31 July 2018
Taylor Wimpey plc
Half year results for the period ended 1 July 2018

Pete Redfern, Chief Executive, commented:

"As employment prospects remain positive and mortgage availability is good, customer demand for our homes has been strong in spite of some wider macroeconomic uncertainty. With a strong order book in place, we are confident in our prospects for the remainder of the year and looking further ahead.

We have been very pleased to see further improvement in our customer satisfaction scores which is the result of our increased investment in this area over the last three years.

We have a great platform in place as we roll out our new strategy for customer centred growth, which means taking a proactive approach to every aspect of our operations and becoming a more agile, focused and innovative business.

Improving the efficient use of our land, and improving all key processes over the next five years, will enable us to deliver more homes and a high-quality product and service to our customers and communities and increased value for shareholders.

We remain on track to deliver the Board's expectations for 2018."

Delivering high-quality returns now whilst investing to create a customer-centric growth business for the future.

- Completed a Group total of 6,497 homes (H1 2017: 6,648), excluding joint ventures
- Increase in UK private average selling price to £295k (H1 2017: £287k)
- Achieved 90% customer recommendation rate in H1 2018 (H1 2017: 88%)
- Strong UK order book as at 1 July 2018 representing 9,241 homes (2 July 2017: 8,741 homes), with a value of £2,175 million (2 July 2017: £2,111 million), excluding joint ventures
- Adjusted operating profit* of £344.3 million (H1 2017: £350.5 million)
- Profit before tax of £301 million (H1 2017: £205 million)
- Contributed £192 million in the first half of 2018 to local communities via planning obligations – and over £1.8 billion since the start of 2013
- Exceptional provision of £30.0 million to replace Aluminium Composite Material (ACM) cladding, providing support to customers on certain developments following a detailed review
- Increased net cash of £525.1 million as at 1 July 2018 (2 July 2017: £429.0 million)
- Interim ordinary dividend of 2.44 pence per share (H1 2017: 2.30 pence per share) to be paid in November 2018, bringing 2018 total dividends to c.£500 million or 15.28 pence per share

Reconfirmation of enhanced returns to shareholders from 2019

- Special dividend of £350 million (c.10.7p pence per share) to be paid in July 2019 subject to shareholder approval (£340 million and 10.4 pence per share paid in July 2018)
- From 2019, increased Ordinary Dividend Policy of approximately 7.5% of Group net assets and at least £250 million per annum through the cycle (up from 5% and at least £150 million per annum), bringing 2019 total dividends to c.£600 million or c.18.3 pence per share (2018: c. £500 million)
- Based on our current five-year expectations, and in current market conditions, we expect special dividend payments to remain comparable to the 2018 and 2019 payments

Group financials

	H1 2018	H1 2017	Change	FY 2017
Revenue £m	1,719.8	1,727.5	(0.4)%	3,965.2
Adjusted operating profit* £m	344.3	350.5	(1.8)%	844.1
Operating profit* margin	20.0%	20.3%	(0.3)ppt	21.3%
Profit before tax and exceptional items £m	331.0	335.0	(1.2)%	812.0
Profit before tax £m	301.0	205.0	46.8%	682.0
Earnings for the period before exceptional items £m	269.1	271.1	(0.7)%	660.3
Earnings for the period £m	244.5	165.7	47.6%	555.3
Adjusted basic earnings per share pence††	8.2	8.3	(1.2)%	20.2
Basic earnings per share pence	7.5	5.1	47.1%	17.0
Tangible net asset value per share pence†	100.3	94.0	6.7%	95.7
Net cash**** £m	525.1	429.0	22.4%	511.8
Return on net operating assets**	30.9%	30.9%	0.0ppt	32.5%

UK current trading and outlook

During the first half of 2018, the housing market has been stable across all our core geographies, including London. Customers continue to benefit from a competitive mortgage environment, low interest rates and the Help to Buy scheme. Despite some wider uncertainty in the UK economy and the ongoing Brexit negotiations, we have seen no material impact on customers' ability or desire to purchase a new home with Taylor Wimpey in 2018. We continue to monitor the potential risk of a future change in customer confidence. We are committed to broadening our routes to market and increasing the accessibility of our homes to as many potential customers as possible, as a key part of our new strategy, which we set out in May 2018.

