Taylor Wimpey plc

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

LEI: 21380089BTRXTD8S3R66

For immediate release

3 March 2022
Taylor Wimpey plc
Full year results for the year ended 31 December 2021

Pete Redfern, Chief Executive, commented:

"I am very pleased with our operational, financial and customer service performance in 2021. Demand for our homes remains strong and we continued to drive significant margin improvement in 2021, as we optimise selling prices and maintain our strong focus on cost efficiency.

While we recognise the challenging geopolitical, macro-economic and regulatory environment, we remain confident of delivering modest growth in completions in 2022 and of making further progress towards our operating margin target.

With the opportunistic purchase of additional land over the last 18 months, our land pipeline leaves us well placed to accelerate high-quality, profitable volume delivery from 2023, generating additional value and compelling investor returns."

Group financial highlights:

	2021	2020	Change	2019
Revenue £m	4,284.9	2,790.2	53.6%	4,341.3
Operating profit* £m	828.6	300.3	175.9%	850.5
Operating profit margin %	19.3%	10.8%	8.5ppt	19.6%
Profit before tax £m	679.6	264.4	157.0%	835.9
Profit before tax and exceptional items £m	804.6	274.4	193.2%	821.6
Profit for the year £m	555.5	217.0	156.0%	673.9
Basic earnings per share pence	15.3	6.3	142.9%	20.6
Adjusted basic earnings per share pence††	18.0	6.5	176.9%	20.3
Tangible net assets value per share pence†	118.1	110.0	7.4%	100.5
Net cash‡ £m	837.0	719.4	16.3%	545.7

N.B. Definitions can be found at the end of the Group financial review of operations

Key highlights:

- Strong 2021 full year results in line with our expectations with 47% increase in UK completions including joint ventures to 14,087 (2020: 9,609), driven by good build performance and strong demand
- Improved operating profit margin to 19.3% (2020: 10.8%), with focus on optimising selling prices and strong cost control
- Final ordinary dividend of 4.44 pence per share subject to shareholder approval making total ordinary dividends for the year 8.58 pence per share (2020: 4.14 pence per share)
- Return of excess cash via a c.£150 million share buyback in 2022
- Jennie Daly, current Group Operations Director, appointed as CEO effective from 26 April 2022

UK Operating highlights:

- Strong net sales rate for the year of 0.91 (2020: 0.76)
- Positive forward order book of 10,009 homes as at 31 December 2021 (31 December 2020: 10,685), valued at £2,550 million (31 December 2020: £2,684 million)
- Acquired c.14k plots in 2021, increasing the short term landbank by c.8k plots to c.85k plots (2020: c.77k plots) to support future growth
- Once again leading the volume housebuilders in build quality, with a National House Building Council (NHBC) Construction Quality Review (CQR) score of 4.67 out of 6 (2020: 4.45 out of 6)
- Maintained 5 star customer rating for 2021 in the Home Builders Federation (HBF) survey
- New house type pilots successfully completed, with first site containing new house types going on sale in August 2022, delivering customer, build cost and energy efficiency benefits

Responsible business and Environmental Social Governance (ESG) leader:

- We took early and proactive action a year ago which meant that funding was in place to bring all affected Taylor Wimpey buildings constructed in the last 20 years up to EWS1 standard
- Significant progress in our sustainability agenda:
    - 50% reduction in direct (scope 1 and 2) carbon emissions intensity, with 35% absolute reduction since 2013
    - On track to meet our Science Based Target for carbon reduction with 13% reduction in direct (scope 1 and 2) carbon emissions intensity and 20% absolute reduction (scope 1 and 2) against 2019 baseline
    - Committed to develop a credible net zero transition plan and target during 2022
    - Scored A- in CDP Climate Change (2020: B), included in the Financial Times European Climate Leaders list 2021 and achieved a Gold Award in the 2021 Next Generation sustainability benchmark for the UK housebuilding sector (2020: Silver)
    - Received accreditation from The Living Wage Foundation as a Living Wage Employer
- Competition and Markets Authority concluded its investigation into the historical sale of leasehold properties
- High employee engagement with over 60% of employees also shareholders
- We are deeply shocked and saddened by the tragic events in Ukraine and, together with our employees, we will be pledging our support to the humanitarian effort

2021 financial performance review

Strong 2021 full year results are in line with our expectations. Total UK home completions (including joint ventures) increased by 47% to 14,087 in 2021 (2020: 9,609). Average selling prices on private completions increased by 3% to £332k (2020: £323k), with the overall average selling price increasing to £300k (2020: £288k).

We continued to drive margin improvement as we optimised selling price and maintained our strong focus on cost efficiency. Group operating profit in 2021 was £828.6 million (2020: £300.3 million), with an operating profit margin of 19.3% (2020: 10.8%). In March 2021, the Group announced an additional £125.0 million provision to fund cladding fire safety improvement works which has been charged to exceptional items. Profit for the year was £555.5 million, (2020: £217.0 million), up 156% on 2020. We ended the year with strong net cash of £837.0 million (2020: £719.4 million), ahead of expectations due to the timing of land spend.

Shareholder returns: Capital allocation approach

Taylor Wimpey is inherently a highly cash generative business through the cycle, supported by strong operational performance and our high-quality landbank, which allows us to operate flexibly in the land market.

We use cash generated by the business to fund our investment in land and work in progress to support our future growth. As we operate in a cyclical industry, we maintain a strong balance sheet at all times and are comfortable with low gearing after adjusting for land creditors.

Given the cash generative nature of our business we aim to provide a reliable income stream to our shareholders, throughout the cycle including during a normal downturn, via an ordinary cash dividend. Our Ordinary Dividend Policy is to pay out to shareholders approximately 7.5% of net assets, paid in two equal instalments in May and November. In line with the Ordinary Dividend Policy, we will return a 2021 final dividend (of 4.44 pence per share), to be paid on 13 May 2022, subject to shareholder approval.

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.

Following the strong performance of the business during 2021, we are today announcing our intention to return excess cash of c.£150 million in 2022 through the implementation of a share buyback programme, with an initial tranche of c.£75 million expected to be completed by no later than 3 June 2022.

UK market environment and current trading

The 2022 spring selling season has started well, reflecting the underlying strength of demand for our homes, underpinned by low interest rates and good mortgage availability.

The net private sales rate for the year to date (w/e 27 February 2022) was 1.02 per outlet per week (2021 equivalent period: 0.91). At that time, we were more than 60% forward sold for private completions in 2022 and have continued to grow our order book well into the second half of the year. As at 27 February, our total order book excluding joint ventures was £2,899 million (2021 equivalent period: £2,796 million), comprising 10,934 homes (2021 equivalent period: 11,054 homes).

Land activity

Our short term owned and controlled landbank has increased by c.8k plots to c.85k plots as at 31 December 2021 (31 December 2020: (c.77k plots). During the early stages of the pandemic, we took the strategic decision to increase investment in land on an opportunistic basis. Accordingly, over the 18 months to 31 December 2021 we have strengthened our landbank adding c.29k new plots to our short term landbank.

Our high-quality landbank remains a key competitive advantage and value driver and underpins our confidence in delivering our medium term target of 21-22% operating profit margin. Our accelerated landbuying provides us with a greater number of options for sustainable, profitable volume growth amidst a challenging planning environment. We have also grown our high-quality strategic pipeline and are able to operate selectively in today's competitive land market.

We remain very focused on progressing new acquisitions through the planning and technical system and opening quality outlets. As at the end of February we own or control, with planning or with Resolution to Grant (RTG), 88% of the sites where we intend to open an outlet in 2022 of which we have already started on site at nearly one third. We own and have outline or detailed planning on 100% of 2022 expected completions and 85% of 2023 expected completions. All of the remainder are currently controlled and most have planning or RTG.

Fire safety

It has long been our view that customers and leaseholders should not have to pay for fire safety remediation works to ensure their buildings are safe and mortgageable. We took early and proactive action, committing significant funding to address fire safety and cladding issues on our buildings, with total amounts provided up to March 2021 of £165 million. Taylor Wimpey's decision a year ago meant that funding was in place to bring all our affected buildings, going back 20 years from January 2021, up to current EWS1 standard.

We have identified all Taylor Wimpey buildings that may require works and are in active dialogue with building owners to undertake these and are committed to resolving these issues as soon as possible for our customers. From April 2022, we will also be paying the new Residential Property Developer Tax (which is a 4% tax on profits) that will fund the Government's Building Safety Fund for buildings over 18 metres.

We are working closely with Government through the HBF to facilitate an equitable solution involving all industry stakeholders. We fully support the HBF's recent letter to the Government which sets out proposed additional commitments from the industry in relation to buildings over 11 metres. We continue to believe this is an industry-wide issue involving many types of organisations and therefore needs an industry-wide solution. If accepted by Government, the HBF proposal would result in an additional modest provision for Taylor Wimpey.

CEO succession and Board changes

As previously announced on 7 February and following a thorough recruitment and selection process led by the Nomination and Governance Committee, Jennie Daly, currently Group Operations Director, has been appointed as CEO. This will be effective from the conclusion of the Annual General Meeting on 26 April 2022, at which time Pete Redfern will step down from the Board. Pete Redfern will be available to the business until his notice period ends on 8 December 2022.

As previously announced on 31 January, in light of upcoming changes to their commitments on other Boards, Angela Knight and Gwyn Burr will be retiring from the Board of Directors on 26 April 2022. A search process is currently underway to identify new Non Executive Directors, with a focus on operational and industry expertise, as well as customer service experience.

Guidance and outlook

Interest rates remain at close to historically low levels and there is good availability of affordable mortgages. Whilst further rises in the base rate are anticipated this year, we expect affordability to remain good and the cost of servicing a mortgage to remain attractive compared to the cost of rental.

Assuming the market remains broadly stable, we continue to expect to deliver low single digit year on year completions growth in 2022 and to make further progress towards our 21-22% operating margin target. We expect 2022 year end net cash to be around £600 million, depending on the timing of land payments.

Build cost inflation is currently running at c.6% and, at this stage, we expect sales price growth to continue to offset build cost inflation in 2022.

The additional land we have secured over the last 18 months, has positioned the Group to deliver high-quality, profitable and sustainable growth. These additional land investments differentiate Taylor Wimpey and will result in increased outlet openings from late 2022 and material volume growth from 2023, generating additional value and compelling investor returns.

With a continued focus on execution and efficiency, the Board believes the Group has strong momentum to make significant progress and deliver enhanced shareholder value in the years ahead.

N.B. Definitions can be found after the Group financial review of operations.

The person responsible for releasing this announcement is Alice Black – Group General Counsel and Company Secretary.

