2 March 2021
Taylor Wimpey plc
Full year results for the year ended 31 December 2020

Pete Redfern, Chief Executive, commented:

"2020 was a very challenging year, during which our priority has continued to be the health and safety of our colleagues, customers, suppliers and subcontractors. Operating performance has bounced back strongly in the second half of 2020, with build capacity returning to near normal levels and strong sales.

We are confident in the medium term performance of the housing market and therefore accelerated our land purchases from May 2020 as high-quality land became available at attractive rates. We are now focusing on driving efficiencies across the business, the roll out of our new house type range and implementing our ambitious new environmental strategy.

The UK housing market has been resilient and continues to reinforce our confidence in our outlook. We are a cash generative business with a strong balance sheet, and we are pleased to announce today that we will reinstate our ordinary dividend in line with our aim of providing a reliable income stream to our shareholders.

As part of today's results, we are also announcing help for building owners, with £125 million in funding to support fire safety improvement works to bring Taylor Wimpey apartment buildings constructed in the last 20 years up to the recently updated current RICS EWS1 guidance. We have taken this decision in order to provide certainty for customers and leaseholders and to avoid them bearing the cost of investment to ensure their buildings are safe."

Group financial highlights:

- 2020 results in line with expectations, with good recovery in the second half of the year as build capacity returned to near normal levels
- 38.9% decrease in Group completions to 9,799 (2019: 16,042) including joint ventures, primarily due to Q2 site shutdown with revenue of £2,790.2 million (2019: £4,341.3 million)
- Operating profit* of £300.3 million (2019: £850.5 million), reflecting reduced volumes, delivering an operating profit margin of 10.8% (2019: 19.6%)
- Profit for the year of £217.0 million (2019: £673.9 million)
- Net cash‡ of £719.4 million (2019: £545.7 million)
- Resumed Ordinary Dividend Policy to pay out c.7.5% of net assets, starting with a proposed 2020 final dividend of c.£151 million (4.14 pence per share), subject to shareholder approval
- Raised £510 million of net funds in an equity placing in June 2020, to pursue additional near-term land acquisition opportunities
- Agreed terms on and authorised c.£1.3 billion of gross land purchases by 31 December 2020, since re-entering the land market

- Announced today £125 million in funding to support fire safety improvement works for leaseholders in Taylor Wimpey apartment buildings (including those below 18 metres), built over the last 20 years, to ensure they meet current RICS EWS1 guidance

Operational highlights:

- Operating sites in a COVID-secure way, increased build capacity in H2 to near normal operating levels
- Record UK forward order book of 10,685 homes as at 31 December 2020 (31 December 2019: 9,725), valued at £2,684 million (31 December 2019: £2,176 million)
- Healthy sales rate for the year of 0.76 (2019: 0.96) despite constrained build capacity and remote sales
- Overall average selling price increased to £288k (2019: £269k), driven mostly by change in mix
- Focused on cost saving and simplification with annual savings of £16 million from 2021
- Launched new house type range for roll out in 2021

Responsible, sustainable business:

- Launching new environmental strategy with ambitious targets including:
    - Science-based targets approved by the Science Based Target Initiative to reduce our operational carbon emissions intensity by 36% by 2025 and to reduce carbon emissions intensity from our supply chain and customer homes by 24% by 2030
    - Making it easier for close to 40,000 customers to work from home and enabling more sustainable transport choices through 36,000 Electric Vehicle (EV) charging points and 3,000 additional bike stands by 2025
- First homebuilder to achieve Carbon Trust Standard for our overall approach to carbon management

Prioritising sustainability and stakeholders through COVID-19:

- Excellent response from our employees during lockdown to volunteer in their communities and donate to the NHS and care homes
- Strong take up of NHS and care workers discount scheme providing 5% discount to over 3,000 NHS and care workers at a total value of c.£46 million
- Named in the Glassdoor top 50 places to work in the UK for 2021, as voted for by employees, for the fourth consecutive year and rated in the top 10 UK firms for work-life balance during COVID-19
- Supported our workforce on full base pay through the shutdown and furlough with all funds received under the Coronavirus Job Retention Scheme returned to the UK Government
- Supported our subcontractors through our Pay It Forward Scheme, building trust with our key partners
- Continued to lead the volume housebuilders in build quality, with a National House-Building Council (NHBC) Construction Quality Review (CQR) score of 4.45 out of 6 (2019: 4.13 out of 6)
- Achieved a 5 star customer rating for 2020 in the Home Builders Federation survey

Financial summary

	2020	2019	Change
Revenue £m	2,790.2	4,341.3	(35.7)%
Operating profit £m	300.3	850.5	(64.7)%
Operating profit margin %	10.8%	19.6%	(8.8)ppt
Profit before tax £m	264.4	835.9	(68.4)%
Profit before tax and exceptional items £m	274.4	821.6	(66.6)%
Profit for the year £m	217.0	673.9	(67.8)%
Basic earnings per share pence	6.3	20.6	(69.4)%
Adjusted basic earnings per share pence††	6.5	20.3	(68.0)%
Tangible net assets value per share pence†	110.0	100.5	9.5%
Net cash £m	719.4	545.7	31.8%

<u>**Summary**</u>

After an unusual and volatile year, our 2020 results are in line with market expectations. Our teams and partners responded with dedication and professionalism to the pandemic and their resolve to continue to deliver high quality homes and exceptional service for our customers was outstanding. The UK housing market has remained resilient, despite the shutdown period in the second quarter.

Total UK home completions (including joint ventures) decreased by 38.9% to 9,609 in 2020 (2019: 15,719), due primarily to the impact on production capacity during the second quarter shutdown. Average selling prices on private completions increased by 5.9% to £323k (2019: £305k), with the overall average selling price increasing to £288k (2019: £269k), driven mostly by change in mix.

In the year, we raised net proceeds of £510 million of new equity for investment in land to support future growth. Between re-entering the land market and 31 December 2020, we had agreed terms on and authorised c.£1.3 billion of gross land purchases across our business that are in line with our operating margin targets of 21-22% with an average return on capital employed of c.34%, comprising 93 sites and c.22,600 plots, significantly ahead of our normal rate of acquisition. We have continued to progress land buying this year, as land market conditions have begun to normalise and competition has returned in most areas.

In the year, we made a number of changes to improve the efficiency of our business and drive future margin improvement. These changes will generate annual cost savings of £16 million from 2021 and cost £12.1 million to implement, which was borne in 2020. Operating profit in 2020 was £300.3 million (2019: £850.5 million), with an operating profit margin of 10.8% (2019: 19.6%). Profit for the year was £217.0 million (2019: £673.9 million), down 67.8% on 2019 and included a post-tax exceptional charge of £8.3 million (2019: positive post-tax exceptional contribution of £11.6 million). We have a strong balance sheet and ended the year with net cash of £719.4 million (2019: £545.7 million). We are today announcing our intention to resume ordinary dividend payments by returning c.£151 million as a 2020 final dividend (of 4.14 pence per share), to be paid in May 2021, subject to shareholder approval.

We run our business for the long term and so sustainability in the widest sense has always been a key element of our culture and way of doing business. In 2021, we will implement our new environmental strategy, which strengthens our environmental, social and governance framework which is well integrated into the business. The environmental strategy focuses on both our macro impact on issues like climate change and carbon footprint, and also aims to enhance our local engagement on issues like biodiversity and customer environmental engagement. In the social sphere, building on the lessons learnt through the pandemic, we are also aiming to strengthen our engagement and relationship with the local communities in which we operate.

Doing the right thing for our customers is a key priority for the Group. Today we are announcing our intention to support building owners and leaseholders with fire safety 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 over the last 20 years, including apartment buildings below 18 metres. We are making an additional £125 million provision, to be booked in 2021, to cover this cost.

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 we will fund and oversee the improvement works of apartment buildings in our 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, we will contribute funding to bring those buildings up to the standards required by current RICS EWS1 guidance. Whilst the legal responsibility continues to rest with the building owner, we will also provide advice and other assistance where appropriate.

UK current trading and outlook

The 2021 selling season has started well, following on from the stronger than expected recovery of the housing market in the second half of 2020 and reflecting the underlying strength of demand, underpinned by low interest rates and stable mortgage lending. The net private sales rate for the year to date (w/e 21 February 2021) was 0.89 (2020: 0.94).

We started the year over 50% sold for 2021 private completions and have continued to grow our order book. As at 21 February 2021, our total order book excluding joint ventures was £2,793 million (2020 equivalent period: £2,584 million), comprising 11,013 homes (2020 equivalent period: 10,880). Our order book includes a healthy profile of sales extending into the second quarter and beyond when the Stamp Duty Land Tax holiday is due to end and into the next phase of Help to Buy. With the benefit of a strong order book, we have tested sales pricing across our developments, and have achieved selling price growth in the first two months of the year.

We are mindful of the changing regulatory environment for the sector in the short to medium term and have put the steps in place to enable us to respond appropriately. While Brexit related friction and the ongoing implications of COVID-19 may cause some disruption in housing market sentiment in the near term, with the process now agreed, we expect the clearer political outlook to provide a longer period of stability for our customers.

We are focused on the performance objectives of reducing underlying costs, process simplification and driving value across the business, with operating profit margin the primary financial measure for the Group. We continued to prioritise opening new outlets throughout 2020 and remain focused on developing our new land acquisitions through the planning system and opening new outlets efficiently. In 2021, assuming the market remains broadly stable, we expect to deliver 85-90% of 2019 volumes and make further progress towards our medium term operating margin target of c.21-22%.

We expect to record a smaller proportion of affordable homes than usual in 2021, (c.17%), influenced by site mix and a revision to the way we contract land sold to Housing Associations, with revenue and profit realised slightly later. The private / affordable mix will return to more normal historic levels from 2022. At this stage, we anticipate overall build cost inflation in 2021 to be marginally lower than in 2020, (c.2-3%), though this is dependent on industry-wide production levels as well as the strength of the housing market.

As our completion volumes recover, we expect 2021 operating margin to increase to between 18.5% and 19%. At this stage we anticipate 2021 year end net cash of broadly £500 million, subject to timing of land acquisitions and payments.

Having approved significant incremental new land in the past nine months we expect new land approvals to revert to a more normal replacement level. Between re-entering the land market in 2020 and 26 February 2021, we agreed terms on and authorised gross land purchases comprising 30,956 plots and expect our short term landbank to grow by over 10k plots over the next 12-18 months.

The Group has a robust balance sheet and a growing high-quality landbank, which will enable us to grow the business whilst generating compelling returns. The actions we have taken in 2020, and the strong embedded margin in the landbank, underpin our confidence in achieving our medium term target to deliver operating profit margins of c.21-22%. Our focus on retaining momentum in outlet openings and our incremental land acquisitions leave us well positioned to deliver strong volume growth in the medium term. With a continued focus on costs and efficiency, the Board believes the Group is well positioned for strong progress and to deliver enhanced shareholder value in the years ahead.

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

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

*** Operating cash flow is defined as cash generated by operations (which is before taxes paid, interest paid and payments related to exceptional charges).

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

†* Return on capital employed (ROCE) is defined as 12-month rolling operating profit divided by average capital employed calculated on a monthly basis over the period.

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

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

‡ Net cash / (debt) is defined as total cash less total borrowings.

‡‡ Cash conversion is defined as operating cash flow divided by operating profit on a rolling 12-month basis.

‡‡‡ Adjusted gearing is defined as adjusted net debt divided by net assets. Adjusted net debt is defined as net cash less land creditors.

The Group uses Alternative Performance Measures (APMs) as key financial performance indicators to assess underlying performance of the Group. The APMs used are widely used industry measures and form the measurement basis of the key strategic KPIs (return on net operating assets, operating profit margin and cash conversion). A portion of executive remuneration is also directly linked to some of the APMs. Definitions and reconciliations to the equivalent statutory measures are included in note 12 of the financial statements.

