Ordinary Dividend Policy is to return c.7.5% of net assets to shareholders annually, which will be at least £250 million per annum, in two equal instalments.

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 2021	31 December 2020	31 December 2021	31 December 2020
Cash and cash equivalents	a	921.0	823.0	921.0	823.0
Land receivables	a	18.7	4.6	18.7	4.6
Other financial assets	a	10.0	–	10.0	–
Trade and other receivables	a	105.0	118.2	105.0	118.2
Mortgage receivables	b	17.9	26.7	17.9	26.7
		1,072.6	972.5	1,072.6	972.5

a. 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.

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 £54.1 million (2020: £65.9 million) of non-financial assets.

		Carrying value		Fair value	
Financial liabilities £ million	Fair value hierarchy	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Bank and other loans	a	84.0	103.6	84.8	102.9
Land creditors	b	806.4	675.9	806.4	675.9
Trade and other payables	b	543.3	539.2	543.3	539.2
Lease liabilities	b	27.4	28.0	27.4	28.0
		1,461.1	1,346.7	1,461.9	1,346.0

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 £181.5 million (2020: £164.0 million) of non-financial liabilities.

The Group has designated the carrying value of €79.0 million of foreign currency borrowings (2020: €79.0 million foreign currency borrowings) as a net investment hedge, equating to £66.4 million (2020: £71.2 million).

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.

20. Financial instruments and fair value disclosures continued

Forward contracts have been entered into to offset the foreign exchange movements on intra-Group loans to buy/(sell) against Sterling: €9.5 million (2020: €21.0 million), equivalent to £8.0 million (2020: £18.9 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.

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 of interest rates 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 and cash and cash equivalents 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 2021	Equity sensitivity 2021	Income sensitivity 2020	Equity sensitivity 2020
0.25% increase in interest rates	2.3	2.3	2.0	2.0

£ million	Income sensitivity 2021	Equity sensitivity 2021	Income sensitivity 2020	Equity sensitivity 2020
0.25% decrease in interest rates	(2.3)	(2.3)	(2.0)	(2.0)

(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 (2020: €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, equating to £66.4 million (2020: £71.2 million).

The change in the carrying value of £4.8 million (2020: £4.2 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% (2020: 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.

20. Financial instruments and fair value disclosures continued

£ million	Income sensitivity 2021	Equity sensitivity 2021	Income sensitivity 2020	Equity sensitivity 2020
Euro weakens against Sterling	(0.9)	5.1	(0.9)	5.5
Euro strengthens against Sterling	1.1	(6.2)	1.1	(6.8)

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 2021, the Group's borrowings and facilities had a range of maturities with an average life of 2.9 years (2020: 3.8 years).

In addition to €100.0 million fixed term borrowings maturing June 2023, the Group has access to a committed revolving credit facility, expiring February 2025, and cash balances. The borrowings and facilities contain financial covenants based on minimum tangible net worth, maximum gearing and minimum interest cover. At the balance sheet date, the total unused committed amount was £550.0 million (2020: £550.0 million) and cash and cash equivalents were £921.0 million (2020: £823.0 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	1.7	320.8	471.0	7.4	800.9
More than one year and less than two years	84.9	312.2	48.4	6.3	451.8
More than two years and less than five years	–	181.5	15.8	12.1	209.4
More than five years	–	23.3	8.1	2.6	34.0
31 December 2021	86.6	837.8	543.3	28.4	1,496.1

£ 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

21. Retirement benefit obligations

Total retirement benefit obligations of £37.3 million (2020: £89.5 million) comprise a defined benefit pension liability of £37.0 million (2020: £89.1 million) and a post-retirement healthcare liability of £0.3 million (2020: £0.4 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 and is provided by Scottish Widows. 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 £14.1 million in the year (2020: £15.2 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.

Following the 31 December 2016 triennial valuation, the Group agreed a recovery plan with the TWPS Trustee to pay deficit reduction contributions of £40.0 million per annum for the period from April 2018 to December 2020, whilst the TWPS was in a Technical Provisions deficit. During April 2020 and in response to the site shutdowns, it was agreed with the TWPS Trustee that there would be a temporary suspension of the agreed deficit reduction contributions for the three months between April and June 2020. Those suspended contributions were instead paid between January 2021 and March 2021 in the amount of £10.3 million.

During 2020, the Group engaged with the TWPS Trustee on the triennial valuation of the TWPS with a reference date of 31 December 2019. The table below sets out the key assumptions agreed as part of this valuation.

Assumptions	
Discount rate (pre-retirement)	2.35% per annum above the yield on the nominal gilt yield curve. Illustrative rate of 3.51% using the 15-year spot rate from the curve
Discount rate (post-retirement)	0.50% per annum above the yield on the nominal gilt yield curve. Illustrative rate of 1.66% using the 15-year spot rate from the curve
RPI inflation	Implied inflation gilt yield curve. Illustrative rate of 3.40% using the 15-year spot rate from the curve
CPI inflation	RPI less 0.8%. Illustrative rate of 2.60% using the 15-year spot rate from the curve
Mortality	104% of S3PxA tables, CMI_2019 improvements with 1.50% long-term trend rate, a smoothing factor of 7 and an initial addition parameter of 0.5%

The result of this valuation was a Technical Provisions deficit at 31 December 2019 of £36.0 million. In March 2021, a new funding arrangement was agreed with the TWPS Trustee that commits the Group to paying up to £20.0 million per annum into an escrow account between April 2021 and March 2024. The first six months of contributions (£10.0 million) between 1 April 2021 and 30 September 2021 were guaranteed. From 1 October 2021, payments into the escrow account are subject to a quarterly funding test with the first funding test having an effective date of 30 September 2021. Contributions to the escrow are suspended should the TWPS Technical Provisions funding level at any quarter-end be 100% or more and would restart only if the funding level subsequently falls below 98%. The Group continues to contribute £5.1 million per annum from the Pension Funding Partnership and £2.0 million per annum to cover scheme expenses.