We are focused on building a new and better business for the long term, while delivering improvements in the short term. We are committed to becoming a truly customer-centric homebuilder and improving the efficiency of our landbank, as we look to deliver more homes to a greater number and wider range of people. We continue to be active in the land market, which remains positive as we work together with our partners and communities to progress new acquisitions. We target locations where we can create and add to communities in which our customers want to live, now and in the future, and which will provide new homes for years to come. We continue to acquire land at similar high investment margins and returns to those in 2017.

The net private sales rate for H1 2018 at 0.83, across our 280 outlets, remained at a healthy level and, with the exception of H1 2017, is the strongest H1 sales rate recorded for Taylor Wimpey (H1 2017: 0.87 sales per site per week and 292 outlets). Our larger sites (namely those with a scope of more than 750 homes) are already delivering increased sales rates in excess of 1.5. The cancellation rate for H1 2018 remains low at 13% (H1 2017: 11%). The net private sales rate for the year to date (w/e 22 July 2018) stands at 0.82 (2017 equivalent period: 0.86).

As at 22 July 2018, we were c.87% forward sold for private completions for 2018, with a total order book value of £2,269 million (2017 equivalent period: £2,224 million), excluding joint ventures, with some homes reserved into 2020. This order book represents 9,612 homes (2017 equivalent period: 9,141). In Central London c.78% of private completions for 2018 are forward sold, as at 22 July 2018 (2017 equivalent period: 77%). Our affordable order book stands at 4,034 homes as at 22 July 2018 (2017 equivalent period: 3,287).

As previously announced, the very poor weather in the first quarter of 2018 means the proportion of FY 2018 forecast completions that have been delivered in the first half is slightly lower than last year, which has also impacted H1 2018 revenue. This means we expect 2018 to be more second half weighted than normal. The catch up in construction has progressed well and we remain on track to deliver in line with our FY 2018 guidance.

We also confirm our prior guidance for build cost increases in 2018 of c.3-4%.

It is positive that all major political parties understand the importance of, and the very real need for, more good-quality homebuilding in the UK. We welcome the draft analysis of the Letwin independent review into build out rates published in June 2018 and the clear conclusion that major homebuilders do not engage in speculative landbanking. The focus of our strategy is already on maximising our output on larger sites through developing differentiated and sought-after homes for a wide range of customers.

We reconfirm today a special dividend for 2019 of £350 million which, alongside the ordinary dividend, will take total dividends to be paid in 2019 to c.£600 million, an increase of 20% on 2018. Based on our current five-year expectations, and in current market conditions, we expect special dividend payments to remain comparable to the 2018 and 2019 payments.

In an environment where we believe underlying demand will continue to be above supply into the foreseeable future, we are confident that we can deliver significant benefits to our customers in all market conditions and deliver further financial value to our shareholders. With our high-quality landbank and skills, we are well placed to deliver an increase in much-needed homes across the country.

* 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, excluding net taxation balances and accrued dividends.

*** Operating cash flow is defined as cash generated by operations before tax, interest paid, and exceptional cash flows.

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

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

† 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, excluding exceptional items and tax on exceptional items, divided by the weighted average number of shares in issue during the period.

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

†** The method of calculation is in line with the Annual Injury Incidence Rate methodology and covers the period between 1 January 2018 and 1 July 2018.

A reconciliation of the above alternative performance measures to statutory measures is disclosed on pages 36 to 39.

The 2017 financial statements have been restated for IFRS 9 and IFRS 15. They have not been restated for IFRS 16 as it has been applied from 1 January 2018 using the 'modified retrospective' approach, as outlined in the standard.

- Ends -

A presentation to analysts will be hosted by Chief Executive Pete Redfern and Group Finance Director Chris Carney at 9am on Tuesday 31 July 2018. 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 31 July 2018.

For further information please contact:

Taylor Wimpey plc Tel: +44 (0) 7826 874461

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

Finsbury Tel: +44 (0) 20 7251 3801

Faeth Birch
Anjali Unnikrishnan

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

Follow us on Twitter @TaylorWimpeyplc

A customer led strategy

Our new strategy, announced in May 2018, refocuses our business purpose and firmly puts the customer at the heart of all the decisions we make today and in the future. We will seek to use our high-quality landbank more efficiently to deliver growth, both in the number and quality of homes built for a wider range of customers, and in return on capital and dividends for our investors.

