Taylor Wimpey | plc

2 March 2023

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

Delivering strong results and well positioned to manage a range of market conditions

Jennie Daly, Chief Executive, commented:

"We have delivered a strong financial and operational performance in 2022 with full year operating profit in line with expectations. We are particularly pleased to have delivered a strong operating profit margin as a result of tight operational controls and price discipline."

"In a year marked by two distinct halves, we acted quickly and decisively to address rapidly changing market conditions in the second half of the year and continued to focus on operational excellence and efficiency. While the weaker economic backdrop continues to impact the near-term outlook, customer interest in our homes remains good and, whilst it is still early in the year, trading has shown some signs of improvement compared to Q4 2022."

"Looking forward, we have a strong proposition that is clearly recognised and valued by our customers, supported by our sharp operational focus and highly experienced teams. We have a high-quality, well located landbank and a strong financial position which underpins our Ordinary Dividend Policy of paying out 7.5% of net assets, or at least £250 million, annually throughout the cycle."

Group financial highlights:

	2022	**2021**	**Change**
Revenue £m	4,419.9	4,284.9	3.2%
Operating profit* £m	923.4	828.6	11.4%
Operating profit margin*† %	20.9%	19.3%	1.6ppt
Profit before tax £m	827.9	679.6	21.8%
Profit before tax and exceptional items £m	907.9	804.6	12.8%
Profit for the year £m	643.6	555.5	15.9%
Basic earnings per share pence	18.1	15.3	18.3%
Adjusted basic earnings per share pence††	19.8	18.0	10.0%
Ordinary dividend per share pence[1]	9.40	8.58	9.6%
Tangible net assets value per share pence†	126.5	118.1	7.1%
Net cash ‡ £m	863.8	837.0	3.2%

1. 2022 Final ordinary dividend of 4.78 pence per share, subject to shareholder approval and 2022 Interim dividend of 4.62 pence per share.

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

Operational Highlights:

- Group completions (including JVs) of 14,154 (2021: 14,302)
- Net sales rate for the year of 0.68 homes per outlet per week (2021: 0.91)
- UK average selling prices on private completions up 6% to £352k (2021: £332k) with the overall average selling price up 4% to £313k (2021: £300k)
- Proactive and early response to changing market conditions from H2 2022: reduced land spend, tightened control of work in progress (WIP) and cost action announced in January 2023 expected to generate annualised savings of c.£20 million with a c.£8 million one-off cost to implement
- Delivered planned increase in outlets to total of 259 (31 December 2021: 228), providing flexibility and choice in the year ahead
- Establishing a new timber frame facility in Peterborough in 2023 to drive efficiencies and security of supply

Responsible business and leader in Sustainability:

- Developed our Net Zero Transition Plan and announced our target to reach net zero carbon emissions across our value chain by 2045, ahead of regulation
- Recognition of ESG progress: Dow Jones Sustainability Index and Sustainability Yearbook inclusion, rated A- by CDP Climate Change, highest scoring housebuilder in the Responsibility100 Index
- We are in final discussions with the Department for Levelling Up, Housing and Communities (DLUHC) in relation to the long form agreement with a view to signing, and continue to progress our remediation schedule
- Rated five-star for customer service in the Home Builders Federation (HBF) survey
- Contributed £455 million to local communities in which we build across the UK via planning obligations (2021: £418 million)
- Launching our Future Homes Standard trials in first half of 2023

Current trading and Outlook

Whilst still early in the year at the start of the Spring selling season, current trading shows some signs of improvement from the fourth quarter of 2022. The year-to-date net private sales rate (w/e 26 February 2023) is 0.62 per outlet per week (2022 equivalent period: 1.02) with the four week average running at 0.66 per outlet per week. This improved sales rate follows recent reductions in mortgage rates, early signs of stabilised customer confidence, usual seasonal trading patterns and the benefit of our focused promotional activity. The cancellations rate was 17% (2022 equivalent period: 14%). The level of down valuations remains low.

While it is encouraging to see an uptick in sales and ongoing robust customer interest in our homes, as previously announced, our reservation rate is significantly lower than in recent years as affordability concerns weigh, particularly for first time buyers, and we have reflected this in our build programmes for the year.

As at 26 February, our total order book excluding joint ventures was £2,154 million (2022 equivalent period: £2,899 million), comprising 8,078 homes (2022 equivalent period: 10,934 homes). Accordingly, assuming prevailing market conditions continue and given a challenging planning backdrop, we currently expect 2023 completions to be in the range of

9,000 to 10,500, broadly equivalent to a net sales rate assumption of 0.5 to 0.7, with completions more weighted to the second half, reflecting the lower sales rate since Q3 2022.

Based on the quality of our order book we expect average pricing for private completions in the first half of 2023 to be at a similar level to the £367k achieved on completions in H2 2022. We remain focused on building a strong order book to optimise value as we look ahead.

Looking forward, our business is well positioned with a clear strategy focused on operational excellence, delivering value from our high-quality landbank and strong financial position. While we remain highly selective in our land acquisition and focused on continued tight cost and work in progress management, we remain agile and ready to respond quickly to changing market conditions.

-Ends-

A presentation to analysts will be hosted by Chief Executive Jennie Daly and Group Finance Director Chris Carney, at 9am on Thursday 2 March 2023. 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 2 March 2023.

For further information please contact:

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Notes to editors:

Taylor Wimpey plc is a customer-focused homebuilder operating at a local level from 22 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

Overview: Built on resilience

Taylor Wimpey is a strong and resilient company. We have a high-quality landbank with a significant strategic land pipeline, a strong balance sheet and experienced and dedicated employees. Given the cyclical nature of our industry, central to our strategy is our ability to navigate changing economic conditions and we are committed to creating value for all our stakeholders throughout the cycle.

During 2022 we maintained strong operational focus and delivered an excellent financial performance in line with expectations with Group operating profit of £923.4 million, a record for Taylor Wimpey (2021: £828.6 million), and an operating profit margin up 160bps to 20.9% (2021: 19.3%).

2022 was a year of two distinct halves. In the first half of the year, trading conditions continued to be resilient despite inflationary pressures in the wider economy and rises in the Bank of England base rate. Following the mini budget of 23 September there was a sharp and significant increase in mortgage rates and this, materially reduced customer confidence and affordability, which inevitably impacted new home sales across the sector.

Despite these challenges we delivered 2022 full year results in line with expectations. Total Group completions (incl. JVs) were 14,154 (2021: 14,302). UK home completions (incl. JVs) were 13,773 (2021: 14,087), which included 2,920 affordable homes (2021: 2,501) equating to 21% of total completions (2021: 18%). UK average selling prices on private completions increased by 6% to £352k (2021: £332k) with the overall average selling price increasing by 4% to £313k (2021: £300k). Pricing discipline was a core focus for the Group throughout the year, especially given the inflationary backdrop and continuing planning constraints, and we saw continued pricing strength in the second half with average selling prices on private completions in the UK at £367k. Overall, year on year house price inflation of 8% for 2022, more than offset the 8% build cost inflation experienced in our operations. Profit for the year was £643.6 million (2021: £555.5 million).

Our forward order book as at 31 December 2022 was valued at £1,941 million (31 December 2021: £2,550 million), excluding joint ventures, which represents 7,499 homes (31 December 2021: 10,009 homes).

Given our strong financial position and a high-quality and well-located landbank, the Group has been able to be highly selective in landbuying in the last six months. We continue to be highly cash generative with year end net cash of £863.8 million (2021: £837.0 million), after returning £473.8 million to investors by way of dividend and share buybacks. This strong performance, ahead of expectations, reflected the proactive actions taken amidst changing market conditions.

Operational focus

As outlined at our investor and analyst update in May 2022, we have intensified our focus on driving operational excellence throughout the business. As the economic backdrop evolved, this focus positioned us well to increase the pace of implementation, remain agile and adapt amidst changing market conditions and mitigate risk through the levers available to us. We further tightened all areas of operations with a particular focus on work in progress control

and restricting discretionary spend and recruitment as well as significantly reduced landbuying.

As announced in our January 2023 trading update, we entered into consultation on a series of business changes to optimise our performance and in response to market conditions, targeting annualised savings of around £20 million, with an anticipated cost to achieve these of c.£8 million.

The consultation processes across the regional businesses have now either closed or are anticipated to conclude in the near future. This process has unfortunately resulted in some redundancies and where this has been the outcome, we have put additional support in place for the individuals concerned and the wider teams.

This has also resulted in changes to our business structure, with the closure of our Oxfordshire business and the transfer of land and outlets to neighbouring businesses. The proposed changes will not affect our existing market coverage or ability to deliver volumes from our landbank, nor our ability to deliver high-quality product and service to our customers.

Given the difficult planning backdrop, we are pleased to have delivered our planned increase in outlet numbers following the accelerated landbuying of prior years, which gives us flexibility and choices that will be of significant value. We have aligned our build schedules to reflect the lower anticipated sales rates in the near term. Our teams are aligned and engaged in adapting to the changing market and we have trained our Sales Executives to operate in a tougher selling environment.

In the year, 52% of our completions were sourced from the strategic pipeline (2021: 50%). Despite continuing delays in plan-making across the country, our high-quality 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. However, we expect the pace of strategic land conversions to be impacted by the current planning backdrop.

We anticipate that the planning environment will remain difficult for the foreseeable future with a shortage of resources and delays in both the strategic and development management areas of the planning system. Proposed changes to the National Planning Policy Framework announced by the Government in December 2022 are likely to lead to a reduced land supply and less homebuilding in future years. Our strong landbank and pipeline of sites already in planning is a key competitive advantage in this challenging planning environment.

The Competition and Markets Authority (CMA) this week confirmed that it is to launch an independent market study of housebuilding. We look forward to engaging constructively with the CMA as the study progresses.

Priorities for 2023

We will continue to develop and evolve our customer offering to ensure an appropriate balance between sales rate and price in all our markets, whilst also working to further improve our customer service.

Given prevailing build cost inflation of 9-10%, we will continue to ensure tight cost management and WIP control, aligning build to sales rates on a site-by-site basis.