21. Retirement benefit obligations continued

The escrow account, over which the TWPS Trustee holds a fixed charge, is recognised in other financial assets and at 31 December 2021 was £10.0 million (31 December 2020: nil). Transfers out of the escrow account (either to the TWPS or the Group) are subject to the 2019 triennial funding arrangement entered into between the Group and the Trustee and as such the funds are restricted from use by the Group for other purposes and are therefore not classified as cash or cash equivalents. Interest earned by the escrow account is retained within the escrow account.

On an IAS 19 accounting basis the underlying surplus in the TWPS at 31 December 2021 was £149.9 million (2020: deficit of £89.1 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 2021, the Group recognised an adjustment to the underlying surplus in the TWPS on an IAS 19 accounting basis of £186.9 million, resulting in an IFRIC 14 deficit of £37.0 million, which represented the present value of future contributions under the funding plan. No such adjustment was recognised as of 31 December 2020 since the TWPS deficit on an IAS 19 accounting basis exceeded the IFRIC 14 deficit.

In 2013, the Group introduced a £100.0 million Pension Funding Partnership that utilises the Group's show homes, as well as six 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 2021 there was £81.8 million of property and £31.0 million of cash held within the structure (2020: £90.3 million of property and £21.9 million of cash). The terms of the 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 TWPS 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 96% hedged against changes in both interest rates and inflation expectations on the scheme's long term funding 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 to the TWPS liabilities. 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_2020 improvements with a 1.25% long-term trend rate, a smoothing factor of 7, an initial addition parameter of 0.25% and a w2020 parameter of 15%. The mortality assumption used in 2020 was 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%.

Accounting valuation assumptions	2021	2020
At 31 December:		
Discount rate for scheme liabilities	**1.85%**	1.30%
General pay inflation	**n/a**	n/a
Deferred pension increases	**2.50%**	2.15%
Pension increases*	**2.15%-3.70%**	2.05%-3.60%

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

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

	2021		2020	
Life expectancy	Male	Female	Male	Female
Member currently aged 65	**86**	**89**	87	89
Member currently aged 45	**88**	**90**	88	90

21. Retirement benefit obligations continued

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 £35m	1.4
Rate of inflation*	Increase by 0.1% p.a.	Increase by £20m	0.8
Life expectancy	Members live 1 year longer	Increase by £93m	3.7

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

The sensitivity of increasing life expectancy has been reduced by the medically underwritten buy-in. See the section on risks and risk management at the end of this note.

31 December 2021 Fair value of scheme assets of the TWPS	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million	Percentage of total scheme assets
Equity[a]	–	43.4	–	43.4	1.7%
Diversified growth funds[b]	–	357.8	–	357.8	14.6%
Hedge funds[c]	–	–	189.8	189.8	7.8%
Property	2.7	–	6.7	9.4	0.4%
Multi-asset credit	0.4	274.0	–	274.4	11.2%
Direct lending	1.3	–	144.8	146.1	6.0%
Fixed income	2.4	102.4	–	104.8	4.3%
Liability driven investment[d]	(252.5)	1,376.6	–	1,124.1	46.0%
Insurance policies in respect of certain members	–	–	191.0	191.0	7.8%
Cash	4.5	–	–	4.5	0.2%
	(241.2)	2,154.2	532.3	2,445.3	100.0%

31 December 2020 Fair value of scheme assets of the TWPS	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million	Percentage of total scheme assets
Equity[a]	–	118.3	–	118.3	4.9%
Diversified growth funds[b]	–	357.7	–	357.7	14.9%
Hedge funds[c]	–	–	175.5	175.5	7.3%
Property	0.3	–	18.7	19.0	0.8%
Multi-asset credit	–	261.5	–	261.5	10.9%
Direct lending	1.3	–	165.7	167.0	6.9%
Fixed income	5.0	110.4	–	115.4	4.8%
Liability driven investment[d]	(42.9)	994.2	–	951.3	39.6%
Insurance policies in respect of certain members	–	–	211.1	211.1	8.8%
Cash	27.5	–	–	27.5	1.1%
	(8.8)	1,842.1	571.0	2,404.3	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 2021 was 2.6x (31 December 2020: 3.4x).
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 2021 was 1.0x and -0.2x respectively (31 December 2020: 1.9x and 1.7x).
c. The leverage on this fund at 31 December 2021 was 0.8x (31 December 2020: 0.9x).
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 2021 was approximately 3.1x (31 December 2020: 3.7x).

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.

21. Retirement benefit obligations continued

The table below details the movements in the TWPS pension liability and assets recorded through the income statement and other comprehensive income.

	2021			2020		
£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January	(2,493.4)	2,404.3	(89.1)	(2,366.7)	2,282.2	(84.5)
Past service cost related to GMP equalisation	–	–	–	(1.2)	–	(1.2)
Administration expenses	–	(2.2)	(2.2)	–	(2.5)	(2.5)
Interest (expense)/income	(31.7)	30.7	(1.0)	(48.5)	47.1	(1.4)
Total amount recognised in income statement	(31.7)	28.5	(3.2)	(49.7)	44.6	(5.1)
Remeasurement gain on scheme assets	–	102.9	102.9	–	159.1	159.1
Change in demographic assumptions	29.3	–	29.3	(100.8)	–	(100.8)
Change in financial assumptions	131.6	–	131.6	(286.3)	–	(286.3)
Experience (loss)/gain	(39.0)	–	(39.0)	2.5	–	2.5
Adjustment to liabilities for IFRIC 14	(186.9)	–	(186.9)	188.9	–	188.9
Total remeasurements in other comprehensive income	(65.0)	102.9	37.9	(195.7)	159.1	(36.6)
Employer contributions	–	17.4	17.4	–	37.1	37.1
Employee contributions	–	–	–	–	–	–
Benefit payments	107.8	(107.8)	–	118.7	(118.7)	–
At 31 December	(2,482.3)	2,445.3	(37.0)	(2,493.4)	2,404.3	(89.1)

Accounting valuation £ million	2021	2020
Fair value of scheme assets	2,445.3	2,404.3
Present value of scheme obligations	(2,295.4)	(2,493.4)
Surplus/(deficit) in scheme	149.9	(89.1)
IFRIC 14 limitation on recognition of surplus	(186.9)	–
Deficit after IFRIC 14 adjustment	(37.0)	(89.1)

21. Retirement benefit obligations continued

Risks and risk management

The TWPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements.

