1 August 2017
Taylor Wimpey plc
Half year results for the period ended 2 July 2017

Pete Redfern, Chief Executive, commented:

"Trading through the first half of 2017 has been very positive, supported by favourable UK housing market fundamentals and good customer confidence. In the central London market in particular, we are pleased to see improved customer confidence following a period of uncertainty.

Although the wider political backdrop could have an impact on confidence levels and market dynamics, we have seen no material change in trading since the General Election, and our first half performance has been strong. Our business is built to maximise performance in all market conditions, benefiting from a robust balance sheet and high-quality landbank. With a strong forward order book and a disciplined strategy to manage the business through the cycle, we remain on track to meet both our full year objectives and medium term strategic goals".

UK operational performance

- Completed a total of 6,580 homes, excluding joint ventures, an increase of 9.3% (H1 2016: 6,019)
- 6.3% increase in total average selling price to £253k (H1 2016: £238k), excluding joint ventures
- 24.2% increase in pre-exceptional operating profit* to £346.2 million (H1 2016: £278.8 million)
- Strong order book representing 8,741 homes (3 July 2016: 8,683) with a total value of £2,111 million (3 July 2016: £2,156 million), excluding joint ventures, which has continued to grow to £2,224 million as at 23 July 2017 (2016 equivalent period: £2,237 million)
- Short term landbank of 76,503 plots with 58% sourced from the strategic land pipeline
- Provision of £130 million has been recorded as an exceptional item in the H1 2017 accounts as a result of the leasehold review.

Group profit before tax of £205.0 million (H1 2016: £268.8 million).

Returns to shareholders announced

Announce today a special dividend of £340 million (c.10.4p pence per share) to be paid in July 2018 (July 2017: £301 million and 9.20 pence per share). Confirm Ordinary Dividend Policy of approximately 5% of Group net assets and at least £150 million per annum through the cycle.

Target to return £1.3 billion in dividends over period 2016-18 will be successfully achieved.

Interim ordinary dividend of 2.3 pence per share (H1 2016: 0.53 pence per share) to be paid on 3 November 2017, bringing 2017 total dividends to c.£451 million or 13.8 pence per share.

Balance sheet remains strong with significant further growth in net cash to £429.0 million at 2 July 2017 (3 July 2016: £116.7 million).

Group financials

	H1 2017	H1 2016	Change	FY 2016
Revenue £m	1,727.5	1,457.2	18.5%	3,676.2
Operating profit* £m	349.0	279.1	25.0%	764.3
Operating profit* margin	20.2%	19.2%	1.0ppt	20.8%
Profit before tax and exceptional items £m	335.0	266.6	25.7%	733.4
Profit before tax £m	205.0	268.8	(23.7)%	732.9
Earnings for the period before exceptional items £m	271.1	213.3	27.1%	589.7
Earnings for the period £m	165.7	215.1	(23.0)%	589.3
Adjusted basic earnings per share pence††	8.3	6.5	27.7%	18.1
Basic earnings per share pence	5.1	6.6	(22.7)%	18.1
Tangible net asset value per share pence†	94.0	88.5	6.2%	88.6
Net cash**** £m	429.0	116.7	267.6%	364.7
Return on net operating assets**	30.8%	25.2%	5.6ppt	30.7%

Current trading and outlook

Trading through the first half of 2017 has been very positive, supported by favourable UK housing market fundamentals and good customer confidence. The Group has reported impressive profit growth for the period and ended H1 2017 with net cash of £429.0m, materially higher than last year.

The UK net private sales rate for H1 2017 has been strong and stands at 0.87, c.12% higher than the equivalent period last year. The net private sales rate for the year to date (w/e 23 July) stands at 0.86 (2016 equivalent period: 0.77). As at 23 July 2017 we were c.90% forward sold for private completions for 2017, with a total order book value of £2,224 million (2016 equivalent period: £2,237 million), excluding joint ventures.

The proportion of FY 2017 forecast completions that have been delivered in the first half is slightly higher than last year as we continue to focus on the smoothing of the home delivery profile as part of our improved customer journey. This approach impacts the relative growth rates in the respective periods (2016: 44% / 56%) but leaves us on track to deliver in line with our FY 2017 volume guidance of being up c.4-5% year on year.

We have reported a notable improvement in UK net operating asset turn†* which increased to 1.45 times (H1 2016: 1.25 times; FY 2016: 1.46 times), benefiting from the combination of on-going improvement in land acquisition terms, revenue growth and cost control.

The market is underpinned by a competitive mortgage environment, the Help To Buy scheme and low interest rates. Customer interest remains high, with website visits solid and customers continuing to register interest in forthcoming developments and progress their home purchase plans. The cancellation rate for H1 2017 was 11%, compared to 12% in H1 2016.

The markets in all our geographies continue to trade positively. Customer confidence in central London has improved after a period of uncertainty, while the outer London market remains robust. In central London the land environment has changed, and we are seeing opportunities emerge. Having remained disciplined on acquisition criteria in the past 18 months in central London we are working on certain potential opportunities that would be significant and financially attractive and would provide the backbone for this regional business for a number of years.

In the period since the General Election we have seen no material change in our trading activity, nor have we implemented any significant change to our strategy. However, we do recognise that the outcome of the General Election, combined with the on-going Brexit negotiations, has resulted in greater political uncertainty, and we are therefore alert to the potential risk of a future change in customer confidence. Our strategy, based on a robust balance sheet, a high-quality landbank and a strong order book provides the flexibility and resilience to enable us to deal with changing market conditions, if required.

We confirm our prior guidance for build cost increases in 2017 of c.3-4%. The land market remains fundamentally attractive, and we have continued to acquire land at compelling investment margins and returns in the period. We remain focused on pursuing opportunities that are in high-quality locations and meet our investment criteria.

We have a clear strategy and a strong focus on where we can add further value to the business. In this way, we are confident that we can adapt to all market conditions from a position of strength and perform well, underpinning our value proposition to shareholders and other stakeholders. Our focus remains on steady, sustainable growth as we maximise efficiency through operational excellence and discipline on our sites and throughout our business.

We remain fully committed to the Dividend Policy set out in May 2016 and our objective to provide a consistent and reliable income stream for investors. We have announced today a special dividend for 2018 of £340 million, which, alongside the ordinary dividend, will take total dividends paid in the period 2016-18 to £1.3 billion, in line with our target. We confirm our intention to make further material capital returns to shareholders in 2019 and beyond and will provide an update on the future approach to capital returns at the next Strategy Day in H1 2018.

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

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

*** Operating cash flow is defined as cash generated by operations before tax and interest paid on a rolling 12-month basis.

****Net cash is defined as cash and cash equivalents less bank and other loans.

† 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 total revenue divided by the average of opening and closing net operating assets. Based on rolling 12 months.

†** The method of calculation is in line with the Annual Injury Incidence Rate methodology and covers the period between 1 January 2017 and 2 July 2017.

A reconciliation of the above alternative performance measures to statutory measures is disclosed on pages 34 to 37.

- Ends -

A presentation to analysts will be hosted by Chief Executive Pete Redfern and Group Finance Director Ryan Mangold at 9am on Tuesday 1 August 2017. This presentation will be webcast live on our website: www.taylorwimpey.co.uk/corporate

An archived version of the webcast will be available on our website in the afternoon of 1 August 2017.

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Notes to editors:

Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain.

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

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Managing through the cycle – Group strategy and returns

We operate in a cyclical market where factors such as customer confidence and mortgage cost inevitably have a direct impact on the short term outlook. We believe that a long term view and a proactive and flexible approach is needed to manage through the cycle. Our strategy is built on this and so seeks to protect shareholder value whilst mitigating future downside risk and affords us the flexibility to take advantage of opportunities and drive further value from the business.

Whilst we have not yet seen any impact on our business we recognise that political and macro uncertainty have both increased in recent months, and we are alert as to the impact this could have on consumer confidence. Should political or economic developments impact upon market conditions we are confident that the business is positioned appropriately to protect shareholder value while also capitalising on opportunities.

We reiterate the medium term targets announced in May 2016 and are pleased with the progress we continue to make:

- An average annual return on net operating assets** of 30%
- An average operating profit* margin of c.22%
- A total of £1.3 billion of dividends to be paid in cash to shareholders over the period

Whilst the targets are stretching we believe these to be the best medium term measure of performance for our business, and they remain appropriate goals for the three-year period to the end of 2018.

With the announcement today of the 2018 special dividend the total dividends announced now meet the £1.3 billion total dividend target for the 2016-18 period. The return on net operating assets** at 30.8% for H1 2017 also shows that we are at the necessary run rate to meet or exceed the RONOA target. We continue to deliver improvements in the operating profit* margin, as shown in both the H1 2017 and FY 2016 results, although this remains the most challenging of the three targets that we set.

The Group is rated investment grade by all three major credit rating agencies, which we believe provides further vindication of our financial strength and operational strategy.

Returns to shareholders

Our Dividend Policy, as an output of our strategy, is inherently linked to the cyclical environment in which we operate. It comprises an ordinary dividend to be paid through all stages of the cycle and a special dividend to be paid at appropriate times in the cycle. We remain confident that we can continue to be significantly cash generative. This will enable us to sustain a significant ordinary dividend to shareholders on an annual basis through all stages of the cycle, including through a 'normal downturn'.

Accordingly, from 2017, and as previously announced in May 2016, subject to shareholder approval each year, the Company will pay an ordinary dividend of approximately 5% of Group net assets and which will be at least £150 million per annum. This Ordinary Dividend Policy was, prior to its announcement, the subject of prudent and comprehensive stress testing against various downside scenarios, which also included a reduction of 20% in prices and a 30% reduction in volumes. This Ordinary Dividend Policy is intended to provide a minimum annual return to shareholders throughout the cycle.