Our focus on building a strong order book will allow us to optimise price going into 2024, and as a result, not all reservations taken between now and the end of September will be for completion in 2023.

Having announced our net zero target backed by a detailed transition plan, we will further step up our efforts and focus on its implementation and communication across our business.

Commitment to sustainability

Cladding fire safety

It is our long held view that leaseholders should not have to pay for the cost of remediation and our priority has always been to ensure that customers in Taylor Wimpey buildings have a solution to cladding remediation. We took early and proactive actions, first committing funds to remediation of ACM cladding in 2017. Having already committed £165 million to remediation work, we voluntarily signed the Government's Building Safety Pledge for Developers in April 2022, and made an additional £80 million provision, bringing our total financial commitment to £245 million.

We are in final discussions with Department for Levelling Up, Housing and Communities (DLUHC) with a view to signing the Long Form Agreement which makes the principles of the Building Safety Pledge legally binding. Throughout recent industry negotiations with Government regarding the contract, we have continued to remediate affected buildings as planned and we will continue to progress our remediation schedule in line with the terms of the final contract.

A total of 207 buildings are within the scope of our existing provision, around a quarter of which require only the replacement of wooden balcony beams, which are relatively inexpensive to replace. The £245 million we have provided remains our best estimate of the cost of our commitments to bring these buildings into compliance with current fire safety standards.

We have a dedicated team in place to manage our remediation programme and while we are progressing this as quickly as possible our programme will take several years to complete given the availability of qualified advisors and contractors.

Environment and net zero by 2045

We developed our target to reach net zero carbon emissions in our operations by 2035 and across our value chain by 2045, which will be five years ahead of regulation. We have submitted our targets to the Science Based Targets initiative (SBTi) for independent validation.

We have been included in the Dow Jones Sustainability Index and Sustainability Yearbook, rated A- by CDP Climate Change and are the highest scoring housebuilder in the Responsibility100 Index that assesses FTSE 100 companies on their commitment to key social, environmental, and ethical objectives.

Timber frame

We plan to expand our timber frame activities with a new facility in Peterborough that will help fulfil our goals to increase timber frame usage on our sites and improve visibility and security of supply, offering both operational and environmental benefits.

Strategy

Our strategy, as set out in our investor and analyst update in May 2022, is built on the following four strategic cornerstones, ensuring an agile response to market conditions and investment in the long term sustainability of the business:

1. Optimising value from our high-quality owned and controlled landbank and strategic land pipeline.
2. Driving operational excellence through our business to improve efficiency, protect value and ensure Taylor Wimpey is fit for the future.
3. Embedding sustainability across the Group for the benefit of all our stakeholders.
4. Delivering reliable investor returns with a clear and disciplined framework balancing investment for future value creation with returning value to shareholders.

We operate the business with the cycle in mind and benefit from always prioritising a strong balance sheet. We have and will remain agile in our approach to land spend and will continue to adjust build plans to meet anticipated demand to ensure we remain well prepared for a changing market. The UK has a recognised imbalance in the supply and demand of new housing and, notwithstanding shorter term conditions, we continue to see strong structural medium to long term demand for our homes.

Capital allocation framework

Our priority is to maintain a strong balance sheet with low adjusted gearing. We use cash generated by the business to fund our investment in land and work in progress to support and drive future growth. Our aim is to provide an attractive and 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 7.5% of net assets or at least £250 million annually throughout the cycle. This policy has been stress tested to withstand conditions beyond what we would consider a normal downturn, including up to a 20% fall in house prices and 30% decline in volumes.

In line with our policy, we have today announced a final Ordinary Dividend payment of 4.78p per share, which is subject to shareholder approval at the Annual General Meeting. With the 2022 Interim Dividend payment of 4.62 pence per share, the total Ordinary Dividend for the year is 9.40p per share or approximately £332 million.

Our policy remains to return to shareholders surplus cash generated by the business and which is in excess of that needed by the Group to fund land investment, working capital, taxation and other cash requirements, and after the ordinary dividend.

Given the current levels of market uncertainty the Board is not proposing any return of excess capital at this time but will continue to review this position throughout the year.

Board changes

At the AGM in April 2022, Pete Redfern stepped down from the Board following almost 15 successful years as Chief Executive. Jennie Daly, formerly Group Operations Director, was appointed to the role of CEO following the AGM. She has almost 30 years of experience in the housebuilding and land and planning industries, with excellent relationships across all stakeholders. Jennie joined Taylor Wimpey in 2014 from Redrow Plc where she was Managing Director of its Harrow Estates business.

As previously announced, Irene Dorner will step down from the role of Chairman following the 2023 AGM in April. Irene will stay on the Board as a Non Executive Director following the conclusion of the AGM. Robert Noel will succeed Irene as Chair, following the AGM. Rob joined the Board as an Independent Non Executive Director in October 2019 and subsequently became the Senior Independent Director in April 2020 and for the last year has been the Board's Employee Champion, responsible for championing the employee voice in the boardroom and strengthening the link between the Board and employees. His appointment follows a thorough search process which considered both internal and external candidates. He has over 30 years' experience in the property sector, including eight years as the CEO of Land Securities Group PLC. Rob is also Chair of Hammerson plc. His vast experience provides excellent commercial experience and continuity of leadership as we face a changing market environment.

With effect from 1 June 2022 Mark Castle and Clodagh Moriarty were appointed as Independent Non Executive Directors. Mark has significant operational experience in all aspects of the construction sector and Clodagh has 20 years of varied customer-focused experience across retail, strategy, digital transformation and e-commerce.

Operational review

Our operational review focuses on the UK (unless stated otherwise) 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. The financial review 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, unless stated otherwise.

Our Key Performance Indicators (KPIs)

Our key performance indicators align to our strategic cornerstones.

UK	2022	2021	Change
Land			
Land cost as % of ASP on approvals	19.0%	16.1%	2.9 ppt
Landbank years	c.6.0	c.6.1	(1.6)%
% of completions from strategically sourced land	52%	50%	2.0 ppt
Operational excellence			
Construction Quality Review (average score / 6)	4.81	4.67	3.0%
Average reportable items per inspection	0.32	0.26	0.06
Health and Safety Injury Incidence Rate (per 100,000 employees and contractors) rolling 12 months[†***]	166	214	(22.4)%
Employee engagement (annual survey)	93%	91%	2.0 ppt
Sustainability			
Customer satisfaction 8-week score 'Would you recommend?'	90%	92%	(2.0) ppt
Customer satisfaction 9-month score 'Would you recommend?'	78%	79%	(1.0) ppt
Reduction in operational carbon emissions intensity (measured at end of year)	15%	13%	2.0 ppt

N.B. The 8-week 'would you recommend' score for 2022 relates to customers who legally completed between October 2021 and September 2022, with the comparator relating to the same period 12 months prior. The 9-month 'would you recommend' score for 2022 relates to customers who legally completed between October 2020 and September 2021, with the comparator relating to the same period 12 months prior.

2022 sales, completions and pricing

Total Group completions (including joint ventures) were 14,154 (2021: 14,302). UK home completions (including joint ventures) were 13,773 (2021: 14,087), which included 2,920 affordable homes (2021: 2,501) equating to 21% of total completions (2021: 18%). Our net private reservation rate for 2022 was 0.68 homes per outlet per week (2021: 0.91). The cancellation rate for the full year was 18% (2021: 14%).

UK average selling prices on private completions increased by 6% to £352k (2021: £332k) with the overall average selling price increasing by 4% to £313k (2021: £300k).

We estimate that market-led house price growth for our regional mix was c.8% for completions in the 12 months to 31 December 2022 (2021: c.4%).

During 2022, approximately 12% of total sales used the Help to Buy scheme (2021: 19%) at an average price of £319k (2021: £283k).

Help to buy closed for applications in England in the period, however in Wales the scheme will be extended up to March 2025, with a new price cap of £300k from April 2023.

We ended the year with an order book valued at £1,941 million (31 December 2021: £2,550 million), excluding joint ventures, which represents 7,499 homes (31 December 2021: 10,009 homes). In the UK, we traded from an average of 232 outlets in 2022 (2021: 225). As guided, we increased our total number of outlets to end the year with 259 (31 December 2021: 228).

Underlying build cost inflation in 2022 was c.8% (2021: c.4%). At the start of 2023 prevailing build cost inflation is running at around 9-10%.

Land

Land is the key driver of value for any housebuilder, and we are confident we have a high-quality landbank. We measure this by length, weight, shape, efficiency and quality. Our strategic pipeline is a competitive advantage in its own right, giving increased optionality and opportunities to protect value. This enabled us to reduce our spend as the land market became more competitive and demand weakened.

The optionality and flexibility provided by our strategic land portfolio will remain a key differentiator.

Our focus is on progressing planning in our short term landbank to open new outlets and securing delivery from our strategic land pipeline, transferring assets to the operational business.

Land prices have not yet moved to reflect current market conditions. We benefit from a high-quality land position of c.83k plots as at 31 December 2022 (31 December 2021: c.85k) located in quality and resilient locations and a strategic pipeline of c.144k potential plots (31 December 2021: c.145k). Therefore, we can continue to be highly selective in our landbuying.

As a result of our highly selective landbuying in the second half of the year, 2022 approvals were c.7k plots, in line with the half year 2022 position as we reduced our land commitments in light of market conditions.

A total of 50% of our short term landbank has been strategically sourced (2021: 49%). During 2022 we acquired 7,716 plots (2021: 14,450). As at 31 December 2022, we were building on or are due to start in the first quarter of 2023 on 98% 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 14.0% (2021: 14.6%). The average selling price in the short term owned landbank in 2022 increased by 7% to £322k (2021: £302k).

During 2022, we added a net c.3k new potential plots to the strategic pipeline (2021: c.14k) and we converted a further c.4k plots from the strategic pipeline to the short term landbank (2021: c.8k plots).

Central and local government

The planning environment continues to be challenging with delays and resource pressures impacting housing land supply. Proposed amendments to the National Planning Policy Framework announced by the Government in December 2022 include positive measures to support improved quality of design and placemaking.

However, other changes including amendments to the approach to housing numbers locally, a relaxation of the soundness test for plan-making and the removal of the need for planning authorities to maintain a five-year supply of deliverable housing sites could result in further delays and a shortfall in the supply of sites.