-Ends-

A presentation to analysts will be hosted by Chief Executive Pete Redfern, Group Finance Director Chris Carney and Group Operations Director Jennie Daly, at 8.30am on Tuesday 2 March 2021. This presentation will be webcast live on our website: www.taylorwimpey.co.uk/corporate

An archived version of the webcast will be available on our website in the afternoon of 2 March 2021.

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Notes to editors:

Taylor Wimpey plc is a customer- focused homebuilder operating at a local level from 23 regional businesses across the UK. We also have operations in Spain.

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

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Operating responsibly through the COVID-19 pandemic

We entered the COVID-19 pandemic with a well capitalised balance sheet, strong landbank and net cash position which gave us increased levels of resilience and confidence. This, together with the benefit of a strong culture and a shared core value of doing the right thing, meant we had two very clear priorities. The first was to do all we reasonably could to support and protect our employees, customers, subcontractors, suppliers and communities. This included a focus on those financially vulnerable and on health and wellbeing. Our second priority was on ensuring that we positioned the business to emerge stronger from this crisis.

We were the first major homebuilder to stop construction on sites and close sales centres in the wake of the pandemic and the lockdown restrictions in March 2020, as we implemented new working practices to adhere to strict social distancing requirements and developed the Taylor Wimpey COVID-19 Code of Conduct. This meant a seven week shutdown of construction sites and nine week shutdown of our sale centres as we put in place our enhanced safety measures and processes and adjusted to COVID-secure ways of working.

Given it was clear that we were entering a period of uncertainty, with no finite end, we took steps to conserve cash and increase our flexibility, by controlling working capital very tightly. Whilst our Ordinary Dividend Policy has been stress tested and is payable through a ‘normal’ downturn, the global COVID-19 pandemic goes beyond normal and even severe cyclical swings and represents an exceptional case. Accordingly, the Board took the decision to cancel the 2019 final dividend of 3.80 pence per share (c.£125 million) that was due to be paid on 15 May 2020 and the planned special dividend payment of 10.99 pence per share (c.£360 million) that was due to be paid on 10 July 2020.

Whilst 2020 was a very challenging year, we were able to drive positives including benefiting from prior investments in IT, training and development which allowed us to continue to support customers through this time and protect and grow our order book, at a time of great uncertainty. During each week of 2020, including through the various levels of restrictions, we continued to sell homes and progress purchases. We also continued to progress sites through the planning process and open new sales outlets, which provides a strong platform for 2021. We have been able to adapt our ways of working including digitising our whole sales process from reservation through to completion, with only the signing of contracts required to be done by hand, and expanding and extending our approach to flexible working to benefit our employees and customers.

Our Pay It Forward Scheme, as well as weekly updates to suppliers and subcontractors helped the process of returning to work on Taylor Wimpey sites and further strengthened those relationships. Our approach to health and safety and our COVID-secure site protocols enabled us to accommodate subsequent restrictions, both local and national, with the support of our employee, subcontractor and supplier base. We are particularly pleased that customer feedback and scores during and after the lockdown period continued to be very positive and we have been recognised by our employees via Glassdoor for our leadership during the pandemic, including being named in the Glassdoor top 50 places to work in the UK for 2021, as voted for by employees, for the fourth consecutive year and rated in its top ten UK firms for work-life balance during COVID-19.

Emerging stronger

The key objective of our actions throughout the pandemic has been to protect the business in the short term while ensuring we position ourselves to take advantage of opportunities that will strengthen the business for the future and increase shareholder returns.

With a strong balance sheet and cashflow, coupled with resilient underlying demand and confidence in the long term outlook, we were able to be proactive and opportunistic. The pandemic materially reduced the level of competition for land and created a disconnect in the land market, resulting in significant short term opportunities to acquire land from a broad range of sources at attractive returns. On 17 June 2020 we announced an equity raise where we raised net proceeds of £510 million to take advantage of these near term opportunities. Between re-entering the land market and 31 December 2020 we had agreed terms on and authorised c.£1.3 billion of gross land purchases, comprising 93 sites and c.22,600 plots, significantly ahead of our normal rate of acquisition. These sites have been secured at attractive returns in line with our medium term operating margin target of 21-22% and with an average return on capital employed[†*] of c.34%. We expect the land spend already committed will lead to outlet growth from late 2022 and completions from 2023. Having approved significant incremental new land in the past nine months we expect new land approvals to revert to a more normal replacement level.

A renewed focus on margin and cost discipline

We came into 2020 with a renewed focus on reducing costs and increasing efficiency, after a period of margin pressure and increased investment in the long term future of the business which is now substantially complete. Operating through the challenges of the pandemic has further sharpened that focus and highlighted opportunities for ongoing efficiency and operational and financial performance improvement to benefit shareholders. Our clear primary performance focus is on returning the business to 21-22% operating profit margin in the medium term.

As previously announced, in 2020 we undertook a detailed organisational review and made changes to our cost structure to ensure that we continue to operate efficiently in a changing market. This resulted in annualised cost reductions that will deliver savings in the region of £16 million in 2021, with the costs to achieve these of £12.1 million incurred in 2020.

These changes included the removal of one tier of operational management, the rationalisation of our London operating structure to focus on affordable price points that meet the affordability needs of Londoners, and a series of reductions in central and business unit overhead levels. As part of these changes we have reorganised our divisional structure into Scotland; North West, North East and Yorkshire; Midlands and Wales; Central, South West and Spain; and London and South East. Each region is headed by a Divisional Chair, who is also a member of the Group Management Team. As a result, each business unit will now report directly to a member of the Group Management Team.

Our focus will remain on reducing cost, process simplification and enhancing the core drivers of value for our business to achieve this. We will continue to ensure our overheads are appropriate to the operating environment and we are focused on extracting the benefits of workstreams already in place.

A long term, sustainable business

Our purpose must guide us in all that we do: we build great homes and create thriving communities. Whilst short term performance is very important, we run the business for the long term to enhance and generate more value and mitigate risk. We will deliver on our priorities, in a responsible and sustainable way which makes a positive contribution to all stakeholders. This approach is integrated into our business decision making, including our commitment to health and safety and prior investments in build quality and in developing our people.

Environmental, social and governance (ESG) has always been an important part of working for Taylor Wimpey. Our teams see the social and governance aspects as 'business as usual', including our contributions to, and involvement in, local communities and our strong culture. In 2020, we identified that in the area of the environment we could and should be doing more, and in February 2021 we launched a new environmental strategy, as we play our part in tackling climate change and respond positively to changes in our regulatory environment. We delayed the timing of the launch of our environmental strategy to ensure our targets reflected the requirements of the new Future Homes Standard.

Our strategy includes ambitious science-based targets approved by the Science Based Target Initiative to reduce our operational carbon emissions intensity by 36% by 2025 from a 2019 baseline, and to reduce the carbon emissions intensity from our supply chain and customer homes by 24% by 2030 from a 2019 baseline. We will also make it easier for close to 40,000 customers to work from home and enable more sustainable transport choices through 36,000 EV charging points and 3,000 additional bike stands by 2025. Biodiversity is another key focus area and, in 2020, we adopted a biodiversity net gain approach in a number of our planning applications and from 2021 we will also integrate our priority nature enhancements on all suitable new sites. A full outline of our targets can be found in our Sustainability Report and on our website. We are also disclosing our performance against the criteria identified for our sector by the Sustainability Accounting Standards Board in our Sustainability Report for the first time this year.

We continue to develop our interactions with our communities. Our Community Communications Plan launched in 2019 is ensuring a consistent approach to relationships with new and existing communities and we have signed the Social Mobility Pledge to boost opportunity and social mobility.

Shareholders returns

It continues to be our aim to provide a reliable income stream to our shareholders, throughout the cycle, including during a 'normal downturn'.

Ordinary Dividend Policy

Our Ordinary Dividend Policy is to pay out to shareholders approximately 7.5% of net assets, which will be at least £250 million per annum, paid in two equal instalments in May and November.

We propose to resume ordinary dividend payments in May 2021, starting with the 2020 final dividend payment of 4.14 pence per share equating to c.£151 million, subject to shareholder approval at the AGM.

This means that, in the 2021 calendar year, we intend to return c.£301 million in cash (c.8.28 pence per share) via the payment of the 2020 final dividend in May subject to shareholder approval and the 2021 interim dividend in November.

Approach to return of excess capital

As we look forward, our intention remains to return cash generated by the business in excess of that needed by the Group to fund land investment, all working capital, taxation and other cash requirements of the business, and once the ordinary dividend has been met.

We are not proposing to return excess capital in 2021. We will review the level of excess capital and potential return in respect of 2021 at the time of the 2021 full year results in February 2022, for payment in 2022.

This represents a shorter period between proposing and distributing excess capital returns and we expect to continue with this timing going forward.

The method of returning excess capital, either by way of special dividend or share buyback, will be considered at the appropriate time.

Operational review

We are a customer-focused residential developer building and delivering homes and communities across the UK and in Spain.

Our strategy comprises five key pillars:

- Customers and communities
- Build quality
- Optimising our strong landbank
- Be the employer of choice in our industry
- Best in class efficient engine room

We have four strategic goals, aligned to our strategy, which target further improvement to 2023:

- Maintaining operating profit margins at c.21-22%
- Increase of return on net operating assets** to 35%
- Operating cash conversion‡‡ of between 70 and 100% of operating profit into operating cashflow***
- Increased landbank efficiency – reducing length of short term owned and controlled landbank years by c.1 year to 4-4.5 years

Due to the impact of COVID-19 on the 2020 financial results, none of our medium term strategic objectives were met in the year.

Our operational review focuses on the UK as the majority of metrics are not comparable in our Spanish business. A short summary of the Spanish business follows. The financial review of operations is presented at Group level, which includes Spain, unless otherwise indicated.

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

Our Key Performance Indicators (KPIs)

Our key performance indicators align to our five key strategic pillars.

UK	2020	2019	Change
Customers and communities			
Customer satisfaction 8-week score 'Would you recommend?'	92%	89%	3.0ppt
Customer satisfaction 9-month score 'Would you recommend?'	78%	77%	1.0ppt
Build quality			
Construction Quality Review (average score / 6)	4.45	4.13	7.7%
Average reportable items per inspection	0.24	0.28	(14.3)%
Optimising our strong landbank			
Land cost as % of average selling price on approvals	18.3%	16.2%	2.1ppt
Landbank years	c.8.1	c.4.8	68.8%
% of completions from strategically sourced land	55%	56%	(1.0)ppt
Be the employer of choice in the industry			
Employee turnover % (voluntary)	9.4%	12.9%	(3.5)ppt
Number of people recruited into early talent programmes: graduates, management trainees and site management trainees	47	116	(59.5)%
Directly employed key trades including trade apprentices	1,038	1,169	(11.2)%
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)	151	156	(3.2)%
Best in class efficient engine room			
Net private sales rate per outlet per week	0.76	0.96	(20.8)%
Private legal completions per outlet	31.5	48.2	(34.6)%
Order book value £m	2,684	2,176	23.3%
Order book volume – no. of homes	10,685	9,725	9.9%

N.B. The 8-week 'would you recommend' score for 2020 relates to customers who legally completed between October 2019 and September 2020, with the comparator relating to the same period 12 months prior. The 9-month 'would you recommend' score for 2020 relates to customers who legally completed between October 2018 and September 2019, with the comparator relating to the same period 12 months prior.

2020 sales, completions and pricing

In 2020, total home completions (including joint ventures) decreased by 38.9% to 9,609 (2019: 15,719), due primarily to the impact on production capacity during the second quarter shutdown and we delivered 1,904 affordable homes including joint ventures (2019: 3,548), equating to 20% of total completions (2019: 23%). Our net private reservation rate for 2020 was 0.76 homes per outlet per week (2019: 0.96). Cancellation rates for the full year were above normal levels at 20% (2019: 15%), but normalised in the final quarter, at 16% (2019: 16%). Average selling prices on private completions increased by 6% to £323k (2019: £305k), with the overall average selling price increasing to £288k (2019: £269k), driven mostly by change in mix.