The payment of ordinary dividends will also continue to be supplemented by additional significant special dividends at appropriate times in the cycle. Since commencing the payment of special dividends in 2014, we have returned c.£900 million of special dividends to shareholders, including £301 million paid to shareholders in July 2017. Our Special Dividend Policy will pay out to shareholders the free cash generated by the Group after land investment, all working capital, taxation and other cash requirements of the business in executing our strategy in the near term, and once the Group's ordinary dividend has been met.

In 2017, shareholders will receive total dividends (including ordinary and special dividends) of c.£451 million or 13.8 pence per share.

We announce today, subject to approval at the 2018 AGM, that we intend to pay £340 million to shareholders in July 2018 by way of a special dividend. As such, in 2018 shareholders will receive a total dividend of c.£500 million (c.15.3 pence per share), comprising an ordinary dividend of c.£160 million (c.4.9 pence per share) and the special dividend (c.10.4 pence per share).

We confirm our intention to make further material capital returns to shareholders in 2019 and beyond and will provide an update on the future approach to capital returns at the next Strategy Day in H1 2018. The Board will keep the mechanics of how the Company will return capital to shareholders, including the merits of undertaking a share buyback at some point in the future should it become appropriate to do so, under regular review.

Operational review

Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain. Our operational review is for the UK only as the majority of metrics do not apply to our Spanish business. A short summary of the Spanish business follows. The financial analysis is presented at Group level, which includes Spain, unless otherwise indicated.

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

Our key performance metrics

UK	H1 2017	H1 2016	Change	FY 2016
Contribution per legal completion £k	65.5	59.7	9.7%	65.5
Forward order book as a % of forecast FY completions (as at period end)	60.3%	63.1%	(2.8)ppt	54.8%
Owned and controlled plots with planning or resolution to grant	76,503	77,805	(1.7)%	76,234
Strategic land pipeline conversion plots	5,166	5,782	(10.7)%	9,519
% of completions from strategically sourced land	53%	53%	0ppt	51%
Customer satisfaction %	87.2%	84.9%	2.3ppt	85%
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors) †**	81	108	(25.0)%	211
Employee turnover % (voluntary) rolling 12 months	14.5%	13.3%	1.2ppt	13.9%

Sales, completions and pricing

The UK housing market was very positive in the first six months of 2017, with strong sales rates and modest house price growth. Overall, we estimate that market led house price growth for our regional mix was c.3-4% in the 12 months to 2 July 2017.

Whilst there were some regional variations, we saw a generally positive market across all geographies. Approximately 6% of our outlets are located inside the M25 which continued to have strong underlying fundamentals, particularly at the mid-market price points and below. Trading in central London was stable, with improving confidence, while the outer London market remained robust.

In the first half of 2017, total home completions (excluding joint ventures) increased by 9.3% to 6,580 (H1 2016: 6,019). During the first half of 2017, we delivered 1,361 affordable homes (H1 2016: 1,184), equating to 20.7% of total completions (H1 2016: 19.7%). Our net private reservation rate for the first half of the year was 0.87 homes per outlet per week (H1 2016: 0.78). Cancellation rates remained low at 11% (H1 2016: 12%). Average selling prices on private completions increased by 7.9% to £287k (H1 2016: £266k), once again benefiting from our focus on better quality locations. Our total average selling price increased by 6.3% to £253k (H1 2016: £238k).

First time buyers accounted for 42% of total sales (H1 2016: 41%) in the first half of 2017. Investor sales continued to be at a very low level at 4% (H1 2016: 4%).

During the first half of 2017 approximately 45% of total sales used the Help to Buy scheme, as we worked with 3,470 households to take the first step to home ownership or to move up the housing ladder (H1 2016: c.42% and 3,005). Approximately 77% of sales through Help to Buy in the first half of 2017 were to first time buyers (H1 2016: 78%).

As at 2 July 2017 our order book represented 8,741 homes (3 July 2016: 8,683 homes) and has reduced in value by 2.1% to £2,111 million (3 July 2016: £2,156 million), excluding joint ventures. The Central London order book is 261 homes (3 July 2016: 407 homes), at a value of £232 million (3 July 2016: £390 million).

During the first half of 2017 we opened 63 new outlets (H1 2016: 59). As at 2 July 2017 we had 296 outlets (3 July 2016: 287) located in high-quality locations.

Customers

During the first half of 2017 we achieved a customer satisfaction score of 87.2% (H1 2016: 84.9%), as we saw our improvement plans start to impact on performance. Last year we introduced a number of changes to our customer service approach, including the appointment of a newly created and boosted role of Head of Customer Service in each of our 24 regional businesses and the Home Quality Inspection (HQI) process on all of our sites. As we are continuing to instil our new customer approach across our business operations we are encouraged to see positive feedback from both customers and employees, but we also recognise that it will take time to fully embed. Customer service will remain a key priority for Taylor Wimpey on an ongoing basis.

Within the AGM trading update in April we published the conclusions of our leasehold review, and announced that we would make a provision, before tax, of £130 million in the first half accounts, which we continue to believe is an appropriate estimate. We expect the cash outflow to be spread over a number of years. The process of negotiation with the owners of the freeholds to these leasehold properties is on-going, and is proceeding in line with our expectations, and we continue to keep customers updated on the progress of these discussions.

Land and planning

Our short term landbank stands at 76,503 plots, equating to c.5.3 years of supply at current completion levels. We have been broadly operating on a replacement basis in the short term landbank for a number of years and have had an extremely selective and targeted approach to further land investment. The land market remains fundamentally attractive and we have continued to acquire land at compelling investment margins in the period. We remain focused on only pursuing the opportunities that are both in high quality locations and meet our investment criteria.

In the short term owned landbank the average cost of land as a proportion of average selling price remains very low at 15.1%, affording significant value upside and protection (H1 2016: 16.3%).

In the first half of 2017 we acquired 2,828 plots in the short term land market (H1 2016: 3,110 plots), focused on where we can add value and seek to maximise the returns from our investments. In the period, we achieved a 0.9% upside to acquisition margins on completions from land acquired since 2009.

The average selling price in the UK short term owned landbank in the first half of 2017 increased by 5.1% to £267k (H1 2016: £254k), driven by the quality of additions and the improvement in the housing market.

We have one of the largest strategic pipelines in the sector which stood at c.105k potential plots as at 2 July 2017 (3 July 2016: c.104k potential plots). During the first six months of 2017 we converted a further 5,166 plots from the strategic pipeline to the short term landbank (H1 2016: 5,782 plots).

In the period, 53% of our completions were sourced from the strategic pipeline (H1 2016: 53%).

Build costs, efficiency and product

During the first half of 2017 build cost per unit increased to £137.4k (H1 2016: £129.4k). In the period build cost increases (excluding house type mix impact) stood at c.3-4% year on year (H1 2016: c.3-4%). Cost pressures are generally more weighted towards labour, with the decent availability of building materials largely keeping cost inflation under control. Looking forward, and in line with our previous estimates, we anticipate underlying build costs will increase by c.3-4% overall in 2017.

We have improved our UK net operating asset turn[†*] to 1.45 times (H1 2016: 1.25 times), benefitting from work in progress efficiency, revenue growth, and a low land cost as a percentage of average selling price in the short term owned landbank of 15.1% (H1 2016: 16.3%), as a result of higher margin short term landbuying and increased strategic conversion. The higher proportion of strategic land conversion results in higher work in progress spend due to these sites generally requiring greater infrastructure investment. Good progress continues to be made on our medium term target of 30% average annual return on net operating assets** as set out in May 2016.

Health and safety

The health and safety of individuals on our sites will always be our number one priority and continues to be the first item discussed at every plc Board, Group Management Team and regional board meeting. We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live, and we will not compromise on ensuring that everyone leaves our sites safe and well. We have a comprehensive Health, Safety and Environmental (HSE) Strategy and a fully integrated HSE Management System in place which is regularly reviewed at all levels.

Following the tragic fire at Grenfell Tower in London we have been conducting our own internal reviews into our current and historic developments, including working with building owners and managing agents. All of our developments have robust fire safety strategies in place and each apartment block has an individual fire safety strategy that has been carefully developed during the design stage. All Taylor Wimpey homes are built to comply with the relevant Building Regulations, the Regulatory Reform Fire Safety Order, and British Standards and codes of practice. We will continue to review and remain in contact with current building owners and managers as the causes and implications of the Grenfell Tower fire become better understood.

Our Annual Injury Incidence Rate[†**] (AIIR) for reportable injuries per 100,000 employees and contractors was 81 in the first half of 2017, against 108 in the first half of 2016, back in line with our very strong performance in 2015. Our AIIR for major injuries per 100,000 employees and contractors was 32 in the first half of 2017 (H1 2016: 36). Although our AIIR remains well below industry levels, we are committed to reducing it further.

People and skills

Individually, and by working together, our employees are crucial to driving our success. We aim to be the employer of choice in the housebuilding industry, attracting and retaining the best people to establish a culture that gives all individuals the opportunity and support to develop their full potential, regardless of market conditions or their background.

During the first half of 2017 we directly employed, on average, 4,883 people across the UK (H1 2016: 4,622). Our rolling 12 months voluntary employee turnover rate was 14.5% (H1 2016: 13.3%). This is well below historic norms and gives us a significant competitive advantage and additional stability in an extremely competitive environment for skills.

We continue to invest in the skills and development of our employees across the business and to ensure that Taylor Wimpey attracts and retains the best people in the industry through the cycle. Last year we introduced a new flexible benefit package for all employees and a new approach to flexible working, with maternity, paternity and adoption policies significantly enhanced.

We are pleased to report that Taylor Wimpey achieved a total of 62 Quality Awards (2016: 57) in the National House-Building Council's (NHBC) Pride in the Job Awards 2017.

Local communities and sustainability

We aim to balance the long term economic stability and growth of the Company with our responsibilities to the environment, society and the economies in which we operate.

In the first half of 2017, we contributed over £173 million to the local communities in which we build across the UK via planning obligations, providing, for example, local infrastructure, affordable homes, public transport and education facilities (H1 2016: £147 million).