This is a principle-based strategy, designed to perform well through all stages of the housing cycle, by identifying and responding to our customers' needs, improving products and places, simplifying the buying process and creating affordable access to the homes that we build by widening routes to market. A customer-centric approach will ultimately enable us to better manage the cycle, through faster and controlled growth at the right times of the cycle and increased resilience in weaker market conditions.

We are focused on the financial goals announced in May 2018 which target further improvement in the next five years to 2023:

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

Shareholder returns

Investors will benefit from our new strategy through long term sustainable growth, driven by increased landbank efficiency, as we work our existing and future assets harder to deliver more homes over the next five years. Investors will also benefit in the form of an enhanced reliable dividend stream. We reconfirm the enhancements to the dividend announced in May 2018, based on current outperformance, improved asset efficiency and confidence in our long term growth plans.

Today the Board has declared a 2018 interim dividend of 2.44 pence per share (H1 2017: 2.30 pence per share).

From 2019, and subject to shareholder approval each year, the Company will pay an enhanced ordinary dividend of approximately 7.5% of Group net assets, which will be at least £250 million per annum (or c.7.6 pence per share), up from 5% and £150 million. Our Ordinary Dividend Policy is intended to provide an annual return to shareholders that we can reasonably commit to throughout the cycle and so, prior to its announcement, was the subject of prudent and comprehensive stress testing against various downside scenarios which included a 20% reduction in prices and a 30% reduction in volumes.

We reconfirm today a special dividend for 2019 of £350 million (or c.10.7 pence per share) to be paid in July 2019, subject to shareholder approval. 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. We have paid a special dividend in each of the last four years. Based on our current five-year expectations, and in current market conditions, we expect special dividend payments to remain comparable to the 2018 and 2019 payments.

In 2018, shareholders will receive total dividends (including ordinary and special dividends) of c.£500 million or 15.28 pence per share. In 2019 shareholders will receive a total dividend of c.£600 million (c.18.3 pence per share), comprising an ordinary dividend of c.£250 million (c.7.6 pence per share) and the special dividend of £350 million (c.10.7 pence per share), up 20% from 2018.

Operational review

Taylor Wimpey plc is a customer-focused residential developer building and delivering homes and communities across the UK and 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 2018	H1 2017	Change	FY 2017
Customer satisfaction – would you recommend score %	90%	88%	2.0ppt	89%
Customer satisfaction – would you recommend 9 month score %	79%	74%	5.0ppt	76%
Number of homes completed exc JVs	6,367	6,580	(3.2%)	14,387
Contribution per legal completion £k	66.6	65.5	1.7%	69.3
Owned and controlled plots with planning or resolution to grant	75,617	76,503	(1.2)%	74,849
Strategic land pipeline conversion plots	3,541	5,166	(31.5)%	7,863
% of completions from strategically sourced land	59%	53%	6.0ppt	53%
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors) †**	78	81	-	152
Employee turnover % (voluntary) rolling 12 months	14.6%	14.5%	0.1ppt	14.0%

Customers and communities at the heart of our business

We were delighted that during the first half of 2018, 90% of our customers said that they would recommend Taylor Wimpey (H1 2017: 88%), according to the survey carried out by the National House-Building Council (NHBC), as the measures we have put in place over the last three years really start to take effect and we saw our people embrace our customer-focused culture.

However, there is still more to do if we want to become truly customer-centric: we need to move beyond what has been seen as normal, or even exceptional, in our sector. We believe that we need to put customers and the community at the heart of our business, from strategic planning to our day to day interactions, to have the greatest positive impact on the way people live.

As one of the largest residential developers in the country, we are responsible for creating not only the homes which people will live in for years to come but also for shaping the communities of the future. It is particularly important to us that our developments and the wider communities of which they form part of are not just proud neighbours but that they also succeed together. Over recent years, our approach to planning applications and consultation has naturally evolved and is responsible for numerous improvements across our developments every year. We are committed to going further over the years to come. In the first half of 2018, through our planning obligations, we have contributed over £192 million to the local communities in which we build across the UK (H1 2017: £173 million). This provides vital local infrastructure, affordable homes, public transport and education facilities.