Although investment decisions in the UK are the responsibility of the TWPS Trustee, the Group takes an active interest to ensure that the pension scheme risks are managed efficiently. The Group has regular meetings with the Trustee to discuss investment performance, regulatory changes and proposals to actively manage the position of the TWPS.

Risk	Description
Asset volatility	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 invests across a number of managers to reduce 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. In Q2 2021, due to the improved funding position of the TWPS, the TWPS Trustee de-risked by disinvesting from the Schroders Equity Sentinel fund (c.£103 million), the Bridgewater Optimal fund (c.£29 million) and the AQR Diversified Risk Premia fund (c.£16 million). The proceeds from these disinvestments, c.£148 million, were allocated to the Scheme's Liability Driven Investment (LDI) portfolio. In Q3 2021, c.£50 million of excess collateral in the LDI portfolio was allocated to the Insight High Grade ABS fund to provide additional return whilst retaining liquidity within the portfolio. 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 2021 to ensure they reflected the TWPS latest position. Given the TWPS' funding position, the Trustee reaffirmed the target date of 2025 to reach full funding on the long-term funding objective basis. The TWPS risk budget was also reduced from a funding-ratio-at-risk measure of 7.5% to 6.0%. There were no significant changes to the TWPS' asset allocation over 2021, which remains well diversified, with risk continuing to be 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 £347 million (14%) of the asset portfolio of the TWPS. Excluding these amounts, approximately 59% 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.
Climate risk	The TWPS Trustee recognises that climate change is a financial risk affecting the TWPS assets. The TWPS Trustee integrates the monitoring of appropriate climate risk metrics into its risk management framework and considers these metrics when making investment decisions. The TWPS Trustee requires its appointed investment managers to integrate climate change risks and opportunities into their investment processes as applied to the assets of the TWPS.

22. Provisions

£ million	Cladding fire safety	Leasehold	Other	Total
At 1 January 2020	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)
Foreign exchange	–	–	0.2	0.2
At 31 December 2020	28.6	59.6	42.3	130.5
Additions	**125.0**	**–**	**19.8**	**144.8**
Utilisation	**(9.1)**	**(6.0)**	**(8.0)**	**(23.1)**
Released	**–**	**–**	**(6.8)**	**(6.8)**
Foreign exchange	**–**	**–**	**(0.3)**	**(0.3)**
At 31 December 2021	**144.5**	**53.6**	**47.0**	**245.1**

£ million	2021	2020
Current	**125.4**	70.6
Non-current	**119.7**	59.9
31 December	**245.1**	130.5

In 2018 the Group established an exceptional provision for the cost of replacing ACM on a small number of legacy developments, which was increased by £10.0 million in 2020 to reflect the latest estimate of costs to complete the planned works. Following the guidance issued by RICS in the period the Group announced an additional £125.0 million provision to fund cladding fire safety improvements (see Note 6). It is expected that around a quarter of the remaining provision will be utilised over the next 12 months.

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. Following the agreement of voluntary undertakings with the CMA the Group expects that the majority 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	2021	2020
Authorised:		
22,200,819,176 (2020: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2020: 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 2020	3,645,416,647	1,065,566,274	292.2
Shares issued in year	**3,174,532**	**–**	**–**
31 December 2021	**3,648,591,179**	**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.

23. Share capital continued

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.

During the year, the Company issued 3.2 million (2020: 2.0 million) ordinary shares to satisfy option exercises.

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	2021	2020
At 1 January	**773.1**	762.9
Shares issued in year	**4.4**	10.2
At 31 December	**777.5**	773.1

25. Other reserves

£ million	Capital redemption reserve	Translation reserve	Other	Total other reserves
Balance at 1 January 2020	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
Exchange differences on translation of foreign operations	**–**	**(6.9)**	**–**	**(6.9)**
Movement in fair value of hedging instruments	**–**	**4.8**	**–**	**4.8**
Balance at 31 December 2021	**31.5**	**6.1**	**504.0**	**541.6**

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 the fair value 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 2020	17.6
Disposed of on exercise of options	(6.1)
Balance at 31 December 2020	11.5
Shares acquired	**4.2**
Disposed of on exercise of options	**(1.1)**
Balance at 31 December 2021	**14.6**

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	2021	2020
Ordinary shares held in trust for bonus, option and performance award plans	**9.1**	7.1

Employee Share Ownership Trusts (ESOTs) are used to hold the Company's shares which have been acquired on the market. These shares are used to meet the valid exercise of options and/or vesting of conditional awards and/or award of shares under the Executive Incentive Scheme, Bonus Deferral Plan, Performance Share Plan, Savings-Related Share Option Scheme and the matching award of shares under the Share Incentive Plan. During the year, Taylor Wimpey plc purchased £4.2 million of its own shares to be held in the ESOTs (2020: none).

The ESOTs' entire holding of shares at 31 December 2021 was covered by outstanding options and conditional awards over shares at that date.

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 2020	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
Net cash flow	**99.9**	**12.7**	**112.6**
Foreign exchange	**(1.9)**	**6.9**	**5.0**
Balance at 31 December 2021	**921.0**	**(84.0)**	**837.0**

For movements in lease liabilities in the year see Note 19.

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 2021 (2020: 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 105 to 124. The tables below show the movements in the schemes in the year as well as their weighted average exercise price (WAEP).