Spain

We completed 68 homes in the first half of 2017 (H1 2016: 53) at an average selling price of €394k (H1 2016: €342k). The total order book as at 2 July 2017 was 406 homes (3 July 2016: 399 homes). The Spanish business delivered an operating profit* of £2.8 million for the first half of 2017 (H1 2016: £0.3 million) and an operating profit* margin of 11.4% (H1 2016: 2.0%).

Total plots in the landbank stand at 2,834 (FY 2016: 2,140), with net operating assets at £57.2 million (FY 2016: £46.8 million).

Looking ahead, we remain cautiously optimistic about trading and performance for 2017 and beyond.

Group financial review of operations

Performance of the Group is monitored internally using a variety of statutory and alternative performance measures as outlined below. Alternative performance measures are used where they are considered to be more indicative of underlying trading or in monitoring performance against strategy. Definitions of the alternative performance measures discussed below and reconciliations to the equivalent statutory measures are detailed on pages 34 to 37.

Income statement

Group revenue increased by 18.5% to £1,727.5 million in the first half of 2017 (H1 2016: £1,457.2 million) from 6,648 completions (H1 2016: 6,072). The increase was driven by improved selling prices in the UK, up 6.3% to £253k (H1 2016: £238k), and UK volume growth of 9.3% to 6,580 completions (H1 2016: 6,019). Average selling prices on private completions increased by 7.9% to £287k (H1 2016: £266k) in the UK, with this increase being a result of both our underlying shift to better quality locations and by capturing market sales price increases.

The UK land cost per unit sold, at £43.7k, was slightly higher than the prior year (H1 2016: £40.3k), due to trading from a greater proportion of higher quality sites. Total UK land cost per completion as a percentage of selling prices was 17.3% (H1 2016: 16.9%).

Build cost per unit in the UK increased to £137.4k (H1 2016: £129.4k), driven by marginal build cost inflation, the impact of higher infrastructure costs due to a higher proportion of strategic sites and mix and specification improvements. Other direct costs and selling expenses per unit decreased to £6.5k (H1 2016: £6.8k), due to volume growth and sales efficiencies.

UK contribution per completion increased by 9.7% to £65.5k for the period (H1 2016: £59.7k), continuing to benefit from improved land mix from completions and improved sales prices partially offset by build cost increases.

Group gross profit, of £444.0 million (H1 2016: £366.0 million), increased by 21.3% and included a positive contribution of £11.8 million (H1 2016: £4.4 million), driven mostly from sales of legacy sites in the period. Positive contribution represents previously written down inventory allocated to a plot which has subsequently resulted in a gross profit on completion. This can be due to revenue outperformance, cost efficiencies or product mix improvements. These amounts are stated before the allocation of overheads which are excluded from the Group's net realisable value exercise.

In the first half of 2017, 5% (H1 2016: 4%) of the Group's UK completions were from sites that had been previously impaired. In Spain, 16 plots (H1 2016: 11) were completed that had previously been impaired. The Group anticipates that c.5% of UK 2017 completions will come from sites that have been previously impaired.

During the period, completions from joint ventures were 87 (H1 2016: 25). The total order book value of joint ventures as at 2 July 2017 was £18 million (3 July 2016: £62 million), representing 32 homes (3 July 2016: 126). Our share of results of joint ventures in the period was a profit of £4.4 million (H1 2016: £0.1 million loss).

Operating profit* increased to £349.0 million (H1 2016: £279.1 million), delivering an operating profit* margin of 20.2% (H1 2016: 19.2%).

Net finance costs for the period were £14.0 million (H1 2016: £12.5 million). Interest on overdraft, bank and other loans decreased by £2.6 million year on year, following the repayment of the term loan in 2016.

Pre-exceptional profit before tax for the period from operations increased by 25.7% to £335.0 million (H1 2016: £266.6 million). The pre-exceptional tax charge was £63.9 million (H1 2016: £53.3 million) with an underlying tax rate of 19.1% (H1 2016: 20.0%) that largely reflects the statutory tax rate in the UK. Profit before tax for the period from operations decreased by 23.7% to £205.0 million as a result of the exceptional provision.

This resulted in a profit, before exceptional items, for the half year of £271.1 million (H1 2016: £213.3 million), 27.1% up on the prior year.

Earnings for the period were £165.7 million, down 23.0% on H1 2016, as a result of the exceptional charge relating to the leasehold review. We continue to view the provision, before tax, of £130 million as an appropriate estimate.

Basic earnings per share was 5.1 pence (H1 2016: 6.6 pence). The adjusted basic earnings per share[††] was 8.3 pence (H1 2016: 6.5 pence), up 27.7%.

Balance sheet

Net operating assets as at 2 July 2017 were £2,646.1 million (31 December 2016: £2,539.6 million), reflecting a net investment of £137.2 million (3 July 2016: £351.0 million) year on year in land and work in progress, funded by increased profitability. Return on net operating assets** increased by 560 basis points to 30.8% (H1 2016: 25.2%), reflecting growth and improved profitability while maintaining balance sheet discipline.

Group net operating asset turn[†*] increased to 1.46 times (H1 2016: 1.25 times, FY 2016: 1.48 times). Asset turn has benefited from the combination of on-going improvement in land acquisition terms, revenue growth and cost control.

Net assets at 2 July 2017 stood at £2,778.9 million (3 July 2016 £2,592.2 million, 31 December 2016 £2,900.3 million). The net asset decrease from 31 December 2016 was driven by profitability in the period and lower pension deficit offset by the ordinary dividend paid and the accrual of the special dividend, paid on 14 July 2017.

As at the balance sheet date, the Group held certain land and work in progress that had been written down to net realisable value of £119.6 million (31 December 2016: £138.3 million) of which the balance in the UK was £101.2 million (31 December 2016: £119.6 million). As at 2 July 2017, the associated write-downs were £115.9 million (31 December 2016: £147.0 million) of which the balance in the UK was £68.2 million and principally related to 13 locations.

As at 2 July 2017, in the UK, 2.5% of our short term owned and controlled land was impaired (31 December 2016: 3%), with 82% of the short term owned and controlled landbank purchased after 2009, 71% of which was sourced through our strategic pipeline, resulting in a land cost to average selling price in the short term owned landbank of 15.1% (31 December 2016: 15.4%).

The review of land and work in progress net realisable values did not result in any movement in the provision.

We continue to use land creditors as a way of funding land acquisitions where this makes the most commercial sense and is value-enhancing for the business. Land creditors reduced to £526.1 million (31 December 2016: £599.8 million) and, combined with net cash, resulted in adjusted gearing of 3.5% (31 December 2016: 8.1%). Included within the land creditor balance is £124.5 million of UK land overage commitments (31 December 2016: £130 million). £267.8 million of Group land creditors are expected to be paid within 12 months and £159.4 million between one and two years from balance sheet date.

The mortgage debtor balance was £71.3 million at 2 July 2017 (31 December 2016: £78.0 million), with the decrease due to redemption receipts of £8.3 million and interest income of £1.6 million.

Our net deferred tax asset relates principally to our pension deficit and decreased to £40.5 million in the period (31 December 2016: £57.4 million). £8.4 million of this asset relates to the temporary differences of our Spanish business, including brought forward trading losses.

Pensions

Retirement benefit obligations of £130.2 million at 2 July 2017 (31 December 2016: £234.1 million) comprise a defined benefit pension liability of £129.0 million (31 December 2016: £232.7 million) and a post-retirement healthcare liability of £1.2 million (31 December 2016: £1.4 million). The pension deficit decreased by £103.7 million in H1 2017 to £129.0 million. This is due to asset outperformance partially offset by a small decrease of 0.05% in the discount rate. The volatility of the deficit remains low due to the c.£200 million buy-in completed in 2014 (c.10% of the liabilities) combined with c.75% liability hedging against interest rates and inflation risk exposure. In the first half of 2017 we contributed £14.1 million in pension contributions.

The triennial valuation of the pension scheme as at 31 December 2016 is expected to be concluded in early 2018.

Cash flow

Net cash increased to £429.0 million at 2 July 2017 from £116.7 million at 3 July 2016, despite returning £392.3 million to shareholders by way of dividends in the 12-month period to 2 July 2017. This improvement in net cash is largely as a result of strong performance in underlying trading and maintaining balance sheet discipline, as well as the timing of potential land acquisitions.

Net land spend, including the payment of land creditors, was £295.3 million (H1 2016: £361.7 million).

The sum of £1,088.3 million has been invested in work in progress in the period (H1 2016: £1,067.4 million). In the first half of 2017, we paid £2.8 million in interest costs (H1 2016: £4.1 million) and £74.8 million in dividends (H1 2016: £38.5 million).

In the period the Group paid £61.4 million in tax (H1 2016: £0.7 million, FY 2016 £71.0 million), with the increase due to the historic operational losses brought forward being exhausted in H1 2016.

In the 12 months to 2 July 2017 we converted 104% of operating profit* into operating cash flow*** (H1 2016 rolling 12 months: 55%).

Financing structure

Our committed borrowing facilities are currently £638 million with an average maturity of 3.1 years. The £550 million revolving credit facility is undrawn. Average net cash for the half year was £223.8 million (H1 2016: £2.7 million net cash; FY 2016: £87.4 million net debt).

Dividends

We have today provided a further update on our special dividend payment for 2018, as well as the 2017 interim dividend.

The Board has declared that a 2017 interim dividend of 2.3 pence per share is to be paid on 3 November 2017 to shareholders on the register at the close of business on 22 September 2017 (H1 2016 interim dividend: 0.53 pence per share). This has been set in line with the Ordinary Dividend Policy of approximately 5% of net assets per annum.