In addition, the transitional arrangements proposed are likely to result in a meaningful hiatus in plan-making which is likely to further constrain the availability of land for housing. We welcome proposed amendments to the Levelling Up and Regeneration Bill to help address Nutrient Neutrality constraints that affect more than 74 local authorities in England.

We are engaging with industry, water authorities and central and local government on the issue of Nutrient Neutrality. We have established our internal Nutrient Working Group to help our regional businesses develop effective responses to this issue.

With the introduction of Biodiversity Net Gain requirements in England later this year, we have published guidance and run training sessions for our regional businesses and land teams to support them to manage the risks, costs and opportunities associated with net gain. An internal working group with representatives from strategic land, planning, sustainability and technical functions is helping to guide our approach and we are collaborating with others in the sector through the Future Homes Hub.

Customers

Our customer proposition is closely tied to our purpose to build great homes and create thriving communities. In a more challenging market, understanding our customer is more important than ever.

We track customer satisfaction using the Home Builders Federation (HBF) 8-week and 9-month survey results.

In 2022, 90% of customers in the 8-week survey would recommend us to a friend (2021: 92%). This means we met our target to maintain a five-star rating. We recognise that our score was slightly lower than last year, and customer service will continue to be an area of focus for our teams.

We 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 2022 was 78% (2021: 79%).

We encourage customers to leave reviews on Trustpilot. At the end of 2022, with 7,669 reviews, we had a 4 out of 5 star rating (end of 2021: 4 out of 5) with a trust score of 3.9 out of 5 (2021: 3.9 out of 5).

We have stepped up our sales training and increased our marketing spend in light of the weaker demand environment. This includes targeted and personalised incentives for our customers such as help with deposit or energy bills and more normal option upgrades.

Our Dynamics customer relationship management system is fully integrated into our business, allowing us more data insights than ever to better support and align to the needs of our customers. The improved data capture is giving us increased insight allowing us to better target our marketing and have more informed conversations with our customers.

A typical Taylor Wimpey customer will visit our website a number of times and is likely to visit the sales centre several times before reserving a property.

We estimate that in 2022, our first time buyers had an average joint income of c.£66k and second time buyers of c.£89k. We also estimate, the average loan to value for first time buyers was c.78% without Help to Buy and the majority of our customers were choosing five-year fixed rate mortgage products in 2022.

New Homes Ombudsman

We signed up to the New Homes Quality Code in November 2022 and aligned our processes to its requirements. These include enabling customers to complete a pre-completion inspection and providing a statement of any incomplete works at move-in as well as details about service charges and likely maintenance costs for their new home.

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 2022, we scored an average of 4.81 (2021: 4.67) 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 4.6.

We aim to improve this further by ensuring our quality assurance processes are embedded at every stage of the build. We invest in training and process improvements to ensure consistently high standards and we prevent quality issues through inspections throughout the build process.

Quality is incentivised from the top of the organisation with a proportion of our Executive Incentive Scheme linked to customer service and build quality, and this is also one of our Principal Risks. We also integrate customer service and quality into our all employee bonus scheme.

Placemaking

Good placemaking ensures our teams plan, design, layout and deliver schemes that become successful and sustainable new communities, where our customers can enjoy a good quality of life.

We have clear placemaking standards based on Building for a Healthy Life and aligned with the National Design Guide and National Model Code. All new schemes are reviewed during design development and then signed off by our Director of Design (a qualified architect and

urban designer) before they can proceed to planning application to ensure consistent design quality.

In 2022, we contributed £455 million to local communities in which we build across the UK via planning obligations (2021: £418 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 also invest in public and community transport, walkways and cycle paths. In 2022, 67% of our UK completions were within 500 metres of a public transport node and 90% were within 1,000 metres.

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 subcontractors on this.

Our Annual Injury Incidence Rate (AIIR) for reportable injuries per 100,000 employees and contractors was 166 in 2022 (2021: 214), remaining well below both the HBF Home Builder Average AIIR of 239 and the Health and Safety Executive construction industry average AIIR of 333. However, we will continue to seek to improve this. Around 31% of accidents are slips, trips and falls. Our AIIR for major injuries per 100,000 employees and contractors was 68 in 2022 (2021: 73).

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 2022 employee survey with an overall employee engagement score of over 93% (2021: 91%), with a 54% response rate. Our voluntary employee turnover rate was 17.7% (2021: 19.0%).

We are pleased to report that Taylor Wimpey was once again recognised in the NHBC Pride in the Job Awards, achieving a total of 62 Quality Awards (2021: 72), 15 Seal of Excellence Awards (2021: 25) and three Regional Awards in 2022 (2021: three).

Skills

During 2022, we directly employed, on average, 5,140 people across the UK (2021: 5,271) and provided opportunities for on average a further 11.1k operatives (2021: 11.1k) on our sites.

Building the skills of our current and future workforce is essential to address current and potential future skills gaps in our industry and subcontractor base. We are working closely with subcontractors, suppliers, peer companies, industry associations and educational organisations to identify and address skills gaps and upskill our workforce.

During 2022, our Future Skills Group has been exploring the skills profile our business will need over the medium to long term, as well as developing a demographic profile for our key trades to identify any potential gaps in the skills available to meet our strategic objectives.

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 (2021: 9%). 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 675 key trades including apprentices (2021: 743).

Equality, diversity and inclusion (ED&I)

Equality, diversity and inclusion (ED&I) continues to be a focus for Taylor Wimpey and we made tangible progress with our Equality, Diversity and Inclusion Strategy in 2022. We recognise we have further to go and in 2023 will be publishing the Company's first Diversity Report, ahead of regulation.

Our aim is to create a workplace where colleagues feel championed and supported regardless of their background and identity. By truly embracing our colleagues' diverse perspectives we can deepen our understanding of our customers and stakeholders, enhance innovation and creative thinking and continue to drive the business forward and achieve success.

We have established support structures such as our system of employee networks sponsored by senior management, to support employees and actively promote diversity. We have made changes to our recruitment processes and are training our managers to be aware of issues such as cultural bias, inclusive leadership and creating a respectful workplace.

However, although good progress has been made, we and the housebuilding industry, can and need to do more. We have set ourselves a number of stretching diversity targets, which are focused on increasing our female and ethnic representation at various levels of the business, and which build on our important early entry programmes. These will help accelerate measurable change and drive accountability, and will be included in our Diversity Report.

Our workforce is not yet reflective of the UK's ethnic diversity with 5% of our employees from a Black, Asian or other minority ethnic background (2021: 5%) and 2% at regional business management level. Progress has been made at entry level, with 21% of new management trainees and 20% of our graduate recruits in 2022 from a Black, Asian or other minority ethnic background.

In line with the Gender Pay Gap regulations, we calculated our 2022 gender pay gap based on data at the 'snapshot date' of 5 April 2022 and bonuses paid over the preceding 12 months. The calculations cover all staff employed by Taylor Wimpey UK Ltd plus the Executive Directors employed by Taylor Wimpey plc as at 5 April 2022. Our mean gender pay gap was 2% still in favour of women (5 April 2021: 6% in favour of women), and the median pay gap also remains small at 1% in favour of men (5 April 2021: 5% in favour of women).

As at 31 December 2022, we had a gender mix of 67% male (2021: 68%) and 33% female (2021: 32%) across the Company. Our GMT was 38% female (2021: 36%) and our Board of Directors was 44% female (2021: 50%).

While we are nearing gender balance at Board and GMT level, we have more work to do in our regional business management teams. Women made up 31% of these roles in 2022 (2021: 24%). Our pipeline is strong with females accounting for 64% of graduate recruits (2021: 46%) and 38% of management trainees in 2022 (2021: 34%).

More information on the programmes and our road map to further improvement can be found in our Diversity Report on our website.

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 regional businesses we operate a National Employee Forum (NEF) and Local Employee Forums (LEF) in our regional businesses where employee representatives are able to feedback to and ask questions of members of the Board and other senior management directly.

Sustainability

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.

We recognise the importance of sustainability which is integrated throughout our business and has been incorporated as one of our four key cornerstones of strategy. Our approach encompasses environmental, social, economic and governance aspects.

Our Environment Strategy is our response to the environmental crisis and the physical and transition risks posed by climate change. It sets out how we will play our part in creating a greener, healthier future for our customers, colleagues and communities, with ambitious targets up to 2030 focusing on climate change, increasing nature on our developments, cutting waste and improving resource efficiency.

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 Scope 3 emissions by 52.8% per 100 sqm of completed floor area from a 2019 base year (based on a reduction of 46.2% in absolute emissions against the base year). (New Target)	Our operational emissions intensity (Scopes 1 and 2), has decreased by 15% against our 2019 baseline. In 2022, emissions intensity was 1.37 tonnes of CO_2e (Scopes 1 and 2) per 100 sqm of completed homes (2021: 1.41). The Scope 3 element of our target was updated this year as part of the development of our net zero commitment. It has been submitted for validation to the Science Based Targets initiative. We will report progress against our Scope 3 target from next year.
Nature Increase natural habitats by 10% on new sites from 2023 and include our priority wildlife enhancements from 2021.	Some of our sites are already integrating a biodiversity net gain approach and this will be rolled out to all new sites in England and Wales from late 2023. We are now integrating hedgehog highways and bug hotels or bee bricks on new sites. We have prepared guidance on bee hives, bat boxes and bird boxes for launch in 2023.
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.	98% of construction waste recycled (2021: 97%). We have reduced waste intensity by 12% against our 2019 baseline, on track to meet our target of 15% reduction by 2025. We have developed our Towards Zero Waste Strategy and Action Plan and will publish more details in our Sustainability Supplement. This includes a plan for capturing data on use of recycled materials.

A full summary of our Environmental Strategy and progress against targets will be published in our Annual Report and Accounts 2022 and Sustainability Supplement and ESG Addendum 2022.

Climate change and net zero

We are proud to announce that from 2045 Taylor Wimpey will be a net zero business.

Our approach to climate change aims to reduce emissions from our business and value chain, to manage the business risk, and to prepare for the future impacts of climate change on our business, supply chain and customers. We take a science-based approach and aim to continually review and improve performance.