	2021		2020	
Sharesave (SAYE):	Options	WAEP (in £)	Options	WAEP (in £)
Outstanding at the beginning of the year	**28,381,982**	**1.10**	19,740,433	1.32
Granted during the year	**3,544,980**	**1.42**	18,043,668	0.97
Forfeited during the year	**(4,732,096)**	**1.10**	(7,359,577)	1.29
Exercised during the year	**(3,174,532)**	**1.39**	(2,042,542)	1.38
Outstanding at the end of the year	**24,020,334**	**1.11**	28,381,982	1.10
Exercisable at the end of the year	**1,189,180**	**1.31**	1,504,748	1.48

The remaining Sharesave options outstanding at 31 December 2021 had a range of exercise prices from £0.97 to £1.59 (2020: £0.97 to £1.59) and a weighted average remaining contractual life of 2.89 years (2020: 3.40 years).

	2021		2020	
Share Incentive Plan (SIP):	Options	WAEP (in £)	Options	WAEP (in £)
Outstanding at the beginning of the year	**6,722,389**	**–**	5,789,856	–
Granted during the year	**1,440,388**	**–**	1,874,590	–
Forfeited during the year	**(811,540)**	**–**	(385,229)	–
Exercised during the year	**(854,730)**	**–**	(556,828)	–
Outstanding at the end of the year	**6,496,507**	**–**	6,722,389	–
Exercisable at the end of the year	**2,891,221**	**–**	2,810,423	–

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.

	2021		2020	
Performance Share Plan (PSP):	Options	WAEP (in £)	Options	WAEP (in £)
Outstanding at the beginning of the year	**20,116,944**	**–**	19,466,040	–
Granted during the year	**1,967,813**	**–**	6,876,632	–
Forfeited during the year	**(5,995,692)**	**–**	(2,854,138)	–
Exercised during the year	**(357,217)**	**–**	(3,371,590)	–
Outstanding at the end of the year	**15,731,848**	**–**	20,116,944	–
Exercisable at the end of the year	**–**	**–**	–	–

The conditional awards outstanding at 31 December 2021 had a weighted average remaining contractual life of 1.35 years (2020: 1.70 years).

The average share price at the date of exercise across all options exercised during the period was £1.68 (2020: £1.80). 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		Share awards with market conditions	
	2021	2020	2021	2020
Model	**Binomial**	Binomial	**Monte Carlo**	Monte Carlo
Weighted average share price	**£1.61**	£1.28	**£1.79**	£2.11
Weighted average exercise price	**£1.07**	£0.79	**Nil**	Nil
Expected volatility	**41%**	39%	**41%**	25%
Expected life	**3/5 years**	3/5 years	**3 years**	3 years
Risk-free rate	**0.5%**	0.1%	**0.1%**	0.2%
Expected dividend yield	**4.36%**	2.02%	**0.0%**	0.0%
Weighted average fair value of options granted in year	**£0.73**	£0.66	**£0.95**	£1.17

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 £13.3 million in the year (2020: £8.2 million), which was composed of £13.2 million in relation to equity settled schemes and £0.1 million in relation to cash settled elements (2020: £7.0 million and £1.2 million).

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in Note 21. Transactions between the Group and its joint ventures are disclosed below. The Group has loans with joint ventures that are detailed in Note 13.

Trading transactions

During the year, Group sales to joint ventures totalled £22.9 million (2020: £19.9 million) and purchases totalled £24.2 million (2020: £6.7 million). At 31 December 2021 receivables from joint ventures were £69.0 million (31 December 2020: £63.9 million) and payables were £0.7 million (31 December 2020: £0.3 million).

Remuneration of key management personnel

The key management personnel of the Group are the members of the Group Management Team (GMT) as presented on pages 10 to 17. The remuneration information for the Executive Directors is set out in the Remuneration Report on page 115. The aggregate compensation for the other members of the GMT is as follows:

£ million	2021	2020
Short term employee benefits	**4.6**	2.6
Post-employment benefits	**0.3**	0.3
Total (excluding share-based payments charge)	**4.9**	2.9

In addition to the amounts above, a share-based payment charge of £1.7 million (2020: £0.5 million) related to share options held by members of the GMT.

31. Dividends

£ million	2021	2020
Proposed		
Interim dividend 2021: 4.14p (2020: nil) per ordinary share of 1p each	**150.8**	–
Final dividend 2021: 4.44p (2020: 4.14p) per ordinary share of 1p each	**162.0**	151.0
	312.8	151.0
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2020: 4.14p (2019: nil) per ordinary share of 1p each	**150.7**	–
Interim dividend 2021: 4.14p (2020: nil) per ordinary share of 1p each	**150.8**	–
	301.5	–

The Directors recommend a final dividend for the year ended 31 December 2021 of 4.44 pence per share (2020: 4.14 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£162.0 million based on the number of shares in issue at the end of the year (2020: £150.7 million). The final dividend will be paid on 13 May 2022 to all shareholders registered at the close of business on 1 April 2022.

In accordance with IAS 10 'Events after the Reporting Period', the proposed final dividend has not been accrued as a liability at 31 December 2021.

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.

	2021	2020
Profit on ordinary activities before net finance costs (£m)	698.2	282.4
Adjusted for:		
Share of results of joint ventures (£m) (Note 13)	5.4	7.9
Exceptional items (£m) (Note 6)	125.0	10.0
Operating profit (£m)	828.6	300.3
Revenue (£m) (Note 4)	4,284.9	2,790.2
Operating profit margin	19.3%	10.8%

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.

	2021	2020	2019
Basic net assets (£m)	4,314.0	4,016.8	3,307.8
Adjusted for:			
Cash (£m) (Note 16)	(921.0)	(823.0)	(630.4)
Borrowings (£m) (Note 17)	84.0	103.6	84.7
Net taxation (£m)	(26.4)	(32.6)	38.1
Accrued dividends (£m)	–	–	–
Net operating assets (£m)	3,450.6	3,264.8	2,800.2
Average basic net assets (£m)	4,165.4	3,662.3	
Average net operating assets (£m)	3,357.7	3,032.5	

Return on net operating assets

Return on net operating assets is defined as rolling 12-month operating profit divided by the average of opening and closing net operating assets. The Directors consider this to be an important measure of the underlying operating efficiency and performance of the Group.