This dividend will be paid as a cash dividend, and shareholders are once again being offered the opportunity to reinvest all of their dividend under the Dividend Re-Investment Plan (DRIP), details of which are available from our Registrar and on our website. Elections to join the Plan must reach the Registrar by 9 October 2017 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk

In addition, on 14 July 2017, we returned £301 million to shareholders by way of a special dividend, equating to 9.20 pence per share.

We remain fully committed to the enhancements to the Dividend Policy we announced in May 2016.

From 2017, subject to shareholder approval, the Company will pay an ordinary dividend of approximately 5% of Group net assets and which will be at least £150 million per annum. This is intended to provide a minimum annual return to shareholders throughout the cycle, including through a ‘normal downturn’. This ordinary dividend will be paid equally as a final dividend in May and as an interim dividend in November each year.

We have announced today that we intend to return £340 million to shareholders in July 2018, equating to c.10.4 pence per ordinary share, subject to shareholder approval at the 2018 AGM.

We confirm our intention to make further material capital returns to shareholders in 2019 and beyond and will provide an update on the future approach to capital returns at the next Strategy Day in H1 2018. The Board will keep the mechanics of how the Company will return capital to shareholders, including the merits of undertaking a share buyback at some point in the future should it become appropriate to do so, under regular review.

Principal risks and uncertainties

As with any business, Taylor Wimpey faces a number of risks and uncertainties in the course of its day to day operations. It is only by identifying and managing these risks and uncertainties that we are able to deliver on our medium term targets of average operating profit* margin of c.22%, an average annual return on net operating assets** of 30% and a total of £1.3 billion of dividends to be paid in cash to shareholders over the period.

The key business risks and uncertainties are in line with those outlined in the 2016 Annual Report. In addition to the principal industry related risks, we also closely monitor a number of other key internal and external factors. These include the impact on the Group from the result of the EU Referendum, the impact from a successful cyber-attack and those factors likely to affect our reputation. The key business risks, not listed in order of importance, now include:

- *Impact of market environment on mortgage availability and affordability and housing demand* – The majority of the homes that we build are sold to individual purchasers who take on mortgages to finance their purchases. A change in business confidence, employment opportunities or significant changes in the base rate may impact on the demand for housing. The cost of servicing a mortgage continues to be at historic lows. However, sustained growth in interest rates and low wage inflation could challenge mortgage affordability, leading to lower selling prices as a result of falling demand. Although the Government has extended the Help to Buy equity loan to 2021, there is uncertainty around the impact to consumers and the housing market after this point.

  Loss of business and consumer confidence as a result of the changes from leaving the EU, may impact on demand for new build housing and the sales price. This may be tempered to some extent by the current imbalance between demand and supply. However, future decisions made by the Government around homebuyer initiatives, new legislation, stamp duty and by the Bank of England around interest rates, is likely to create both risks and opportunities for homebuilders and their customers.
- *Government regulations, planning policy and political pressures* – The NPPF and Localism Act are well established, although have yet to facilitate the delivery of greater housing availability for the UK against Government targets. The Housing and Planning Act 2016 aims to address the disparity between demand and supply for housing in the UK, by seeking changes to the planning system. The Neighbourhood Planning Act, aims to address delays caused by pre-commencement planning conditions, streamline the Compulsory Purchase Order process and strengthen neighbourhood planning. The Housing White Paper published in February 2017, is being consulted upon and, in totality, is helpful to progress housing delivery of all tenures. Recent legislature and changes could have a disruptive effect on the planning system, sales rate, site mixes and customer behaviour.
- *Materials and subcontractors cost pressures* - Increased housing production could reduce the availability of materials and subcontractors and put pressure on utility firms to keep up with the pace of production. Further, leaving the EU could impact on the availability of skilled workers. Together this could result in build programme delays and unexpected cost increase.

- *Ability to attract, motivate and retain key skills* - In a buoyant housebuilding market, there is a risk of increased staff turnover in certain trades and professions, often as a result of poaching by competitors. This could lead to business disruption, process failure and knowledge drain, in addition to the cost of staff replacement.
- *Site and customer safety* - Building sites are inherently dangerous places. Unsafe practices by our employees or subcontractors can, if not managed properly, have the potential to cause death or serious injury.
- *Land availability and cost* – The purchase of land of poor quality, at too high a price, or the incorrect timing of land purchases relative to the economic cycle could impact the Group's future profitability.

Further detail can be found on pages 44 to 47 of the 2016 Annual Report and Accounts.

Cautionary note concerning forward looking statements

This report contains certain forward looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report, and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward looking information.

Taylor Wimpey plc
Condensed Consolidated Income Statement
For the half year ended 2 July 2017

		(Reviewed)			(Reviewed)			(Audited)		
		Half year ended 2 July 2017	Half year ended 2 July 2017	Half year ended 2 July 2017	Half year ended 3 July 2016	Half year ended 3 July 2016	Half year ended 3 July 2016	Year ended 31 December 2016	Year ended 31 December 2016	Year ended 31 December 2016
£ million	Note	Before exceptional items	Exceptional items (Note 3)	Total	Before exceptional items	Exceptional items (Note 3)	Total	Before exceptional items	Exceptional items (Note 3)	Total
Continuing operations										
Revenue		**1,727.5**	**-**	**1,727.5**	1,457.2	-	1,457.2	3,676.2	-	3,676.2
Cost of sales		**(1,283.5)**	**-**	**(1,283.5)**	(1,093.4)	2.2	(1,091.2)	(2,735.8)	(0.5)	(2,736.3)
Gross profit before positive contribution		**432.2**	**-**	**432.2**	359.4	2.2	361.6	927.3	(0.5)	926.8
Positive contribution from written down inventory		**11.8**	**-**	**11.8**	4.4	-	4.4	13.1	-	13.1
Gross profit/(loss)		**444.0**	**-**	**444.0**	363.8	2.2	366.0	940.4	(0.5)	939.9
Net operating expenses		**(99.4)**	**(130.0)**	**(229.4)**	(84.6)	-	(84.6)	(177.3)	-	(177.3)
Profit/(loss) on ordinary activities before finance costs		**344.6**	**(130.0)**	**214.6**	279.2	2.2	281.4	763.1	(0.5)	762.6
Interest receivable	4	**0.4**	**-**	**0.4**	0.3	-	0.3	0.7	-	0.7
Finance costs	4	**(14.4)**	**-**	**(14.4)**	(12.8)	-	(12.8)	(31.6)	-	(31.6)
Share of results of joint ventures		**4.4**	**-**	**4.4**	(0.1)	-	(0.1)	1.2	-	1.2
Profit/(loss) on ordinary activities before tax		**335.0**	**(130.0)**	**205.0**	266.6	2.2	268.8	733.4	(0.5)	732.9
Tax (charge)/credit	5	**(63.9)**	**24.6**	**(39.3)**	(53.3)	(0.4)	(53.7)	(143.7)	0.1	(143.6)
Profit/(loss) for the period		**271.1**	**(105.4)**	**165.7**	213.3	1.8	215.1	589.7	(0.4)	589.3
Attributable to:										
Equity holders of the parent				**165.7**			215.1			589.3
Non-controlling interests				**-**			-			-
				165.7			215.1			589.3
Basic earnings per share	6			**5.1p**			6.6p			18.1p
Diluted earnings per share	6			**5.1p**			6.6p			17.9p
Adjusted basic earnings per share	6			**8.3p**			6.5p			18.1p
Adjusted diluted earnings per share	6			**8.3p**			6.5p			18.0p

Taylor Wimpey plc
Condensed Consolidated Statement of Comprehensive Income
For the half year ended 2 July 2017

£million	Half year ended 2 July 2017 (Reviewed)	Half year ended 3 July 2016 (Reviewed)	Year ended 31 December 2016 (Audited)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**1.6**	5.8	6.3
Movement in fair value of hedging derivatives and loans	**(1.1)**	(5.1)	(5.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	**94.8**	(12.2)	(69.3)
Tax (charge)/credit on items taken directly to other comprehensive income	**(15.2)**	2.4	10.7
Other comprehensive income/(expense) for the period net of tax	**80.1**	(9.1)	(57.3)
Profit for the period	**165.7**	215.1	589.3
Total comprehensive income for the period	**245.8**	206.0	532.0
Attributable to:			
Equity holders of the parent	**245.8**	206.1	532.0
Non-controlling interests	**-**	(0.1)	-
	245.8	206.0	532.0

Taylor Wimpey plc
Condensed Consolidated Balance Sheet
As at 2 July 2017

£ million	Note	2 July 2017 (Reviewed)	3 July 2016 (Reviewed)	31 December 2016 (Audited)
Non-current assets				
Intangible assets		**3.9**	3.5	3.5
Property, plant and equipment		**22.0**	20.8	21.0
Interests in joint ventures		**55.1**	41.1	50.3
Trade and other receivables		**66.5**	83.4	87.2
Deferred tax assets	5	**40.5**	53.7	57.4
		188.0	202.5	219.4
Current assets				
Inventories		**4,055.2**	4,278.5	3,984.0
Trade and other receivables		**164.1**	148.5	91.4
Tax receivables		**-**	0.2	0.2
Cash and cash equivalents	7	**516.8**	300.7	450.2
		4,736.1	4,727.9	4,525.8
Total assets		**4,924.1**	4,930.4	4,745.2
Current liabilities				
Trade and other payables		**(1,034.8)**	(1,161.1)	(988.1)
Tax payables		**(36.7)**	(48.3)	(61.6)
Provisions	10	**(78.9)**	(33.9)	(28.0)
Accrued dividends	12	**(300.0)**	(300.0)	-
		(1,450.4)	(1,543.3)	(1,077.7)
Net current assets		**3,285.7**	3,184.6	3,448.1
Non-current liabilities				
Trade and other payables		**(392.9)**	(427.2)	(442.5)
Bank and other loans	7	**(87.8)**	(184.0)	(85.5)
Deferred tax liabilities	5	**-**	-	-
Retirement benefit obligations	8	**(130.2)**	(181.1)	(234.1)
Provisions	10	**(83.9)**	(2.6)	(5.1)
		(694.8)	(794.9)	(767.2)
Total liabilities		**(2,145.2)**	(2,338.2)	(1,844.9)
Net assets		**2,778.9**	2,592.2	2,900.3