We were one of the first UK homebuilders to set science-based targets across our value chain, including a target for our operational emissions that is consistent with reductions

required to keep warming to 1.5 degrees. We are the only volume homebuilder to hold the Carbon Trust Standard for our approach to carbon management.

In 2022 we went further to develop our short and long term science-based targets, net zero dates and Net Zero Transition Plan committing to reduce our climate footprint ahead of the UK's 2050 target. The two key commitments in our strategy are to achieve:

– Net zero emissions in our operations by 2035 (Scopes 1 and 2)

– Net zero emissions across our value chain by 2045 (Scope 1, 2 and 3) (comprising at least a 90% absolute reduction and neutralising residual emissions).

Our target was developed with the Carbon Trust in line with the requirements of the SBTi Corporate Net Zero Standard. It has been submitted for validation by the Science Based Targets initiative and we expect to receive this during 2023.

Our Transition Plan comprises a four-stage roadmap detailing the actions we will take to achieve our overall commitment and supporting targets, incorporating both new and existing workstreams such as the construction of low and zero carbon homes, increasing the use of low carbon construction materials including timber frame, transitioning to 100% renewable electricity, reducing or replacing fossil fuels and decarbonising our fleet.

Our net zero target and roadmap will enable us to reduce emissions in line with the 1.5° ambition of the Paris Agreement. It will support the wider transition to a low carbon economy through the changes we are making to our homes, enabling customers to reduce their emissions, and through our collaboration with suppliers to reduce embodied carbon in the homes and developments we build.

Further details of our plan will be included within our Annual Report and Accounts 2022.

Other actions in 2022 included:

- Reduced operational emissions intensity (Scopes 1 and 2), by 15% against our 2019 baseline with absolute operational emissions falling by 26% over the same period
- Undertook detailed scenario analysis to inform our Transition Plan which considered our level of exposure to 15 transition risks in a low carbon economy as well as modelling the physical impacts of climate change on our assets and supply chain
- Linked our executive bonus scheme to our emissions reduction target and development of our net zero strategy

We report against the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) in our Annual Report and Accounts. We also publish a Sustainability Supplement and ESG Addendum with additional data and the Sustainability Accounting Standards Board (SASB) recommended disclosures for our sector.

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 and are included in its 2023 Top-Rated ESG Companies

List. We are a member of Next Generation, the sustainability benchmark for UK housebuilders, and ranked fourth in 2022. We disclose our performance to CDP and received the following scores: CDP Climate Change A- (2021: A-), CDP Water B (2021: B), and CDP Forests B- for deforestation and forest risk commodities (2021: B-).

Opportunities in green building

Over the next five years there will be significant changes to new build homes in the UK reflecting the UK's climate change targets. Our target is to reduce emissions from customer homes in use by 75% by 2030, and we are testing a range of technologies and enhanced fabric standards to achieve this.

With the phasing in of the new Part L, F & O regulations in England from June 2022, Parts L & F in late summer 2022 for Wales and Section 6 in Scotland from October 2022, our homes will have enhanced fabric standards with additional features that may include wastewater heat recovery systems, triple glazing and PV panels. Collectively, this will achieve a 31% reduction in carbon emissions compared with our previous specification.

We are also preparing for the phase-out of gas central heating systems from 2025 in England and Wales (2024 in Scotland) and, in 2023, will complete five pilot plots to Future Homes Standard (FHS) at our site in Sudbury to better understand the challenges and opportunities presented by the FHS.

Investing in the long term through expansion of timber frame activities

Timber frame can have a lower carbon footprint than traditional 'brick and block' building techniques due to the materials and use of off site manufacture (OSM) techniques. Other potential benefits include less waste, improved transport efficiency, and more airtight components. We have an internal target to increase our use of timber frame.

We are opening our own timber frame production facility in Peterborough, that will help fulfil our goals to increase timber frame usage on our sites, improve visibility of supply and offer operational and environmental benefits.

We view timber frame as a low risk approach to supporting our environmental aims and our own timber frame factory will support our work to achieve our net zero target. The first delivery from the factory is expected in late 2023. The facility is future proofed to allow for both volume and product expansion.

This is a cost effective solution for establishing internal control and visibility and security of supply and will improve process and logistics efficiencies. This will also slightly reduce our reliance on bricklaying resources and build timeline, with early commencement of all follow-on trades.

Nature and resource efficiency

Our Environment Strategy targets 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.

We developed our Towards Zero Waste Strategy and action plan in 2022, which sets out a three year programme of action and capacity building in relation to resource use and waste

across all stages of development. We are working with our suppliers to reduce waste from packaging, increase recycling and identify opportunities to increase use of sustainable and recycled materials.

Managing supply chain risk

We have worked on improving our supplier risk process for a number of years and as a result our visibility and understanding of our supply chain has increased considerably. This encompasses risks across the whole supply chain, rather than just our first-tier suppliers.

Supplier risk is measured as instability in the supply chain and can cover any number of scenarios such as, global or national shortages of products, supplier insecurity such as financial issues or supplier quality and delivery problems. Our supply chain strategy is to understand the risks at the various stages of the supply chain and put in place accordant strategies.

This work has resulted in a change to a number of our supply chain routes to improve material availability.

We are also developing our approach to environmental and social risks in our supply chain, integrating disclosure requirements into our tender processes for key group suppliers.

Taylor Wimpey Logistics (TWL)

TWL provides value added services to our regional businesses by primarily providing pre-kitted build packs of products when they are needed at each build-stage of production on-site.

This aids production, improves speed of build and significantly reduces site traffic. In addition to delivery of pre-kitted products to site, it provides services that support our regional businesses including:

- Take off and scheduling services
- Strategic stock holding with annual pricing to safeguard against fluctuating supplier performance and price volatility
- Ensuring adherence and alignment to our standardisation / stock keeping unit reduction procurement strategy

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 2022, we continued our partnership with our national charities as well as local charity partners across the UK, including The Youth Adventure Trust, End Youth Homelessness, Crisis, CRASH, and St Mungo’s. In total, during 2022, we donated and fundraised c.£1 million for registered charities (2021: c.£1 million). 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.

Group financial review

Income statement

Group revenue was £4,419.9 million in 2022 (2021: £4,284.9 million), with Group completions, excluding JVs being 1.5% lower at 13,932 (2021: 14,144). The small volume reduction was offset by increases in average selling prices as UK average selling prices on private completions increased by 6.1% to £352.4k (2021: £332.2k), primarily due to house price inflation. The increase in total UK average selling prices was 4.3% to £312.8k (2021: £299.8k) as a result of the greater proportion of affordable housing in 2022 (21%) than the prior period (2021: 18%).

Group gross profit increased to £1,132.4 million (2021: £1,027.0 million), representing a gross margin of 25.6% (2021: 24.0%). The increase in margin over the prior year was driven primarily by house price inflation, which more than offset build cost inflation in the year.

Net operating expenses of £304.9 million (2021: £328.8 million) includes £80.0 million (2021: £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 £224.9 million (2021: £203.8 million), which was predominantly made up of administrative costs of £220.7 million (2021: £211.0 million). The increase in administrative costs over the comparative year was driven mainly by the annual salary review and the pay benchmarking exercise undertaken in the prior year, and associated on-costs, being in place for the full year. This resulted in a profit on ordinary activities before net finance costs of £827.5 million (2021: £698.2 million), £907.5 million (2021: £823.2 million) excluding exceptional items.

During the year, completions from joint ventures were 222 (2021: 158). As a result of the increased joint venture completions, at a greater average selling price and gross margin than 2021, our share of joint ventures' profits in the year was £15.9 million (2021: £5.4 million). When including this in the profit on ordinary activities before net finance costs the resulting operating profit was £923.4 million (2021: £828.6 million), delivering an operating profit margin of 20.9% (2021: 19.3%). The total order book value of joint ventures as at 31 December 2022 decreased to £26 million (31 December 2021: £74 million), representing 56 homes (31 December 2021: 151).

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 EWS1 guidance. As a result of this the Group recorded an additional £125.0 million provision to fund cladding fire safety improvement works which was charged to exceptional items in line with our policy. In April 2022, we signed the Government's Building Safety Pledge for Developers, extending this period to cover all buildings constructed by Taylor Wimpey since 1992, as well as committing to reimburse any funds allocated or used for Taylor Wimpey buildings over 18 metres from the Building Safety Fund. An increase in the provision was recognised in the year, with £80.0 million being recorded as an exceptional charge.

The net finance expense of £15.5 million (2021: £24.0 million) principally includes imputed interest on land acquired on deferred terms, bank interest and interest on the pension scheme, less interest received.

Profit on ordinary activities before tax increased to £827.9 million (2021: £679.6 million). The pre-exceptional tax charge was £201.9 million (2021: £147.9 million). This represents an underlying tax rate of 22.2% (2021: 18.4%) which includes a £1.7 million credit (2021: £2.6 million credit) arising from the remeasurement of the Group's UK deferred tax assets following the introduction of the new Residential Property Developer Tax. A tax credit of £17.6 million was recognised in respect of the exceptional charge (2021: £23.8 million). This resulted in a total tax charge of £184.3 million (2021: £124.1 million), a rate of 22.3% (2021: 18.3%).

As a result, profit for the year was £643.6 million (2021: £555.5 million).

Basic earnings per share was 18.1 pence (2021: 15.3 pence). The adjusted basic earnings per share was 19.8 pence (2021: 18.0 pence).

Spain

Our Spanish business primarily sells second homes to European and other international customers, with a small proportion of sales being primary homes for local residents. The business had a strong year, completing 381 homes (2021: 215) with average selling price reducing to €383k (2021: €417k), due to regional mix. The total order book as at 31 December 2022 increased to 448 homes (31 December 2021: 324 homes).

Gross margin increased to 29.7% (2021: 24.3%), due to the increased level of completions and timing variances on the recognition of sales commissions. This flowed through to an operating profit of £32.6 million (2021: £14.6 million) and an operating profit margin of 26.2% (2021: 19.0%).