-Ends-

A presentation to analysts will be hosted by Chief Executive Pete Redfern, Group Finance Director Chris Carney and Group Operations Director and CEO Designate Jennie Daly, at 9am on Thursday 3 March 2022. This presentation will be webcast live on our website: www.taylorwimpey.co.uk/corporate

An on-demand version of the webcast will be available on our website in the afternoon of 3 March 2022.

For further information please contact:

Taylor Wimpey plc Tel: +44 (0) 1494 885656

Pete Redfern, Chief Executive
Chris Carney, Group Finance Director
Debbie Archibald, Investor Relations
Andrew McGeary, Investor Relations

Finsbury TaylorWimpey@Finsbury.com

Faeth Birch
Anjali Unnikrishnan
James Gray

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. Our purpose is to deliver great homes and create thriving communities.

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

Follow us on Twitter @TaylorWimpeyplc

Building momentum to deliver improved operating margin and accelerated volume growth

Our purpose is to deliver great homes and create thriving communities. We seek to deliver this with a strategy set to optimise long term shareholder returns in a responsible way, while delivering attractive and sustainable returns and adding value to all stakeholders.

We are focused on excellent operational delivery and increasing financial performance. This is visible at all levels in the business and reflected in our 2021 full year performance, with improvements across key financial and operational metrics.

The 2020 equity raise and our approach to landbuying has continued to differentiate Taylor Wimpey, as we added a significant amount of attractively valued land to our portfolio. This timely land acquisition and the hard work by our teams in bringing it through the planning system has positioned the business for high-quality outlet-led volume growth at a time when the land market has become increasingly competitive. With the strength of our landbank and operational excellence we aim to grow annual completions to between 17,000 and 18,000 in the medium term whilst generating compelling returns.

We are building momentum through the following four priorities, underpinning our confidence in future delivery:

- Operational excellence and discipline driving an increase in operating margin
- Progressing recent land acquisitions through planning to facilitate outlet growth in late 2022 and volume growth in 2023
- Continue to deliver consistently great build quality, customer service and employee experience and identify where we can add value
- Further embedding sustainability through the business, targeting areas where we can make the most difference to future proof the business

Operational review

Our operational review focuses on the UK as the majority of metrics are not comparable in our Spanish business. There is a short summary of the Spanish business in the Group financial review of operations. 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 strategic pillars.

UK	2021	2020	Change
Customers and communities			
Customer satisfaction 8-week score ‘Would you recommend?’	92%	92%	0ppt
Customer satisfaction 9-month score ‘Would you recommend?’	79%	78%	1ppt
Build quality			
Construction Quality Review (average score / 6)	4.67	4.45	4.9%
Average reportable items per inspection	0.26	0.24	0.02

Optimising our strong landbank			
Land cost as % of average selling price on approvals	16.1%	18.3%	(2.2)ppt
Landbank years	c.6.1	c.8.1	(24.7)%
% of completions from strategically sourced land	50%	55%	(5.0)ppt
Employer of choice in our industry			
Employee turnover % (voluntary)	19.0%	9.4%	9.6 ppt
Number of people recruited into early talent programmes: graduates, management trainees and site management trainees	105	47	123.4%
Directly employed key trades including trade apprentices	743	1,038	(28.4)%
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)	214	151	41.7%
Best in class efficient engine room			
Net private sales rate per outlet per week	0.91	0.76	19.7%
Private legal completions per outlet	51.0	31.5	61.9%
Order book value £m	2,550	2,684	(5.0)%
Order book volume – no. of homes	10,009	10,685	(6.3)%

N.B. The 8-week ‘would you recommend’ score for 2021 relates to customers who legally completed between October 2020 and September 2021, with the comparator relating to the same period 12 months prior. The 9-month ‘would you recommend’ score for 2021 relates to customers who legally completed between October 2019 and September 2020, with the comparator relating to the same period 12 months prior.

2021 sales, completions and pricing

In 2021, total home completions (including joint ventures) increased by 47% to 14,087 (2020: 9,609) as we recovered volumes following 2020’s COVID-19 disruption. We delivered 2,501 affordable homes including joint ventures (2020: 1,904), equating to 18% of total completions (2020: 20%).

Our net private reservation rate for 2021 was 0.91 homes per outlet per week (2020: 0.76). Cancellation rates for the full year were at normal levels of 14% (2020: 20%). Average selling prices on private completions increased by 3% to £332k (2020: £323k), with the overall average selling price increasing to £300k (2020: £288k).

We estimate that market-led house price growth for our regional mix was c.4% in the 12 months to 31 December 2021 (2020: c.1.9%).

During 2021, approximately 19% of total sales used the Help to Buy scheme (2020: 46%) at an average price of £283k (2020: £286k).

We ended the year with a total order book valued at £2,550 million (31 December 2020: £2,684 million), excluding joint ventures, which represents 10,009 homes (31 December 2020: 10,685). We traded from an average of 225 outlets in 2021 (2020: 240) and entered 2022 with 228 outlets (31 December 2020: 239).

Underlying build cost inflation in 2021 was c.4.0% (2020: c.3.0%).

Strong landbank

We stepped up our activity in the land market in mid-2020 when there was limited competition and successfully increased our land pipeline with high-quality sites that will deliver a strong financial performance. We added c.29k new plots to the short term landbank over the last 18 months to the end of December 2021, including converting c.9k units from our strategic land pipeline. These sites are across all regions of our business and include a healthy balance of large and small sites. We also added c.16k potential new plots to our strategic pipeline in that period.

Our focus across each area of the business is ensuring that this momentum is maintained through disciplined operational execution, progressing land through the planning stages and ensuring new outlets are opened, in line with our internal plan. As at 31 December 2021, our short term landbank stood at c.85k plots (2020: c.77k plots). A total of 49% of this short term landbank has been strategically sourced (2020: 50%). During 2021 we acquired 14,450 plots (2020: 7,644). As at 31 December 2021, we were building on or due to start in the first quarter of 2022 on 97% of sites with implementable planning.

The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 14.6% (2020: 15.2%). The average selling price in the short term owned landbank in 2021 increased by 4.9% to £302k (2020: £288k).

Our strategic land pipeline remains a key strength both as an important input to the short term landbank and in providing 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.145k potential plots as at the end of December 2021 (31 December 2020: c.139k potential plots). During 2021, we converted a further c.8k plots from the strategic pipeline to the short term landbank (2020: c.4k plots).

We continue to seek new opportunities and added a net 6k new potential plots to the strategic pipeline in 2021 (2020: 2k). In the year, 50% of our completions were sourced from the strategic pipeline (2020: 55%).

Upcoming regulatory changes

The industry will face a number of planned, fundamental changes in the short to medium term. Whilst there are obvious challenges, we believe that these changes offer an opportunity to further strengthen our customer proposition and drive value.

New Homes Ombudsman

The sector continues to face scrutiny and pressure from social media and pressure groups, with the potential for greater oversight from Government through a New Homes Ombudsman. We are supportive of the introduction of an independent New Homes Ombudsman and will endeavour to deliver both the letter and the spirit of regulations and maintain this same ethos in our relationships with our customers. We are aligning our processes to make sure we meet the expectations and timescales being set by the Ombudsman, as well as new consumer rights such as third party home inspections. We have signed the new code of conduct that supersedes the UK Consumer Code for Home Builders.

Help to Buy

Since its introduction in 2013, Help to Buy has helped many of our customers gain access to new housing. Under the current scheme, the Government will lend up to 20% of the value of a new build home (40% in London) to first time buyers who meet certain criteria, including raising a 5% deposit.

During 2021, approximately 19% of total sales used the Help to Buy scheme (2020: 46%) at an average price of £283k (2020: £286k). The reduction reflects changes to the scheme in 2021 when access was limited to first time buyers and with the introduction of regional price caps. The scheme is due to end in March 2023.

We have been preparing for this change for some time, and this is reflected in our landbuying approach, site selection and in the design of our developments. For example, in certain areas, we have plotted sites to include a greater weighting of three bedroom than four or five-bedroom homes reflecting expected market demand. Deposit Unlock is a scheme developed by the homebuilding industry in conjunction with mortgage providers that is intended to help customers with low deposits gain access to the housing market. We will be using Deposit Unlock on a small number of selected developments in England and Scotland in the first quarter of 2022. The scheme will provide competitive rate mortgages to customers with a 5% deposit and is expected to be appealing to customers when Help to Buy ends in England in March 2023.

Future Homes Standard

During 2020 and 2021, we conducted research to enable us to update the technical specification for our homes in preparation for changes to Building Regulations and the Future Homes Standard. With the phasing in of the new Part L, F and O regulations in England from June 2022, Parts L&F in late summer 2022 for Wales and Section 6 in Scotland from October 2022, homes will have enhanced fabric standards with additional features that may include heat recovery systems and PV panels. Collectively, this will achieve a meaningful reduction in carbon emissions in line with emerging building regulations, compared with our current specification. We are also preparing for the phase-out of gas central heating systems from 2025 in England and Wales (2024 in Scotland) and will be running Future Homes Standard product trials during 2022.

New house type range and enhancing energy efficiency

Our standard house types are designed to be high-quality, energy-efficient homes that are cost-effective and safe to build. They can be adapted to reflect local character and scheme design and are used for the majority of our homes.

We have worked with architects to update our standard house types and successfully piloted homes in the range in 2021. These house types will replace our existing standard house type range. Our site designs have incorporated the new house types from October 2021 with the first site using new house types to go on sale in August 2022. The new range incorporates more open plan living, more natural light and improved storage, reflecting customer feedback and the results of our research and development. The new homes include at least one study area with space for a desk and easy access to broadband and electricity sockets, to enable working from home.

Our design team has worked closely with our central procurement team and these new houses offer standardisation and plotting efficiency benefits. Most of our new house types

will offer improved accessibility, meaning they can be adapted more easily for people with disabilities. These house types will also more readily accommodate the required changes as we transition to the Future Homes Standard and we have established a clear timeline to adapt to the necessary changes.

Our approach to Environment, Social and Governance (ESG)

Our purpose is to build great homes and create thriving communities. We will do so sustainably, making sure those communities are themselves sustainable for the future.

Our teams see the social and governance aspects of ESG as 'business as usual', including our contributions to, and involvement in, local communities and our strong culture. This is also evident in our key performance indicators and our stakeholder interactions. As we embed our ambitious environment strategy, we will further increase our focus on this important area.

We strongly believe that by delivering on our purpose we will contribute to delivering UN Sustainable Development Goal 11: 'making cities and human settlements inclusive, safe, resilient and sustainable'.