We estimate that market-led house price growth for our regional mix was c.1.9% in the 12 months to 31 December 2020 (2019: c.1%).

During 2020, approximately 46% of total sales used the Help to Buy scheme and we worked with 4,800 households to take the first step to home ownership or to move up the housing ladder (2019: 34% and 5,693). Approximately 80% of sales through Help to Buy in 2020 were to first time buyers (2019: 76%) at an average price of £286k (2019: £277k). From 16 December, we began taking reservations under the new phase of the Help to Buy scheme and, up to 31 December, took 650 reservations under the new scheme for completions from the second quarter of 2021.

With demand for our homes remaining strong, we ended the year with a total order book valued at £2,684 million (31 December 2019: £2,176 million), excluding joint ventures, which represents 10,685 homes (31 December 2019: 9,725 homes). We traded from an average of 240 outlets in 2020 (2019: 250) and entered 2021 with 239 outlets (31 December 2019: 240). As previously guided, we expect to end 2021 with outlet numbers broadly similar to the end of 2020.

Underlying build cost inflation in 2020 was c.3.0% (2019: c.4.5%). Since the final quarter of 2020 we have seen a softening in the cost pressures experienced earlier in 2020.

Strong landbank

We have previously set out our ability to grow, at the right time in the cycle, without compromising on quality or adding meaningful market risk. We have added to our excellent land position whilst maintaining a strong balance sheet and tightly controlling cash.

As at 31 December 2020, our short term landbank stood at c.77k plots (2019: c.76k plots). 50% of this short term landbank has been strategically sourced (2019: 54%) since 2009. During 2020 we acquired 7,644 plots (2019: 7,268 plots).

The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 15.2% (2019: 14.9%). The average selling price in the short term owned landbank in 2020 increased by 1.1% to £288k (2019: £285k). A key strength of Taylor Wimpey is our strategic land pipeline. This is an important input to the short term landbank and provides an enhanced supply of land with greater control over the planning permissions we receive. We have one of the largest strategic pipelines in the sector which stood at c.139k potential plots as at 31 December 2020 (31 December 2019: c.140k potential plots). During 2020, we converted a further c.4k plots from the strategic pipeline to the short term landbank (2019: c.8k plots). We continue to seek new opportunities and added a net 2.4k new potential plots to the strategic pipeline in 2020 (2019: 21.2k). In the year, 55% of our completions were sourced from the strategic pipeline (2019: 56%).

Sustainability and the environment

Our Social and Governance goals are tied into our interaction with stakeholders and we outline some of the key developments in these areas throughout our stakeholder review.

UN Sustainable Development Goals

We support the United Nations Sustainable Development Goals, which aim to unite governments, businesses and the third sector to end poverty, fight inequality and address climate change. We have identified 12 goals and 32 targets where we can make a contribution to a more sustainable future. We use the goals to inform our materiality process, which helps us to identify and focus on the sustainability (environmental, social and economic) issues and impacts that matter most to our business and our stakeholders, including customers, investors, our people and regulators and in the development of our sustainability strategy and targets. An index is included on our website, showing how we can support these goals.

Whilst the homes we produce are generally much more energy efficient than older housing stock, our business still has a significant environmental footprint through the resources we use and the emissions associated with our operations, supply chain and the homes we build.

We recognise the need to minimise our impact on the environment and are this year outlining our science-based targets for carbon reduction, formalising much of the work we carried out in recent years to reduce our environmental footprint.

Our environment strategy

Our business has a significant environmental footprint through the resources we use and the emissions associated with our operations, supply chain and the homes we build. We will also be affected by the physical impacts of climate change and new legislation. We know from our research that customers are increasingly engaged on environmental subjects and many have a desire to live more sustainably. Through our operations we can positively impact the local environment in hundreds of locations around the UK and, through the homes and places we build, we can enable our customers to live more sustainably.

In 2020, we have reviewed our approach to the environment and developed a new set of challenging targets. The launch of our environment strategy, which was delayed until February 2021 as we waited for the details of the new Future Homes Standard regulation to ensure our compliance, will allow us to play our part in creating a greener, healthier future for our customers, colleagues and communities.

We are committing to challenging, measurable targets based on science, to making changes in the way we work and to reducing our footprint:

- Achieve our science-based carbon reduction targets:
    - Reduce operational carbon emissions intensity by 36% by 2025
    - Reduce carbon emissions intensity from our supply chain and customer homes by 24% by 2030
- Increase natural habitats by 10% on new sites from 2023 and include our priority wildlife enhancements from 2021
- Cut our waste intensity by 15% by 2025 and use more recycled materials
- By 2022, publish a towards zero waste strategy for our sites

Since 2013, we have achieved an absolute reduction in emissions of 39% and have reduced our carbon emissions intensity by 30%. The pandemic and lockdown affected our year on year performance with absolute emissions falling but emissions intensity increasing. While we completed less floor space than the previous year, we continued to use energy on our sites even when construction was halted, for example to run IT systems, street lighting and pumping stations. On return to sites, units took on average longer to complete and sell due to the need for social distancing measures and other factors meaning that energy use per plot increased. We expect to see a downward trend in 2021 as we return to more normal operating conditions and implement our environmental strategy.

Our science-based targets replace our previous carbon reduction target. A full list of targets is included in our Sustainability Report available on our website.

Stakeholder Review

This section outlines the key developments in relation to our main stakeholders.

Customers

Our customer proposition is closely tied to our purpose and centres on delivering great homes and thriving communities consistently. Our customers can trust us to do the right thing.

We are pleased to have achieved a 5-star rating in the year and a score of 92% for the year ending September 2020, as measured by the Home Builders Federation survey reflecting customer satisfaction becoming embedded into the way we work. We are particularly pleased to have improved customer service during the lockdown. We acknowledge that we do not always get it right for our customers and sometimes fall short of our targeted standards. Where this is the case, we remain committed to working closely with our customers to put this right and learn from our mistakes. We encourage customers to leave reviews on Trustpilot. At the end of 2020, with over 4,500 reviews, we had a 4 out of 5 star rating (end of 2019: 4 out of 5) with a trust score of 4 out of 5 (2019: 3.9 out of 5).

Customer insight and communication

In 2020 we designed and piloted a new customer relationship management system using Microsoft Dynamics software. This will be rolled out across our business in 2021 and will build on the progress we have made in digital communications with our customers over the past few years. As well as the customer service and efficiency benefits of better, more targeted communication, we expect the system to provide better insight led decision making, enhancing revenue and margin. The system will bring customer service benefits such as real time online issue resolution, delivering greater visibility and faster responses. Operationally, there are a number of benefits, for example, the system will enable end to end workflows for legal processes, with online notifications and approvals ensuring customers, solicitors and our legal teams are aligned, helping to reduce time to completion.

New house type range

We worked with architects to update our standard house types which we will start using in 2021. These have been designed to reflect four years of customer insights. The standard designs with fewer house types also provide a number of operational and procurement benefits that will help ensure quality and consistency. However, we have not reduced the specification of our homes.

The new range incorporates more open plan living, more natural light and improved storage, reflecting customer feedback and the results of our R&D. Our new house types include more flexible living with adaptable work study spaces, with at least one study area per home that will make it easier for customers to work and study from home and help reduce their travel footprint.

NHS and care workers discount scheme

In May we announced a discount scheme for NHS and care workers, as a thank you for their heroic efforts during the COVID-19 pandemic. The scheme, which ran between May and December, offered NHS and care workers a special 5% discount off the purchase price of a new home. We are pleased that over 3,000 NHS and care workers used the scheme, saving a combined c.£46 million on reservations made in the year.

Ground Rent Review Assistance Scheme

During 2007-2011, ten-year doubling ground rent clauses were generally included in customer leases on some of our developments. We ceased using such clauses on new developments from January 2012 onwards. In April 2017, following a detailed review, we launched a voluntary Ground Rent Review Assistance Scheme (GRRAS) to help affected customers. Under GRRAS, Taylor Wimpey covers the cost of converting our customers' lease terms into an industry standard RPI-based lease, comparable to that used in the majority of residential leases in the UK. GRRAS is available to all of our customers and also to subsequent purchasers on those developments where we still own the freehold.

We have reached agreement with freeholders representing 99% of the leases concerned, with the other 1% in negotiations. All of our customers that currently have the option of converting their ten-year doubling lease to an RPI-based structure have been contacted in connection with this matter.

The CMA's investigation into leasehold remains open and we understand that the CMA will continue to proceed with its investigation. We will continue to cooperate with the CMA and will formally respond to the CMA at the appropriate point in its process.

Fire safety provision

The safety of our customers is of paramount importance and we have always been guided by this principle. Following the tragic fire at Grenfell Tower, Taylor Wimpey moved quickly to identify where action was needed to remove ACM cladding on legacy high rise apartment buildings, even though the buildings concerned met the requirements of building regulations at the time construction was approved. We announced a £40 million provision to cover the cost of removing and replacing ACM cladding on those buildings, and to date we have completed work on 12 out of 19 of the apartment buildings identified in this review.

Over the past three years there have been multiple updates to regulation and advice on implementation, and the number of apartment buildings and scope of issues under review has widened materially, to include apartment buildings below 18 metres and those with other forms of cladding. Many leaseholders have been left with unreasonably large bills to ensure their properties are safe and in line with post-Grenfell fire safety standards.

In January 2021, the Royal Institution of Chartered Surveyors (RICS) issued proposed guidance for public consultation to improve consistency in EWS1 (External Wall Fire Review) requests. This consultation clarified the circumstances in which an EWS1 form is required.

The UK Government announcement on 10 February 2021 endorsed this updated guidance, which has made fire safety improvement requirements clearer and enabled us to focus on resolving issues for leaseholders using EWS1 forms as an independent framework. Whilst we await a further update from RICS, we believe that it is right to provide as much clarity as possible for customers at this point.

As a result of this clarified guidance, we are today announcing an additional £125 million provision to fund fire safety improvement works for leaseholders in Taylor Wimpey apartment buildings constructed over the last 20 years. We will provide funding to make apartment buildings safe and mortgageable in line with the latest RICS EWS1 guidance.

For buildings we own, Taylor Wimpey will both fund and oversee the improvement of apartment buildings, regardless of eligibility for the UK Government Building Safety Fund, including apartment buildings below 18 metres. 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, we will contribute funding to assist freeholders in bringing those buildings up to the standards required by EWS1 assessment.

We have identified 232 apartment buildings that may require fire safety works under EWS1 requirements.

We expect building owners to contact Taylor Wimpey following completion of the required EWS1 assessment on the relevant apartment buildings they own. If the apartment building is eligible for the UK Government's Building Safety Fund, we would expect building owners to apply for this funding, which is expected to be partly funded by an Industry levy.

This provision will be reflected as a non-adjusting post balance sheet event, disclosed as such in the 2020 accounts, and the provision will be booked in the 2021 accounts as an exceptional charge.

Build quality

Since the introduction of the measure, we have led the volume housebuilders in build quality as measured by the NHBC CQR score, which measures build quality at key build stages. In 2020, we scored an average of 4.45 (2019: 4.13) from a possible score of six, once again the highest score for a volume housebuilder. This compares with an industry benchmark group average score of 4.32. We are fifth nationally when ranked against all housebuilders that have more than 100 build stages (which excludes self build and very small housebuilders).

We aim to improve this further by ensuring our quality assurance processes are embedded at every stage of build.

Our Consistent Quality Approach (CQA) guidelines ensure our Site Managers, subcontractors, production and customer service teams all have a consistent understanding of the finishing standards we expect on all Taylor Wimpey homes. We are developing specific guidance within the CQA for the different trades working on our sites that will form part of our framework agreements with contractors in the future. In 2020, we published a customer version, so it is clearer for customers what they can expect from us.

Communities

It has been increasingly important to be more innovative in seeking ways to engage and connect with communities. We seek to engage, consult and work in partnership with communities and all interested stakeholders on each and every site, both before we submit a planning application and throughout the life of our developments. We continued to progress planning through the shutdown period and run community meetings virtually. We were pleased to have achieved the UK's first significant planning permission remotely.