£ million				
Equity				
Share capital		**288.5**	288.4	288.4
Share premium account		**762.9**	762.9	762.9
Own shares		**(8.2)**	(1.6)	(12.2)
Other reserves		**43.7**	42.6	43.2
Retained earnings		**1,691.1**	1,499.0	1,817.3
Equity attributable to parent		**2,778.0**	2,591.3	2,899.6
Non-controlling interests		**0.9**	0.9	0.7
Total equity		**2,778.9**	2,592.2	2,900.3

Taylor Wimpey plc
Condensed Consolidated Statement of Changes in Equity
For the half year ended 2 July 2017

Reviewed half year ended 2 July 2017 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2017	**288.4**	**762.9**	**(12.2)**	**43.2**	**1,817.3**	**2,899.6**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**1.6**	**-**	**1.6**
Movement in fair value of hedging derivatives and loans	**-**	**-**	**-**	**(1.1)**	**-**	**(1.1)**
Actuarial gain on defined benefit pension schemes					**94.8**	**94.8**
Deferred tax charge	**-**	**-**	**-**	**-**	**(15.2)**	**(15.2)**
Other comprehensive income for the period net of tax	**-**	**-**	**-**	**0.5**	**79.6**	**80.1**
Profit for the period	**-**	**-**	**-**	**-**	**165.7**	**165.7**
Total comprehensive income for the period	**-**	**-**	**-**	**0.5**	**245.3**	**245.8**
New share capital subscribed	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Own shares acquired	**-**	**-**	**-**	**-**	**-**	**-**
Utilisation of own shares	**-**	**-**	**4.0**	**-**	**-**	**4.0**
Cash cost of satisfying share options	**-**	**-**	**-**	**-**	**(3.2)**	**(3.2)**
Share-based payment credit	**-**	**-**	**-**	**-**	**5.8**	**5.8**
Tax credit on items taken directly to statement of changes in equity	**-**	**-**	**-**	**-**	**0.7**	**0.7**
Dividends approved and paid	**-**	**-**	**-**	**-**	**(74.8)**	**(74.8)**
Dividends approved	**-**	**-**	**-**	**-**	**(300.0)**	**(300.0)**
Equity attributable to parent	**288.5**	**762.9**	**(8.2)**	**43.7**	**1,691.1**	**2,778.0**
Non-controlling interests						**0.9**
Total equity						**2,778.9**

Reviewed half year ended 3 July 2016 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2016	288.3	762.9	(3.2)	41.9	1,632.7	2,722.6
Exchange differences on translation of foreign operations	-	-	-	5.8	-	5.8
Movement in fair value of hedging derivatives and loans	-	-	-	(5.1)	-	(5.1)
Actuarial loss on defined benefit pension schemes	-	-	-	-	(12.2)	(12.2)
Deferred tax credit	-	-	-	-	2.4	2.4
Other comprehensive income/(expense) for the period net of tax	-	-	-	**0.7**	**(9.8)**	**(9.1)**
Profit for the period	-	-	-	-	215.1	215.1
Total comprehensive income for the period	-	-	-	**0.7**	**205.3**	**206.0**
New share capital subscribed	0.1	-	-	-	-	0.1
Own shares acquired	-	-	(0.7)	-	-	(0.7)
Utilisation of own shares	-	-	2.3	-	-	2.3
Cash cost of satisfying share options	-	-	-	-	(2.4)	(2.4)
Share-based payment credit	-	-	-	-	3.6	3.6
Tax charge on items taken directly to statement of changes in equity	-	-	-	-	(1.7)	(1.7)
Dividends approved and paid	-	-	-	-	(38.5)	(38.5)
Dividends approved					(300.0)	(300.0)
Equity attributable to parent	**288.4**	**762.9**	**(1.6)**	**42.6**	**1,499.0**	**2,591.3**
Non-controlling interests						0.9
Total equity						**2,592.2**

Taylor Wimpey plc
Condensed Consolidated Statement of Changes in Equity (continued)
For the half year ended 2 July 2017

Audited year ended 31 December 2016 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2016	288.3	762.9	(3.2)	41.9	1,632.7	2,722.6
Exchange differences on translation of foreign operations	-	-	-	6.3	-	6.3
Movement in fair value of hedging derivatives and loans	-	-	-	(5.0)	-	(5.0)
Actuarial loss on defined benefit pension schemes	-	-	-	-	(69.3)	(69.3)
Deferred tax credit	-	-	-	-	10.7	10.7
Other comprehensive income/(expense) for the year net of tax	-	-	-	**1.3**	**(58.6)**	**(57.3)**
Profit for the year	-	-	-	-	589.3	589.3
Total comprehensive income for the year	-	-	-	**1.3**	**530.7**	**532.0**
New share capital subscribed	0.1	-	-	-	-	0.1
Own shares acquired	-	-	(10.6)	-	-	(10.6)
Utilisation of own shares	-	-	1.6	-	-	1.6
Cash cost of satisfying share options	-	-	-	-	0.7	0.7
Share-based payment credit	-	-	-	-	9.8	9.8
Tax charge on items taken directly to statement of changes in equity	-	-	-	-	(0.7)	(0.7)
Dividends approved and paid	-	-	-	-	(355.9)	(355.9)
Equity attributable to parent	**288.4**	**762.9**	**(12.2)**	**43.2**	**1,817.3**	**2,899.6**
Non-controlling interests						0.7
Total equity						**2,900.3**

Taylor Wimpey plc
Condensed Consolidated Cash Flow Statement
For the half year ended 2 July 2017

£ million	Note	Half year ended 2 July 2017 (Reviewed)	Half year ended 3 July 2016 (Reviewed)	Year ended 31 December 2016 (Audited)
Net cash from/(used in) operating activities	7	**142.0**	(45.2)	537.7
Investing activities:				
Interest received		**0.4**	0.3	0.7
Proceeds on disposal of property, plant and equipment		**-**	0.3	0.3
Purchases of property, plant and investments		**(2.0)**	(1.4)	(3.1)
Purchases of software		**(1.0)**	(1.4)	(2.0)
Amounts loaned to joint ventures		**(0.3)**	(14.1)	(22.0)
Net cash used in investing activities		**(2.9)**	(16.3)	(26.1)
Financing activities:				
Repayment of bank loans		**-**	-	(100.0)
Proceeds from other loans		**-**	84.0	83.0
Proceeds from sale of own shares		**0.1**	0.1	0.1
Net (cash cost)/cash received from satisfying share options		**(0.8)**	(0.1)	2.3
Purchase of own shares		**-**	(0.7)	(10.6)
Dividends paid		**(74.8)**	(38.5)	(355.9)
Net cash generated (from)/used in financing activities		**(75.5)**	44.8	(381.1)
Net increase/(decrease) in cash and cash equivalents		**63.6**	(16.7)	130.5
Cash and cash equivalents at beginning of period		**450.2**	323.3	323.3
Effect of foreign exchange rate changes		**3.0**	(5.9)	(3.6)
Cash and cash equivalents at end of period		**516.8**	300.7	450.2

1. Accounting policies

Basis of preparation

The half year report has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union and the disclosure requirements of the Listing Rules.

The condensed set of financial statements included in this half year report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. These should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with applicable IFRSs.

The information contained in this Interim Report for the year ended 31 December 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498 (2) or (3) respectively of the Companies Act 2006.

The accounting policies and method of computations adopted in the preparation of the half year 2017 condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016. At the date of authorisation of these condensed financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IFRS 2 (amendments) – Classification and Measurement of Share-based Payment Transactions
- IAS 7 (amendments) – Disclosure Initiative
- IAS 12 (amendments) – Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Where material, the expected impact to the Group Financial statements on adoption of the above standards is detailed in the Annual Report and Accounts at 31 December 2016. This assessment has not changed in the period to 2 July 2017. Taxes on profits for the six month period are accrued based on the rate expected to be applicable for the full year.

Going concern

The Group continues to be profitable and based on the latest budgets there are sufficient resources available for the Group to continue for the foreseeable future. As such the condensed consolidated financial statements have been prepared on a going concern basis.

Estimates and judgements

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities at each period end. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those applied to the Group's consolidated financial statements as at and for the year ended 31 December 2016. In addition to those applied at 31 December 2016, the announcement of the recognition of a £130.0 million provision in respect of the leasehold review at the AGM on 27 April 2017 is an additional area of estimation uncertainty in the period to 2 July 2017. This has been considered further in Note 3.

2. Operating segments

IFRS 8 'Operating segments' requires information to be presented in the same basis as it is reviewed internally.

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

The United Kingdom is split into three geographical operating segments, each managed by a Divisional Chairman who sits on the Group Management Team. In addition there is a 'Corporate' operating segment which includes the corporate functions, Major Developments and Strategic Land.