As part of our new strategy announced in May 2018, we are in the early stages of piloting our rent to buy scheme and have previously announced an investment of £100 million into developing private rental sector (PRS) homes. This is focused on exploring and opening up different routes to market. This stems from a belief that we have a shared responsibility to do more to help more people get on to the housing ladder and to increase access to good-quality homes for more people. This will have long term and cyclical benefits, offering customers more options and positioning us well in all market conditions.

In light of the Grenfell tragedy in June 2017, we completed a review to identify all legacy and current buildings with Aluminium Composite Material (ACM) cladding and worked with building owners, management companies and the Fire Service to implement Government advice on interim mitigation measures, where applicable. Whilst each example is slightly different, and this is an exceptionally complex issue, we have in a number of cases agreed to support customers both financially and practically with removal and replacement plans, even though the buildings concerned met the requirements of building regulations at the time construction was formally approved. We have taken this decision for buildings constructed recently because we believe that it is morally right, not because it is legally required. Our primary goal in doing this is seeking to ensure that any work is undertaken properly and promptly, but also to ensure that customers are not impacted by bills that are significantly greater than normal maintenance. During the first half of 2018, we have therefore taken an exceptional charge of £30.0 million before tax to replace certain ACM cladding, which is also consistent with independent fire expert advice. The majority of this provision relates to one development in Scotland, which was built under prior building regulations.

Sales, completions and pricing

The UK housing market, including London, was stable in the first six months of 2018, with healthy sales rates and small incremental house price growth in our geographies. Overall, we estimate that market led house price growth for our regional mix was c.3% in the 12 months to 1 July 2018.

In the first half of 2018, total home completions (excluding joint ventures) decreased by 3.2% to 6,367 (H1 2017: 6,580), with the decrease in completions due to reduced delivery in poor weather conditions. During the first half of 2018, we delivered 1,513 affordable homes (H1 2017: 1,361), equating to 23.8% of total completions (H1 2017: 20.7%). Our net private reservation rate for the first half of the year was 0.83 homes per outlet per week (H1 2017: 0.87).

Cancellation rates remained low at 13% (H1 2017: 11%). Average selling prices on private completions increased by 2.8% to £295k (H1 2017: £287k), once again benefiting from our focus on better quality locations. Our total average selling price increased by 1.6% to £257k (H1 2017: £253k).

Our forward order book as a percentage of completions at period end was 65.2% (H1 2017: 60.8%).

First time buyers accounted for 35% of total sales in the first half of 2018 (H1 2017: 42%). Investor sales continued to be at a very low level at 4% (H1 2017: 4%).

During the first half of 2018 approximately 39% of total customer sales used the Help to Buy scheme, as we worked with 3,286 households to take the first step to home ownership or to move up the housing ladder (H1 2017: c.45% and 3,470). Approximately 76% of sales through Help to Buy in the first half of 2018 were to first time buyers (H1 2017: 77%).

As at 1 July 2018 our order book represented 9,241 homes (2 July 2017: 8,741 homes) and has increased in value by 3.0% to £2,175 million (2 July 2017: £2,111 million), excluding joint ventures. The Central London order book is 289 homes (2 July 2017: 261 homes), at a value of £216 million (2 July 2017: £232 million). Our affordable order book stood at 4,047 homes at the period end (2 July 2017: 3,286 homes).

During the first half of 2018 we opened 49 new outlets (H1 2017: 63). As at 1 July 2018 we were operating with 300 factories on 278 outlets (2 July 2017: 296) located in high-quality locations.

Land and planning

The land market environment has undergone a structural change over recent years, with reduced competition and increased investment margins. We believe that this environment will continue for this cycle. This, together with the improved planning environment, will enable us to reduce the short term landbank length by around one year (from the current 5.3 years to 4-4.5 years) over the next five years. Targeting primarily our largest sites, we will work them harder and smarter to drive further growth in the business, both in the number of homes built and in returns of capital to benefit customers and our investors.