The total plots in the landbank stood at 2,544 (31 December 2021: 2,779), with net operating assets** at £89.8 million (31 December 2021: £108.9 million).

Balance sheet

Net assets at 31 December 2022 increased by £188.1 million (4.4%), to £4,502.1 million (31 December 2021: £4,314.0 million), with net operating assets increasing by £168.9 million (4.9%) to £3,619.5 million (31 December 2021: £3,450.6 million). Return on net operating assets increased to 26.1% (2021: 24.7%) following the increase in operating profit over the year, compared with the prior year. Group net operating asset turn[†*] was 1.25 times (2021: 1.28).

Land

Land at 31 December 2022 increased by £42.6 million in the year to £3,428.3 million as the short term owned number of plots increased. Land creditors decreased to £725.6 million (31 December 2021: £806.4 million) as the Group was highly selective in purchasing land across all geographies, particularly in the second half of the year. Included within the gross land creditor balance is £43.0 million of UK land overage commitments (31 December 2021: £59.0 million). £395.0 million of the land creditors is expected to be paid within 12 months and £330.6 million thereafter.

At 31 December 2022 the UK short term landbank comprised 82,830 plots (31 December 2021: 85,376), with a net book value of £2.9 billion (31 December 2021: £2.9 billion). Short

term owned land comprised £2.8 billion (31 December 2021: £2.8 billion), representing 63,088 plots (31 December 2021: 62,660). The controlled short term landbank represented 19,742 plots (31 December 2021: 22,716).

The value of long term owned land increased to £311 million (31 December 2021: £298 million), representing 36,646 plots (31 December 2021: 37,425), with a further total controlled strategic pipeline of 107,739 plots (31 December 2021: 107,809). Total potential revenue in the short and long term owned and controlled landbank increased to £61 billion in the year (31 December 2021: £59 billion).

Work in progress (WIP)

Total WIP investment, excluding part exchange and other, increased to £1,725.9 million (2021: £1,548.1 million) following the opening of 104 new outlets in the UK in the year (2021: 84) and the total number of outlets increased compared with 31 December 2021. The average WIP per UK outlet was largely consistent at £6.4 million (31 December 2021: £6.5 million). As sales rates slowed towards the end of the year controls around new WIP releases were tightened.

Provisions and deferred tax

Provisions increased to £290.3 million (31 December 2021: £245.1 million) due primarily to the £80.0 million additional cladding fire safety provision recognised in the year, partially offset by utilisation as works have been carried out. In addition, utilisation of the Ground Rent Review Assistance Scheme ('GRRAS') provision has continued as claims have been received and processed, and payments made following the agreement of voluntary undertakings with the CMA in December 2021.

Our net deferred tax asset of £26.0 million (31 December 2021: £26.2 million) relates to our pension deficit, UK provisions that are tax deductible when the expenditure is incurred, and the temporary differences of our Spanish business, including brought forward trading losses.

Pensions

As a result of the 31 December 2019 triennial valuation, a funding arrangement was agreed with the Trustee of the Taylor Wimpey Pension Scheme ('TWPS') that committed the Group to paying up to £20.0 million per annum into an escrow account between April 2021 and March 2024. Following an initial contribution totalling £10.0 million all further payments into the escrow account are subject to a quarterly funding test, effective from 30 September 2021. Should the TWPS Technical Provisions funding position at any quarter end be 100% or more, payments into the escrow account are suspended and would only restart should the funding subsequently fall below 98%. The funding test at 30 September 2021 showed a funding level of 103% and has remained above 98% since then and therefore escrow payments were suspended on, and from, 1 October 2021.

For the purposes of assessing the TWPS funding level, the liabilities are measured relative to the yield on government bonds. Due to the volatility seen in financial markets over the year, the value placed on the IAS 19 liabilities (pre-IFRIC 14) has changed significantly, reducing by 32% over the course of the year. However, the Trustee of the TWPS manages this volatility by investing assets in a way that's intended to broadly match the movement in

the value of the liabilities. As a result, the net funding position of the TWPS has remained in an IAS 19 and technical provisions surplus.

The Group continues to provide a contribution for Scheme expenses (£2.0 million per year) and also makes contributions via the Pension Funding Partnership (£5.1 million per year). Total Scheme contributions and expenses in the year were £7.1 million (2021: £17.4 million) with no further amounts paid into the escrow account (2021: £10.0 million). Further payments into escrow are subject to quarter-end funding tests and would amount to an additional £5.0 million being paid into escrow each quarter if the funding test is not met at the respective quarter end. The most recent funding test at December 2022 showed a surplus of £26 million and a funding level of 101.5% and as a result no payment into escrow is due in the first quarter of 2023.

At 31 December 2022, the IAS 19 valuation of the Scheme was a surplus of £76.6 million (31 December 2021: £149.9 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 IFRIC 14. The deficit is equal to the present value of the remaining committed payments under the 2019 triennial valuation. Retirement benefit obligations of £29.9 million at 31 December 2022 (31 December 2021: £37.3 million) comprise a defined benefit pension liability of £29.6 million (31 December 2021: £37.0 million) and a post-retirement healthcare liability of £0.3 million (31 December 2021: £0.3 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 £863.8 million at 31 December 2022 from £837.0 million at 31 December 2021, due to the improved operating profit in the year, as well as the more selective approach to landbuying that reduced spend in the second half of the year and the tight controls on WIP investment put in place towards the end of the year as sales rates started to slow. Average net cash for the year was £595.7 million (31 December 2021: £788.1 million).

Cash generated from operations increased in the year and as a result led to cash conversion[‡‡] of 76.3% of operating profit (2021: 69.4%).

Net cash, combined with land creditors, resulted in an adjusted gearing[‡‡‡‡] of (3.1)% (31 December 2021: (0.7)%).

At 31 December 2022 our committed borrowing facilities were £639 million of which £550 million was undrawn. The average maturity of the committed borrowing facilities at 31 December 2022 was 1.9 years (31 December 2021: 2.9 years). In December 2022 the Group entered into an agreement to refinance the June 2023 €100 million maturing loan notes. The new loan notes will be issued in June 2023, maturing June 2030. Including the new loan notes the weighted average maturity is 2.9 years.

Dividends

Subject to shareholder approval at the AGM scheduled for 27 April 2023 the 2022 final ordinary dividend of 4.78 pence per share will be paid on 12 May 2023 to shareholders on

the register at the close of business on 31 March 2023 (2021 final dividend: 4.44 pence per share). In combination with the 2022 interim dividend of 4.62 pence per share this gives total ordinary dividends for the year of 9.40 pence per share (2021 ordinary dividend: 8.58 pence per share). In addition, the Group returned £150.0 million in capital by way of a share buyback in the year, buying back 116,942,362 ordinary shares, of which 25,000,000 have been retained in Treasury with the remainder cancelled.

The dividend will be paid as a cash dividend, and shareholders 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.

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 Condensed Consolidated 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 for our customers, in the locations where people want to live, 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, including the impacts from the decline in customer confidence and disposable income arising during the latter half of 2022, the output from the annual business planning process that takes these impacts into consideration and the Group's financing arrangements;
- The wider economic environment and mortgage market, as well as changes to Government policies and regulations, including those influenced by sustainability, climate change and the environment, that could impact the Group's business model;
- 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 2022.

Viability disclosure

In accordance with the 2018 UK Corporate Governance Code, the Directors and the senior management team have assessed the prospects and financial viability of the Group for a period longer than the 12 months required for the purpose of the ‘going concern’ assessment.

Time period

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 Directors have determined this as an appropriate period over which to assess the viability based on the following:

- It is aligned with the Group’s bottom-up five-year budgeting and forecasting cycle; and
- Five years represents a reasonable estimate of the typical time between purchasing land, its progression through the planning cycle, building out the development and selling homes to customers from it.

Five years is also a reasonable period for consideration given the following broader external trends:

- The cyclical nature of the market in which the Group operates, which tends to follow the economic cycle;
- Consideration of the impact of Government policy, planning regulations and the mortgage market;
- Long term supply of land, which is supported by our strategic landbank; and
- Changes in technology and customer expectations.

Principal Risks

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 these 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 analyses 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, as costs associated with the regulatory changes have been included in the modelling (e.g. updates to Parts L&F of the building regulations in England and Wales and Future Homes and Buildings Standard).

Assessment of viability

The Group adopts a disciplined annual business planning process involving the management teams of the UK regional businesses and Spain, and the Group's senior management, and is built on a bottom-up basis. This planning process covers a five year period comprising a detailed budget for the next financial year, together with a forecast for the following four financial years ('forecast').

The financial planning process considers the Group's profitability and Income Statement, Balance Sheet including landbank, gearing and debt covenants, cash flows and other key financial metrics over the forecast period. These financial forecasts are based on a number of key assumptions, the most important of which include:

- Timing and volume of legal completions of new homes sold, which includes annual production volumes and sales rates over the life of the individual developments;
- Average selling prices achieved;
- Build costs and cost of land acquisitions, including the impact from the updates to Parts L & F of the building regulations in England and Wales and the Future Homes Standard;
- Working capital requirements; and
- Capital repayment plan, where we have assumed the payment of the ordinary dividend in line with the current policy, which is a minimum of £250 million or 7.5% of the Group's net assets, throughout the period.

Stress testing our risk resilience

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 sensitivities, taking account of a further decline in customer confidence, disposable incomes, and mortgage availability than has been experienced during the second half of 2022. To arrive at our stress test we have drawn on experience gained from 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 2023 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 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.

Volume (Principal Risk: A, B, C, F) – a decline in total volumes of 30% from 2022 levels, remaining at these reduced levels across 2023 to 2025 before recovering from 2026 back to 2022 levels by 2027.

Price (Principal Risk: B) – a reduction to current selling prices of 20%, remaining at these levels across 2023 to 2025 before recovering from 2026 to 2022 levels by 2027.

One-off 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 has been included in 2023.

Within the scenario build costs are forecast to reduce across 2024 and 2025 with lower volumes reducing pressure on the availability of materials and resources and land cost remaining broadly 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 and Buildings 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 this scenario were to occur, we also have a range of additional options to maintain our financial strength, including: a more severe reduction in land spend and work in progress, the sale of assets, reducing the dividend, and or raising debt.