	2021	2020
Operating profit (£m)	828.6	300.3
Average net operating assets (£m)	3,357.7	3,032.5
Return on net operating assets	24.7%	9.9%

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.

	2021	2020
Basic net assets (£m)	4,314.0	4,016.8
Adjusted for:		
Intangible assets (£m) (Note 11)	(6.6)	(8.1)
Tangible net assets (£m)	4,307.4	4,008.7
Ordinary shares in issue (millions)	3,648.6	3,645.4
Tangible net assets per share (pence)	118.1	110.0

32. Alternative performance measures continued

Adjusted basic and diluted earnings per share

This is calculated as earnings attributed to shareholders of the parent, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares in issue during the period. The Directors consider this provides an important measure of the underlying earnings capacity of the Group. Note 10 shows a reconciliation from basic and diluted earnings per share to adjusted basic and diluted earnings per share.

Net operating asset turn

This is defined as 12 month rolling total revenue divided by the average of opening and closing net operating assets. The Directors consider this to be a good indicator of how efficiently the Group is utilising its assets to generate value for shareholders.

	2021	2020
Revenue (£m) (Note 4)	4,284.9	2,790.2
Average net operating assets (£m)	3,357.7	3,032.5
Net operating asset turn	1.28	0.92

Net cash

Net cash is defined as total cash less total borrowings (bank and other loans). This is considered by the Directors to be the best indicator of the financing position of the Group. This is reconciled in Note 27.

Cash conversion

This is defined as cash generated from/(used in) operations, which excludes payments relating to exceptional charges, divided by operating profit on a rolling 12 month basis. The Directors consider this measure to be a good indication of how efficiently the Group is turning profit into cash.

	2021	2020
Cash generated from/(used in) operations (£m)	574.7	(165.0)
Operating profit (£m)	828.6	300.3
Cash conversion	69.4%	(54.9)%

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.

	2021	2020
Cash (£m) (Note 16)	921.0	823.0
Loans (£m) (Note 17)	(84.0)	(103.6)
Net cash (£m)	837.0	719.4
Land creditors (£m) (Note 18)	(806.4)	(675.9)
Adjusted net debt (£m)	30.6	43.5
Basic net assets (£m)	4,314.0	4,016.8
Adjusted gearing	(0.7)%	(1.1)%

33. Post balance sheet events

There were no material subsequent events affecting the Group after 31 December 2021 that need to be disclosed.

Company balance sheet

at 31 December 2021

£ million	Note	2021	2020 Restated*
Non-current assets			
Investments in Group undertakings	4	**2,446.2**	2,433.0
Trade and other receivables	5	**2,243.0**	2,239.9
		4,689.2	4,672.9
Current assets			
Trade and other receivables	5	**609.2**	687.3
Cash and cash equivalents		**877.1**	791.6
		1,486.3	1,478.9
Current liabilities			
Trade and other payables	6	**(1,439.3)**	(1,640.3)
		(1,439.3)	(1,640.3)
Net current assets/(liabilities)		**47.0**	(161.4)
Total assets less current liabilities		**4,736.2**	4,511.5
Non-current liabilities			
Trade and other payables	6	**(0.6)**	(1.5)
Bank and other loans	7	**(84.0)**	(90.1)
Provisions		**(1.0)**	(1.0)
Net assets		**4,650.6**	4,418.9
Equity			
Share capital	8	**292.2**	292.2
Share premium	9	**777.5**	773.1
Own shares	10	**(14.6)**	(11.5)
Other reserves	11	**535.1**	535.1
Retained earnings	12	**3,060.4**	2,830.0
Total equity		**4,650.6**	4,418.9

* Certain balances in the comparative balance sheet have been restated as explained in Note 5.

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 £519.3 million (2020: £36.3 million).

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2022. 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 2021

£ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Total equity at 1 January 2020	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
Profit for the year	**–**	**–**	**–**	**–**	**519.3**	**519.3**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**519.3**	**519.3**
New share capital subscribed	**–**	**4.4**	**–**	**–**	**–**	**4.4**
Own shares acquired	**–**	**–**	**(4.2)**	**–**	**–**	**(4.2)**
Utilisation of own shares	**–**	**–**	**1.1**	**–**	**–**	**1.1**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**
Capital contribution on share-based payments	**–**	**–**	**–**	**–**	**13.2**	**13.2**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(301.5)**	**(301.5)**
Total equity at 31 December 2021	**292.2**	**777.5**	**(14.6)**	**535.1**	**3,060.4**	**4,650.6**

Notes to the Company financial statements
for the year to 31 December 2021

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 61 to 65. 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.

2. Particulars of employees

Number	2021	2020
Directors	3	3

The Executive Directors received all of their remuneration, as disclosed in the Remuneration Report on pages 105 to 124, 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	2021	2020
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 2021	5,244.3
Capital contribution relating to share-based payments	13.2
At 31 December 2021	5,257.5
Provision for impairment	
At 1 January 2021	(2,811.3)
At 31 December 2021	(2,811.3)
Carrying amount	
At 31 December 2021	2,446.2
At 31 December 2020	2,433.0

All investments are unlisted and information about all subsidiaries is listed on pages 179 to 182.

5. Trade and other receivables

	Current		Non-current	
£ million	2021	2020 Restated*	2021	2020 Restated*
Due from Group undertakings	607.8	685.7	2,240.9	2,236.8
Other receivables	1.4	1.6	2.1	3.1
	609.2	687.3	2,243.0	2,239.9

* Following a reassessment of when certain receivables are expected to be realised, the Company identified that it had classified certain amounts due from Group undertakings as current that were not expected to be settled or realised within 12 months of the balance sheet date. The comparatives have been restated, reclassifying £2,236.8 million to non-current.