Segment information about these businesses is presented below:

Half year ended 2 July 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	**634.4**	**531.0**	**529.3**	**8.2**	**24.6**	**1,727.5**
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	**144.7**	**130.5**	**108.1**	**(41.5)**	**2.8**	**344.6**
Share of results of joint ventures	**0.1**	**-**	**4.3**	**-**	**-**	**4.4**
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	**144.8**	**130.5**	**112.4**	**(41.5)**	**2.8**	**349.0**
Exceptional items (Note 3)	**-**	**-**	**-**	**(130.0)**	**-**	**(130.0)**
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	**144.8**	**130.5**	**112.4**	**(171.5)**	**2.8**	**219.0**
Net finance costs						**(14.0)**
Profit on ordinary activities before taxation						**205.0**
Taxation (including exceptional tax)						**(39.3)**
Profit for the period						**165.7**

As at 2 July 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	**1,184.5**	**1,269.6**	**1,482.5**	**220.9**	**154.2**	**4,311.7**
Joint ventures	**2.7**	**3.4**	**46.5**	**2.5**	**-**	**55.1**
Segment operating liabilities	**(375.5)**	**(466.9)**	**(436.4)**	**(344.9)**	**(97.0)**	**(1,720.7)**
Net operating assets/(liabilities)	**811.7**	**806.1**	**1,092,6**	**(121.5)**	**57.2**	**2,646.1**
Net current taxation						**(36.7)**
Net deferred taxation						**40.5**
Accrued dividends						**(300.0)**
Net cash						**429.0**
Net assets						**2,778.9**

2. Operating segments (continued)

Half year ended 3 July 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	580.7	499.9	361.7	0.1	14.8	1,457.2
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	136.8	116.2	60.1	(34.2)	0.3	279.2
Share of results of joint ventures	0.1	-	(0.2)	-	-	(0.1)
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	136.9	116.2	59.9	(34.2)	0.3	279.1
Exceptional items		2.2				2.2
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	136.9	118.4	59.9	(34.2)	0.3	281.3
Net finance costs						(12.5)
Profit on ordinary activities before taxation						268.8
Taxation (including exceptional tax)						(53.7)
Profit for the period						215.1

As at 3 July 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,230.9	1,356.8	1,654.2	151.6	141.2	4,534.7
Joint ventures	2.3	3.1	34.5	1.0	0.2	41.1
Segment operating liabilities	(365.3)	(541.3)	(549.7)	(276.8)	(72.8)	(1,805.9)
Net operating assets/(liabilities)	867.9	818.6	1,139.0	(124.2)	68.6	2,769.9
Net current taxation						(48.1)
Net deferred taxation						53.7
Accrued dividends						(300.0)
Net cash						116.7
Net assets						2,592.2

2. Operating segments (continued)

For the year to 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	1,239.4	1,204.5	1,137.0	1.7	93.6	3,676.2
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	279.9	280.7	249.3	(67.4)	20.6	763.1
Share of results of joint ventures	0.1	-	1.1	-	-	1.2
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	280.0	280.7	250.4	(67.4)	20.6	764.3
Exceptional items	-	2.2	-	-	(2.7)	(0.5)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	280.0	282.9	250.4	(67.4)	17.9	763.8
Net finance costs						(30.9)
Profit on ordinary activities before taxation						732.9
Taxation (including exceptional tax)						(143.6)
Profit for the period						589.3

As at 31 December 2016 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,155.1	1,241.0	1,451.9	215.4	123.7	4,187.1
Joint ventures	2.6	3.3	43.2	1.2	-	50.3
Segment operating liabilities	(341.7)	(514.4)	(459.9)	(304.9)	(76.9)	(1,697.8)
Net operating assets/(liabilities)	**816**.0	729.9	1,035.2	(88.3)	46.8	2,539.6
Net current taxation						(61.4)
Net deferred taxation						57.4
Net cash						364.7
Net assets						2,900.3

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

Profit on ordinary activities before financing costs has been arrived at after charging/(crediting):

£ million	**Half year ended 2 July 2017**	Half year ended 3 July 2016	Year ended 31 December 2016
Administration expenses	**97.4**	91.6	189.2
Other expense	**5.0**	3.0	9.5
Other income	**(3.0)**	(10.0)	(21.4)
Exceptional items	**130.0**	(2.2)	0.5

Net other income includes profits on the sale of property, plant and equipment, revaluation of certain shared equity mortgage receivables.

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

Exceptional items: £ million	**Half year ended 2 July 2017**	Half year ended 3 July 2016	Year ended 31 December 2016
Provision in respect of leasehold review	**130.0**	-	-
Net (addition to)/reversal of inventory impairments	**-**	(2.2)	0.5
Tax (credit)/charge	**(24.6)**	0.4	(0.1)
Net exceptional items charged to the income statement	**105.4**	(1.8)	0.4

Leasehold provision

As announced at the AGM on 27 April 2017, we are taking measures which we believe will address our customers concerns regarding historical lease structures in an appropriate and fair manner. Our review has focused on a specific lease structure which provides that the ground rent doubles every 10 years until the 50th year, at which point the rent is capped. This lease structure was introduced by Taylor Wimpey in good faith in 2007 and was one of a variety of lease types used on new developments during that period until late 2011, when we stopped using them on new developments commenced after that date.

The doubling clauses are considered to be entirely legal and are clearly set out in the relevant lease documentation. In addition, when buying their Taylor Wimpey property, all customers received independent legal advice as part of the standard conveyancing process. In line with normal practice the relevant freehold reversions have been sold to a number of third parties over several years.

On behalf of customers who acquired from, and remain the owners of a Taylor Wimpey leasehold properties which are subject to this specific doubling clause, we have already entered into negotiations with the respective owners of the majority of the freeholds with the objective of converting our customer's leases to an alternative lease structure, focused on resolving concerns that have been raised by some customers regarding the mortgageability or saleability of properties with this lease type, with the Group bearing the financial cost of doing so. In the event that we are not able to reach agreement with individual freeholders, we will continue to pursue other avenues to help our customers. As a result of this review the Group has recognised an exceptional provision, before tax, of £130 million as at 2 July 2017.

This provision has been calculated using a range of assumptions including the total number of properties still owned by the original purchaser and an average valuation per leasehold unit. The outcomes of these assumptions made currently remain unknown and could vary over time. Assumptions will be regularly reviewed. However given the information available at 2 July 2017 it is considered that the provision announced at the AGM on 27 April 2017 of £130.0 million remains appropriate. We expect the cash outflow to be spread over a number of years; this will be determined by the outcome of the ongoing negotiations with the current freeholders of the properties and the timing of applications from customers.

Inventory impairment

The markets in our core geographies, which are the primary drivers of our business, continue to trade positively. However we recognise the outcome of the general election, combined with on-going Brexit negotiations, and as such we are alert to the potential risk of a change in customer confidence.

At the half year, the Group completed a net realisable value assessment of inventory with these factors in mind. This review did not result in any additional impairment provisions (3 July 2016: £1.8 million) being recognised or any existing provisions being released (3 July 2016: £4.0 million). This is because the majority of the impairment provision remaining is on sites which have suffered from adverse planning decisions or are impacted by other site specific factors rather than wider market factors.

The Group undertakes a detailed review on a site by site basis of the net realisable value of its land and work in progress. The results from this review are sensitive to the assumptions used. Therefore, we also consider when the inventory is likely to be realised, and whether or not there has been a sustained change in market conditions and the wider economic environment existing at the balance sheet date. As disclosed in the 2016 Annual Report, a 1% movement in revenue or build costs results in an immaterial impact on the net realisable value of land and work in progress.

At the balance sheet date the Group held land and work in progress in the UK that had been written down to net realisable value of £101.2 million (31 December 2016: £119.6 million) with associated impairments of £68.2 million (31 December 2016: £96.8 million). As at 2 July 2017, 2.5% (31 December 2016: 3%) of our UK short term owned and controlled land is impaired.

3. **Net operating expenses and profit on ordinary activities before finance costs (continued)**

In the half year 5% (H1 2016: 4%) of the Group's UK completions were from sites that had been previously impaired.

Only 16 plots (H1 2016: 11) were completed in Spain that had previously been impaired. In Spain there was inventory written down to net realisable value of £18.4 million as at 2 July 2017 (31 December 2016: £18.7 million) with associated impairments of £47.7 million (31 December 2016: £50.2 million).

The gross profit for the period includes £11.8 million (H1 2016: £4.4 million) of positive contribution, on completions and land sales from sites with previously impaired inventory. Of this £5.6 million was in relation to the sale of land which was previously impaired.

4. Finance costs and interest receivable

Interest receivable:

£ million	**Half year ended 2 July 2017**	Half year ended 3 July 2016	Year ended 31 December 2016
External interest receivable	**0.4**	0.3	0.7

Finance costs:

£ million	**Half year ended 2 July 2017**	Half year ended 3 July 2016	Year ended 31 December 2016
Interest on overdrafts, bank and other loans	**2.8**	5.4	10.9
Movement on interest rate derivatives and foreign exchange movements	**0.1**	(2.5)	(1.6)
	2.9	2.9	9.3
Unwinding of discount on land creditors and interest on other payables and other items	**8.4**	6.7	16.2
Notional net interest on pension liability	**3.1**	3.2	6.1
Total finance costs	**14.4**	12.8	31.6

5. Taxation

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

£ million	**Half year ended 2 July 2017**	Half year ended 3 July 2016	Year ended 31 December 2016
Current tax:			
UK	**(36.6)**	(51.8)	(134.0)
Foreign tax	**(0.9)**	(0.2)	(2.3)
Total current tax	**(37.5)**	(52.0)	(136.3)
Deferred tax:			
UK	**(1.8)**	(1.7)	(6.1)
Foreign tax	**-**	-	(1.2)
Total deferred tax	**(1.8)**	(1.7)	(7.3)
	(39.3)	(53.7)	(143.6)

The effective tax rate for the period is 19.2% (3 July 2016: 20.0%). The tax charge of £39.3 million (3 July 2016: £53.7 million) predominantly relates to current tax. Included within the total tax charge is an exceptional tax credit of £24.6 million related to the leasehold review provision. Included within the total tax charge at 3 July 2016 is a £0.4 million exceptional charge related to the reversal of impairment of inventory recorded in the period.

Closing deferred tax on UK temporary differences has been calculated at the rates expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the UK temporary differences have been calculated at rates between 19% and 17%.

6. Earnings per share

	Half year ended 2 July 2017	Half year ended 3 July 2016	Year ended 31 December 2016
Basic earnings per share	**5.1p**	6.6p	18.1p
Diluted earnings per share	**5.1p**	6.6p	17.9p
Adjusted basic earnings per share	**8.3p**	6.5p	18.1p
Adjusted diluted earnings per share	**8.3p**	6.5p	18.0p
Weighted average number of shares for basic earnings per share – million	**3,263.8**	3,258.3	3,259.7
Weighted average number of shares for diluted earnings per share – million	**3,278.0**	3,276.7	3,283.2

Adjusted basic and adjusted diluted earnings per share, which exclude the impact of exceptional items and the associated net tax charges, are shown to provide clarity on the underlying performance of the Group.