We were one of the first UK developers to set a carbon reduction target verified by the Science Based Targets initiative (SBTi), including a 1.5℃ target for our operational emissions. Our environment strategy, launched in 2021, also includes ambitious targets for increasing nature on our developments, cutting waste and improving resource efficiency.

We take a science-based approach to carbon reduction, and the Science Based Targets initiative has confirmed that our operational carbon reduction target is consistent with the reductions required to keep warming to 1.5℃. We have made excellent progress towards our carbon reduction target. Against our 2019 baseline, we have achieved a 13% reduction in direct carbon emissions intensity (scope 1 and 2 emissions per 100 square metres of completed homes) and a 20% absolute reduction. Our current target was published last year but our commitment to climate action goes back much further. Since 2013, we have achieved a 50% reduction in our direct carbon emissions intensity.

We support the UK's commitment to reach net zero carbon by 2050. In 2022 we will develop our net zero transition plan and a net zero target. We are reviewing the net zero criteria published by the SBTi in 2021 and will use this to guide our approach. We expect to publish our target in 2023. The Plan will include details of specific measures and key milestones designed to provide future measurable targets against which the delivery of the plan can be assessed. We have also introduced a carbon-reduction related measure into our Executive Incentive Scheme for 2022.

For the housebuilding sector, the majority of emissions are associated with the production and manufacture of materials and the energy used by customers once they have moved into new homes (scope 3). This means achieving net zero emissions will require system-level changes and coordinated action by multiple parties, from suppliers to governments, and at all points along the value chain. We are committed to working with our peers, suppliers and others to help tackle this challenge. During 2021, this included contributing to the development of the Future Homes Delivery Plan for our sector and inputting into the work of the Future Homes Hub.

We are committed to transparent disclosure of our ESG performance and are aligning our reporting with the recommendations of the Taskforce on Climate-related Financial

Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) recommended disclosures for our sector, among other standards. These disclosures can be found in our Annual Report and Accounts 2021.

We also publish a Sustainability Supplement and ESG Addendum with additional data and performance information.

Environment strategy performance update

Our strategic objectives	Performance update
Climate change Achieve our science-based carbon reduction target: – Reduce operational carbon emissions intensity by 36% by 2025 from a 2019 baseline – Reduce carbon emissions intensity from our supply chain and customer homes by 24% by 2030 from a 2019 baseline	1.41 tonnes of CO_2e (scope 1 and 2) per 100 sqm of completed homes (2020: 1.96) 13% reduction in operational carbon emissions intensity since 2019 72% of our total electricity consumption from REGO backed renewable energy
Nature Increase natural habitats by 10% on new sites from 2023 and include our priority wildlife enhancements from 2021.	100 new sites included a hedgehog highway All business units received guidance on installation of hedgehog highways, bug hotels and bee bricks, nature friendly planting and Biodiversity Net Gain
Resources and waste Cut our waste intensity by 15% by 2025 and use more recycled materials. By 2022, publish a 'towards zero waste' strategy for our sites.	6.5 tonnes of waste per 100 sqm of build, a 13% reduction since 2019 (2020: 7.9%) 97% of construction waste recycled (2020: 97%)

A full summary of our environmental strategy and progress against targets will be published in our Annual Report and Accounts 2021 and Sustainability Supplement and ESG Addendum 2021.

Reducing operational carbon emissions

We are working on a range of projects to reduce energy use on our sites and are partnering with cabin manufacturer, Danzer and the Carbon Trust to design and trial new energy-efficient portacabins. We are also developing an energy-efficient approach to retrofitting our existing cabins. We purchase 100% renewable electricity for new sites during construction which is around 72% of our total electricity consumption (2020: 58%) and reduces our operational carbon footprint. We have successfully tested hydrotreated vegetable oil as a lower carbon alternative to diesel for on-site plant equipment and our flexible car benefit scheme 'MyDrive' enables employees to have access to a new low emission car; around 43% of vehicles in our company car scheme are now EV or hybrid (2020: 30%).

ESG credentials

We participate in several global and sectoral benchmarks. We are a constituent of the Dow Jones Sustainability Europe Index and included in the S&P Sustainability Yearbook 2022. We are a part of FTSE4Good, have an AA rating from MSCI and have received an ESG Risk Rating of Low from Sustainalytics. We are a member of Next Generation, the sustainability

benchmark for UK housebuilders, ranking third and receiving a Gold Award for 2021. We disclose our performance to CDP and received the following scores: CDP Climate Change A- (2020: B), CDP Water B (2020: B), and CDP Forests B- for deforestation and forest risk commodities (2020: B). We have been recognised by CDP as a Supplier Engagement Leader and received a Supplier Engagement score of A for our approach to engaging suppliers on climate change.

Researching sustainable technologies

Over the next five years there will be significant changes to new build homes in the UK reflecting the UK's climate change targets, the introduction of the Future Homes Standard and new regulation on overheating, electric vehicle charging and other environmental issues. Our target is to reduce emissions from customer homes in use by 75% by 2030, and we are conducting a range of research to help us meet this. From 2025, in line with regulation, the new homes we build will be net zero-carbon ready.

Stakeholder Review

Our relationships and responsibilities are very important to us and to our future success. This section outlines the key developments in relation to our main stakeholders, including our approach to ESG which is critical to stakeholder interactions. More information can be found in our Annual Report and Accounts 2021.

Customers

Our customer proposition is closely tied to our purpose to build great homes and create thriving communities. It is important that our customers can trust us to do the right thing.

Our customers are rightly demanding more of us. As well as rolling out new house types designed to meet their changing needs, we continue to provide a high standard of training to our Sales Executives through our own Sales Academy. Our sales staff are further supported by our customer relationship management (CRM) system which is now live across all regional businesses and is delivering the expected customer service and operating benefits.

We track customer satisfaction using the Home Builders Federation (HBF) 8-week and 9-month survey results. In 2021, 92% of customers in the 8-week survey would recommend us to a friend (2020: 92%). This means we met our target to maintain a 5-star rating. We continue to believe that a wider range of customer care and quality measures are necessary to ensure we are delivering for our customers. Our 9-month satisfaction scores give us insight into how customers feel about the homes and places we build over the longer term. Our score for 2021 was 79% (2020: 78%).

We encourage customers to leave reviews on Trustpilot. At the end of 2021, with 1,799 reviews, we had a 4 out of 5 star rating (end of 2020: 4 out of 5) with a trust score of 3.9 out of 5 (2020: 4 out of 5). We acknowledge that we do not always get it right 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.

In 2021, we introduced a Customer Director role which sits on the management team in each regional business. This will further elevate the voice of the customer in our regions. We also rolled out our new customer relationship management system across the business. This provides clearer data on customer issues, complaints and defects which will help us to further

improve quality and customer service. The results are reviewed by Customer Directors and used to identify any trends or recurring issues and put measures in place to address them.

Closure of the CMA process

During 2021, the Competition and Markets Authority's (CMA) investigation into the historical sale of leasehold properties with doubling ground rent clauses by the Company was closed, following the agreement of voluntary undertakings. All leaseholders of Taylor Wimpey-owned ten-year doubling ground rent leases, or those that have already gone through our Ground Rent Review Assistance Scheme (GRRAS) and converted their Taylor Wimpey-owned lease to an RPI-based structure, will be offered the option to convert to a fixed ground rent. The cost of implementing the undertakings is expected to fall within the original provision made in 2017.

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 2021, we scored an average of 4.67 (2020: 4.45) 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 4.43.

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

We updated our scope of operations for subcontractors in 2021,which sets out our expectations for the management and delivery of build quality. Key product suppliers provide training to our Site Managers, Quality Managers and trade subcontractors on the correct installation of their products to ensure a quality build. Subcontractors also attend training sessions run by our quality, site and safety teams, and by the NHBC.

Quality is incentivised from the top of the organisation with a significant percentage of our Executive Incentive Scheme linked to customer service and build quality, and this is one of our Principal Risks. We track progress and calculate bonus payouts using a combination of internal and independent external measures: HBF 8-week and 9-month customer survey results; CQR scores conducted independently by the NHBC, and the average reportable items which is the average number of defects found per plot during NHBC inspections at key stages of the build. We also integrate customer service and quality into our all employee bonus scheme.

Opportunities in green building

The way we design and build our homes enables our customers to live a more sustainable and resource efficient lifestyle and there is more that can be done. Our homes are already energy and water efficient and our target is to reduce emissions from customer homes in use by 75% by 2030. We are conducting a range of research to prepare for upcoming regulatory changes and to move towards net zero ready homes.

The energy savings we will secure to meet the Future Homes Standard will make our homes increasingly attractive to customers, with lower running costs and a greatly reduced environmental footprint. The increasing take up of more cost effective green mortgages offers a potential competitive advantage for new homes compared to older housing stock.

Modern methods of construction

We are integrating more off-site construction techniques which help improve the efficiency of build as well as the quality of key components such as smart roofs which are used where we build a room in the roof. Our approach also includes increased use of timber frame and off-site components such as spandrel panels, smart roof panelised cassette roofs, cassette timber floors and dormers. Other research projects include working with industry peers on reducing packaging and waste, air quality, and use of recycled materials.

Timber frame

Timber frame can have a significantly lower carbon footprint than traditional 'brick and block' building techniques due to the materials and use of off site manufacture (OSM) techniques. Newly planted replacement trees from sustainably managed forests may take more carbon out of the atmosphere than the more mature trees used for timber frame, which in turn act as a carbon store within buildings for the long term. This makes it an excellent alternative to more carbon intensive bricks and blocks. There is evidence that OSM in factories can generate less waste, require less transport and logistics, and result in more airtight components than those made on site, all contributing to carbon efficiency. Increasing use across our business will be one of our focus areas in 2022. We aim to reach 20% timber frame usage and increase consistency of use across our regions.

Communities

We focus on placemaking and design and invest in affordable homes, infrastructure and research and development to help us create great places to live. Increasingly we are focused on changes to our homes and communities that enable customers to live more sustainably.

In 2021, we contributed £418 million to local communities in which we build across the UK via planning obligations (2020: £287 million). This funded a range of infrastructure and facilities including affordable housing, green space, community, commercial and leisure facilities, transport infrastructure, heritage buildings and public art. We aim to install infrastructure at an early stage of the build process to enhance our schemes and help the new community become established quickly.

We build in communities for years, making a significant impact on the area and its people and recognise that housebuilding, particularly in its early stages, can be disruptive. We aim to build good relationships with local people throughout this time by communicating proactively and consistently. Every one of our sites has a tailored planning and community engagement strategy and a clear point of contact. We use a range of methods to inform local people about our plans, including community consultations. We seek to engage, consult and work in partnership with communities and all interested stakeholders on each and every site, both before we submit a planning application and throughout the life of our developments.