We want communities to welcome Taylor Wimpey to their area and recognise the positive contribution we can make to their existing community, as well as trusting us with the responsibility of creating a new one. We know housebuilding, particularly in its early stages, can be disruptive. Our Community Communications Plan launched in 2019 helps mitigate this and covers the whole development process from planning to after construction finishes. It ensures we take a consistent approach across our sites and helps our teams organise activities and events that foster relationships between the new and existing community.

Placemaking

Good placemaking is important, both for long term customer attraction and long term satisfaction. Increasingly, we aim to install infrastructure at an early stage which helps in the successful development of a new community, benefits existing residents and can increase sales by making new developments more desirable to prospective buyers.

We are equipping our teams to plan, design and deliver schemes that promote social, environmental and economic sustainability and the wellbeing of future residents.

Our placemaking standards are based on best practice such as the Building for a Healthy Life framework, and incorporate criteria to help us create attractive, successful and healthy communities for the long term. We have an Urban Designer and a Director of Design who work with our teams on placemaking. We have appointed a Design Lead in each of our regional businesses.

Two of our schemes were shortlisted at the National Housing Design Awards, which promote excellence, innovation and sustainability in housing scheme design. Our Whitehill & Bordon development won a National Planning Award and a second scheme was shortlisted.

We invest in infrastructure and facilities that help make our developments great places to live. This includes affordable housing, green spaces, community and leisure facilities, transport infrastructure, educational funding, jobs for local people and public art. In 2020, we contributed £287 million to local communities in which we build across the UK via planning obligations (2019: £447 million), the reduction reflecting the lower building activity due to COVID-19. Our teams across the business get involved in local life, organising competitions with primary schools, and sponsoring local sports clubs, as part of their daily working life. In addition, we contributed over £94k to other organisations, such as scout groups, local football teams and various local community causes (2019: £129k).

Employees

Health and safety

Health and safety is a shared responsibility and always comes first at Taylor Wimpey. Whilst cost and process simplification is a key priority for our business in 2021, health and safety is not an area that we are prepared to compromise on. Building sites are, by their very nature, dangerous and so we do everything we possibly can to minimise those risks. We embed a safety culture through training, awareness and visible health and safety leadership. We are pleased that our Annual Injury Incidence Rate (AIIR) has reduced further to 151 in 2020 (2019: 156) and our AIIR for reportable injuries per 100,000 employees and contractors remains well below both the HBF Home Builder Average and Health and Safety Executive Construction Industry Average, but we will continue to seek to improve this. Our AIIR for major injuries per 100,000 employees and contractors was 58 in 2020 (2019: 44).

Culture and people

We aim to create a strong, positive work culture at Taylor Wimpey, guided by our purpose and values. Our updated Code of Conduct was launched in 2020, setting out the high standards of integrity and conduct we expect. Our culture makes us stand out and we aspire to be the employer of choice in our sector, offering a unique and valued employee experience, and something different to the rest of the industry. We were pleased to have been named in the top 50 places to work in the UK for 2021, by Glassdoor, as voted for by employees, for the fourth consecutive year.

We are very proud of the efforts of our teams through this testing time. Many of our employees have stepped forward to volunteer for the NHS and support local communities and charities.

We are pleased to report that Taylor Wimpey was once again recognised in the NHBC Pride in the Job Awards, achieving a total of 53 Quality Awards (2019: 66), 19 Seal of Excellence Awards (2019: 16) and two Regional Awards in 2020 (2019: two).

During 2020 we directly employed, on average, 5,948 people across the UK (2019: 5,796) and provided opportunities for on average a further 12.3k operatives (2019: 14.6k) on our sites. Our voluntary employee turnover rate remained low at 9.4% (2019: 12.9%).

With a well known shortage of skills, we have taken a proactive approach to our early talent programmes and direct labour model. We have reviewed this in line with our costs and efficiency approach. We have a strong talent pipeline balanced with an efficient engine room. We currently directly employ 1,038 key trades including apprentices (2019: 1,169).

The pandemic provided an opportunity to change how we deliver training, using technology and new formats to reach more people and introducing more bite size content. Over 2,500 employees attended online masterclasses and over 4,000 viewed our how-to videos during 2020.

Supporting employees during the pandemic

During the pandemic, we introduced new measures to support colleagues to look after themselves whether they remained at work, were on furlough or working from home. This included a free digital GP service for all employees. We also provided wellbeing training for line managers to help them support staff working remotely and launched wellbeing coaching sessions covering topics such as work-life balance, healthy lifestyles and goal setting.

We supported our colleagues on furlough with their full base pay and implemented revised remuneration arrangements for colleagues who usually receive high levels of variable pay, such as sales staff. Colleagues who were not furloughed through the lockdown were given extra time off in-lieu to make up for their work during the crisis. We also extended emergency leave and introduced special leave for those unable to work their full hours, for example due to family commitments. We were able to emerge from the shutdown in a strong financial position and paid back all of the funds we received through the Government's Job Retention Scheme.

The Board took a voluntary 30% cut in salary and pension during the early stages of the COVID-19 pandemic in April until the end of July, when our sites, which reopened in May, returned to more normal levels of production.

Diversity

Diversity and inclusion (D&I) is a key area we want to actively improve. This will enable us to better understand our customer base, widen our potential talent pool and makes for productive and effective teams. We aim to be an inclusive employer and to attract, retain and promote employees from all backgrounds. We ran our second D&I conference virtually in 2020 with over 110 attendees including our D&I Champions, and our managing directors and divisional chairs. This reviewed our progress to date, our plans for the year ahead and included a panel discussion on Black Lives Matter and how Taylor Wimpey can be a consciously anti-racist organisation.

In 2021, we will be launching our new Equality, Diversity and Inclusion Policy and remain committed to equality of opportunity in all of our employment practices, policies and procedures across the business. More information can be found in our 2020 Annual Report and Accounts.

Employee engagement

We are proud of how committed our employees are to the long term success of the Company and we strive to listen and engage with all employees. During 2020 we ran three 'pulse' surveys which were designed to provide a temperature check on employees engagement on topics such as: the COVID-19 lockdown and work environment and personal circumstances; Diversity & Inclusion (D&I), ahead of our D&I conference on 6 July; and employees' future expectations focusing on how they are kept informed on topics such as development opportunities and remote/agile working. In our Pulse surveys, 98% of employees felt positive about the support they received while on furlough, 92% agreed that their Line Manager values different perspectives, beliefs, values and abilities and 91% of employees feel they can share their thoughts and give honest feedback to management.

Partners

During the first stages of the COVID-19 pandemic we introduced our 'Taylor Wimpey Pay It Forward Scheme', providing advance payments for future work done by subcontractors where we have a long-term relationship. This helped us to maintain strong links with our subcontractors and quickly begin working with them again once the crisis eased. We also made our employee helpline available so subcontractors could get support and guidance on a range of topics including finances, budgeting, stress and anxiety, or use our mental health and wellbeing app.

Supply chain

We want to work in collaboration with our supply chain to deliver greater quality and efficiency, with national agreements a key tool to optimise our purchasing power. Collaboration brings benefits and the potential for cost savings for both Taylor Wimpey and also our suppliers. This includes increasing efficiency by reducing stock items and improving visibility on programming for material demands.

We continue to work to improve our relationships with our supply chain, both in procurement and via Taylor Wimpey Logistics, to deliver solutions to build quality and efficiency issues on an ongoing basis. Taylor Wimpey Logistics plays an important part in our supply chain management, providing us with an alternative route to delivery and aiding efficiency with the preparation of 'just in time' build packs for each stage of the build process.

We have been reviewing how we train people by leveraging technology, firstly with online supplier masterclasses hosted by our Supply Chain partners throughout 2020, and by launching a Nationwide Supplier Training programme with site and installation teams to provide expert supplier knowledge and information to the workforce. We have engaged with our incumbent suppliers to develop a focused on-site training, competency and site-based audit programme for site teams, direct trades and subcontractors, that will be delivered by the suppliers' technical representatives supporting 'right first time' and improving quality which enables us to provide a better-quality customer experience. We will continue to develop this platform in collaboration with our supply chain to have full nationwide coverage by spring 2021.

Charity partnerships

During 2020, we continued our partnership with our national charities as well as local charity partners across the UK albeit meetings were held virtually this year. Our six national charities are the Youth Adventure Trust, End Youth Homelessness, Crisis, CRASH, St Mungo's and Foundations Independent Living Trust. When the COVID-19 crisis hit we contacted our charity partners to understand how it was affecting them and ask how we could best support them.

In total, during 2020, we donated and fundraised over £668,000 for registered charities (2019: over £1.1 million). We held a number of virtual fundraising challenges and made donations to support our charity partners through this difficult year. This included a company-wide Isolation Challenge that raised over £70,000. The money was shared between NHS charities, Crisis and Childline. More information about our charity partnerships and local sponsorships can be found within our Sustainability Report.

When the pandemic struck the UK in early 2020, our colleagues across the business got involved to support those affected in their local communities. We donated our surplus supplies of PPE to local NHS and care organisations, which were packed and delivered by employees. Taylor Wimpey Logistics also used its supplier contacts to purchase additional PPE for hospitals and care homes. In total we were able to buy and deliver 150,000 aprons, 75,000 pairs of gloves and 150,000 masks to over 50 care homes and hospitals.

Investors

Our primary performance focus is on returning the business to c.21-22% operating margin and we continue to target a number of areas to achieve this; focused on cost, process simplification and enhancing the core drivers of value for our business. In November, we announced that we had undertaken a detailed review of our organisational and cost structure in addition to cost reduction and management programmes already in place. We have delivered the planned savings outlined in November, which will be realised from the beginning of 2021. These changes will not affect the ability of the business to generate future growth or to deliver a high quality product and service to our customers.

Research and development (R&D)

Our R&D initiatives span our Supply Chain, HSE, Design and Production and the Sustainability functions and are responsible for introducing technology advancements and process efficiencies that improve quality and operational delivery and seek to add value through continuous improvement.

In 2020, the focus was on quality improvements and regulatory changes such as the impacts of the Future Homes Standard. We committed to funding a PhD with the University of Birmingham to investigate cost-effective scalable construction solutions and strategies to overcome overheating and improve the indoor environmental quality of future new homes as the regulatory changes drive increased thermal efficiency and air tightness.

Throughout the year we worked with universities and experts to explore the impacts of future regulatory requirements to design, specification, health and wellbeing in new homes. The R&D teams are currently trialling a range of energy efficient and low carbon technologies including energy efficient lintels, Wastewater Heat Recovery, and Flue Gas Heat Recovery systems. This will help us to meet our climate change targets and comply with expected changes to building regulations.

We continually assess modern methods of construction (MMC), trialling those that meet regulations, deliver quality, are safe and comfortable for our customers and can deliver at scale with a robust and reliable supply chain. In the short to medium term, combining traditional construction with panellised MMC components and panellised construction such as Timber Frame will continue to fuel practical innovation.

Investment case

We have a strong investment case which stood up to significant testing in 2020:

- Culture and values
- Focus on sustainability
- High quality landbank and maintained strong balance sheet
- Growth at the right time in the cycle
- Generate significant and reliable shareholder returns

Culture and values
Our culture and values have been put to the test in this challenging year and our dedicated employees have risen to the challenge. We have acted decisively and responsibly in the interests of our stakeholders and the wider society, including going above and beyond to support the NHS and care homes.

Not only is this the right thing to do, our core value, but protecting and supporting our customers, employees and subcontractors is in the long term interest of our business and the industry, reputationally and operationally. Acting responsibly has been key to keeping construction open.

Our early action to voluntarily shutdown to put in place comprehensive COVID-secure safety measures, which were responsibly phased in, allowed us to protect our customers, employees and subcontractors. This approach has built trust and enabled us to operate safely at near normal capacity through subsequent national lockdowns.