Our short term landbank stands at 75,617 plots, equating to c.5.3 years of supply at current completion levels. We continue to believe that the quality of location is critically important for our customers and during the first half of 2018, acquired 3,822 plots (H1 2017: 2,828) in areas that customers want to live and where we can create thriving neighbourhoods and communities. In the period, we achieved a 1.1% upside to acquisition margins on completions from land acquired. Following the previously announced acquisition of Mount Pleasant, part of the Royal Mail site in central London in August 2017, we have now started work on site and are making good progress in line with our programme and expectations when we acquired the site.

We prioritise getting outlets open efficiently and in the right way for our customers. As at 1 July 2018, we are building on 96% of our sites with implementable planning.

Our strategic land pipeline of c.118k potential plots as at 1 July 2018 (2 July 2017: c.105k potential plots) gives us greater control over the planning permissions we receive and the places we can create for our customers and the wider communities we work within. During the first six months of 2018 we worked with landowners and local communities to convert a further 3,541 plots from the strategic pipeline to the short term landbank (H1 2017: 5,166 plots).

In the period, 59% of our completions were sourced from the strategic pipeline (H1 2017: 53%).

Build costs, efficiency and product

During the first half of 2018 build cost per unit increased to £143.7k (H1 2017: £137.4k). In the period build cost increases (excluding house type mix impact) stood at c.3-4% year on year (H1 2017: c.3-4%). This continues to be weighted towards labour and we recognise the need for Taylor Wimpey, and the wider industry, to continue to invest in skills for the future. Good availability of building materials and our advantages of scale are 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 2018.

As announced previously, we have commenced a cost and efficiency review to ensure we have the most efficient underlying cost base and that value-added investment is properly tested and benchmarked. We are in the process of exploring and validating opportunities to improve productivity and procurement efficiency over the medium term.

We achieved an annual return on net operating assets** for the Group of 30.9% in the first half of 2018 (H1 2017: 30.9%). The annual return on net operating assets** for the UK business was 30.3% in the first half of 2018 (H1 2017: 30.7%).

Our UK net operating asset turn[†*] is consistent with the prior year at 1.45 times (H1 2017: 1.45 times).

We believe that it is important to become more innovative and creative to progress and develop the housebuilding model. We have a strong IT platform and integrated systems, which will help support further growth and learning to drive efficiency. We have a number of projects ongoing to capture the benefits across all stages of our business model.

Health and safety

We are deeply saddened by the death of a subcontractor on one of our sites on 19 July 2018 following a serious accident. Our thoughts and sympathies are with his family and all those affected, who remain our priority at this time. We are assisting the Health and Safety Executive with the accident investigation.

The health and safety of individuals on our sites will always be our number one priority. Our Annual Injury Incidence Rate[†**] (AIIR) for reportable injuries per 100,000 employees and contractors was 78 in the first half of 2018, against 81 in the first half of 2017. Our AIIR for major injuries per 100,000 employees and contractors was 28 in the first half of 2018 (H1 2017: 32). Although our AIIR remains well below industry levels, we remain committed to reducing it further.

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 every day.

People and skills

The success of our strategy depends on our culture and our people. 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. We are committed to investing in our people and their development, including investment in direct labour, to underpin growth and delivery.

We have an academy-based approach to training and development in certain functions, including sales, production, customer service and design. Our Production Academy also offers our employees the opportunity to gain a recognised professional qualification. The Taylor Wimpey

Production Diploma consists of the completion of an NVQ and additional modules in areas such as management and leadership, finance, project management, and technical. To date we are supporting 203 Assistant Site Managers, Site Managers, and Production Managers through the Production Academy and 45 members of staff have now completed the course.

During the first half of 2018 we directly employed, on average, 5,239 people across the UK (H1 2017: 4,883). Our rolling 12 months voluntary employee turnover rate remained low at 14.6% (H1 2017: 14.5%).

We are pleased to report that 67 Taylor Wimpey Site Managers across the country were recognised in the National House-Building Council's (NHBC) Pride in the Job Awards, achieving a Quality Award (2017: 62).