Our teams across the business also get involved in local life, through activities such as organising competitions with primary schools, supporting local events and sponsoring local sports clubs. In addition, we contributed over £104k to local organisations, such as scout groups, local football teams and various community causes (2020: £94k).

Our developments provide a boost to the local economy, both during construction and once new residents move in. Our Economic Benefits Toolkit identifies and helps us understand and communicate the social and economic benefits our sites will generate.

Placemaking

We believe that the plan, design, layout and delivery of our schemes can assist in creating successful and sustainable new communities, where our customers can enjoy a good quality of life.

Our placemaking standards are based on Building for a Healthy Life and aligned with the National Design Guide and National Model Code. Our Director of Design and Group Urban Designer are qualified architects and urban designers and we have a Design Lead in each regional business and strategic land team to champion good design at the regional level. We design walkable neighbourhoods where customers can enjoy an active, healthy lifestyle and make sustainable transport choices. This includes layouts that integrate paths and cycle routes that connect with existing networks and street design that encourages slower vehicle speeds and safer cycling conditions. We also invest in public and community transport, walkways and cycle paths through our planning obligations. In 2021, 67% of our UK completions were within 500 metres of a public transport node and 86% were within 1,000 metres.

Nature

Integrating green spaces, nature and wildlife into our developments makes them more attractive places to live and can have a positive impact on residents' wellbeing and customer satisfaction.

Our environment strategy targets, launched in 2021, include biodiversity net gain requirements and go beyond regulation to deliver priority wildlife enhancements, including hedgehog highways, bug hotels, bird boxes and wildlife friendly planting.

In 2021, we worked with Hedgehog Street, a campaign by the British Hedgehog Preservation Society and People's Trust for Endangered Species to integrate hedgehog highways across 100 new sites. We also worked with Buglife – The Invertebrate Conservation Trust to install bee bricks and bug hotels.

Employees

Health and safety

Health and safety is the number one priority at Taylor Wimpey and we will never compromise on this commitment to our people and everyone who works on and visits a Taylor Wimpey site. We embed a safety culture through training, awareness and visible health and safety leadership and we work closely with our contractors and subcontractors on this. Our Annual Injury Incidence Rate (AIIR) was 214 in 2021 (2020: 151) and our AIIR for reportable injuries per 100,000 employees and contractors remains well below both the HBF Home Builder Average AIIR of 264 and Health and Safety Executive construction industry average AIIR of 353, but we will continue to seek to improve this. We believe the increase in the accident rate is due to higher than average turnover among operatives and an increase in production on our sites. Around 36% of accidents are slips, trips and falls. Our AIIR for major injuries per 100,000 employees and contractors was 73 in 2021 (2020: 58).

Culture and people

We have a very strong culture at Taylor Wimpey at every level of the business, with the core principle to 'do the right thing'. We continue to benefit from a talented and engaged workforce, as reflected in our 2021 employee survey with an overall employee engagement score of over 90%, with a 66% response rate.

Health and safety was once again our top scoring area in the survey at 97%, and 95% of employees are proud to work for Taylor Wimpey. The employee survey also outlined slightly lower scoring areas which we will work to improve, such as future development opportunities and career progression.

We are pleased to report that Taylor Wimpey was once again recognised in the NHBC Pride in the Job Awards, achieving a total of 72 Quality Awards (2020: 53), 25 Seal of Excellence Awards (2020: 19) and three Regional Awards in 2021 (2020: two), whilst Lee Dewing, Site Manager at our Whitacres development in Hambleton, Selby, was awarded a Supreme Award.

During 2021, we directly employed, on average, 5,271 people across the UK (2020: 5,948) and provided opportunities for on average a further 11.1k operatives (2020: 12.3k) on our sites. Our voluntary employee turnover rate is higher than normal at 19.0% (2020: 9.4%). We believe this reflects a catch up from a lower than normal turnover rate in 2020 as a result of the pandemic.

Skills

With a well known industry skills shortage, we have taken a proactive approach to early talent and direct labour. Building the skills of our current and future workforce is essential to address the skills shortage in our industry and also to set up the business to deal with future changes. With the introduction of the Future Homes Standard and other regulatory and technical changes, the types of skills we need are changing. For example, from 2025 we may need significantly more people qualified to install air source heat pumps but fewer gas engineers. We are working in our business, and with our peers, subcontractors, suppliers, industry associations and educational organisations to help address this.

We offer a range of entry-level roles such as apprenticeships, traineeships and graduate programmes to encourage people into our business with these positions making up c.9% of our workforce (2020: 14%). We support our regional businesses to develop local links with colleges, universities and schools and encourage a diverse range of candidates to consider careers in housebuilding. We currently directly employ 743 key trades including apprentices (2020: 1,038). The reduction partly reflects the restructure of the business in 2020 as well as voluntary employee turnover. However, we remain committed to developing future talent and to working both internally and with the wider sector to attract future talent into our industry.

Our technical academies cover production, sales and customer service, providing structured career and skills development, which often enable employees to gain a formal qualification. We also run online masterclass sessions for employees to hear from internal and external experts.

Inclusion, diversity and gender balance

Diversity and inclusion (D&I) is a key area we want to continue to strengthen, creating a workplace where colleagues feel championed and supported regardless of their background and identity. We see diversity as an opportunity to truly embrace our colleagues'

backgrounds and perspectives which in turn helps drive the business forward and achieve success. However, we and the housebuilding industry, can and need to do more. In 2021, we launched our new Equality, Diversity and Inclusion Policy and remain committed to equality of opportunity in all our employment practices, policies and procedures across the business. Our Company-wide approach has focused on bringing our colleagues together through multiple diversity-focused networks, training and events.

We have significantly advanced our leaders' capabilities and understanding on diversity and inclusion with programmes like Respectful Workplace which commits our senior leaders to multiple practical steps and activities to help us achieve a more inclusive and respectful culture.

We ran reverse mentoring for 10 senior leaders in 2021 who were partnered with BAME colleagues and / or colleagues who identify as LGBTQ+.

In our 2022 Gender Pay Gap Report, our median gender pay gap has narrowed, still in favour of women and the mean pay gap also remains small, likewise in favour of women. More information on the programmes and our road map to further improvement can be found in our Gender Pay Gap report on our website.

We recognise that building a diverse culture means embracing all aspects of diversity, including race, religion, mental and physical ability, socio-economic backgrounds, sexuality, and more. In 2022, we will set clear internal goals to help accelerate measurable change and to ultimately drive accountability.

Employee engagement

We are proud of how committed our employees are to the long term success of the Company and we seek feedback from and engagement with all employees. This includes regular email updates from the Chief Executive as well as updates from the GMT and other senior management. It is important that management is accessible and visible so in addition to regular visits to the different businesses we operate employee forums including the National and Local Employee Forums where employee representatives are able to feedback and ask questions of members of the Board and other senior management directly. The Board also has an appointed Employee Champion to strengthen the Board's engagement with employees. The Board's Employee Champion, Gwyn Burr will be retiring from the Taylor Wimpey Board of Directors on 26 April 2022 and we are pleased that Robert Noel, Senior Independent Director, has agreed to take on this important role. Rob joined the Taylor Wimpey Board in 2019 and has over 30 years' experience in the property sector. Rob and Gwyn have been working closely to share employee perspectives already gathered and plans for the continued development of the Employee Champion role.

Wellbeing

We support colleagues to help them maintain good mental, physical, social and financial health, which has been particularly important during the pandemic. Mental health is a significant concern for the construction industry. We partner with mental health charity, Mates in Mind, to deliver mental health training for colleagues. We have over 150 Mental Health First Aiders across our business who support managers and employees when mental health issues arise. We use the Thrive mental health app, which has been approved by the NHS and provides tools and support for employees to manage and improve mental wellbeing. We are a signatory to the Building Mental Health Charter. We were pleased that 93% of our

employees in our latest survey agreed that they know how to access support for mental health and wellbeing at work.

Partners

Supply chain

We adopt a collaborative forecasting approach with our supply chain aided by our internal logistics function, Taylor Wimpey Logistics (TWL). In 2021, the industry experienced pressures on the cost and availability of certain materials and a general shortage of drivers for haulage. Whilst challenging, we were able to effectively manage these pressures, aided by our scale and strong partner relationships and agreements and delivered 2021 completions in line with our expectations. Being a national builder allowed us to direct materials between regions to areas of acute shortages during the year. We collaborate with our supplier partners giving them good visibility of our build plans and product requirements, building trust and helping improve security of supply. Over the past several years as part of our Brexit preparations as well as our drive to continuously improve Group operational efficiency, we have worked hard to understand our supply chain, establishing highly detailed 'root to tip' knowledge of our material and component supplies, to help identify early and mitigate potential bottlenecks.

Collaboration brings benefits and the potential for time and 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.

During 2021 we rolled out a Nationwide Supplier Training programme focused on on-site training, competency and site-based audit for site teams, direct trades and subcontractors. This is delivered by the suppliers' technical representatives supporting 'right first time' build and improving quality and consistency to provide a better and higher-quality customer experience.

During 2022, we will begin setting improvement targets for categories of suppliers in areas such as embodied carbon and waste as part of our work to prepare for the Future Homes Standard and to reduce our scope 3 carbon footprint. We also work with the Supply Chain Sustainability School (SCSS), an industry collaboration, to help engage our suppliers on sustainability and give them access to training and resources.

We have been recognised by the CDP as a Supplier Engagement Leader and received a Supplier Engagement score of A for our approach to engaging suppliers on climate change.

Real Living Wage

In 2021, we became an accredited Living Wage Employer, meaning that all our directly employed staff and all those working for us via a subcontractor or service company are paid at least the real living wage, as set by the Living Wage Foundation. This is above the statutory living wage.

Small and local suppliers

We work with many small and medium sized (SME) businesses who provide labour, trades and services to our construction sites. Many of our partners are local and family-run businesses and working with them supports the local economy around our sites. We hold regular subcontractor engagement sessions in our regional businesses and offer other support to help local SMEs do business with us.

Taylor Wimpey Logistics

We relocated our central logistics hub, TW Logistics to Peterborough last year, improving transport links with our suppliers and the rest of the business. TWL is central to our drive to optimise efficiency in our procurement and materials supply and distribution. TWL provides a central hub for suppliers enabling us to consolidate supplies and provide them in build packs to our sites, on a just in time basis. This improves visibility and site efficiency and has certain practical advantages such as lessening frequency of large vehicles on smaller sites with limited road access. As TWL consolidates supplier deliveries, it provides a buffer against supplier fluctuations and availability challenges and it centrally manages new product implementation alleviating availability gaps. TWL has direct access to site build programmes and scheduling of call-offs which helps us maximise the use of standard house type templates, again improving our efficiency. TWL leverages commercial relationships as a bulk purchaser and as a single point of delivery. The division also helps us ensure adherence to standard specification through strictly controlled build packs, with safety critical and cost sensitive items also managed by TWL.