At 31 December 2022, the Group had a cash balance of £952 million and access to £550 million from a fully undrawn revolving credit facility, which is expected to be replaced during the forecast period, together totalling £1,502 million. The combination of both of these is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis, individually and in aggregate.

Confirmation of viability

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

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.
*† Operating profit margin is defined as operating profit divided by revenue.
** Return on net operating assets (RONOA) is defined as rolling 12 months operating profit divided by the average of the opening and closing net operating assets of the 12 month period, which is defined as net assets less net cash, excluding net taxation balances and accrued dividends.
† Tangible net assets per share is defined as net assets before any accrued dividends excluding goodwill and intangible assets divided by the number of ordinary shares in issue at the end of the period.

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

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

†*** The Annual Injury Incidence Rate (AIIR) is defined as the number of incidents per 100,000 employees and contractors, calculated on a rolling 12 month basis, where the number of employees and contractors is calculated using a monthly average over the same period.

‡ Net cash is defined as total cash less total borrowings.

‡‡ Cash conversion is defined as operating cash flow divided by operating profit or loss on a rolling 12 month basis, with operating cash flow defined as cash generated by operations (which is before income 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 important 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 strategic financial metrics (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 14 of the Condensed Consolidated Financial Statements.

Shareholder information

The Company's 2023 Annual General Meeting (AGM) will be held at 10:30am on 27 April 2023 in the Gerrards Suite at the Crowne Plaza Gerrards Cross, Oxford Road, Beaconsfield, HP9 2XE.

Copies of the Annual Report and Accounts 2022 will be available from 22 March 2023 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 22 March 2023.

A copy of the Annual Report and Accounts 2022 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 2022. 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 1 March 2023 and is signed on its behalf by:

Irene Dorner, Chairman

Jennie Daly, 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 2022 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, seven of our Principal Risks have seen an increase in their inherent or inherent and residual profile; 'Government policies, regulations and planning', 'Mortgage availability and housing demand', 'Availability and costs of materials and subcontractors', 'Land availability', 'Quality and reputation', 'Natural resources and climate change' and 'Cyber security'. 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 of occurrence 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	Adaption of building methodologies
Political/economic	Geopolitical uncertainty
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. 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 2022 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 opportunities
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 Technical Director Director of Planning Regional Managing Directors	Moderate	Low	**Example key risk indicators** - New Government regulations (e.g. around planning and climate) - Delays in planning - Sentiment towards the industry (e.g. Cladding fire safety remediation) **Key mitigations** - Research conducted to update technical specification of our new house type range, in preparation for changes to Building Regulations Parts L & F and the Future Homes Standard (FHS), including a trial of five FHS-compliant plots - Engagement with national and local government - Working with HBF and other stakeholders - Consultation with Government agencies - Member of Future Homes Hub - Ground Rent Review Assistance Scheme and agreement reached with CMA and majority of freeholders - Cladding fire safety remediation and signing of the Government's Building Safety Pledge for Developers **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, increased cost of living, 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/levels of disposable income - Loan to value metrics **Key mitigations** - Increase outlets to provide greater customer choice and flexibility to respond quickly to changing market conditions - Review of pricing and incentives offered - Monitoring of external data (e.g. HBF, mortgage lenders) - Strong relationships with mainstream lenders - Work with Financial Services industry to ensure customers receive appropriate advice on mortgage products **Opportunities** To continue to develop stronger 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 Supply Chain Director Procurement Director 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 - Key commodity risk assessment matrix - Regular checks on all key suppliers - Monitoring of the supply chain **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 and production manager succession development programme - Site skills project - Collaboration with major organisations to jointly address skills shortage - Graduate and apprenticeship programmes - Management training - Enhanced remote working procedures - Educational masterclasses - Salary benchmarking **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 UK Business, Land and Development Director	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 - Engagement with national and local government - Review of land portfolio - Obtaining specialist environmental and legal advice **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 NHBC inspections at key stages of the build **Key mitigations** - Customer-ready Home Quality Inspection (HQI) - Consistent Quality Approach (CQA) - Quality Managers in the business - Training on the New Homes Quality Code - Ombudsman readiness **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 Regional Managing Directors	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 - Mental health training and support for all employees **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 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 & Greenhouse gas emissions - % Biodiversity net gain - Construction waste generation & waste to landfill **Key mitigations** - Net Zero Transition plan - 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 - Collection and interpretation of data to drive relevant actions **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 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 and 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 - Cyber insurance - Head of Cyber Security appointed - Cyber security KPIs - Blocked traffic originating from countries deemed a threat to the UK **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 2022

£ million	Note	**Before exceptional items 2022**	**Exceptional items 2022**	**Total 2022**	Before exceptional items 2021	Exceptional items 2021	Total 2021
Continuing operations							
Revenue	2	**4,419.9**	–	**4,419.9**	4,284.9	–	4,284.9
Cost of sales		**(3,287.5)**	–	**(3,287.5)**	(3,257.9)	–	(3,257.9)
Gross profit		**1,132.4**	–	**1,132.4**	1,027.0	–	1,027.0
Net operating expenses	4	**(224.9)**	**(80.0)**	**(304.9)**	(203.8)	(125.0)	(328.8)
Profit on ordinary activities before net finance costs		**907.5**	**(80.0)**	**827.5**	823.2	(125.0)	698.2
Finance income	5	**8.6**	–	**8.6**	2.4	–	2.4
Finance costs	5	**(24.1)**	–	**(24.1)**	(26.4)	–	(26.4)
Share of results of joint ventures		**15.9**	–	**15.9**	5.4	–	5.4
Profit before taxation		**907.9**	**(80.0)**	**827.9**	804.6	(125.0)	679.6
Taxation (charge)/credit	6	**(201.9)**	**17.6**	**(184.3)**	(147.9)	23.8	(124.1)
Profit for the year		**706.0**	**(62.4)**	**643.6**	656.7	(101.2)	555.5

		2022	2021
Basic earnings per share	7	**18.1p**	15.3p
Diluted earnings per share	7	**18.0p**	15.2p
Adjusted basic earnings per share	7	**19.8p**	18.0p
Adjusted diluted earnings per share	7	**19.7p**	18.0p

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 2022

£ million	Note	**2022**	2021
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**6.6**	(6.9)
Movement in fair value of hedging instruments		**(3.5)**	4.8
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit pension schemes	10	**3.2**	37.9
Tax credit/(charge) on items taken directly to other comprehensive income	8	**0.7**	(5.4)
Other comprehensive income for the year		**7.0**	30.4
Profit for the year		**643.6**	555.5
Total comprehensive income for the year		**650.6**	585.9

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

Consolidated Balance Sheet
at 31 December 2022

£ million	Note	**2022**	2021
Non-current assets			
Intangible assets		**4.2**	6.6
Property, plant and equipment		**17.3**	21.7
Right-of-use assets		**26.3**	26.5
Interests in joint ventures		**74.0**	85.4
Trade and other receivables		**12.2**	27.5
Other financial assets	10	**10.0**	10.0
Deferred tax assets	8	**26.0**	26.2
		170.0	203.9
Current assets			
Inventories	9	**5,169.6**	4,945.7
Trade and other receivables		**191.2**	168.2
Tax receivables		**–**	1.0
Cash and cash equivalents		**952.3**	921.0
		6,313.1	6,035.9
Total assets		**6,483.1**	6,239.8
Current liabilities			
Trade and other payables		**(1,130.8)**	(901.9)
Lease liabilities		**(7.3)**	(7.0)
Bank and other loans		**(88.5)**	–
Tax payables		**(7.2)**	(0.8)
Provisions		**(106.7)**	(125.4)
		(1,340.5)	(1,035.1)
Net current assets		**4,972.6**	5,000.8
Non-current liabilities			
Trade and other payables		**(407.3)**	(629.3)
Lease liabilities		**(19.7)**	(20.4)
Bank and other loans		**–**	(84.0)
Retirement benefit obligations	10	**(29.9)**	(37.3)
Provisions		**(183.6)**	(119.7)
		(640.5)	(890.7)
Total liabilities		**(1,981.0)**	(1,925.8)
Net assets		**4,502.1**	4,314.0
Equity			
Share capital		**291.3**	292.2
Share premium		**777.9**	777.5
Own shares	11	**(43.1)**	(14.6)
Other reserves		**545.6**	541.6
Retained earnings		**2,930.4**	2,717.3
Total equity		**4,502.1**	4,314.0

Consolidated Statement of Changes in Equity
for the year to 31 December 2022

£ million	Note	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Total equity at 1 January 2021		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	8	–	–	–	–	0.2	0.2
Dividends approved and paid	13	–	–	–	–	(301.5)	(301.5)
Total equity at 31 December 2021		292.2	777.5	(14.6)	541.6	2,717.3	4,314.0
Other comprehensive income for the year		**–**	**–**	**–**	**3.1**	**3.9**	**7.0**
Profit for the year		**–**	**–**	**–**	**–**	**643.6**	**643.6**
Total comprehensive income for the year		**–**	**–**	**–**	**3.1**	**647.5**	**650.6**
New share capital subscribed		**–**	**0.4**	**–**	**–**	**–**	**0.4**
Own shares acquired and cancelled		**(0.9)**	**–**	**(33.8)**	**0.9**	**(117.5)**	**(151.3)**
Utilisation of own shares		**–**	**–**	**5.3**	**–**	**–**	**5.3**
Cash cost of satisfying share options		**–**	**–**	**–**	**–**	**(5.5)**	**(5.5)**
Share-based payment credit		**–**	**–**	**–**	**–**	**14.0**	**14.0**
Tax charge on items taken directly to statement of changes in equity	8	**–**	**–**	**–**	**–**	**(1.6)**	**(1.6)**
Dividends approved and paid	13	**–**	**–**	**–**	**–**	**(323.8)**	**(323.8)**
Total equity at 31 December 2022		**291.3**	**777.9**	**(43.1)**	**545.6**	**2,930.4**	**4,502.1**