A reconciliation from profit from operations attributable to equity shareholders used for basic and diluted earnings per share to that used for adjusted earnings per share is shown below:

£ million	**Half year ended 2 July 2017**	Half year ended 3 July 2016	Year ended 31 December 2016
Profit from operations for basic earnings per share and diluted earnings per share	**165.7**	215.1	589.3
Adjust for exceptional net (reversal)/addition of inventory write-downs	**-**	(2.2)	0.5
Adjust for exceptional provision in respect of leasehold review	**130.0**	-	-
Adjust for tax on exceptional items	**(24.6)**	0.4	(0.1)
Profit for adjusted basic and adjusted diluted earnings per share	**271.1**	213.3	589.7

7. Notes to the cash flow statement

£ million	**Half year ended 2 July 2017**	Half year ended 3 July 2016	Year ended 31 December 2016
Profit on ordinary activities before finance costs	**214.6**	281.4	762.6
Adjustments for:			
Depreciation of plant and equipment	**1.0**	0.7	2.1
Exceptional items (Note 3)	**130.0**	(2.2)	0.5
Amortisation of software development	**0.6**	0.5	1.2
Pension contributions in excess of charge to the income statement	**(12.3)**	(12.7)	(20.1)
Share-based payment charge	**5.8**	3.6	9.8
Profit on disposal of property and plant	**-**	(0.2)	(0.3)
(Decrease)/increase in provisions (excluding exceptional items)	**(0.4)**	2.6	(0.9)
Operating cash flows before movements in working capital	**339.3**	273.7	754.9
Increase in inventories	**(137.2)**	(351.0)	(113.3)
(Increase)/decrease in receivables	**(65.1)**	(12.7)	42.3
Increase/(decrease) in payables	**69.2**	49.6	(61.7)
Cash generated by/(used in) by operations	**206.2**	(40.4)	622.2
Income taxes paid	**(61.4)**	(0.7)	(71.0)
Interest paid	**(2.8)**	(4.1)	(13.5)
Net cash from/(used in) operating activities	**142.0**	(45.2)	537.7

7. Notes to the cash flow statement (continued)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise of cash at bank and other short term highly liquid investments with an original maturity of three months or less.

Movement in net cash/(debt):

£ million	Cash and cash equivalents	Overdrafts, banks & other loans	Total net cash/(debt)
Balance 1 January 2017	**450.2**	**(85.5)**	**364.7**
Cashflow	63.6	-	63.6
Foreign exchange	3.0	(2.3)	0.7
Balance 2 July 2017	**516.8**	**(87.8)**	**429.0**

£ million	Cash and cash equivalents	Overdrafts, banks & other loans	Total net cash/(debt)
Balance 1 January 2016	323.3	(100.0)	223.3
Cashflow	(16.7)	(84.0)	(100.7)
Foreign exchange	(5.9)	-	(5.9)
Balance 3 July 2016	300.7	(184.0)	116.7

£ million	Cash and cash equivalents	Overdrafts, banks & other loans	Total net Cash/(debt)
Balance 1 January 2016	323.3	(100.0)	223.3
Cashflow	130.5	17.0	147.5
Foreign exchange	(3.6)	(2.5)	(6.1)
Balance 31 December 2016	450.2	(85.5)	364.7

Our committed borrowing facilities are currently £638 million with an average maturity of 3.1 years. Average net cash for the half year was £223.8 million (H1 2016: £2.7 million net cash; FY 2016: £87.4 million net debt).

8. Pensions

The Group's defined benefit pension scheme was assessed at 2 July 2017 using assumptions on discount and inflation rates derived using current market yield curves. The decrease in the defined benefit pension scheme deficit since 31 December 2016 was predominantly caused by asset outperformance and pension contributions of £14.1 million, partially offset by a small decrease of 0.05% in the discount rate.

9. Financial Instruments' fair value disclosure

The Group held the following financial assets and liabilities (including financial instruments) at 2 July 2017:

£ million		Carrying amount **2 July 2017**	Carrying amount 3 July 2016	Carrying amount 31 December 2016	Fair Value **2 July 2017**	Fair Value 3 July 2016	Fair Value 31 December 2016
Financial Assets							
Cash and cash equivalents	b	**516.8**	300.7	450.2	**516.8**	300.7	450.2
Land receivables	b	**9.6**	24.9	24.1	**9.6**	24.9	24.1
Trade and other receivables	b	**102.9**	69.5	44.6	**102.9**	69.5	44.6
Mortgage receivables	a	**71.3**	88.4	78.0	**71.3**	88.4	78.0
Financial Liabilities							
Overdrafts, bank and other loans	b	**87.8**	184.0	85.5	**87.8**	184.0	85.5
Land creditors	b	**526.1**	656.3	599.8	**526.1**	656.3	599.8
Trade and other payables	b	**772.2**	735.4	677.9	**772.2**	735.4	677.9

(a) Mortgage receivables relate to sales incentives including shared equity loans which are separated into a loan receivable and a non-closely related embedded derivative asset. The embedded derivative is measured at fair value through the income statement. The fair value of the derivative is established based on a publically available national house price index, being significant other observable inputs (level 2) along with other relevant assumptions relating to the future recoverability of the asset.

(b) The Directors consider the carrying amounts of financial assets and liabilities recognised in the condensed consolidated financial statements approximate their fair values.

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts and include £46.8 million (31 December 2016: £31.9 million) of non-financial assets.

Current and non-current trade and other payables on the balance sheet of £1,427.7 million (31 December 2016: £1,430.6 million) includes land creditors of £526.1 million (31 December 2016: £599.8 million), trade and other payables of £772.2 million (31 December 2016: £677.9 million) and non-financial liabilities of £129.4 million (31 December 2016: £152.9 million). Non-financial liabilities include customer deposits and advance receipts of £129.4 million (31 December 2016: £117.4 million).

The Group has designated a financial liability in the sum of €54.0 million (2016: €54.0 million) as a net investment hedge. The fair value of the financial liability is based on the observable exchange rates at the end of the period (level 2). At the period end the carrying value is considered to approximate its fair value.

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

10. Provisions

£ million	Housing maintenance	North America disposal	Leasehold review	Other	Total
At 31 December 2016	**2.6**	**10.5**	**-**	**20.0**	**33.1**
Additional provision in the period	0.1	-	130.0	4.6	134.7
Utilisation of provision	-	(0.7)	(0.6)	(3.7)	(5.0)
Released	-	-	-	-	-
At 2 July 2017	**2.7**	**9.8**	**129.4**	**20.9**	**162.8**

£ million	**2 July 2017**	31 December 2016
Current	**78.9**	28.0
Non-current	**83.9**	5.1
31 December	**162.8**	33.1

10. Provisions (continued)

During the period to 2 July 2017, the Group recognised a £130.0 million provision as an exceptional item – see Note 3.

Other provisions include remedial work provision, provisions for legal claims, onerous leases and other contract-related costs. The remedial work provision covers various obligations, including aftercare of Springfield Environmental Limited and our Oxley Woods development.

Also included in other provisions are amounts for legal claims and contract-related costs associated with various matters arising across the Group, the majority of which are anticipated to be settled within a three year period. Onerous leases and vacant property costs included in this provision are expected to be utilised within approximately five years.

11. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed within the financial statements or related notes.

During the period to 2 July 2017, the Group directly purchased from Travis Perkins plc, a company of which the Chief Executive is a non executive director, goods to the value of £10.2 million (year to 31 December 2016: £18.4 million). In addition, indirect purchases through sub-contractors amounted to £13.2 million (year to 31 December 2016 £18.1 million). Any residual purchases made at a local level are not material to either party. All transactions were completed on an arms-length basis.

During the period to 3 July 2016 the following transactions with Directors took place. There were no such transactions in the period to 2 July 2017.

The Chief Executive purchased two properties from Taylor Wimpey de Espana S.A.U., a wholly owned subsidiary of the Company. The first property was purchased for €278,000 representing full market value. The second property was purchased for €356,250 under the staff discount scheme. This property was sold on the same terms available to all employees pursuant to the Company's Staff House Purchase scheme. Both of these purchases were approved by Shareholders at the Company's 2016 Annual General Meeting in accordance with s.190 and s.191 of the Companies Act 2006 which relate to substantial property transactions between directors and companies.

Ryan Mangold, a Director of the Company acquired an apartment for the sum of £648,964 on the Radius development in Osiers Road, Wandsworth. This property was sold on the same terms available to all employees pursuant to the Company's Staff House Purchase scheme. This purchase was approved by Shareholders at the Company's 2016 Annual General Meeting in accordance with s.190 and s.191 of the Companies Act 2006 which relate to substantial property transactions between directors and companies.

12. Dividends

£ million	**Half year ended 2 July 2017**	Half year ended 3 July 2016	Year ended 31 December 2016
Approved and paid	**74.8**	38.5	355.9
Approved and accrued	**300.0**	300.0	-
Approved	**75.2**	17.3	-
Proposed	**-**	-	74.9

At the Company's 2017 Annual General Meeting shareholders approved the special dividend of c.£300.0 million paid on 14 July 2017. This dividend was accrued as at the balance sheet.

The Directors have assessed the Company's performance in the current period and approved an interim dividend of 2.3 pence per share in line with the Group's dividend policy. The dividend will be payable to all shareholders on the register at the close of business on 22 September 2017 and will be paid on 3 November 2017. This is expected to result in a payment of c.75.2 million.

In accordance with IAS 10 'Events after the balance sheet date' the approved interim dividend has not been accrued in the 2 July 2017 balance sheet.