Focus on sustainability
Ensuring a sustainable business is in the interests of all of our stakeholders and is at the heart of the Board's decision making process. Whilst it is important to adjust to near term market considerations, we make our decisions in the interest of the long term sustainability of the business. This was demonstrated this year through our rigorous approach to health and safety as well as our decision to invest in the long term by increasing our investment in land.

We have reaffirmed our commitment to do our part to protect the environment through the launch of our ambitious environmental strategy.

High quality landbank and strong balance sheet
We began the year with one of the strongest land positions in the sector, with high quality land in our core areas. The equity raise allowed us to grow our land position whilst maintaining a strong balance sheet. We believe that our decision to continue to progress land investment when many left the land market will provide us with strong momentum going into the medium term.

Growth at the right time in the cycle
We continue to believe that timing is key to investment decisions in a cyclical market. With a strong balance sheet and landbank, in June 2020 we were able to take advantage of a disconnect in the land market with much reduced competition, to raise additional equity to

enable us to confidently and assertively re-enter the land market, adding incremental plots that meet our strict criteria in terms of location, value and margin hurdle rates.

This additional land investment has helped us to rebalance our landbank by adding a slightly higher proportion of smaller site sizes to the mix. In normal years, stepping up land buying at such a rate would not be possible without impacting the market and causing land prices to rise. This is one of the key reasons we feel that we will emerge stronger from this crisis with the best momentum in the sector heading into the medium term.

The additional investments made in land in 2020 and in 2021 are expected to result in outlet openings from late 2022 and in increased volume from 2023 generating additional value and investor returns.

Generate significant and reliable shareholder returns
In order to conserve cash and increase our flexibility, we took rapid proactive measures to protect the balance sheet in the short term, including cancelling the 2019 final dividend and the planned special dividend payment.

With a strong balance sheet and performance, we have now resumed ordinary dividend payments starting with the 2020 final dividend of c.£151 million (4.14 pence per share).

Spain

The Spanish second-homes market has been impacted by travel restrictions as a result of COVID-19. We completed 190 homes in 2020 (2019: 323) at an average selling price of €375k (2019: €429k). The total order book as at 31 December 2020 stood at 126 homes (31 December 2019: 217 homes). The Spanish business delivered an operating profit of £15.8 million for 2020 (2019: £32.1 million) and an operating profit margin of 25.0% (2019: 26.7%). We expect the business to begin to normalise when foreign travel returns to more normal levels.

Group financial review of operations

Income statement

Group revenue decreased by 35.7% to £2,790.2 million in 2020 (2019: £4,341.3 million) due to a reduction in completions as a result of the controlled closure of our sites and sales centres during the second quarter of 2020, as we responded to the COVID-19 pandemic and developed safe working practices for our employees, subcontractors and customers. Completions in the UK (excluding joint ventures) decreased by 39.4% to 9,412 (2019: 15,520). Despite the uncertainties associated with the pandemic, prices have remained resilient and UK average selling prices increased 7.3% to £288.3k (2019: £268.6k) with private completions up by 5.8% to £323.2k (2019: £305.4k), the majority of the increase driven by geographical and product mix.

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

Group gross profit reduced to £496.7 million (2019: £1,044.1 million) representing a gross margin of 17.8% (2019: 24.1%). The decline was mainly driven by expensing costs relating to the COVID-19 pandemic (as discussed above) as well as fixed build and direct selling costs which are absorbed across fewer completions.

Administrative costs reduced to £206.8 million (2019: £211.7 million) reflecting the reduction in payments under the Group's bonus plans and impact of the current financial performance on the long term incentive schemes, in part offset by the £12.1 million of restructuring costs incurred following the detailed review of our organisational and cost structure to ensure that we continue to operate efficiently in a changing market.

We have implemented a series of proposed changes that will generate annualised savings of £16 million from 2021. These changes include the removal of one tier of operational management, a rationalisation of our London operating structure to focus on affordable price points that meet the affordability needs of Londoners, and a series of reductions in central and business unit overhead levels. These changes will not affect the ability of the business to generate future growth or to deliver a high quality product and service to our customers. Operating through the challenges of the last six months has also highlighted opportunities for ongoing efficiency and performance improvement, as our recent investments in systems and processes have performed well.

During the year, completions from joint ventures were 197 (2019: 199). The total order book value of joint ventures as at 31 December 2020 decreased to £51 million (31 December 2019: £62 million), representing 118 homes for completions in 2021 and 2022. Our share of results of joint ventures in the period was a profit of £7.9 million (2019: £8.0 million).

Operating profit was £300.3 million (2019: £850.5 million), delivering an operating profit margin of 10.8% (2019: 19.6%).

During the year we continued our works to replace Aluminium Composite Material (ACM) cladding on a small number of legacy developments. Following a review of these works and expected costs to complete during the first half, a further £10.0 million was provided and in line with our policy charged to exceptional items. The prior year exceptional credit of £14.3 million arose on the implementation of a Pension Increase Exchange for members of the Taylor Wimpey Pension Scheme which enabled some pension scheme members to elect to exchange future pension increases on part of their pensions for a one-off increase in pension.

The net finance expense of £25.9 million (2019: £28.9 million) principally includes imputed interest on land acquired on deferred terms, bank interest and interest on the pension scheme. The net interest charge on the defined benefit pension scheme reduced as the liability at 1 January 2020 was lower at £84.5 million compared with £133.0 million at 1 January 2019. In addition, changes in foreign exchange rates in the year resulted in a small foreign exchange gain compared with a loss in the prior year. This was partially offset by an increase in net bank interest payable, reflecting the prudent step of fully drawing down the previously unutilised £550 million revolving credit facility following the temporary closure of sites. Once construction had restarted under new operating protocols the facility was fully repaid before the end of June 2020.

Profit on ordinary activities before tax decreased to £264.4 million (2019: £835.9 million) after the exceptional charge of £10.0 million (2019: exceptional credit of £14.3 million). The pre-exceptional tax charge was £49.1 million (2019: £159.3 million) with an underlying tax rate of 17.9% (2019: 19.4%) which includes a £1.4 million credit (2019: nil) arising from the remeasurement of the Group's UK deferred tax assets at 19.0% following the changes to the corporation tax rates enacted by the UK Government. A tax credit of £1.7 million was recognised in respect of the exceptional charge (2019: exceptional tax charge of £2.7 million). This resulted in a total tax charge of £47.4 million (2019: £162.0 million), a rate of 17.9% (2019: 19.4%). Profit for the year was £217.0 million (2019: £673.9 million).

Basic earnings per share was 6.3 pence (2019: 20.6 pence). The adjusted basic earnings per share was 6.5 pence (2019: 20.3 pence).

Balance sheet and financial position

We have a strong financial position with a robust and flexible balance sheet positioning us well for growth in 2021 and beyond.

Net cash and financing position

Net cash increased to £719.4 million at 31 December 2020 from £545.7 million at 31 December 2019. The increase was due in part to net proceeds from the issuance of shares in June 2020 of £510.1 million being partially offset by a net cash outflow from operating activities of £301.2 million and an increase in investment in joint ventures of £19.8 million. Average net cash for 2020 was £399.3 million (2019: £157.0 million).

The main driver of the net cash outflow from operating activities in 2020 was an increase in land and work in progress working capital of £362.2 million as we settled land creditor obligations, continued investment in land and the number of completions decreased.

In the 12 months to 31 December 2020, the outflow of cash from operations as a result of increased working capital led to cash conversion of (54.9)% of operating profit (2019: 82.6%).

Net cash, combined with land creditors, resulted in an adjusted gearing‡‡‡‡ of (1.1)% (31 December 2019: 5.5%).

At 31 December 2020 our committed borrowing facilities were £653.6 million of which £550 million was undrawn. The average maturity of the committed borrowing facilities at 31 December 2020 was 3.8 years.

Balance sheet

Net assets at 31 December 2020 increased by 21.4% to £4,016.8 million (2019: £3,307.8 million), with net operating assets** increasing by £464.6 million to £3,264.8 million (31 December 2019: £2,800.2 million). The increased investment in operating assets together with the decrease in operating profit results in return on net operating assets reducing to 9.9% (2019: 31.4%) and Group net operating asset turn*† was 0.92 times (2019: 1.60 times).

The balance sheet principally comprises work in progress and land investment, with total investment in the year increasing by £338.7 million.

Work in progress ('WIP')

Average WIP per UK outlet at 31 December 2020 increased by 13.8% to £6.6 million (2019: £5.8 million), reflecting the increase in overall WIP held whilst outlet numbers remained broadly flat. The increase in WIP reflected the delay of some 2020 forecast completions into 2021 due to site closures in the second quarter and the continued investment in build since our sites reopened in May.

Land

Land at 31 December 2020 increased by £139.8 million as the Group invested in land opportunities following the equity raise completed in June 2020. Land creditors decreased to £675.9 million (31 December 2019: £729.2 million) following repayments made in the year being in excess of the level of new creditors. Included within the gross land creditor balance is £64.9 million of UK land overage commitments (31 December 2019: £56.4 million). £347.9 million of the land creditors is expected to be paid within 12 months and £328.0 million thereafter.

As at the balance sheet date, the Group held certain land and work in progress that had been written down by £64.4 million (31 December 2019: £68.6 million) to a net realisable value of £53.8 million (31 December 2019: £59.3 million). The balance of previously written down land and work in progress in the UK was £34.5 million (31 December 2019: £39.0 million), following the associated write-downs of £25.5 million (31 December 2019: £30.5 million).

At 31 December 2020 the UK short term landbank comprised 77,435 plots (31 December 2019: 75,612), with a net book value of £2.5 billion (31 December 2019: £2.4 billion). Short term owned land comprised £2.4 billion (31 December 2019: £2.3 billion), representing 53,731 plots (31 December 2019: 54,641). The controlled short term landbank represented 23,704 plots (31 December 2019: 20,971).

The value of long term owned land increased to £217 million (31 December 2019: £97 million), representing 36,968 plots (31 December 2019: 33,329), with a further total controlled strategic pipeline of 101,676 plots (31 December 2019: 106,895). Total potential revenue in the owned and controlled landbank increased to £54 billion in the period (31 December 2019: £53 billion), reflecting the overall mix of opportunities in the short term landbank and strategic pipeline.

As at 31 December 2020, in the UK, 90% of the short term owned and controlled landbank was purchased after 2009, 56% of which was sourced through our strategic pipeline. This results in a land cost to average selling price in the short term owned landbank of 15.2% (31 December 2019: 14.9%).

Provisions increased to £130.5 million (31 December 2019: £128.4 million). The £10.0 million increase in the ACM cladding replacement provision and the provision for restructuring in the final quarter of the year being substantially offset by utilisation as claims were made and processed through the Ground Rent Review Assistance Scheme and costs were incurred on work performed to replace ACM cladding. Further details on the post balance sheet increase to provisions is included in Note 13.

Our net deferred tax asset of £33.7 million (31 December 2019: £29.8 million) relates to our pension deficit, employee share schemes and the temporary differences of our Spanish business, including brought forward trading losses. The net deferred asset held was affected by the changes to the corporation tax rates enacted by the UK Government in 2020. The increase in the pension deficit in the year also further increased the deferred tax asset recognised.

Pensions

Following the 31 December 2016 triennial valuation, the Group agreed a recovery plan with the Trustee to pay deficit reduction contributions of £40.0 million per annum for the period from April 2018 to December 2020. During 2020 and in response to the site shutdowns, a temporary suspension of the agreed deficit reduction contributions was agreed with the

Trustee for the three months between April and June 2020 and as a result, the recovery plan period was extended to 31 March 2021. The agreed recovery plan included a contribution mechanism, tested quarterly, such that should the Taylor Wimpey Pension Scheme (TWPS) become fully funded on the Technical Provisions funding basis, further contributions would be suspended and only recommence if the funding level fell below 96%.