Central and local government

We engage with local authorities, parish councils, Homes England, the Greater London Authority (GLA), the Department for Levelling Up, Housing and Communities (DLUHC) and other public sector organisations to understand their priorities and share our views. We engage directly and through our membership of industry organisations such as the HBF and the British Property Federation (BPF).

Local planning authorities

We aim to work constructively with planning authorities to agree the details of our planning obligations for each development, including affordable housing, local infrastructure, and facilities.

We use the results of our community engagement to help us develop planning proposals that are financially viable and meet local needs. Each planning application integrates a clear development plan, enabling planning authorities to monitor progress.

Once planning permission is granted, our technical teams monitor compliance with planning agreements and obligations. We also track build rates to make sure that each scheme is being managed efficiently and new homes are delivered on time. This is overseen by the Managing Director in each regional business.

Charity partnerships

We focus on three priorities that are connected to our business: aspiration and education in disadvantaged areas, tackling homelessness and local projects that have a direct link to our regional businesses and developments.

During 2021, 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. In total, during 2021, we donated and fundraised c.£1 million for registered charities (2020: over £668k). This included supporting St Mungo's Construction Skills Training Centres to help people recovering from homelessness to gain new skills and find employment in the construction industry.

Investors

The combination of our operational performance, strong landbank and cash position enables Taylor Wimpey to deliver significant and reliable future shareholder returns.

Our aim is to continue to provide a reliable income stream to our shareholders, throughout the cycle, including during a 'normal downturn' via an ordinary cash dividend.

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, the method of which is considered by the Board at the appropriate time.

We have a very clear focus and strategy. We continue to build momentum to deliver what we have set out through achieving the following four priorities:

Operational excellence and discipline driving an increase in operating margin

Our primary performance focus is on delivering a 21-22% operating margin and we continue to target a number of areas to achieve this; focused on cost, process simplification and standardisation, enhancing the core drivers of value for our business.

The improvement in 2021 operating margin has been supported by increased focus on the balance between price and sales rate to offset build cost inflation; annualised cost savings arising from the 2020 restructure; increased volumes driving more efficient recovery of fixed costs; and the absence of non-recurring COVID-19 related costs.

We have a strong embedded margin in the landbank, which together with the new land acquisitions, gives us confidence in achieving our operating margin target.

We have embedded a disciplined cost mindset across the business and taken a number of proactive actions to reduce cost and optimise financial performance. In late 2020 and into 2021 we also completed a review and restructure of the business, including removing a layer of senior management.

Progressing recent land acquisitions through planning to facilitate outlet growth in late 2022 and volume growth in 2023

We remain focused on efficiently progressing recently acquired land through the planning system, positioning our business to deliver annual completions in line with our previous guidance of between 17,000 and 18,000 in the medium term. We are progressing the land through the planning stages as expected, providing excellent momentum for growth.

Continue to deliver consistently great build quality, customer service and employee experience and identify where we can add value

We began the investment in customer service and increasing build quality several years ago. Not only was this the right thing to do for customers, but it has also set the business up very well for upcoming changes with the introduction of the New Homes Ombudsman and building regulations. We are delighted to have been confirmed as once again leading the sector in the NHBC CQR score and we have maintained our HBF 5 star rating.

Further embedding sustainability through the business, targeting areas where we can make the most difference to future proof the business

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 is particularly important in a highly regulated and political industry.

We reaffirmed our commitment to play our part in addressing the environmental crisis through the launch of our ambitious environment strategy in early 2021. During 2021, we have clarified our ESG governance responsibilities and processes at Board level and identified 'Natural resources and climate change' as a Principal Risk. During 2022 we will develop our net zero transition plan and target.

Investment case

We have a strong investment case with a track record of generating attractive investor returns whilst operating sustainably to the benefit of all of our stakeholders, with:

- Strong momentum following significant recent land investment to drive outlet growth and volumes
- Clear levers to improve operating margin
- Highly cash generative with a commitment to return excess cash
- Delivering for all stakeholders

<u>Group financial review of operations</u>

Income statement

The numbers referenced below are statutory numbers unless otherwise stated.

Group revenue increased to £4,284.9 million in 2021 (2020: £2,790.2 million), reflecting the increase in completions in the UK (excluding joint ventures) to 13,929 (2020: 9,412) with the comparative period impacted by site closures due to COVID-19. UK average selling prices rose 4.0% to £299.8k (2020: £288.3k) and average selling prices on private completions increased by 2.8% to £332.2k (2020: £323.2k) in the UK, primarily due to house price inflation partly offset by changes to product mix.

Group gross profit increased to £1,027.0 million (2020: £496.7 million), representing a gross margin of 24.0% (2020: 17.8%). The increase in margin over the prior year was mainly driven by the lack of COVID-19 costs (£60.3 million) seen in 2020 as well as fixed costs being absorbed across more completions in the current year.

Net operating expenses of £328.8 million (2020: £214.3 million) include £125.0 million of exceptional costs relating to the cladding fire safety provision, which is detailed below. Excluding these exceptional costs the net operating expenses were £203.8 million, which was predominantly made up of administrative costs of £211.0 million (2020: £206.8 million). These increased from the prior year as the savings in the current year from the restructuring that occurred in 2020 were more than offset by increases in performance based remuneration and share based payment charges that reflected the improved trading in the year.

This resulted in a profit on ordinary activities before net finance costs of £698.2 million (2020: £282.4 million), £823.2 million (2020: £292.4 million) excluding exceptional items.

During the year, completions from joint ventures were 158 (2020: 197). The total order book value of joint ventures as at 31 December 2021 was £74 million (31 December 2020: £51 million), representing 151 homes (31 December 2020: 118).

Our share of joint ventures profits in the year was £5.4 million (2020: £7.9 million). When including this in the profit on ordinary activities before net finance costs the resulting operating profit was £828.6 million (2020: £300.3 million), delivering an operating profit margin of 19.3% (2020: 10.8%).

In March 2021, we announced that we would cover the costs to bring all Taylor Wimpey apartment buildings going back 20 years from 1 January 2021, irrespective of height or whether we retain a legal interest, in line with current EWS1 guidance, covering cladding and the whole of the external wall systems including balconies. As a result of this the Group announced an additional £125.0 million provision to fund cladding fire safety improvement works which has been charged to exceptional items in line with our policy. The prior year exceptional charge of £10.0 million arose following a review of ongoing works to replace Aluminium Composite Material (ACM) cladding on a small number of legacy developments.

The net finance expense of £24.0 million (2020: £25.9 million) principally includes imputed interest on land acquired on deferred terms, bank interest and interest on the pension scheme. The decrease compared with the prior year is mainly due to a reduction in the net bank interest payable, which in 2020 reflected the full draw down of the previously unutilised £550 million revolving credit facility, which was fully repaid in the first half of 2020, following the temporary closure of sites. In addition, changes in foreign exchange rates in the year resulted in a small foreign exchange loss compared with a gain in the prior year.

Profit on ordinary activities before tax increased to £679.6 million (2020: £264.4 million). The pre-exceptional tax charge was £147.9 million (2020: £49.1 million). This represents an underlying tax rate of 18.4% (2020: 17.9%) which includes a £2.6 million credit (2020: £1.4 million credit) arising from the remeasurement, in part, of the Group's UK deferred tax assets at 25.0% following the changes to the corporation tax rates enacted by the UK Government in the first half of the year. A tax credit of £23.8 million was recognised in respect of the exceptional charge (2020: £1.7 million). This resulted in a total tax charge of £124.1 million (2020: £47.4 million), at a rate of 18.3% (2020: 17.9%).

As a result, profit for the year was £555.5 million (2020: £217.0 million).

Basic earnings per share was 15.3 pence (2020: 6.3 pence). The adjusted basic earnings per share was 18.0 pence (2020: 6.5 pence).

Spain

Our Spanish business primarily sells second homes to European and international customers, with a small proportion of sales being primary homes for Spanish occupiers. The business has continued to face market disruption as a result of international travel restrictions imposed during the COVID-19 pandemic. However, it has performed well against this backdrop and sales rates have recovered as restrictions have eased, with the 2021 sales rate comparable with 2019.

We completed 215 homes in 2021 (2020: 190) at an average selling price of €417k (2020: €375k), and our total order book as at 31 December 2021 of 324 homes (31 December 2020: 126 homes), reflects the recovery in the year as noted above. Gross margin decreased to 24.3% (2020: 31.1%), primarily due to the increased level of sales commissions incurred following the greater number of reservations compared with the prior year, and this flowed through to an operating profit of £14.6 million for 2021 (2020: £15.8 million) and an operating profit margin of 19.0% (2020: 25.0%).

The total plots in the landbank stood at 2,779 (31 December 2020: 2,819), with net operating assets at £108.9 million (31 December 2020: £111.5 million).

Balance sheet

Net assets at 31 December 2021 increased by 7.4% to £4,314.0 million (31 December 2020: £4,016.8 million), with net operating assets** increasing by £185.8 million to £3,450.6 million (31 December 2020: £3,264.8 million). Return on net operating assets** increased to 24.7% (2020: 9.9%) as the increase in average net operating assets over the year, compared with the prior year, was more than offset by the increase in operating profit over the same period. Group net operating asset turn[*†] was 1.28 times (2020: 0.92).

Land

Land at 31 December 2021 increased by £510.0 million in the year to £3,385.7 million as the Group continued to invest in land opportunities following the equity raise completed in June 2020. The increased land investment also meant that land creditors increased to £806.4 million (31 December 2020: £675.9 million) with new obligations exceeding payments in the period. Included within the gross land creditor balance is £59.0 million of UK land overage commitments (31 December 2020: £64.9 million). £314.2 million of the land creditors is expected to be paid within 12 months and £492.2 million thereafter.

At 31 December 2021 the UK short term landbank comprised 85,376 plots (31 December 2020: 77,435), with a net book value of £2.9 billion (31 December 2020: £2.5 billion). Short term owned land comprised £2.8 billion (31 December 2020: £2.4 billion), representing 62,660 plots (31 December 2020: 53,731). The controlled short term landbank represented 22,716 plots (31 December 2020: 23,704).