13. Share based payments

The Group recognised a total expense of £5.8 million to 2 July 2017 (3 July 2016: £3.6 million) in relation to equity-settled share based payment transactions.

14. Seasonality

Weekly sales rates in some of the Group's key markets historically experience significant seasonal variation, with the highest levels of reservations occurring in the spring and autumn in the UK. As such, economic weakness which affects these peak selling seasons can have a disproportionate impact on our results for the year.

This pattern of reservations tends to result in higher levels of home completions towards the end of the financial year. As a result, the Group's work in progress and debt profile exhibits peaks and troughs over the course of the financial year.

15. Events occurring after 2 July 2017

There were no material subsequent events affecting the Group between 2 July 2017 and the date of this announcement that need to be disclosed.

Alternative Performance Measures

For the half year ended 2 July 2017

The Group uses a number of alternative performance measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures should be considered alongside the IFRS measures. The following Alternative Performance Measures are referred to throughout the half year 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 respectively, on the face of the Consolidated Income Statement.

Operating profit and operating profit margin

Within the highlights and throughout, operating profit is used as one of the main measures of performance, with operating profit margin being a Key Performance Indicator (KPI). 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 underlying performance of the Group. Operating profit margin is calculated as operating profit divided by total Group revenue. The Directors consider this to be a metric which reflects the underlying performance of the business.

Operating profit to profit before interest and tax reconciliation

	Half year ended 2 July 2017 Profit £m	Half year ended 2 July 2017 Revenue £m	Half year ended 2 July 2017 Margin %	Half year ended 3 July 2016 Profit £m	Half year ended 3 July 2016 Revenue £m	Half year ended 3 July 2016 Margin %	Year ended 31 December 2016 Profit £m	Year ended 31 December 2016 Revenue £m	Year ended 31 December 2016 Margin %
Profit before interest and tax	**214.6**	**1,727.5**	**12.4**	**281.4**	**1,457.2**	**19.3**	**762.6**	**3,676.2**	**20.7**
Adjusted for:									
Share of results of joint ventures	4.4	-	0.3	(0.1)	-	-	1.2	-	0.1
Exceptional items	130.0	-	7.5	(2.2)	-	(0.1)	0.5	-	-
Operating profit	**349.0**	**1,727.5**	**20.2**	**279.1**	**1,457.2**	**19.2**	**764.3**	**3,676.2**	**20.8**

Net operating assets and return on net operating assets

Net operating assets is defined as basic net assets less net cash, excluding net taxation balances and accrued dividends. Return on net operating assets, another KPI, is defined as 12-month operating profit divided by the average of the 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.

Taylor Wimpey plc
Alternative Performance Measures (continued)
For the half year ended 2 July 2017

Net operating assets

£million	2 July 2017	3 July 2016	31 December 2016	31 December 2015	28 June 2015
Basic net assets	**2,778.9**	**2,592.2**	**2,900.3**	**2,723.3**	**2,417.0**
Average basic net assets	**2,685.6**	**2,504.6**	**2,811.8**		
Adjusted for:					
Cash	(516.8)	(300.7)	(450.2)	(323.3)	(212.6)
Borrowings	87.8	184.0	85.5	100.0	125.0
Net taxation	(3.8)	(5.6)	4.0	(57.4)	(117.5)
Accrued dividends	300.0	300.0	-	-	250.0
Net operating assets	**2,646.1**	**2,769.9**	**2,539.6**	**2,442.6**	**2,461.9**
Average net operating assets	**2,708.0**	**2,615.9**	**2,491.1**		

Return on net operating assets*

	2 July 2017 Net assets £m	2 July 2017 Profit £m	2 July 2017 Return on net assets %	3 July 2016 Net assets £m	3 July 2016 Profit** £m	3 July 2016 Return on net assets %	31 December 2016 Net assets £m	31 December 2016 Profit £m	31 December 2016 Return on net assets %
Average basic net assets	**2,685.6**	**695.8**	**25.9**	**2,504.6**	**659.2**	**26.3**	**2,811.8**	**762.6**	**27.1**
Adjusted for:									
Average cash	(408.8)	-	3.9	(256.7)	-	2.6	(386.8)	-	4.3
Average borrowings	135.9	-	(1.3)	154.5	-	(1.5)	92.8	-	(1.0)
Average taxation	(4.7)	-	0.1	(61.5)	-	0.6	(26.7)	-	0.3
Average accrued dividends	300.0	-	(2.9)	275.0	-	(2.8)	-	-	-
Share of results of joint ventures	-	5.7	-	-	3.4	0.1	-	1.2	-
Exceptional items	-	132.7	5.1	-	(2.4)	(0.1)	-	0.5	-
Average net operating assets	**2,708.0**	**834.2**	**30.8**	**2,615.9**	**660.2**	**25.2**	**2,491.1**	**764.3**	**30.7**

***Based on a rolling 12 month period.
**Profit figures for the 6 month period ended 31 December 2015: Profit before interest and tax: £377.8m, Share of results of joint ventures: £3.5m, Exceptional items: £0.2m.

Net operating asset turn

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

Taylor Wimpey plc
Alternative Performance Measures (continued)
For the half year ended 2 July 2017

Net operating asset turn*

	2 July 2017 Net assets £m	2 July 2017 Revenue £m	2 July 2017 Net asset turn	3 July 2016 Net assets £m	3 July 2016** Revenue £m	3 July 2016 Net asset turn	31 December 2016 Net assets £m	31 December 2016 Revenue £m	31 December 2016 Net asset turn
Average basic net assets	**2,685.6**	**3,946.5**	**1.47**	**2,504.6**	**3,261.7**	**1.30**	**2,811.8**	**3,676.2**	**1.31**
Adjusted for:									
Average cash	(408.8)	-	0.22	(256.7)	-	0.13	(386.8)	-	0.21
Average borrowings	135.9	-	(0.07)	154.5	-	(0.08)	92.8	-	(0.05)
Average taxation	(4.7)	-	-	(61.5)	-	0.03	(26.7)	-	0.01
Average accrued dividends	300.0	-	(0.16)	275.0	-	(0.13)	-	-	-
Average net operating assets	**2,708.0**	**3,946.5**	**1.46**	**2,615.9**	**3,261.7**	**1.25**	**2,491.1**	**3,676.2**	**1.48**

*Based on a rolling 12 month period.
**Total Group revenue for the 6 month period ended 31 December 2015: £1,804.5m.

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.

Tangible net assets per share

	2 July 2017 Net assets £m	2 July 2017 Ordinary shares in issue	2 July 2017 Net assets per share pence	3 July 2016 Net assets £m	3 July 2016 Ordinary shares in issue	3 July 2016 Net assets per share pence	31 December 2016 Net assets £m	31 December 2016 Ordinary shares in issue	31 December 2016 Net assets per share pence
Basic net assets	**2,778.9**	**3,272.0**	**84.9**	**2,592.2**	**3,265.0**	**79.4**	**2,900.3**	**3,270.3**	**88.7**
Adjusted for:									
Accrued dividends	300.0	-	9.2	300.0	-	9.2	-	-	-
Intangible assets	(3.9)	-	(0.1)	(3.5)	-	(0.1)	(3.5)	-	(0.1)
Tangible net assets	**3,075.0**	**3,272.0**	**94.0**	**2,888.7**	**3,265.0**	**88.5**	**2,896.8**	**3,270.3**	**88.6**

Net cash

Net cash is defined as total cash less total financing. This is considered by the Directors to be the best indicator of the financing position of the Group. This is reconciled in note 7.

Cash conversion

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

Taylor Wimpey plc
Alternative Performance Measures (continued)
For the half year ended 2 July 2017

Cash conversion*

	2 July 2017 Profit £m	2 July 2017 Cash generated from operations £m	2 July 2017 Cash conversion %	3 July 2016 Profit £m	3 July 2016** Cash generated from operations £m	3 July 2016 Cash conversion %	31 December 2016 Profit £m	31 December 2016 Cash generated from operations £m	31 December 2016 Cash conversion %
Profit before interest and tax	**695.8**	**868.8**	**124.9**	**659.2**	**365.3**	**55.4**	**762.6**	**622.2**	**81.6**
Adjusted for:									
Share of results of joint ventures	5.7	-	(0.9)	3.4	-	(0.3)	1.2	-	(0.1)
Exceptional items	132.7	-	(19.9)	(2.4)	-	0.2	0.5	-	(0.1)
Operating profit	**834.2**	**868.8**	**104.1**	**660.2**	**365.3**	**55.3**	**764.3**	**622.2**	**81.4**

*Based on a rolling 12 month period.
**Cash generated from operations for the 6 month period ended 31 December 2015: £405.7m.

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

Adjusted gearing

	2 July 2017 £m	31 December 2016 £m
Cash	516.8	450.2
Private placement loan notes	(87.8)	(85.5)
Net cash	**429.0**	**364.7**
Land creditors	(526.1)	(599.8)
Adjusted net debt	**(97.1)**	**(235.1)**
Basic net assets	2,778.9	2,900.3
Adjusted gearing	**3.5%**	**8.1%**

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

Taylor Wimpey plc
Statement of Directors' responsibility
For the half year ended 2 July 2017

The Directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules, namely:

- an indication of important events that have occurred during the first half year of the financial year and their impact on the condensed set of financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first half year of the financial year and any material changes in the related party transactions described in the last Annual Report.

The Directors of Taylor Wimpey plc are listed in the Taylor Wimpey plc Annual Report and Accounts to 31 December 2016.

A list of current directors is maintained on the Taylor Wimpey website: www.taylorwimpey.co.uk/corporate

By order of the Board

Kevin Beeston, Chairman

Pete Redfern, Group Chief Executive

31 July 2017

INDEPENDENT REVIEW REPORT TO TAYLOR WIMPEY PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the half-year ended 2 July 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the half-year ended 2 July 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, United Kingdom

31 July 2017