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

6. Trade and other payables

	Current		Non-current	
£ million	2021	2020	2021	2020
Due to Group undertakings	1,436.2	1,635.8	–	–
Other payables	1.4	0.8	0.6	1.5
Corporation tax creditor	1.7	3.7	–	–
	1,439.3	1,640.3	0.6	1.5

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

7. Bank and other loans

£ million	2021	2020
€100.0 million 2.02% Senior Loan Notes	84.0	90.1
These loans are repayable as follows:		
Amounts due for settlement after one year	84.0	90.1

8. Share capital

£ million	2021	2020
Authorised:		
22,200,819,176 (2020: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2020: 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 2020	3,645,416,647	1,065,566,274	292.2
Shares issued in year	3,174,532	–	–
31 December 2021	**3,648,591,179**	**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.

During the year, the Company issued 3.2 million (2020: 2.0 million) ordinary shares to satisfy option exercises.

9. Share premium

£ million	2021	2020
At 1 January	773.1	762.9
Shares issued in year	4.4	10.2
At 31 December	777.5	773.1

10. Own shares

£ million	2021	2020
Own shares	14.6	11.5

These comprise ordinary shares of the Company:	Number	Number
Shares held in trust for bonus, options and performance award plans	9.1m	7.1m

10. Own shares continued

During the year, Taylor Wimpey plc purchased £4.2 million of its own shares to be held in the ESOTs (2020: none). The market value of the shares held at 31 December 2021 was £16.0 million (2020: £11.7 million) and their nominal value was £0.1 million (2020: £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 2021 was covered by outstanding options and conditional awards over shares at that date.

11. Other reserves

£ million	2021	2020
At 1 January	535.1	36.0
Shares issued in year	–	499.1
At 31 December	535.1	535.1

£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 (2020: £31.5 million) in respect of the historical redemption of the Company's shares, which is non distributable.

12. Retained earnings

Retained earnings of £3,060.4 million (2020: £2,830.0 million) includes profit for the year and dividends received from subsidiaries of £500.0 million (2020: nil). Included in retained earnings is £895.2 million (2020: £861.0 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 underlying IAS 19 surplus of £149.9 million at 31 December 2021 (2020: £89.1 million deficit). This guarantee commits the Company to ensuring that the participating subsidiary meets its obligations under any schedule of contributions agreed with the TWPS Trustee from time to time. Following the 2019 valuation, Taylor Wimpey UK Limited is required to contribute up to £20.0 million per annum into an escrow account between April 2021 and March 2024. The first six months of contributions (£10.0 million) between 1 April 2021 and 30 September 2021 were guaranteed. From 1 October 2021, payments into the escrow account are subject to a quarterly funding test with the first funding test having an effective date of 30 September 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	2021	2020
Proposed		
Interim dividend 2021: 4.14p (2020: nil) per ordinary share of 1p each	**150.8**	–
Final dividend 2021: 4.44p (2020: 4.14p) per ordinary share of 1p each	**162.0**	151.0
	312.8	151.0
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2020: 4.14p (2019: nil) per ordinary share of 1p each	**150.7**	–
Interim dividend 2021: 4.14p (2020: nil) per ordinary share of 1p each	**150.8**	–
	301.5	–

The Directors recommend a final dividend for the year ended 31 December 2021 of 4.44 pence per share (2020: 4.14 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£162.0 million based on the number of shares in issue at the end of the year (2020: £150.7 million). The final dividend will be paid on 13 May 2022 to all shareholders registered at the close of business on 1 April 2022.

In accordance with IAS 10 'Events after the Reporting Period', the proposed final dividend has not been accrued as a liability at 31 December 2021.

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
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
J.R. Young (Assemblies) Limited
Jim 1 Limited
Jim 3 Limited
Jim 4 Limited
Jim 5 Limited
L. & A. Freeman Limited
Laing Homes Limited
Laing Land Limited
LandTrust Developments 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. 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 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%	Triumphdeal Limited	50%
Bordon Developments Holdings Limited	50%	Vumpine Limited	50%
Chobham Manor LLP	50%	Whitehill & Bordon Development Company BV Limited	50%
Chobham Manor Property Management Limited	50%	Whitehill & Bordon Development Company Phase 1a	50%
DFE TW Residential Limited	50%	Whitehill & Bordon Regeneration Company Limited	50%
Falcon Wharf Limited	50%	Wimpey Laing Overseas Limited	50%
GWNW City Developments Limited	50%	Wimpey Laing Limited	50%
Paycause Limited	66.67%	Winstanley & York Road Regeneration LLP	50%
Taylor Wimpey Pension Trustees Limited	99%		

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	33.14%	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
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, 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
Morrison Land Development Inc	100%	9366, 49 St NW, Edmonton, AB T6B 2L7, Canada
Newcastle Great Park (Estates) Limited	50%	3rd Floor Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE
North Swindon Development Company Limited	28.35%	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
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

The following entities are Management Companies that are limited by guarantee (unless otherwise stated) and are temporary parts of the Group. All are incorporated in the United Kingdom and their assets are not held for the benefit of the Group.