The value of long term owned land increased to £298 million (31 December 2020: £217 million), representing 37,425 plots (31 December 2020: 36,968), with a further total controlled strategic pipeline of 107,809 plots (31 December 2020: 101,676). Total potential revenue in the owned and controlled landbank increased to £59 billion in the year (31 December 2020: £54 billion).

Work in progress (WIP)

Total WIP has reduced as completions originally planned for completion in Q4 2020 were delayed into the first half of the current year resulting in a greater WIP balance at the end of the prior year. Whilst the number of outlets at 31 December 2021 was lower than at the start of the year, the average WIP per UK outlet was broadly flat at £6.5 million (31 December 2020: £6.6 million), reflecting a continuing investment in build on active sites.

Provisions and deferred tax

Provisions increased to £245.1 million (31 December 2020: £130.5 million) due to the £125.0 million cladding fire safety provision recognised in the period. There was continued utilisation

of the existing provision as works have been carried out as well as utilisation of the Ground Rent Review Assistance Scheme ('GRRAS') provision as claims have been received and processed. During the year the Group agreed voluntary undertakings with the CMA which built on the existing GRRAS scheme, the cost of these undertakings fall within the original provision made by the Group in 2017.

Our net deferred tax asset of £26.2 million (31 December 2020: £33.7 million) relates to our pension deficit, employee share schemes and the temporary differences of our Spanish business, including brought forward trading losses. The decrease in the pension deficit in the period decreased the deferred tax asset recognised, with some offset as the deferred tax asset has been remeasured, in part, at 25.0% (31 December 2020: 19.0%) following the UK enacted change in rate in the period.

Pensions

Following the 31 December 2016 triennial valuation, the Group agreed a recovery plan with the Trustee to pay deficit reduction contributions of up to £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.

During 2020, the Group engaged with the Taylor Wimpey Pension Scheme ('TWPS') Trustee on the triennial valuation of the pension scheme with a reference date of 31 December 2019. In March 2021, a new funding arrangement was agreed with the Trustee that commits the Group to paying £20.0 million per annum into an escrow account between April 2021 and March 2024. The first six months of contributions between 1 April 2021 and 30 September 2021 were guaranteed. From 1 October 2021, payments into the escrow account are subject to a quarterly funding test with the first funding test having an effective date of 30 September 2021. Contributions to the escrow are suspended should the TWPS Technical Provisions funding position at any quarter end be 100% or more and would restart should the funding subsequently fall below 98%.

The Group continues to provide a contribution for Scheme expenses and also makes contributions via the Pension Funding Partnership. Total Scheme contributions and expenses in 2021 were £17.4 million (2020: £37.1 million) with a further £10.0 million paid into the escrow account (2020: nil). Further payments into escrow are subject to quarter-end funding tests and would amount to an additional £5.0 million being paid into escrow in 2022 each quarter if the funding test is not met at the respective quarter end. The most recent funding test at December 2021 showed a surplus of £43 million and a funding level of 101.7% and as a result no payment into escrow is due in the first quarter of 2022.

At 31 December 2021, the IAS 19 valuation of the Scheme was a surplus of £149.9 million (31 December 2020: deficit of £89.1 million). Due to the rules of the TWPS, any surplus cannot be recovered by the Group and therefore a deficit has been recognised on the balance sheet under IFRIC14. The deficit being equal to the present value of the remaining committed payments under the 2019 triennial valuation. No such adjustment was recognised at 31 December 2020 since the deficit on an IAS 19 accounting basis exceeded the present value of committed payments at that time. Retirement benefit obligations of £37.3 million at 31 December 2021 (31 December 2020: £89.5 million) comprise a defined benefit pension liability of £37.0 million (31 December 2020: £89.1 million) and a post-retirement healthcare liability of £0.3 million (31 December 2020: £0.4 million).

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

Net cash and financing position

Net cash increased to £837.0 million at 31 December 2021 from £719.4 million at 31 December 2020, due to strong cash generation from operating activities being partially offset by an increase in land investment, and the payment of dividends in the year.

Average net cash for the year was £788.1 million (31 December 2020: £399.3 million).

In the year to 31 December 2021, the inflow of cash from operations as a result of the improved trading led to cash conversion‡‡ of 69.4% of operating profit (2020: (54.9)%).

Net cash, combined with land creditors, resulted in an adjusted gearing‡‡‡‡ of (0.7)% (31 December 2020: (1.1)%).

At 31 December 2021 our committed borrowing facilities were £634 million of which £550 million was undrawn. The average maturity of the committed borrowing facilities at 31 December 2021 was 2.9 years (31 December 2020: 3.8 years).

Dividends

Subject to shareholder approval at the AGM scheduled for 26 April 2022 the 2021 final ordinary dividend of 4.44 pence per share will be paid on 13 May 2022 to shareholders on the register at the close of business on 1 April 2022 (2020 final dividend: 4.14 pence per share). In combination with the 2021 interim dividend of 4.14 pence per share this gives total ordinary dividends for the year of 8.58 pence per share (2020 ordinary dividend: 4.14 pence per share).

The dividend will be paid as a cash dividend, and shareholders in the United Kingdom have the option to reinvest all of their dividend under the Dividend Re-Investment Plan (DRIP), details of which are available on our website www.taylorwimpey.co.uk/corporate.

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.

Following the strong performance of the business during 2021, we are today announcing our intention to return excess cash of c.£150 million in 2022 through the implementation of a share buyback programme, with an initial tranche of c.£75 million expected to be completed by no later than 3 June 2022.

Going concern

The Directors remain of the view that the Group's financing arrangements and balance sheet strength provide both the necessary liquidity and covenant headroom to enable the Group to conduct its business for at least the next 12 months. Accordingly, the financial statements are prepared on a going concern basis, see note 1 of the financial statements for further details of the assessment performed.

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 Residential Property Developer Tax;
- Strategy and business model flexibility, including build quality, customer dynamics and approach to land investment; and
- 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 Annual Report and Accounts 2021.

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, current market circumstances and the potential impact of the Principal and Emerging Risks facing the Group.

The Principal Risks, to which the Group are subject, have undergone a comprehensive review by the GMT and Board in the current year. Consideration is given to the risk likelihood based on the probability of occurrence and potential impact on our business, together with the effectiveness of mitigations.

The Directors identified the Principal Risks that have the most impact on the longer-term prospects and viability of the Group, and as such have been used in the modelling of a severe but plausible downside scenario, as:

- Government policies, regulations and planning (A);
- Mortgage availability and housing demand (B);
- Availability and costs of materials and subcontractors (C);
- Quality and reputation (F); and
- Cyber Security (I)

A range of sensitivity analysis for these risks together with likely mitigating actions that would be adopted in response to these circumstances were modelled, including a severe but plausible downside scenario in which the impacts were aggregated together.

The impact from 'Natural resources and climate change' (H) is not deemed to be material within the five year forecast period, albeit known costs from regulation have been included in the modelling (e.g. updates to Parts L&F of the building regulations in England and Future Homes Standard).

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 macro-economic and industry-wide projections as well as matters specific to the Group.

The severe but plausible downside scenario reflects the aggregated impact of the sensitivities, taking account of a sharp decline in customer confidence, disposable incomes, and mortgage availability. To arrive at 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 2022 expectations in order to test the resilience of our business. As a result, we have stress tested our business against the following severe but plausible downside scenarios which can be attributed back to the Group's Principal Risks that have been identified as having the most impact on the longer-term prospects and viability of the Group.

Volume (Principal Risk: A, B, C, F) – a decline in total volumes of 20% from 2021, recovering by the end of the forecast period.

Price (Principal Risk: B) – a reduction to current selling prices of 20%, recovering by the end of the forecast period.

Costs (Principal Risk: A, F, I) – a one-off exceptional charge and cash cost of £150 million for an unanticipated event, change in Government regulations or financial penalty (e.g. from a Cyber Security breach).

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

The mitigating actions considered in the model include a reduction in land investment, a reduction in the level of production and work in progress held and reducing our overhead base to reflect the lower volumes.

If these scenarios were to occur, 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.

The Group's liquidity (defined as cash and undrawn committed facilities) was £1,471 million at 31 December 2021. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis.

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 Annual Report and Accounts 2021.

Definitions

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

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

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

† 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 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, with operating cash flow defined as cash generated from operations (which is before taxes paid, interest paid and payments related to exceptional charges)

‡‡‡‡ 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 (operating margin, return on net operating assets, 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 13 of the financial statements.

Shareholder information

The Company's 2022 Annual General Meeting (AGM) will be held at 10:30am on 26 April 2022 in the Winterlake Suite at the Crowne Plaza Marlow, Fieldhouse Lane, Marlow, SL7 1GJ.

Copies of the Annual Report and Accounts 2021 will be available from 23 March 2022 on the Company's website www.taylorwimpey.co.uk/corporate. Hard copy documents will be posted to shareholders who have elected to receive them and will also be available from our registered office at Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR from 23 March 2022.

A copy of the Annual Report and Accounts 2021 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 full Annual Report and Accounts for the year ended 31 December 2021. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge that:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the Principal Risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 2 March 2022 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 Annual Report and Accounts 2021 details the full governance procedures and processes for identification and subsequent monitoring of the risks undertaken by the Group.

The Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.

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. In line with the 2018 UK Corporate Governance Code, the Board holds formal risk reviews at least half yearly and routinely considers risk at each Board meeting as appropriate. The formal assessment includes a robust consideration of the Principal Risks to ensure they remain appropriate as well as a review of the key and emerging risks identified by the business, their risk profile and mitigating factors. During the year, two new Principal Risks have been added to our risk profile: 'Natural resources and climate change' and 'Cyber security', and three of our other Principal Risks have seen an increase in their residual rating;- 'Government policies, regulations and planning', 'Availability and costs of materials and subcontractors' and 'Quality and reputation'. We continue to recognise and monitor the impact of COVID-19 on our entire risk landscape. Our Principal Risks 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. As part of our risk management process, these are monitored and reviewed on an ongoing basis and discussed and agreed by the Board.

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 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.

Whilst we continue to recognise the risks associated with leaving the EU and the effects of the COVID-19 pandemic, the Board views these potential risks as an integral part of our Principal Risks rather than as separate standalone risks. We continue to monitor and mitigate the impacts on our supply chain and labour force and the overall economic market impacting mortgage availability and demand.