In April 2018, the Group paid a one-off contribution of £23.0 million into the TWPS to increase the funding level to 100% and thereby suspend any future contributions from 31 March 2018. However, the quarterly funding test for 31 December 2018 showed that the TWPS funding level had subsequently fallen to 94%. The Group therefore recommenced regular contributions from January 2019. The most recent funding test at 31 December 2020 showed a funding level of 95% on the Technical Provisions funding basis. As a result, regular contributions will continue for the remaining three months of the recovery plan. The Group continues to provide a contribution for Scheme expenses and also makes contributions via the Pension Funding Partnership. Total Scheme contributions and expenses were £37.1 million in 2020 (2019: £47.1 million). Confirmed payments in 2021 are expected to be £17.4 million although this is dependent on the outcome of negotiations for the triennial valuation at 31 December 2019.

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

At 31 December 2020, the IAS 19 valuation of the Scheme revealed an underlying deficit of £89.1 million (2019: surplus of £100.5 million). Due to the rules of the TWPS, any surplus cannot be recovered by the Group and therefore in 2019 a deficit was recognised on the balance sheet under IFRIC14. This deficit was equal to the present value of the remaining committed payments under the 2016 triennial valuation at that time. No such adjustment has been recognised at 31 December 2020 since the Scheme was in a deficit on an IAS 19 accounting basis.

Total retirement benefit obligations of £89.5 million at 31 December 2020 (31 December 2019: £85.0 million) comprise a defined benefit pension liability of £89.1 million (31 December 2019: £84.5 million) and a post-retirement healthcare liability of £0.4 million (31 December 2019: £0.5 million).

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks.

Dividends

Subject to shareholder approval at the AGM scheduled for 22 April 2021, the 2020 final ordinary dividend of 4.14 pence per share will be paid on 14 May 2021 to shareholders on the register at the close of business on 6 April 2021. This dividend will be paid as a cash dividend, and shareholders are once again being offered the opportunity to reinvest all of their ordinary dividend under the Dividend Re-Investment Plan (DRIP), details of which are available from our Registrar and on our website. Elections to join the Plan must reach the Registrar by 22 April 2021 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk/corporate

Assessment of Prospects

We consider the long term prospects of the Group in light of our business model. Our strategy to deliver sustainable value is achieved through delivering high-quality homes in the locations where people want to live, with excellent customer service, whilst carefully managing our cost base and the Group's balance sheet.

In assessing the Group's prospects and long term viability due consideration is given to:

- The Group's current performance, which includes the current year performance, the output from the annual business planning process and financing arrangements, the wider economic environment and mortgage market, as well as changes to Government policies and regulations that could impact the Company's business model including the recent announcement on the Future Homes Standard and Developer taxes
- Strategy and business model flexibility, including build quality, customer dynamics and approach to land investment
- Principal risks associated with the Group's strategy and business model including those which have the most impact on our ability to remain in operation and meet our liabilities as they fall due

Further detail is provided in our 2020 Annual Report and Accounts.

Going Concern

The Directors remain of the view that the Group's financing arrangements and balance sheet strength provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. Accordingly, the consolidated financial statements are prepared on a going concern basis. Further detail is provided in our 2020 Annual Report and Accounts.

Viability Statement

The Directors have assessed the viability of the Group over a five-year period, taking account of the Group's current financial position and the potential impact of the Principal and Emerging Risks facing the Group.

The Directors have considered the impact of the Principal Risks on the viability of the business by performing a range of sensitivity analyses including severe but plausible scenarios together with the likely effectiveness of mitigating actions taken by the Directors. The Directors identified the Principal Risks that have the most impact on the longer term prospects and viability of the Group. These were: 'Impact of the market environment on mortgage availability and housing demand', 'Government policy and planning regulations' and 'Quality and reputation'.

The assessment considers sensitivity analysis on a series of realistically possible, but severe and prolonged, changes to principal assumptions. In determining these we have included macroeconomic and industry-wide projections as well as matters specific to the Group. The 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 our stress test we have drawn on experience gained managing the business through previous economic downturns and the COVID-19 pandemic. We have applied the sensitivities encountered at those times as well as the mitigations adopted to our 2021 expectations in order to test the resilience of our business. As a result, we have stress tested our business against the following plausible downside scenarios; a decline in total volumes of 30% from pre-COVID-19 levels, followed by a gradual recovery, a reduction to current selling prices of 10%, an increased build cost for 2023 onwards to reflect the transitional arrangements for the Future Homes Standard and inclusion of a one-off exceptional charge and cash cost of £150 million for an unanticipated event, change in Government regulations or financial penalty.

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 optimising our overhead base to ensure it aligns with the scale of the operations through the cycle.

The Group's liquidity (defined as cash and undrawn committed facilities) was £1,373 million at 31 December 2020. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis.

If these scenarios were to occur, we have a range of additional options to maintain our financial strength, including a reduction in capital expenditure, the sale of assets, raising debt and reducing the dividend.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Further detail is provided in our 2020 Annual Report and Accounts.

Shareholder information

The Company's 2021 Annual General Meeting (AGM) will be held at 10am on 22 April 2021 at the Company's registered office at Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR.

The safety and security of our shareholders and colleagues remains our priority. Even if the national lockdown has ended and the vaccination programme continues to progress well, the safety measures expected to be in place at the time of the AGM (as announced by the UK Government on 22 February 2021) would not permit two households mixing together indoors. In light of this, shareholders will unfortunately not be permitted to attend the AGM in person. The Company will ensure that the legal requirements to hold the AGM are met by the attendance of a minimum number of Director shareholders and / or employee shareholders. We are pleased to provide an electronic facility for shareholders to be able to follow the meeting remotely and submit questions.

Copies of the Annual Report and Accounts 2020 will be available from 22 March 2021 on the Company's website www.taylorwimpey.co.uk/corporate. Hard copy documents will be posted to shareholders who have elected to receive them and will also be available from our registered office at Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR from 26 March 2021.

A copy of the Annual Report and Accounts 2020 will be submitted to the National Storage Mechanism and will be available for inspection at:

https://data.fca.org.uk/#/nsm/nationalstoragemechanism

Directors' responsibilities

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2020. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRS standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

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

This responsibility statement was approved by the Board of Directors on 1 March 2021 and is signed on its behalf by:

Irene Dorner, Chairman

Pete Redfern, Chief Executive

Principal risks and uncertainties

The Board has overall responsibility for risk oversight, for maintaining a robust risk management and internal control system and for determining the Group's appetite for exposure to the Principal Risks to the achievement of its strategy. Our 2020 Annual Report and Accounts details the full governance procedures and processes for identification and subsequent monitoring of the risks undertaken by the Group.

The Board, supported by senior management and the Audit Committee, undertake a bi-annual formal assessment of the Principal Risks and Uncertainties, with consideration given to the likelihood and potential impact on the Group.

The Chief Executive is primarily responsible for the management of the risks with the support of the GMT and other senior managers located in the business. These risks and uncertainties are managed through effective mitigating controls and the development of risk mitigation plans, with the continual monitoring of progress against agreed KPIs as an integral part of the business process and core activities.

The Board's latest risk assessment considered both the specific consequences of COVID-19 and its effect on the underlying Principal Risks managed by the business. A new Principal Risk for the COVID-19 pandemic has not been established; instead, due to its pervasive nature, we recognise the impact it has had and will continue to have on our entire risk landscape. We will continue to closely monitor the situation over the coming period, especially as new variants are being identified and will take any required action to maintain control over the impact. Following the bi-annual risk assessment and the increasing regulatory climate and current economic uncertainty we are experiencing driven largely by COVID-19 and leaving the EU has resulted in an increase in the residual rating of two of our Principal Risks (Government policy and planning regulations and Impact of the market environment on mortgage availability and housing demand). These are described in more detail in the tables below.

In addition, the Board also considers emerging risks which could impact on the Group's ability to deliver its strategy. The emerging risks are those where the extent and implications are not yet fully understood but consideration has been given to the potential timeframe and velocity of impact that these could have on the Group. These risks are subject to continual review and monitoring.

Our emerging risks are grouped into the categories listed in the table below, which also contains some narrative description against each category indicating example focus areas into which the identified emerging risks fall.

Category	**Example focus area**
Environmental/climate	Unpredictable weather patterns
Operational/build	Supply chain issues related to regulation changes
Political/economic	Continuing impact of Brexit and COVID-19 on the economic landscape and the potential for devolution
Technological	Artificial intelligence
Social	Customer demographics and preferences
Governmental	Changing Government policies

The Group considers other specific risk areas recognising the increasing complexity of the industry in which it operates and which are in addition to its identified Principal Risks. These include widespread emerging health risks and risks from a wider technology, cyber and climate perspective. We continue to improve and invest in our information technology to mitigate ever-increasing cyber threats and data loss, theft or corruption, especially given the heightened risk in this area as we have increased the level of 'remote working' in response to COVID-19.

As an organisation, we continue to recognise the risks associated with leaving the EU. The Board views these potential risks as an integral part of our Principal Risks rather than as separate standalone risks. We have identified a potential impact on our supply chain, labour force and overall economic market impacting mortgage availability and demand. We will continue to monitor the impact of leaving the EU and the deal which has been agreed and with this our assessment of the likely impact and appropriate mitigations.

Our Sustainability and Climate Change Risk and Opportunity Register highlights the material risks and opportunities facing the Company in relation to sustainability and climate change. In addition, our climate change-related risks and opportunities are available as part of our 2020 CDP submission. More information is available at www.taylorwimpey.co.uk/corporate.

The Principal Risks, their mitigations and key risk indicators are detailed below:

Description	**Residual risk rating**	**Risk appetite**	**Example key risk indicators, mitigations and opportunity**
Government policy and planning regulations The industry in which we operate is becoming increasingly regulated. Any adverse changes to Government policy, for example around changes to building regulations, could impact our ability to effectively meet our strategic objectives. Planning delays could result in missed opportunities to optimise our landbank, affecting profitability and production delivery. Accountability Group Operations Director Regional Managing Directors	Moderate The impact of regulatory changes, such as Future Homes Standard 2025 and Government's continued focus on housing, together with the on-going developments in regulation and guidance around fire safety and planning, we see an increase in both the inherent and residual risk levels. **COVID-19 Impact** The UK Government encouraged the construction industry to continue on the basis that it operates in a COVID-secure way. Customers have benefited from the short-term extension to the current phase of the Government's Help to Buy scheme and the Stamp Duty Land Tax holiday.	Low	**Example key risk indicators** - Removal of Help to Buy - New Government regulations (e.g. around planning and climate) - Delays in planning **Key mitigations** - Ongoing and regular review of building regulations - New house type range - Consultation with Government agencies - COVID-19 risk assessments for all operations - Ground Rent Review Assistance Scheme **Opportunities** To build enhanced collaborative networks with stakeholders and peers, to monitor the implications of regulatory change. Lead the business in addressing pressing environmental issues, including reducing our carbon footprint and targeting biodiversity.

Description	Residual risk rating	Risk appetite	Example key risk indicators, mitigations and opportunity
Impact of the market environment on mortgage availability and housing demand Sustained growth in interest rates, together with low wage inflation or reduced confidence in continued employment, could challenge mortgage affordability resulting in a direct impact on our volume targets. Accountability UK Sales and Marketing Director Regional Sales and Marketing Directors	Moderate Increase in risk rating. Throughout 2020 we were encouraged by the continued resilience of the UK housing market, underpinned by low interest rates and strong customer demand, with interest levels remaining strong. Although the outlook for the UK housing market appears robust, the continued economic uncertainty driven by the ongoing impact of COVID-19 and leaving the EU results in an increase in both the inherent and residual risk levels. **COVID-19 Impact** The macro-economic impact of COVID-19 could reduce mortgage affordability and therefore impact on demand for housing as - uncertainty and unemployment affect customer confidence - constraints on mortgage availability, or higher costs of mortgage funding	Low	**Example key risk indicators** - Interest rate increases - Levels of unemployment - Volume of enquiries / people visiting our developments - UK household spending - Loan to value metrics **Key mitigations** - Evaluation of new outlet openings based on local market conditions - Pricing and incentives review (e.g. NHS and care workers incentive scheme) - Review of external data (e.g. HBF, mortgage lenders) **Opportunities** To continue to develop strong working relationships with established mainstream lenders and those wishing to increase volume in the new build market.