Company Name	Reference	Company Name	Reference
Abbotsford Park (No.3) Residents Association Limited	1	Humberstone Residents Estate Management Company Limited	9
Albion Lock (Sandbach) Management Company Limited	2	Hunters Meadow Residents Association Limited	1
Alyn Meadows Management Company Limited	2	Jasmine Park (Whirley) Management Company Limited	1
Apsham Grange (Topsham) Management Company Limited	6	K Reach (EA) Management Company Limited	4
Barker Butts Lane Management Company Limited	1	Kentmere Place Residents Association Limited	1
Battersea Exchange Management Company Limited	1	Kesgrave K Management Company Limited	1
Beaulieu Grange Residents Association Limited	1	Kingsbourne (Nantwich) Community Management Company Limited	11
Biggleswade Management Company Limited*	3	Kingsley Grange (Wickford) Residents Association Limited	11
Billington Grove (SM) Management Company Limited	4	Ladbroke Grove Apartment Management Company Limited*	1
Brantham Residential Estate Management Company Limited	1	Lark View (Thetford) Residents Association Limited	4
Broadleaf Park (Rownhams) Management Company Limited	6	Leawood (Management) Company Limited	1
Broadway Fields Residents Management Company Limited	1	Leybourne Grange Management Community Interest Company	1
Broughton Gate (Milton Keynes) Management Company Limited	4	Lion Mills (EA) Management Company Limited	4
Brunswick Dock (Liverpool) Management Company Limited*	5	Macintosh Mills Car Park (Management) Limited	1
Buckingham Park (Weedon Hill) Management Company Limited	4	Manor Court (Prescot) Management Company Limited	1
Capital Court Property Management Limited*	13	Manor Park Sprowston Residents Management Company Limited	11
Cliddesdon Reach Management Company Limited	1	Melton Manor (Melton Mowbray) Residents Company Limited	9
Concept (EA) Management Company Limited	4	Millers Brow Management Company Ltd	1
Coppice Place Management Company Limited	4	Monmore Grange Management Company Limited	1
Cotswold View Residents Association Limited	1	Netherton Grange Residents Management Company Limited	4
Denne Road Management Company Limited	1	Newbridge Gardens Management Company (No 1) Limited	7
Diglis Water Estate Management Company Limited	1	Newbridge Gardens Management Company (No 2) Limited	7
Dunton Green Management Company (No.1) Limited	1	NGP Management Company (Cell A) Limited*	17
Dunton Green Management Company (No.2) Limited	1	NGP Management Company (Cell D) Limited*	17
Edlogan Wharf Community Interest Company	1	NGP Management Company (Cell E) Limited*	17
Emberton Grange Management Company Limited	1	NGP Management Company (Cell F) Limited*	17
Glasdir Management Company Limited	1	NGP Management Company Residential (Cell G) Limited*	17
Great Hall Park Residents Association Limited	1	NGP Management Company (Commercial) Limited*	17
Greenfields Park (EA) Management Company Limited	7	NGP Management Company (Town Centre) Limited*	17
Handley Gardens Management CIC	8	Nightingale Park Residents Association Limited	11
Hanwell Fields 3B Management Company Limited	1	North Wharf Gardens Management Company Limited	1
Hastings Manor (Hugglescote) Residents Management Company Limited	9	Nunnery Fields (Management No.1) Limited	7
Haybridge (Wells) Management Company Limited	6	Nunnery Fields (Management) Limited	7
Hayes Green Management Company Limited	4	Onyx Apartments Management Company Limited	1
Heathy Wood Estate Management Company Limited	10	Orchard Grove (Comeytrowe) Management Company Limited	6
Heritage Park Gravesend Residents Association (No.1) Limited	1	Orsett Village Residents Association Limited	11
Heritage Park Gravesend Residents Association (No.2) Limited	1	Pages Priory Phase Two (Leighton Buzzard) Management Company Limited	4
Heritage Park Gravesend Residents Association (No.3) Limited	1	Palace View Apartments Management Company Limited	1
Heritage Park Gravesend Residents Association (No.4) Limited	1	Parc Nedd Residents Association Limited	1
Heritage Park Gravesend Residents Association (No.5) Limited	1	Parklands (Woburn Two) Management Company Limited	4
Hethersett Residents Management Company Limited	11	Peartree Village Management Limited	12

Particulars of subsidiaries, associates and joint ventures continued

Company Name	Reference
Peninsula (EA1) Management Company Limited	4
Plas Brymbo Landscaping Management Company Limited	1
Plas Brymbo Management Company Limited	1
Poppyfields (Benwick) Residents Association Limited	1
Postmark Residents Management Company Limited	1
Q.Hill (EA 2) Management Company Limited	11
Queen Eleanor's Heights Residents Association Limited	1
Redhill Gardens Residents Management Company Limited	1
Redhill Park Limited*	18
Regency Place (Shiplake) Management Company Limited	1
Romans Gate (Old Stratford) Residents Association Limited	1
Saxon Park Management Company Limited	1
Sherford 1A Parcel 4 Management Company Limited	16
Sherford 1A Parcel 5 Management Company Limited	16
Sherford Estate Management Company Limited	13
Southgate Maisonettes (27 And 28) Limited	1
Speakman Gardens Residents Association Limited	1
St Crispin Area H Management Company Limited	1
St Dunstans Apartment Management Company Limited*	1
Stanbury View (Parklands) Management Company Limited	1
Stortford Fields Estate Management Company Limited	14
Stour Valley Management Phase 1 Limited	15
Summer Downs Residents Management Company Limited	1
Telford Millennium Management Company Limited	1
Thamesview (Plots 425 To 560) Residents Association Limited	1
The Avenue Number 4 Management Company Limited	1
The Avenue Number 5 Management Company Limited	1
The Beaumont Park Management Company Limited*	1
The Breme Park (Bromsgrove) Management Company Limited	1
The Burleigh Rise Management Company Limited*	1
The Coach Houses (Northampton) Residents Association Limited	1
The Copse (Mawsley) Management Company Limited	9
The Grange Number One Desborough Management Company Limited	1
The Highgate (Durham) Management Company Limited*	1
The Junction Flat Management Company Limited*	1
The Laurels (Kirby Cross) Management Company Limited	1
The Merriemont Management Company Limited*	1
The Middlefield Springs Management Company Limited	1
The Orchard (Willow Street) Management Company Limited	1
The Orchard Grove (Playground) Management Company Limited*	1
The Pennington Wharf Community Management Company Limited	11
The Ruxley Towers Management Company Limited*	1
The Seasons Residents Association Limited	1
The Silverdale 9 Flats Management Company Limited	1
The Silverdale 9 Houses Management Company Limited	1
The Spinney Residents Management Company Limited*	1
The Swan Gardens Management Company Limited*	1
The Weekley Wood Management Company Limited*	1
The Wharf Lane (Solihull) No.1 Management Company Limited	1
The Willowfields Management Company Limited*	1
The Woodlands at Shevington Management Company Limited	2
The Woodway Gate Management Company No.1 Limited	1
Webheath (Redditch) Management Company Limited	16
Westbridge Park (Auckley) Management Company Limited	2
Willow Lake (Bletchley One) Management Company Limited	4
Willow Lake (Bletchley Two) Management Company Limited	4
Willowcroft (SM) Management Company Limited	9
Winnington Village Community Management Company Limited	2
Wootton Meadows Residents Association Limited	1
Wyrley View Residents Management Company Limited	1