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 2021 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
A. Government policies, regulations and planning The industry in which we operate is becoming increasingly regulated. Failure to adhere to Government regulations could impact our operational performance and our ability to meet our strategic objectives. Changes to the planning system or planning delays could result in missed opportunities to optimise our landbank, affecting profitability and production delivery. Accountability Group Operations Director Regional Managing Directors	Moderate	Low	**Example key risk indicators** - Removal of Help to Buy - New Government regulations (e.g. around planning and climate) - Delays in planning - Sentiment towards the industry (e.g. Cladding fire safety remediation) **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 - Cladding fire safety provision **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
B. Mortgage availability and housing demand A decline in the economic environment, driven by sustained growth in interest rates, low wage inflation or increasing levels of unemployment, could result in tightened mortgage availability and challenge mortgage affordability for our customers resulting in a direct impact on our volume targets. Accountability UK Sales and Marketing Director Regional Sales and Marketing Directors	Moderate	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 - 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
C. Availability and costs of materials and subcontractors Increase in housing demand and production or a breakdown within the supply chain 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 Group Commercial Director	Moderate	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 - Contingency plans for critical path products - 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
D. 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	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 - Taylor Wimpey challenge **Opportunities** To further develop in-house capability, expertise and knowledge.

Description	Residual risk rating	Risk appetite	Example key risk indicators, mitigations and opportunity
E. Land availability An inability to secure land at an appropriate cost, the purchase of land of poor quality or in the wrong location 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 Managing Director Group Strategic Land	Low	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
F. 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 Head of Production Director of Design	Moderate	Low	**Example key risk indicators** - Customer satisfaction metrics (9 month and 8 week) - Number of NHBC claims - Construction Quality Review (CQR) scores - Average reportable items per inspection found during HNBC inspections at key stages of the build **Key mitigations** - Customer-ready Home Quality Inspection (HQI) - Consistent Quality Approach (CQA) - Quality Managers in the business **Opportunities** To better understand the needs of our customers enabling increased transparency of our build profile. To lead the industry in quality standards (our CQR 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
G. Health, safety and environment 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 Head of Health, Safety and Environment Group Operations Director Director of Design Every employee and subcontractor	Low	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.

Description	Residual risk rating	Risk appetite	Example key risk indicators, mitigations and opportunity
H. Natural resources and climate change (NEW) An inability to reduce our environmental footprint, the challenges of a degraded environment including the impacts of climate change, nature loss and water scarcity on our business, supply chain scarcity due to environmental change and the increasing desire of our customers to live more sustainably could impact our reputation, ability to attract investment and obtain planning permission and the delivery of our strategic targets. Accountability Director of Sustainability Regional Managing Directors	Moderate	Low	**Example key risk indicators** - Energy use & GHG emissions - % Biodiversity net gain - Construction waste generation & waste to landfill **Key mitigations** - Published Environment Strategy - Adoption of Science Based Targets - Climate change governance, including LEAF committee - Achievement of Carbon Trust Standard - HBF & investor liaison - Training and development in house and in our supply chain - Data collection and management **Opportunities** Sustainable homes and developments attractive to customers. A sustainable business of choice for investors. Advantageous planning positions.

Description	Residual risk rating	Risk appetite	Example key risk indicators, mitigations and opportunity
I. Cyber security (NEW) The Group places increasing reliance on IT to conduct its operations and the requirement to maintain the accuracy and confidentiality of its information systems and the data contained therein. A cyber-attack leading to the corruption, loss or theft of data could result in reputational and operational damage. Accountability IT Director	Moderate	Low-moderate	**Example key risk indicators** – Number of devices with critical and high open vulnerabilities – Number of devices without latest patching in place – Phishing test results – Cyber Training completion statistics – Number of users with administrative privileges to critical systems **Key mitigations** - Complex passwords policy - Multi-factor authentication for remote access - Regular security patching and penetration testing - Risky logins check - Intrusion detection and prevention systems - Suspected phishing emails process - Mandated cyber training for all staff - Embedded security in new project deliverables **Opportunities** Together with our service partners, provide a level of security to reinforce our reputation as a trusted partner.

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 2021

£ million	Note	**Before exceptional items 2021**	**Exceptional items 2021**	**Total 2021**	Before exceptional items 2020	Exceptional items 2020	Total 2020
Continuing operations							
Revenue	2	**4,284.9**	–	**4,284.9**	2,790.2	–	2,790.2
Cost of sales		**(3,257.9)**	–	**(3,257.9)**	(2.293.5)	–	(2.293.5)
Gross profit		**1,027.0**	–	**1,027.0**	496.7	–	496.7
Net operating expenses	4	**(203.8)**	**(125.0)**	**(328.8)**	(204.3)	(10.0)	(214.3)
Profit on ordinary activities before net finance costs		**823.2**	**(125.0)**	**698.2**	292.4	(10.0)	282.4
Finance income	5	**2.4**	–	**2.4**	3.5	–	3.5
Finance costs	5	**(26.4)**	–	**(26.4)**	(29.4)	–	(29.4)
Share of results of joint ventures		**5.4**	–	**5.4**	7.9	–	7.9
Profit before taxation		**804.6**	**(125.0)**	**679.6**	274.4	(10.0)	264.4
Taxation (charge)/credit	6	**(147.9)**	**23.8**	**(124.1)**	(49.1)	1.7	(47.4)
Profit for the year		**656.7**	**(101.2)**	**555.5**	225.3	(8.3)	217.0

		2021	2020
Basic earnings per share	7	**15.3p**	6.3p
Diluted earnings per share	7	**15.2p**	6.2p
Adjusted basic earnings per share	7	**18.0p**	6.5p
Adjusted diluted earnings per share	7	**18.0p**	6.5p

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

Consolidated Statement of Comprehensive Income

for the year to 31 December 2021

£ million	Note	**2021**	2020
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(6.9)**	5.2
Movement in fair value of hedging instruments		**4.8**	(4.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	10	**37.9**	(36.6)
Tax (charge)/credit on items taken directly to other comprehensive income	8	**(5.4)**	8.6
Other comprehensive income/(expense) for the year		**30.4**	(27.0)
Profit for the year		**555.5**	217.0
Total comprehensive income for the year		**585.9**	190.0

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

Consolidated Balance Sheet
at 31 December 2021

£ million	Note	**2021**	2020
Non-current assets			
Intangible assets		**6.6**	8.1
Property, plant and equipment		**21.7**	24.0
Right-of-use assets		**26.5**	27.5
Interests in joint ventures		**85.4**	82.2
Trade and other receivables		**27.5**	26.3
Other financial assets	10	**10.0**	–
Deferred tax assets	8	**26.2**	33.7
		203.9	201.8
Current assets			
Inventories	9	**4,945.7**	4,534.7
Trade and other receivables		**168.2**	189.1
Tax receivables		**1.0**	–
Cash and cash equivalents		**921.0**	823.0
		6,035.9	5,546.8
Total assets		**6,239.8**	5,748.6
Current liabilities			
Trade and other payables		**(901.9)**	(919.3)
Lease liabilities		**(7.0)**	(6.4)
Bank and other loans		**–**	(13.5)
Tax payables		**(0.8)**	(1.1)
Provisions		**(125.4)**	(70.6)
		(1,035.1)	(1,010.9)
Net current assets		**5,000.8**	4,535.9
Non-current liabilities			
Trade and other payables		**(629.3)**	(459.8)
Lease liabilities		**(20.4)**	(21.6)
Bank and other loans		**(84.0)**	(90.1)
Retirement benefit obligations	10	**(37.3)**	(89.5)
Provisions		**(119.7)**	(59.9)
		(890.7)	(720.9)
Total liabilities		**(1,925.8)**	(1,731.8)
Net assets		**4,314.0**	4,016.8
Equity			
Share capital		**292.2**	292.2
Share premium		**777.5**	773.1
Own shares		**(14.6)**	(11.5)
Other reserves		**541.6**	543.7
Retained earnings		**2,717.3**	2,419.3
Total equity		**4,314.0**	4,016.8

Consolidated Statement of Changes in Equity
for the year to 31 December 2021

£ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Total equity at 1 January 2020	288.6	762.9	(17.6)	43.6	2,230.3	3,307.8
Other comprehensive income/(expense) for the year	–	–	–	1.0	(28.0)	(27.0)
Profit for the year	–	–	–	–	217.0	217.0
Total comprehensive income for the year	–	–	–	1.0	189.0	190.0
New share capital subscribed	3.6	10.2	–	499.1	–	512.9
Utilisation of own shares	–	–	6.1	–	–	6.1
Cash cost of satisfying share options	–	–	–	–	(8.0)	(8.0)
Share-based payment credit	–	–	–	–	7.0	7.0
Tax charge on items taken directly to statement of changes in equity	–	–	–	–	1.0	1.0
Total equity at 31 December 2020	292.2	773.1	(11.5)	543.7	2,419.3	4,016.8
Other comprehensive (expense)/income for the year	**–**	**–**	**–**	**(2.1)**	**32.5**	**30.4**
Profit for the year	**–**	**–**	**–**	**–**	**555.5**	**555.5**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**(2.1)**	**588.0**	**585.9**
New share capital subscribed	**–**	**4.4**	**–**	**–**	**–**	**4.4**
Own shares acquired	**–**	**–**	**(4.2)**	**–**	**–**	**(4.2)**
Utilisation of own shares	**–**	**–**	**1.1**	**–**	**–**	**1.1**
Cash cost of satisfying share options	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Share-based payment credit	**–**	**–**	**–**	**–**	**13.2**	**13.2**
Tax credit on items taken directly to statement of changes in equity	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Dividends approved and paid	**–**	**–**	**–**	**–**	**(301.5)**	**(301.5)**
Total equity at 31 December 2021	**292.2**	**777.5**	**(14.6)**	**541.6**	**2,717.3**	**4,314.0**

Consolidated Cash Flow Statement

for the year to 31 December 2021

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

1. Basis of preparation

These results do not constitute the Group's statutory accounts for the year ended 31 December 2021 but are derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's Annual General Meeting. The external auditors have 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.

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

Going concern

Group forecasts have been prepared that have considered the Group's current financial position and current market circumstances. The forecasts were subject to sensitivity analysis together with the likely effectiveness of mitigating actions. The assessment considers sensitivity analysis on a series of realistically possible, but severe and prolonged, changes to principal assumptions. In determining these the Group has included macro-economic and industry-wide projections as well as matters specific to the Group.

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

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

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

The mitigating actions considered in the model include a reduction in land investment, a reduction in the level of production and work in progress held and reducing our overhead base to reflect the lower volumes. If these scenarios were to occur, the Group also has a range of additional options to maintain its financial strength, including: a reduction in capital expenditure, the sale of assets, reducing the dividend, and or raising debt. The Group's liquidity (defined as cash and undrawn committed facilities) was £1,471 million at 31 December 2021. The undrawn facilities of £550 million mature in February 2025 with the drawn facility maturing more than one year after the current balance sheet date with €100 million due in June 2023. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis.