Consolidated Cash Flow Statement

for the year to 31 December 2022

£ million	Note	**2022**	2021
Profit on ordinary activities before net finance costs		**827.5**	698.2
Adjustments for:			
Depreciation and amortisation		**14.5**	15.6
Pension contributions in excess of charge to the income statement		**(4.8)**	(15.2)
Share-based payment charge		**14.0**	13.2
Loss on disposal of property, plant and equipment		**0.3**	–
Increase in provisions excluding exceptional payments		**90.9**	130.0
Operating cash flows before movements in working capital		**942.4**	841.8
Increase in inventories		**(280.4)**	(293.2)
(Increase)/decrease in receivables		**(9.9)**	32.1
Increase/(decrease) in payables		**52.9**	(6.0)
Cash generated from operations		**705.0**	574.7
Payments related to exceptional charges		**(45.9)**	(15.1)
Income taxes paid		**(176.9)**	(123.0)
Interest paid		**(4.7)**	(4.7)
Net cash generated from operating activities		**477.5**	431.9
Investing activities:			
Interest received		**6.9**	2.1
Dividends received from joint ventures		**3.1**	8.1
Proceeds on disposal of property, plant and equipment		**1.5**	–
Purchase of property, plant and equipment		**(1.7)**	(2.5)
Purchase of software		**(0.4)**	(2.1)
Investment in pension scheme escrow		**–**	(10.0)
Amounts repaid by/(invested in) joint ventures		**24.2**	(5.9)
Net cash generated from/(used in) investing activities		**33.6**	(10.3)
Financing activities:			
Lease capital repayments		**(7.6)**	(6.9)
Proceeds from the issue of own shares		**–**	–
Cash received on exercise of share options		**0.3**	3.6
Purchase of own shares		**(151.3)**	(4.2)
Repayment of borrowings		**–**	(12.7)
Dividends paid		**(323.8)**	(301.5)
Net cash used in financing activities		**(482.4)**	(321.7)
Net increase in cash and cash equivalents		**28.7**	99.9
Cash and cash equivalents at beginning of year		**921.0**	823.0
Effect of foreign exchange rate changes		**2.6**	(1.9)
Cash and cash equivalents at end of year	12	**952.3**	921.0

Notes to the Condensed Consolidated Financial Statements

for the year to 31 December 2022

1. Basis of preparation

These results do not constitute the Group's statutory accounts for the year ended 31 December 2022 but are derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 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.

The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards. 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 2021.

Going concern

Group forecasts have been prepared that have considered the Group's current financial position and current market circumstances. The forecasts prepared assess the performance of the Group over a five year period. 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 sensitivities, taking account of a further decline in customer confidence, disposable incomes, and mortgage availability than has been experienced during the second half of 2022. 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, as costs associated with the regulatory changes have been included in the modelling (e.g. updates to Parts L&F of the building regulations in England and Wales and Future Homes and Buildings Standard).

- Volume – a decline in total volumes of 30% from 2022, 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
- One-off costs – a one-off exceptional charge and cash cost of £150 million for an unanticipated event, change in Government regulations or financial penalty has been included in 2023

Within the scenario build costs are forecast to reduce with lower volumes reducing pressure on the availability of materials and resources and land cost remaining broadly 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 and Buildings 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 this scenario were to occur, we also have a range of additional options to maintain our financial strength, including: a more severe reduction in land spend and work in progress, the sale of assets, reducing the dividend, and or raising debt. At 31 December 2022, the Group had a cash balance of £952 million and access to £550 million from a fully undrawn revolving credit facility, which is expected to be replaced during the forecast period, together totalling £1,502 million. The combination of both of these is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis, individually and in aggregate.

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	**2022**	2021
Private sales	**3,886.1**	3,890.3
Partnership housing	**476.4**	363.1
Land & other	**57.4**	31.5
	4,419.9	4,284.9

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. The Group aggregates the UK operations into a single reporting segment on the basis that they share similar economic characteristics. In addition each Division builds and delivers residential homes, uses consistent methods of construction, sells homes to both private customers and local housing associations, follows a single UK sales process and operating framework, is subject to the same macro-economic factors including mortgage availability and has the same cost of capital arising from the utilisation of central banking and debt facilities. As a result, the disclosure reflects the two reportable segments of the UK and Spain. Revenue in Spain arises entirely on private sales.

	2022			2021		
£ million	**UK**	**Spain**	**Total**	UK	Spain	Total
Revenue						
External sales	**4,295.5**	**124.4**	**4,419.9**	4,208.1	76.8	4,284.9
Result						
Profit before joint ventures, finance costs and exceptional items	**874.9**	**32.6**	**907.5**	808.6	14.6	823.2
Share of results of joint ventures	**15.9**	**–**	**15.9**	5.4	–	5.4
Operating profit (Note 14)	**890.8**	**32.6**	**923.4**	814.0	14.6	828.6
Exceptional items (Note 4)	**(80.0)**	**–**	**(80.0)**	(125.0)	–	(125.0)
Profit before net finance costs	**810.8**	**32.6**	**843.4**	689.0	14.6	703.6
Net finance costs			**(15.5)**			(24.0)
Profit before taxation			**827.9**			679.6
Taxation charge			**(184.3)**			(124.1)
Profit for the year			**643.6**			555.5

	2022			2021		
£ million	**UK**	**Spain**	**Total**	UK	Spain	Total
Segment operating assets	**5,222.9**	**207.9**	**5,430.8**	5,013.6	192.6	5,206.2
Joint ventures	**74.0**	**–**	**74.0**	85.4	–	85.4
Segment operating liabilities	**(1,767.2)**	**(118.1)**	**(1,885.3)**	(1,757.3)	(83.7)	(1,841.0)
Net operating assets	**3,529.7**	**89.8**	**3,619.5**	3,341.7	108.9	3,450.6
Net current taxation			**(7.2)**			0.2
Net deferred taxation			**26.0**			26.2
Net cash			**863.8**			837.0
Net assets			**4,502.1**			4,314.0

3. Operating segments (continued)

£ million	2022 UK	2022 Spain	2022 Total	2021 UK	2021 Spain	2021 Total
Other information						
Property, plant and equipment additions	**1.6**	**0.1**	**1.7**	2.4	0.1	2.5
Right-of-use asset additions	**7.1**	**0.1**	**7.2**	6.1	0.6	6.7
Software additions	**0.4**	**–**	**0.4**	2.1	–	2.1
Property, plant and equipment depreciation	**(4.2)**	**(0.1)**	**(4.3)**	(4.6)	(0.1)	(4.7)
Right-of-use asset depreciation	**(7.2)**	**(0.2)**	**(7.4)**	(7.1)	(0.2)	(7.3)
Amortisation of intangible assets	**(2.8)**	**–**	**(2.8)**	(3.6)	–	(3.6)

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	2022	2021
Administration expenses	**220.7**	211.0
Other expenses	**70.1**	100.3
Other income	**(65.9)**	(107.5)
Exceptional items	**80.0**	125.0
Net operating expenses	**304.9**	328.8

The majority of the other income and other expenses shown above relates to the income and associated costs arising on the sale of part exchange properties. These are shown gross with the comparatives updated to be disclosed on the same basis (grossing up each by £87.2 million for 2021). Also included in other income and other expenses are profit/loss on the sale of property, plant and equipment, the revaluation of certain shared equity mortgage receivables and abortive land acquisition costs.

Exceptional items:

£ million	2022	2021
Provision in relation to cladding fire safety	**80.0**	125.0
Exceptional items	**80.0**	125.0

Cladding fire safety

In 2018 the Group established an exceptional provision for the cost of replacing ACM on a small number of legacy developments, which was increased in 2020 to reflect the latest estimate of costs to complete the planned works. Following the guidance issued by RICS in 2021 the Group announced an additional £125.0 million provision to fund cladding fire safety improvements and, in line with Group policy, recognised it as an exceptional item.

In April 2022 the Group signed up to the Government's Building Safety Pledge for Developers, extending the period covered to all buildings constructed by the Group since 1992, as well as committing to reimburse any funds allocated or used for Taylor Wimpey buildings over 18 metres from the Building Safety Fund. In the year to 31 December 2022 the Group recognised an increase in the provision of £80.0 million, as an exceptional expense.

Notes to the Condensed Consolidated Financial Statements
for the year to 31 December 2022

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	**2022**	2021
Cost of inventories recognised as an expense in cost of sales	**3,155.7**	3,135.0
Property, plant and equipment depreciation	**4.3**	4.7
Right-of-use asset depreciation	**7.4**	7.3
Amortisation of intangible assets	**2.8**	3.6

5. Finance income and finance costs

£ million	**2022**	2021
Interest receivable	**8.6**	2.4
	8.6	2.4

£ million	**2022**	2021
Interest on bank and other loans	**(4.8)**	(5.0)
Foreign exchange loss	**–**	(0.8)
	(4.8)	(5.8)
Unwinding of discount on land creditors and other items	**(18.3)**	(19.2)
Interest on lease liabilities	**(0.4)**	(0.4)
Net interest on pension liability (Note 10)	**(0.6)**	(1.0)
	(24.1)	(26.4)

6. Taxation charge

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

£ million		**2022**	2021
Current tax:			
UK:	Current year	**(179.3)**	(122.0)
	Adjustment in respect of prior years	**0.5**	2.3
Overseas:	Current year	**(5.4)**	(2.5)
	Adjustment in respect of prior years	**(0.5)**	(0.1)
		(184.7)	(122.3)
Deferred tax:			
UK:	Current year	**0.4**	(2.7)
	Adjustment in respect of prior years	**(0.1)**	(0.3)
Overseas:	Current year	**(1.7)**	1.2
	Adjustment in respect of prior years	**1.8**	–
		0.4	(1.8)
		(184.3)	(124.1)

Corporation tax is calculated at 22.0% (2021: 19.0%) of the estimated assessable profit for the year in the UK. This includes corporation tax at the rate of 19.0% for the year and the new 4.0% residential property developer tax (RPDT) on profits arising from residential property development activities. RPDT was enacted during the year with effect from 1 April 2022. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions. The tax charge for the year includes an exceptional credit of £17.6 million (2021: £23.8 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	**2022**	2021
Profit before tax	**827.9**	679.6
Tax at the UK corporation tax rate of 22.0% (2021: 19.0%)	**(182.1)**	(129.1)
Net over provision in respect of prior years	**1.7**	1.9
Net impact of items that are not taxable or deductible	**(5.6)**	2.6
Recognition of deferred tax asset relating to Spanish business	**1.0**	2.2
Other rate impacting adjustments	**0.7**	(1.7)
Tax charge for the year	**(184.3)**	(124.1)