Description	Residual risk rating	Risk appetite	Example key risk indicators, mitigations and opportunity
Material costs and availability of subcontractors Increase in housing demand and production may further strain the availability of skilled subcontractors and materials and put pressure on utility firms to keep up with the pace of installation resulting in increased costs and construction delays. Accountability Group Operations Director Head of Procurement Regional Commercial Directors	Moderate No change in risk rating in year. There continues to be pressure on the availability of certain build materials and skilled labour in the housebuilding industry. This has resulted in an increase in the inherent risk level but as a result of additional mitigations implemented, we see no significant increase in the residual risk level. **COVID-19 Impact** COVID-19 has increased the pressure on the availability of certain materials in the short-term and the continuation of the pandemic could result in further disruptions to the supply chain.	Low-moderate	**Example key risk indicators** - Material and trade shortages - Material and trade price increases - Level of build quality and waste produced from sites - Longer build times - Number of skilled trades **Key mitigations** - Central procurement and key supplier agreements - Supplier and subcontractor relationships (Pay It Forward Scheme) - Contingency plans for critical path products - Confirmation by suppliers of plans to address withdrawal from EU - Direct trade and apprenticeship programmes **Opportunities** To develop and implement different build methods as alternatives to conventional brick and block.

Description	Residual risk rating	Risk appetite	Example key risk indicators, mitigations and opportunity
Ability to attract and retain high-calibre employees An inability to attract, develop, motivate and retain high-calibre employees, together with a failure to consider the retention and succession of key management could result in a failure to deliver our strategic objectives, a loss of corporate knowledge and a loss of competitive advantage. Accountability Group HR Director Every employee managing people	Low No change in risk rating in year. We have seen a slight reduction in the inherent rating of this risk due to competitiveness for employees falling in the current economic uncertainty; however, the availability of site-based labour continues to present a challenge and consequently there is no change in the residual risk level. **COVID-19 Impact** We have retained a stable workforce during the pandemic with staff attrition rates lower than normal, therefore the need to attract new staff has reduced. This is viewed as a short-term effect with the expectation of a more 'normal' pattern resuming in the future.	Moderate	**Example key risk indicators** - Employee engagement score - Number of, and time to fill, vacancies - Employee turnover levels **Key mitigations** - Production Academy - Management training - Graduate programme - Apprenticeship programme - Enhanced remote working procedures - Educational masterclasses - Isolation Challenge **Opportunities** To further develop in-house capability, expertise and knowledge.
Description	**Residual risk rating**	**Risk appetite**	**Example key risk indicators, mitigations and opportunity**
Land purchasing The purchase of land of poor quality, at too high a price, or the incorrect timing of land purchases in relation to the economic cycle could impact future profitability. Accountability Divisional Chairs Regional Managing Directors Regional Land and Planning Directors Strategic Land Managing Directors	Low No change in risk rating in year. Following our June 2020 equity raise we have agreed terms on and authorised land purchases significantly ahead of our normal rate of acquisition. These sites have been secured at attractive returns and this investment provides us with a route to high quality growth in the medium term from our strong landbank. Balancing this with the current economic environment we see no change in the residual risk level. **COVID-19 Impact** Disruption in the land market as a result of the pandemic created short term opportunities to acquire land at attractive returns and prices.	Moderate	**Example key risk indicators** - Movement in landbank years - Number of land approvals - Timing of conversions from strategically sourced land **Key mitigations** - Critically assess opportunities - Land quality framework **Opportunities** A strong balance sheet allows us to invest when land market conditions are attractive.
Description	**Residual risk rating**	**Risk appetite**	**Example key risk indicators, mitigations and opportunity**
Quality and reputation The quality of our products is key to our strategic objective of being a customer-focused business and in ensuring that we do things right first time. If the Group fails to deliver against these standards and its wider development obligations, it could be exposed to reputational damage, as well as reduced sales and increased costs. Accountability Customer Director UK Production Director Design Director	Moderate No change in risk rating in year. The climate in which we currently operate means it is even more important to deliver on our fundamental of quality. As we continue to adapt the risk of reputational damage is heightened but the additional measures we have implemented, for example around quality reviews, results in there being no change to the residual risk level. **COVID-19 Impact** COVID-19 increases the risk of reputational damage if we are not recognised to be doing the right thing for our employees, customers and suppliers; for example, adapting to the ways in which our customers wish to communicate.	Low	**Example key risk indicators** - Customer satisfaction metrics (9 month and 8 week) - Number of NHBC claims - CQR scores - Average reportable items per inspection **Key mitigations** - Customer-ready Home Quality Inspection (HQI) - Consistent Quality Approach (CQA) - Quality Managers in the business - Care Home and NHS worker discount scheme **Opportunities** To better understand the needs of our customers enabling clearer transparency of our build profile. To lead the industry in quality standards (our Construction Quality Review score) and reduce the number of reportable items identified through monitoring defects at every stage of build.

Description	Residual risk rating	Risk appetite	Example key risk indicators, mitigations and opportunity
Site and product safety The health and safety of all our employees, subcontractors, visitors and customers is of paramount importance. Failure to implement and monitor our stringent health, safety and environment (HSE) procedures and policies across all parts of the business could lead to accidents or site-related incidents resulting in serious injury or loss of life. Accountability Director of Health, Safety and Environment Group Operations Director Design Director Every employee and subcontractor	Low No change in risk rating in year. The COVID-19 pandemic has and continues to present significant challenge in this area and we are committed to ensuring we continue to conduct business in the safest way possible. Our response to the pandemic in terms of implementing additional measures to mitigate the risk was swift and effective, resulting in there being no change to the residual risk level. **COVID-19 Impact** There is an increased inherent risk from any personal interaction given the nature of COVID-19, in particular as lockdown measures are eased.	Low	**Example key risk indicators** - Increase in near misses and fatalities - Health and safety audit outcomes - Number of reportable health and safety incidents **Key mitigations** - Embedded HSE system - HSE training and inductions - COVID-19 protocols **Opportunities** To lead the industry in health and safety and to reduce the amount and level of incidents.

Cautionary note concerning forward looking statements

This report contains certain forward looking statements. These statements are made by the Directors and include statements regarding their current intentions, beliefs and expectations, based on the information available to them up to the time of their approval of this report and unless otherwise required by applicable law, the Company and its Directors undertake no obligation to update or revise these forward looking statements, nor do they accept any liability should the future results actually achieved fail to correspond to the forward-looking statements included in this report.

By their nature these forward looking statements involve uncertainty (including both economic and business risk factors) and are subject to a number of risks since future events and circumstances can cause actual results and developments to differ materially to those anticipated. As such, these forward looking statements should be treated with caution.

Nothing in this report should be construed as a profit forecast and does not constitute or form part of, any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities in Taylor Wimpey plc or any other invitation or inducement to engage in investment activities and does not constitute a recommendation to sell or buy any such securities.

Consolidated Income Statement
for the year to 31 December 2020

£ million	Note	**Before exceptional items 2020**	**Exceptional items 2020**	**Total 2020**	Before exceptional items 2019	Exceptional items 2019	Total 2019
Continuing operations							
Revenue		**2,790.2**	–	**2,790.2**	4,341.3	–	4,341.3
Cost of sales		**(2,293.5)**	–	**(2,293.5)**	(3,297.2)	–	(3,297.2)
Gross profit before positive contribution		**492.1**	–	**492.1**	1,034.0	–	1,034.0
Positive contribution from written down inventory		**4.6**	–	**4.6**	10.1	–	10.1
Gross profit		**496.7**	–	**496.7**	1,044.1	–	1,044.1
Net operating expenses	3	**(204.3)**	**(10.0)**	**(214.3)**	(201.6)	14.3	(187.3)
Profit on ordinary activities before finance costs		**292.4**	**(10.0)**	**282.4**	842.5	14.3	856.8
Finance income	4	**3.5**	–	**3.5**	2.9	–	2.9
Finance costs	4	**(29.4)**	–	**(29.4)**	(31.8)	–	(31.8)
Share of results of joint ventures		**7.9**	–	**7.9**	8.0	–	8.0
Profit before taxation		**274.4**	**(10.0)**	**264.4**	821.6	14.3	835.9
Taxation charge	5	**(49.1)**	**1.7**	**(47.4)**	(159.3)	(2.7)	(162.0)
Profit for the year		**225.3**	**(8.3)**	**217.0**	662.3	11.6	673.9

		2020	2019
Basic earnings per share	6	**6.3p**	20.6p
Diluted earnings per share	6	**6.2p**	20.6p
Adjusted basic earnings per share	6	**6.5p**	20.3p
Adjusted diluted earnings per share	6	**6.5p**	20.2p

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

Consolidated Statement of Comprehensive Income

for the year to 31 December 2020

£ million	Note	**2020**	2019
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**5.2**	(5.5)
Movement in fair value of hedging instruments		**(4.2)**	4.1
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension schemes	9	**(36.6)**	(8.9)
Tax credit on items taken directly to other comprehensive income	7	**8.6**	1.7
Other comprehensive expense for the year net of tax		**(27.0)**	(8.6)
Profit for the year		**217.0**	673.9
Total comprehensive income for the year		**190.0**	665.3

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

Consolidated Balance Sheet
at 31 December 2020

£ million	Note	**2020**	2019
Non-current assets			
Intangible assets		**8.1**	7.0
Property, plant and equipment		**24.0**	25.6
Right-of-use assets		**27.5**	27.4
Interests in joint ventures		**82.2**	55.3
Trade and other receivables		**26.3**	43.7
Deferred tax assets	7	**33.7**	29.8
		201.8	188.8
Current assets			
Inventories	8	**4,534.7**	4,196.0
Trade and other receivables		**189.1**	161.0
Cash and cash equivalents		**823.0**	630.4
		5,546.8	4,987.4
Total assets		**5,748.6**	5,176.2
Current liabilities			
Trade and other payables		**(919.3)**	(974.8)
Lease liabilities		**(6.4)**	(7.6)
Bank and other loans		**(13.5)**	–
Tax payables		**(1.1)**	(67.9)
Provisions		**(70.6)**	(72.7)
		(1,010.9)	(1,123.0)
Net current assets		**4,535.9**	3,864.4
Non-current liabilities			
Trade and other payables		**(459.8)**	(499.7)
Lease liabilities		**(21.6)**	(20.3)
Bank and other loans		**(90.1)**	(84.7)
Retirement benefit obligations	9	**(89.5)**	(85.0)
Provisions		**(59.9)**	(55.7)
		(720.9)	(745.4)
Total liabilities		**(1,731.8)**	(1,868.4)
Net assets		**4,016.8**	3,307.8
Equity			
Share capital		**292.2**	288.6
Share premium		**773.1**	762.9
Own shares		**(11.5)**	(17.6)
Other reserves		**543.7**	43.6
Retained earnings		**2,419.3**	2,230.3
Total equity		**4,016.8**	3,307.8

Consolidated Statement of Changes in Equity

for the year to 31 December 2020

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

Consolidated Cash Flow Statement

for the year to 31 December 2020

£ million	Note	**2020**	2019
Profit on ordinary activities before finance costs		**282.4**	856.8
Adjustments for:			
Depreciation and amortisation		**16.4**	13.5
Pension contributions in excess of charge to the income statement		**(33.4)**	(60.6)
Share-based payment charge		**7.0**	8.0
Increase/(decrease) in provisions excluding exceptional payments		**19.6**	(6.2)
Operating cash flows before movements in working capital		**292.0**	811.5
Increase in inventories		**(362.2)**	(21.7)
Increase in receivables		**(19.5)**	(12.7)
Decrease in payables		**(75.3)**	(74.9)
Cash (used in)/generated by operations		**(165.0)**	702.2
Payments related to exceptional charges		**(17.7)**	(36.8)
Income taxes paid		**(107.7)**	(149.0)
Interest paid		**(10.8)**	(6.4)
Net cash (used in)/from operating activities		**(301.2)**	510.0
Investing activities:			
Interest received		**3.1**	2.9
Dividends received from joint ventures		**0.8**	7.4
Purchase of property, plant and equipment		**(3.1)**	(7.2)
Purchase of software		**(4.9)**	(5.4)
Amounts invested in joint ventures		**(19.8)**	(6.3)
Net cash used in investing activities		**(23.9)**	(8.6)
Financing activities:			
Lease capital repayments		**(8.0)**	(8.4)
Proceeds from the issue of own shares		**510.1**	0.1
Cash received on exercise of share options		**0.8**	5.4
Proceeds from borrowings		**13.5**	–
Dividends paid		–	(599.7)
Net cash generated by/(used in) financing activities		**516.4**	(602.6)
Net increase/(decrease) in cash and cash equivalents		**191.3**	(101.2)
Cash and cash equivalents at beginning of year		**630.4**	734.2
Effect of foreign exchange rate changes		**1.3**	(2.6)
Cash and cash equivalents at end of year	10	**823.0**	630.4

1. Basis of preparation

These results do not constitute the Group's statutory accounts for the year ended 31 December 2020 but are derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The external auditor has reported on those accounts; its report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498 of the Companies Act 2006.