* Private Limited Company

Reference	Registered Address
1	Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
2	Chiltern House, 72-74 King Edward Street, Macclesfield, SK10 1AT
3	Newton House, 2 Sark Drive, Newton Leys, Milton Keynes, MK3 5SD
4	Queensway House, 11 Queensway, New Milton, BH25 5NR
5	168 Northenden Road, Sale, Manchester, M33 3HE
6	Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
7	94 Park Lane, Croydon, CR0 1JB
8	1 London Road, Brentwood, Essex, CM14 4QP
9	2 Hills Road, Cambridge, CB2 1JP
10	Park Point 17 High Street, Longbridge, Birmingham, B31 2UQ
11	RMG House, Essex Road, Hoddesdon, EN11 0DR
12	Countryside House, The Drive Great Warley, Brentwood, Essex, CM13 3AT
13	4 Capital Court, Bitten Road, Sowton Industrial Estate, Exeter, EX2 7FW
14	Gateway House, 10 Coopers Way, Southend-On-Sea, SS2 5TE
15	154-155 Great Charles Street Queensway, B3 3LP
16	Whittington Hall, Whittington Road, Worcester, Worcestershire, WR5 2ZX
17	3rd Floor Citygate, St James' Boulevard, Newcastle Upon Tyne, United Kingdom, NE1 4JE
18	5 Market Yard Mews, 194-204 Bermondsey Street, London, SE1 3TQ

Five year review (unaudited)

£ million	2021	2020	2019	2018	2017
Revenue	**4,284.9**	2,790.2	4,341.3	4,082.0	3,965.2
Profit on ordinary activities before net finance costs and tax	**698.2**	282.4	856.8	828.8	706.5
Adjust for: Share of results of joint ventures	**5.4**	7.9	8.0	5.3	7.6
Adjust for: Exceptional items	**125.0**	10.0	(14.3)	46.1	130.0
Operating profit	**828.6**	300.3	850.5	880.2	844.1
Net finance costs	**(24.0)**	(25.9)	(28.9)	(23.4)	(32.1)
Profit for the financial year before taxation and exceptional items	**804.6**	274.4	821.6	856.8	812.0
Exceptional items	**(125.0)**	(10.0)	14.3	(46.1)	(130.0)
Taxation charge including taxation on exceptional items	**(124.1)**	(47.4)	(162.0)	(154.1)	(126.7)
Profit for the financial year	**555.5**	217.0	673.9	656.6	555.3
Balance sheet					
Intangible assets	**6.6**	8.1	7.0	3.2	3.9
Property, plant and equipment	**21.7**	24.0	25.6	21.6	22.8
Right-of-use assets	**26.5**	27.5	27.4	27.1	–
Interests in joint ventures	**85.4**	82.2	55.3	48.3	50.9
Other financial assets	**10.0**	–	–	–	–
Non-current trade and other receivables	**27.5**	26.3	43.7	55.7	60.1
Non-current assets (excluding tax)	**177.7**	168.1	159.0	155.9	137.7
Inventories	**4,945.7**	4,534.7	4,196.0	4,188.2	4,075.7
Other current assets (excluding tax and cash)	**168.2**	189.1	161.0	134.7	122.2
Trade and other payables excluding land creditors	**(587.7)**	(571.4)	(634.9)	(684.8)	(705.0)
Land creditors	**(314.2)**	(347.9)	(339.9)	(359.5)	(319.5)
Lease liabilities	**(7.0)**	(6.4)	(7.6)	(8.2)	–
Provisions	**(125.4)**	(70.6)	(72.7)	(76.9)	(87.3)
Net current assets (excluding tax and net cash)	**4,079.6**	3,727.5	3,301.9	3,193.5	3,086.1
Trade and other payables excluding land creditors	**(137.1)**	(131.8)	(110.4)	(112.2)	(111.0)
Land creditors	**(492.2)**	(328.0)	(389.3)	(379.1)	(319.6)
Retirement benefit obligations	**(37.3)**	(89.5)	(85.0)	(133.6)	(64.8)
Lease liabilities	**(20.4)**	(21.6)	(20.3)	(19.2)	–
Provisions	**(119.7)**	(59.9)	(55.7)	(93.4)	(74.3)
Non-current liabilities (excluding debt)	**(806.7)**	(630.8)	(660.7)	(737.5)	(569.7)
Cash and cash equivalents	**921.0**	823.0	630.4	734.2	600.5
Bank and other loans	**(84.0)**	(103.6)	(84.7)	(90.1)	(88.7)
Taxation balances	**26.4**	32.6	(38.1)	(29.2)	(28.6)
Basic net assets	**4,314.0**	4,016.8	3,307.8	3,226.8	3,137.3

Statistics					
Basic earnings per share	**15.3p**	6.3p	20.6p	20.1p	17.0p
Adjusted basic earnings per share	**18.0p**	6.5p	20.3p	21.3p	20.2p
Tangible net assets per share	**118.1p**	110.0p	100.5p	98.3p	95.7p
Dividends paid (pence per share)	**8.28**	–	18.34	15.28	13.79
Number of ordinary shares in issue at the year end (millions)	**3,648.6**	3,645.4	3,283.1	3,278.1	3,275.4
UK short term landbank (plots)	**85,376**	77,435	75,612	75,995	74,849
UK average selling price (£'000)	**300**	288	269	264	264
UK completions (homes including JVs)	**14,087**	9,609	15,719	14,933	14,541

The results for 2017 excludes the impact of IFRS 16, which was adopted in 2018.