7. Earnings per share

	2022	2021
Basic earnings per share	**18.1p**	15.3p
Diluted earnings per share	**18.0p**	15.2p
Adjusted basic earnings per share	**19.8p**	18.0p
Adjusted diluted earnings per share	**19.7p**	18.0p
Weighted average number of shares for basic earnings per share – million	**3,564.8**	3,639.3
Weighted average number of shares for diluted earnings per share – million	**3,576.5**	3,649.0

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	**2022**	2021
Earnings for basic and diluted earnings per share	**643.6**	555.5
Adjust for exceptional items (Note 4)	**80.0**	125.0
Adjust for tax on exceptional items (Note 6)	**(17.6)**	(23.8)
Earnings for adjusted basic and adjusted diluted earnings per share	**706.0**	656.7

8. Deferred tax

£ million	Share-based payments	Capital allowances	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2021	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
(Charge)/credit to income	**(1.7)**	**0.4**	**1.0**	**(0.9)**	**1.6**	**0.4**
Credit to other comprehensive income	–	–	–	**0.7**	–	**0.7**
Charge to statement of changes in equity	**(1.6)**	–	–	–	–	**(1.6)**
Foreign exchange	–	–	**0.3**	–	–	**0.3**
At 31 December 2022	**0.6**	**2.8**	**8.0**	**8.6**	**6.0**	**26.0**

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 25% and 29% (2021: between 19% and 25%), 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	**2022**	2021
Deferred tax assets	**27.4**	27.6
Deferred tax liabilities	**(1.4)**	(1.4)
	26.0	26.2

The new 4% residential property developer tax (RPDT) was enacted during the year effective from 1 April 2022 and the measurement of the Group's UK net deferred tax asset at 31 December 2022 reflects this change. From 1 April 2023, the UK Corporation Tax rate is legislated to increase to 25%. This increase in rate had been enacted before 31 December 2021 so has also been reflected in the measurement of the Group's UK deferred tax asset in both years.

The Group has not recognised temporary differences relating to tax losses carried forward and other temporary differences amounting to £2.4 million (2021: £1.9 million) in the UK and £23.8 million (2021: £27.4 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 (2021: £269.5 million). No deferred tax asset has been recognised in respect of the capital losses at 31 December 2022 (2021: £nil) because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

9. Inventories

£ million	**2022**	2021
Land	**3,428.3**	3,385.7
Development and construction costs	**1,725.9**	1,548.1
Part exchange and other	**15.4**	11.9
	5,169.6	4,945.7

The markets in our core geographies, which are the primary drivers of our business, continue to trade positively. At 31 December 2022, 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 2022 the provision held in the United Kingdom was £16.0 million (2021: £19.3 million) and £35.5 million in Spain (2021: £35.5 million).

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

£ million	**2022**	2021
1 January	**54.8**	64.4
Net utilised	**(5.1)**	(7.0)
Foreign exchange	**1.8**	(2.6)
31 December	**51.5**	54.8

10. Retirement benefit obligations

Total retirement benefit obligations of £29.9 million (2021: £37.3 million) comprise a defined benefit pension liability of £29.6 million (2021: £37.0 million) and a post-retirement healthcare liability of £0.3 million (2021: £0.3 million).

Defined benefit pension scheme

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

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

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

During 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 committed 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 funding test at 30 September 2021 showed a funding level of 103% and it has remained above 98% since then and therefore escrow payments were suspended on, and from, 1 October 2021. 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 2022 was £10.0 million (31 December 2021: £10.0 million). 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 2022 was £76.6 million (2021: £149.9 million). The terms of the TWPS are such that the Group does not have an unconditional right to a refund of surplus. As a result, the Group recognised an adjustment to the underlying surplus in the TWPS on an IAS 19 accounting basis of £106.2 million (2021: £186.9 million), resulting in an IFRIC 14 deficit of £29.6 million (2021: £37.0 million), which represented the present value of future contributions under the funding plan.

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 2022 there was £75.2 million of property and £39.8 million of cash held within the structure (2021: £81.8 million of property and £31.0 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.

	2022	2021
At 31 December		
Discount rate for scheme liabilities	**4.95%**	1.85%
General pay inflation	**n/a**	n/a
Deferred pension increases	**2.30%**	2.50%
Pension increases	**2.10%-3.65%**	2.15%-3.70%

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 0.5% p.a.	Increase by £89m	5.3
Rate of inflation*	Increase by 0.5% p.a.	Increase by £51m	3.0
Life expectancy	Members live 1 year longer	Increase by £65m	3.9

* 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 2022	**(2,482.3)**	**2,445.3**	**(37.0)**
Administration expenses	–	**(2.3)**	**(2.3)**
Interest (expense)/income	**(44.9)**	**44.3**	**(0.6)**
Total amount recognised in income statement	**(44.9)**	**42.0**	**(2.9)**
Remeasurement loss on scheme assets	–	**(746.1)**	**(746.1)**
Change in demographic assumptions	**(20.0)**	–	**(20.0)**
Change in financial assumptions	**758.8**	–	**758.8**
Experience loss	**(73.6)**	–	**(73.6)**
Adjustment to liabilities for IFRIC 14	**84.1**	–	**84.1**
Total remeasurements in other comprehensive income	**749.3**	**(746.1)**	**3.2**
Employer contributions	–	**7.1**	**7.1**
Employee contributions	–	–	–
Benefit payments	**102.0**	**(102.0)**	–
At 31 December 2022	**(1,675.9)**	**1,646.3**	**(29.6)**

£ 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)

11. Own shares

During the year the Group purchased 116,942,362 of its own ordinary shares, of which 25,000,000 were transferred to be held in treasury and the remainder cancelled. The average share price of the purchased shares was 128.27 pence for a total cost, including expenses, of £151.3 million.

12. 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 2021	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
Net cash flow	**28.7**	–	**28.7**
Foreign exchange	**2.6**	**(4.5)**	**(1.9)**
Balance at 31 December 2022	**952.3**	**(88.5)**	**863.8**

13. Dividends

£ million	2022	2021
Proposed		
Interim dividend 2022: 4.62p (2021: 4.14p) per ordinary share of 1p each	**162.9**	150.8
Final dividend 2022: 4.78p (2021: 4.44p) per ordinary share of 1p each	**169.0**	162.0
	331.9	312.8
Amounts recognised as distributions to equity holders		
Paid		
Final dividend 2021: 4.44p (2020: 4.14p) per ordinary share of 1p each	**160.9**	150.7
Interim dividend 2022: 4.62p (2021: 4.14p) per ordinary share of 1p each	**162.9**	150.8
	323.8	301.5

The Directors recommend a final dividend for the year ended 31 December 2022 of 4.78 pence per share (2021: 4.44 pence per share) subject to shareholder approval at the Annual General Meeting, with an equivalent final dividend charge of c.£169.0 million based on the number of shares in issue at the end of the year (2021: £160.9 million). The final dividend will be paid on 12 May 2023 to all shareholders registered at the close of business on 31 March 2023.

In accordance with IAS 10 ‘Events after the Reporting Period’, the proposed final dividend has not been accrued as a liability at 31 December 2022.

14. Alternative performance measures

The Group uses a number of alternative performance measures (APMs) which are not defined within UK-adopted international accounting standards. 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 statutory 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.

	2022	2021
Profit on ordinary activities before net finance costs (£m)	**827.5**	698.2
Adjusted for:		
Share of results of joint ventures (£m)	**15.9**	5.4
Exceptional items (£m)	**80.0**	125.0
Operating profit (£m)	**923.4**	828.6
Revenue (£m)	**4,419.9**	4,284.9
Operating profit margin	**20.9%**	19.3%

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.

	2022	2021	2020
Basic net assets (£m)	**4,502.1**	4,314.0	4,016.8
Adjusted for:			
Cash (£m)	**(952.3)**	(921.0)	(823.0)
Borrowings (£m)	**88.5**	84.0	103.6
Net taxation (£m)	**(18.8)**	(26.4)	(32.6)
Accrued dividends (£m)	**–**	–	–
Net operating assets (£m)	**3,619.5**	3,450.6	3,264.8
Average basic net assets (£m)	**4,408.1**	4,165.4	
Average net operating assets (£m)	**3,535.1**	3,357.7	

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.

	2022	2021
Operating profit (£m)	**923.4**	828.6
Average net operating assets (£m)	**3,535.1**	3,357.7
Return on net operating assets	**26.1%**	24.7%

14. 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.

	2022	2021
Revenue (£m)	**4,419.9**	4,284.9
Average net operating assets (£m)	**3,535.1**	3,357.7
Net operating asset turn	**1.25**	1.28

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.

	2022	2021
Basic net assets (£m)	**4,502.1**	4,314.0
Adjusted for:		
Intangible assets (£m)	**(4.2)**	(6.6)
Tangible net assets (£m)	**4,497.9**	4,307.4
Ordinary shares in issue (millions)	**3,557.0**	3,648.6
Tangible net assets per share (pence)	**126.5**	118.1

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 12.

Cash conversion

This is defined as cash generated from 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.

	2022	2021
Cash generated from operations (£m)	**705.0**	574.7
Operating profit (£m)	**923.4**	828.6
Cash conversion	**76.3%**	69.4%

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.

	2022	2021
Cash (£m)	**952.3**	921.0
Loans (£m)	**(88.5)**	(84.0)
Net cash (£m)	**863.8**	837.0
Land creditors (£m)	**(725.6)**	(806.4)
Adjusted net debt (£m)	**138.2**	30.6
Basic net assets (£m)	**4,502.1**	4,314.0
Adjusted gearing	**(3.1)%**	(0.7)%

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 in issue during the period. 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.

15. Post Balance Sheet Events

There were no material subsequent events affecting the Group after 31 December 2022.