Based on these forecasts, it is considered that there are sufficient resources available for the Group to conduct its business, and meet its liabilities as they fall due, for at least the next 12 months from the date of these consolidated financial statements. Consequently the consolidated financial statements have been prepared on a going concern basis.

2. Revenue

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

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

3. Operating segments

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

The United Kingdom is split into five geographical operating segments, each managed by a Divisional Chair who sits on the Group Management Team; there are also central operations covering the corporate functions and Strategic Land. All the UK operating segments share similar economic characteristics. In making this assessment the Group has considered the key metrics that are used to monitor the performance of the segments; these have been considered over a long term period and have included historic and forecast results. The metrics focus on profitability, return on capital and other asset related measures. In addition each Division builds and delivers residential homes, uses consistent methods of construction, sells homes to both private customers and local housing associations, follows a single UK sales process and operating framework, is subject to the same macro-economic factors including mortgage availability and has the same cost of capital arising from the utilisation of central banking and debt facilities. As a result, the disclosure reflects the two reportable segments of the UK and Spain. Revenue in Spain arises entirely on private sales.

	2021			2020		
£ million	**UK**	**Spain**	**Total**	UK	Spain	Total
Revenue						
External sales	**4,208.1**	**76.8**	**4,284.9**	2,726.9	63.3	2,790.2
Result						
Profit before joint ventures, finance costs and exceptional items	**808.6**	**14.6**	**823.2**	276.6	15.8	292.4
Share of results of joint ventures	**5.4**	**–**	**5.4**	7.9	–	7.9
Operating profit (Note 13)	**814.0**	**14.6**	**828.6**	284.5	15.8	300.3
Exceptional items (Note 4)	**(125.0)**	**–**	**(125.0)**	(10.0)	–	(10.0)
Profit before net finance costs	**689.0**	**14.6**	**703.6**	274.5	15.8	290.3
Net finance costs			**(24.0)**			(25.9)
Profit before taxation			**679.6**			264.4
Taxation charge			**(124.1)**			(47.4)
Profit for the year			**555.5**			217.0

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

3. Operating segments (continued)

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

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

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

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

Other income and expenses include profits on the sale of property, plant and equipment and the revaluation of certain shared equity mortgage receivables, pre-acquisition and abortive costs, and profit/loss on the sale of part exchange properties.

Exceptional items:

£ million	**2021**	2020
Provision in relation to cladding fire safety	**125.0**	10.0
Exceptional items	**125.0**	10.0
Tax credit	**(23.8)**	(1.7)
Post-tax exceptional items	**101.2**	8.3

Cladding fire safety

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

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

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

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

During 2020 the Group identified and expensed £62.7 million of costs relating to the COVID-19 pandemic, with £60.3 million charged to gross profit and £2.4 million to administrative costs. These costs included unproductive site overhead costs incurred during the controlled closure and lockdown period which would ordinarily be capitalised to WIP and expensed as plots legally completed of £29.9 million; additional costs incurred by the business due to extended site durations resulting from the reduced productivity levels as the Group implemented its operational processes under the COVID-secure guidelines totalling £17.4 million; and incremental costs incurred by the business in responding to COVID-19, including to meet its health and safety requirements and complying with Government guidelines, of £15.4 million. No costs in relation to COVID-19 have been separately identified in 2021.

5. Finance income and finance costs

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

£ million	**2021**	2020
Interest on bank and other loans	**(5.0)**	(8.3)
Foreign exchange loss	**(0.8)**	–
	(5.8)	(8.3)
Unwinding of discount on land creditors and other items	**(19.2)**	(19.3)
Interest on lease liabilities	**(0.4)**	(0.4)
Net interest on pension liability (Note 10)	**(1.0)**	(1.4)
	(26.4)	(29.4)

6. Taxation charge

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

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

Corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated assessable profit for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The effective tax rate, before exceptional items, is 18.4% (2020: 17.9%). The tax charge for the year includes an exceptional credit of £23.8 million relating to the cladding fire safety provision. The tax charge for the prior year includes an exceptional credit of £1.7 million relating to the cladding fire safety provision.

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

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

7. Earnings per share

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

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

£ million	**2021**	2020
Earnings for basic and diluted earnings per share	**555.5**	217.0
Adjust for exceptional items (Note 4)	**125.0**	10.0
Adjust for tax on exceptional items (Note 6)	**(23.8)**	(1.7)
Earnings for adjusted basic and adjusted diluted earnings per share	**656.7**	225.3

8. Deferred tax

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2020	3.4	2.3	5.3	13.4	5.4	29.8
(Charge)/credit to income	(1.3)	(0.3)	–	(5.1)	0.6	(6.1)
Credit to other comprehensive income	–	–	–	8.6	–	8.6
Credit to statement of changes in equity	0.8	–	–	–	–	0.8
Foreign exchange	–	–	0.6	–	–	0.6
At 31 December 2020	2.9	2.0	5.9	16.9	6.0	33.7
Credit/(charge) to income	**0.9**	**0.4**	**1.2**	**(2.7)**	**(1.6)**	**(1.8)**
Charge to other comprehensive income	–	–	–	**(5.4)**	–	**(5.4)**
Credit to statement of changes in equity	**0.1**	–	–	–	–	**0.1**
Foreign exchange	–	–	**(0.4)**	–	–	**(0.4)**
At 31 December 2021	**3.9**	**2.4**	**6.7**	**8.8**	**4.4**	**26.2**

Closing deferred tax on UK temporary differences has been calculated at the tax rates that are expected to apply (based on currently enacted law) for the period when the asset is realised, or the liability is settled. Accordingly, the temporary differences have been calculated at rates between 19% and 25% (2020: 19%), depending on when the asset will unwind.

8. Deferred tax (continued)

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

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

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

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £1.9 million (2020: £2.4 million) in the UK and £27.4 million (2020: £38.7 million) in Spain. The UK temporary differences have not been recognised as they are predominantly non-trading in nature and insufficient certainty exists as to their future utilisation. The temporary differences in Spain have not been recognised due to uncertainty of sufficient taxable profits in the future against which to utilise these amounts.

At the balance sheet date, the Group has unused UK capital losses of £269.5 million (2020: £269.5 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2021 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

9. Inventories

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

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

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

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

10. Retirement benefit obligations

Total retirement benefit obligations of £37.3 million (2020: £89.5 million) comprise a defined benefit pension liability of £37.0 million (2020: £89.1 million) and a post-retirement healthcare liability of £0.3 million (2020: £0.4 million).

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.

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

During 2020, the Group engaged with the TWPS Trustee on the triennial valuation of the TWPS with a reference date of 31 December 2019. The result of this valuation was a Technical Provisions deficit at 31 December 2019 of £36.0 million.

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

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

On an IAS 19 accounting basis the underlying surplus in the TWPS at 31 December 2021 was £149.9 million (2020: deficit of £89.1 million). The terms of the TWPS are such that the Group does not have an unconditional right to a refund of surplus. As a result, in 2021, the Group recognised an adjustment to the underlying surplus in the TWPS on an IAS 19 accounting basis of £186.9 million, resulting in an IFRIC 14 deficit of £37.0 million, which represented the present value of future contributions under the funding plan. No such adjustment was recognised as of 31 December 2020 since the TWPS deficit on an IAS 19 accounting basis exceeded the IFRIC 14 deficit.

10. Retirement benefit obligations (continued)

In 2013, the Group introduced a £100.0 million Pension Funding Partnership that utilises the Group's show homes, as well as six offices, in a sale and leaseback structure. This provides an additional £5.1 million of annual funding for the TWPS. The assets held within the Pension Funding Partnership do not affect the IAS 19 figures (before IFRIC 14) as they remain assets of the Group, and are not assets of the TWPS. At 31 December 2021 there was £81.8 million of property and £31.0 million of cash held within the structure (2020: £90.3 million of property and £21.9 million of cash). The terms of the Pension Funding Partnership are such that, should the TWPS be in a Technical Provisions deficit at 31 December 2028, then a bullet payment will be due to the TWPS equal to the lower of £100.0 million or the Technical Provisions deficit at that time.

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The TWPS assets are approximately 96% hedged against changes in both interest rates and inflation expectations on the scheme's long term funding basis that is currently used for investment strategy purposes. The TWPS also benefits from a bulk annuity contract which covers some of the largest liabilities in the scheme, providing protection against interest rate, inflation and longevity risk.

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.

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

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

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

10. 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 2021	**(2,493.4)**	**2,404.3**	**(89.1)**
Administration expenses	–	**(2.2)**	**(2.2)**
Interest (expense)/income	**(31.7)**	**30.7**	**(1.0)**
Total amount recognised in income statement	**(31.7)**	**28.5**	**(3.2)**
Remeasurement gain on scheme assets	–	**102.9**	**102.9**
Change in demographic assumptions	**29.3**	–	**29.3**
Change in financial assumptions	**131.6**	–	**131.6**
Experience loss	**(39.0)**	–	**(39.0)**
Adjustment to liabilities for IFRIC 14	**(186.9)**	–	**(186.9)**
Total remeasurements in other comprehensive income	**(65.0)**	**102.9**	**37.9**
Employer contributions	–	**17.4**	**17.4**
Employee contributions	–	–	–
Benefit payments	**107.8**	**(107.8)**	–
At 31 December 2021	**(2,482.3)**	**2,445.3**	**(37.0)**

£ 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)
Remeasurement gain on scheme assets	–	159.1	159.1
Change in demographic assumptions	(100.8)	–	(100.8)
Change in financial assumptions	(286.3)	–	(286.3)
Experience gain	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)

11. Notes to the cash flow statement

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

Movement in net cash

£ million	Cash and cash equivalents	Bank and other loans	Total net cash
Balance at 1 January 2020	630.4	(84.7)	545.7
Net cash flow	191.3	(13.5)	177.8
Foreign exchange	1.3	(5.4)	(4.1)
Balance at 31 December 2020	823.0	(103.6)	719.4
Net cash flow	**99.9**	**12.7**	**112.6**
Foreign exchange	**(1.9)**	**6.9**	**5.0**
Balance at 31 December 2021	**921.0**	**(84.0)**	**837.0**

12. Dividends

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

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

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

13. 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.

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

Net operating assets

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

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

Return on net operating assets

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

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

13. Alternative performance measures (continued)

Net operating asset turn

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

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

Tangible net assets per share

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

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

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 11.

Cash conversion

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

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

Adjusted gearing

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

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

Adjusted basic and diluted 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 7 shows a reconciliation from basic and diluted earnings per share to adjusted basic and diluted earnings per share.

14. Post Balance Sheet Events

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