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The statutory accounts have been prepared based on the accounting policies and method of computations consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Going concern

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

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

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

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

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

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

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

Based on these forecasts, it is considered that there are sufficient resources available for the Group to conduct its business for at least the next 12 months. As such the consolidated financial statements have been prepared on a going concern basis.

2. Operating segments

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

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

	2020			2019		
£ million	**UK**	**Spain**	**Total**	UK	Spain	Total
Revenue						
External sales	**2,726.9**	**63.3**	**2,790.2**	4,220.9	120.4	4,341.3
Result						
Profit before joint ventures, finance costs and exceptional items	**276.6**	**15.8**	**292.4**	810.4	32.1	842.5
Share of results of joint ventures	**7.9**	**–**	**7.9**	8.0	–	8.0
Operating profit (Note 12)	**284.5**	**15.8**	**300.3**	818.4	32.1	850.5
Exceptional items (Note 3)	**(10.0)**	**–**	**(10.0)**	14.3	–	14.3
Profit before finance costs	**274.5**	**15.8**	**290.3**	832.7	32.1	864.8
Net finance costs			**(25.9)**			(28.9)
Profit before taxation			**264.4**			835.9
Taxation charge			**(47.4)**			(162.0)
Profit for the year			**217.0**			673.9

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

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

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

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

Other income and expenses include profits on the sale of property, plant and equipment and the revaluation of certain shared equity mortgage receivables, pre-acquisition and abortive costs, and profit/loss on the sale of part exchange properties. In April 2020 the Group took the decision to utilise the Government's Coronavirus Job Retention Scheme. As of June 2020, all employees had returned from furlough and in July 2020 the Group returned the funds to the Government.

Exceptional items:

£ million	**2020**	2019
Net Pension Increase Exchange credit	**–**	(14.3)
Provision in respect of Aluminium Composite Materials cladding	**10.0**	–
Exceptional items	**10.0**	(14.3)
Tax (credit)/charge	**(1.7)**	2.7
Post-tax exceptional items	**8.3**	(11.6)

Aluminium Composite Materials (ACM) cladding

Following the tragic fire at Grenfell Tower, the Group conducted a detailed review into all legacy and current buildings' ACM cladding and worked with building owners, management companies, and the Fire Service to implement Government advice on interim mitigation measures, where applicable. Whilst each situation is different, and this is an exceptionally complex issue, the Group has in a number of cases, having regard to all of the relevant facts and circumstances, agreed to support our customers both financially and practically with removal and replacement of ACM cladding, even though the buildings concerned met the requirements of building regulations at the time construction was formally approved. This decision was taken for buildings recently constructed by the Group because management believe that it is morally right, not because it is legally required. In 2020 the provision was increased by £10 million to reflect the latest cost estimates of the work to be performed.

Pension Increase Exchange (PIE)

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

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

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

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

4. Finance costs and finance income

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

£ million	**2020**	2019
Interest on bank and other loans	**8.3**	5.5
Foreign exchange loss	**–**	1.1
	8.3	6.6
Unwinding of discount on land creditors and other items	**19.3**	21.5
Interest on lease liabilities	**0.4**	0.5
Net interest on pension liability (Note 9)	**1.4**	3.2
	29.4	31.8

5. Taxation

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

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

Corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate, before exceptional items, is 17.9% (2019: 19.4%). The tax charge for the year includes an exceptional credit of £1.7 million relating to the ACM provision. The tax charge for the prior year includes an exceptional charge of £2.7 million relating to the Pension Increase Exchange exercise.

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

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

6. Earnings per share

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

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

£ million	**2020**	2019
Earnings for basic and diluted earnings per share	**217.0**	673.9
Adjust for exceptional items (Note 3)	**10.0**	(14.3)
Adjust for tax on exceptional items (Note 5)	**(1.7)**	2.7
Earnings for adjusted basic and adjusted diluted earnings per share	**225.3**	662.3

7. Deferred tax

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

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

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

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

7. Deferred tax (continued)

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

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

8. Inventories

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

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

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

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

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

9. Retirement benefit obligations

Total retirement benefit obligations of £89.5 million (2019: £85.0 million) comprise a defined benefit pension liability of £89.1 million (2019: £84.5 million) and a post-retirement healthcare liability of £0.4 million (2019: £0.5 million).

Defined benefit pension schemes

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

The Group operates the TWPS under the UK regulatory framework. Benefits are paid to members from a Trustee-administered fund and the Trustee is responsible for ensuring that the TWPS is well-managed and that members' benefits are secure. Scheme assets are held in trust.

The TWPS Trustee's other duties include managing the investment of scheme assets, administration of scheme benefits and exercising of discretionary powers. The Group works closely with the Trustee to manage the TWPS. The Trustee of the TWPS owes fiduciary duties to the TWPS' beneficiaries. The appointment of the Directors to the Trustee Board is determined by the TWPS trust documentation.

During 2017 the Group engaged with the TWPS Trustee on the triennial valuation of the TWPS with a reference date of 31 December 2016. The result of this valuation was a Technical Provisions deficit at 31 December 2016 of £222.0 million.

To meet this deficit, a revised funding plan was agreed in February 2018. The funding plan committed the Group to £40.0 million per annum of deficit reduction contributions from 1 April 2018 to 31 December 2020 and £2.0 million per annum for scheme expenses from 1 February 2018 to 31 January 2023. In addition, £5.1 million per annum is received by the TWPS from the Pension Funding Partnership (as described below). However, £40.0 million per annum of cash contributions were only required whilst the TWPS remained in a Technical Provisions deficit position. Should the TWPS become fully funded, then these cash contributions would be suspended until such time that the scheme's Technical Provisions funding level fell to below 96% at the end of any subsequent quarter. In April 2018, the Group paid a one-off contribution of £23.0 million into the TWPS to increase the funding level to 100% and thereby suspend any future contributions from 31 March 2018. The funding level of the TWPS remained above the threshold of 96% until 31 December 2018. Contributions of £40.0 million per annum therefore recommenced from 1 January 2019 and were payable throughout 2020. During April 2020 and in response to the site shutdowns, a temporary suspension of the deficit reduction contributions was agreed with the TWPS Trustee for the three months between April and June 2020. Following this deferment, contributions of £10.3 million are to be paid between January 2021 and March 2021.

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

On an IAS 19 accounting basis the underlying deficit in the scheme at 31 December 2020 was £89.1 million (2019: surplus of £100.5 million). The terms of the TWPS are such that the Group does not have an unconditional right to a refund of surplus. As a result, in 2019, the Group recognised an adjustment to the underlying surplus in the TWPS on an IAS 19 accounting basis of £185.0 million, resulting in an IFRIC 14 deficit of £84.5 million, which represented the present value of future contributions under the funding plan at that time. No such adjustment has been recognised as of 31 December 2020 since the scheme was in deficit on an IAS 19 accounting basis.

9. Retirement benefit obligations (continued)

In 2013, the Group introduced a £100.0 million Pension Funding Partnership utilising show homes, as well as seven offices, in a sale and leaseback structure. This provides an additional £5.1 million of annual funding for the TWPS. The assets held within the Pension Funding Partnership do not affect the IAS 19 figures (before IFRIC 14) as they remain assets of the Group, and are not assets of the TWPS. At 31 December 2020 there was £90.3 million of property and £21.9 million of cash held within the structure (2019: £96.0 million of property and £16.1 million of cash). The terms of this Funding Partnership are such that, should the TWPS be in a Technical Provisions deficit at 31 December 2028, then a bullet payment will be due to the scheme equal to the lower of £100.0 million or the Technical Provisions deficit at that time.

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The TWPS assets are approximately 90% hedged against changes in both interest rates and inflation expectations on the scheme's long term, 'self-sufficiency' basis that is currently used for investment strategy purposes. The TWPS also benefits from a bulk annuity contract which covers some of the largest liabilities in the scheme, providing protection against interest rate, inflation and longevity risk.

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.

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

The table below shows the impact to the present value of scheme liabilities of movements in key assumptions.

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

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

9. 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.

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2020	**(2,366.7)**	**2,282.2**	**(84.5)**
Past service cost related to GMP equalisation	**(1.2)**	**–**	**(1.2)**
Administration expenses	–	**(2.5)**	**(2.5)**
Interest (expense)/income	**(48.5)**	**47.1**	**(1.4)**
Total amount recognised in income statement	**(49.7)**	**44.6**	**(5.1)**
Return on plan assets in excess of interest income	–	**159.1**	**159.1**
Change in demographic assumptions	**(100.8)**	–	**(100.8)**
Change in financial assumptions	**(286.3)**	–	**(286.3)**
Experience gains	**2.5**	–	**2.5**
Adjustment to liabilities for IFRIC 14	**188.9**	–	**188.9**
Total remeasurements in other comprehensive income	**(195.7)**	**159.1**	**(36.6)**
Employer contributions	–	**37.1**	**37.1**
Employee contributions	–	–	–
Benefit payments	**118.7**	**(118.7)**	–
At 31 December 2020	**(2,493.4)**	**2,404.3**	**(89.1)**

£ million	Present value of obligation	Fair value of scheme assets	Asset/(liability) recognised on balance sheet
At 1 January 2019	(2,237.2)	2,104.2	(133.0)
Past service credit related to PIE exercise (Note 3)	15.3	–	15.3
Administration expenses	–	(1.8)	(1.8)
Interest (expense)/income	(64.3)	61.1	(3.2)
Total amount recognised in income statement	(49.0)	59.3	10.3
Return on plan assets in excess of interest income	–	187.0	187.0
Change in demographic assumptions	46.1	–	46.1
Change in financial assumptions	(245.9)	–	(245.9)
Experience gains	17.9	–	17.9
Adjustment to liabilities for IFRIC 14	(14.0)	–	(14.0)
Total remeasurements in other comprehensive income	(195.9)	187.0	(8.9)
Employer contributions	–	47.1	47.1
Employee contributions	–	–	–
Benefit payments	115.4	(115.4)	–
At 31 December 2019	(2,366.7)	2,282.2	(84.5)

10. Notes to the cash flow statement

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

Movement in net cash

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

11. Dividends

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

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

In accordance with IAS 10 ‘Events after the balance sheet date’ the proposed final dividend has not been accrued as a liability at 31 December 2020.

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

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

Net operating assets

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

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

Return on net operating assets

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

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

12. Alternative performance measures (continued)

Net operating asset turn

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

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

Tangible net assets per share

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

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

Net cash

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

Cash conversion

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

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

Adjusted gearing

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

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

Adjusted basic earnings per share

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

13. Post Balance Sheet Events

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

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

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