Spain

The Spanish housing market remained positive through the first six months of 2018. We completed 130 homes in the first half of 2018 (H1 2017: 68) at an average selling price of €332k (H1 2017: €394k). The reduction in average selling price reflected a decrease in higher value completions in the period. The total order book as at 1 July 2018 was 372 homes (2 July 2017: 406 homes). The Spanish business delivered an operating profit* of £9.5 million for the first half of 2018 (H1 2017: £2.8 million), benefitting from a significant increase in completions, and an operating profit* margin of 25.1% (H1 2017: 11.4%).

Total plots in the landbank stood at 2,698 (FY 2017: 2,675), with net operating assets at £61.7 million (FY 2017: £55.3 million).

Looking ahead, we are optimistic about trading and performance for 2018 and beyond.

Group financial review of operations

Performance of the Group is monitored internally using a variety of statutory and alternative performance measures (APMs) as outlined below. APMs are used where management considers they are more representative of underlying trading or in monitoring performance against strategy. The APMs used form the measurement basis of key strategic targets and are linked directly to executive remuneration. Definitions of the APMs are discussed below and reconciliations to the equivalent statutory measures are detailed on pages 36 to 39.

During the period, the Group adopted three new accounting standards, being IFRS 9 - 'Financial Instruments'; IFRS 15 – 'Revenue from Customers'; and IFRS 16 – 'Leases'. Although there is limited impact to the financial statements from their adoption, IFRS 16 has the greatest impact, with the recognition of £29.7 million of leased cars, office properties and other smaller items in fixed assets at 1 July 2018, with a corresponding lease liability (see note 14 on page 35). The 2017 financial statements have been restated for IFRS 9 and IFRS 15. They have not been restated for IFRS 16 as it has been applied from 1 January 2018 using the 'modified retrospective' approach, as outlined in the standard.

Income statement

Group revenue decreased slightly by 0.4% to £1,719.8 million in the first half of 2018 (H1 2017: £1,727.5 million). This was driven by a reduction of 3.2% in UK volumes to 6,367 completions (H1 2017: 6,580), partly offset by improved selling prices in the UK, up 1.6% to £257k (H1 2017: £253k). Average selling prices on private completions increased by 2.8% to £295k (H1 2017: £287k) in the UK, with steady rises across the country from both inflation and improvements in mix. In the context of the half year 2017 having been a record performance, and poor weather conditions in the first quarter of 2018 delaying some completions into the second half of the year, we consider the Group results for the first half 2018 to represent a strong performance.

The UK land cost per completed unit, at £40.6k, was 7.1% lower than the prior year (H1 2017: £43.7k). This was due to completing on a greater proportion of affordable housing in the first half, trading from more strategically sourced sites, and a lower proportion of completions from London and the South East Division. Total UK land cost per completion as a percentage of selling prices was 15.8% (H1 2017: 17.3%).

Build cost per unit in the UK increased to £143.7k (H1 2017: £137.4k), with the greater level of strategically sourced sites requiring higher infrastructure costs, together with marginal build cost inflation, mix and specification improvements. Other direct costs and selling expenses per unit decreased to £6.2k (H1 2017: £6.5k), due to sales efficiencies.

UK contribution per completion increased by 1.7% to £66.6k for the period (H1 2017: £65.5k), continuing to benefit from improved sales prices partially offset by build cost increases.

Group gross profit, of £445.0 million (H1 2017: £443.7 million), increased by 0.3% and included a positive contribution of £3.8 million (H1 2017: £11.8 million). 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 since the inventory was assessed for its forecast profitability. 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 2018, 3% (H1 2017: 5%) of the Group's UK completions were from sites that had been previously impaired. In Spain, 12 plots (H1 2017: 16) were completed that had previously been impaired. The Group anticipates that c.2% of UK 2018 completions will come from sites that have been previously impaired.

During the period, completions from joint ventures were 10 (H1 2017: 87), with volume improvement expected in the second half as new phases on existing sites start to deliver completions. The total order book value of joint ventures as at 1 July 2018 was £42 million (2 July 2017: £18 million), representing 75 homes (2 July 2017: 32). Our share of results of joint ventures in the period was a loss of £2.1 million (H1 2017: profit of £4.4 million).

With the reduced performance from joint ventures and the weighting of legal completions towards the second half of 2018, operating profit* decreased to £344.3 million (H1 2017: £350.5 million), delivering an operating profit* margin of 20.0% (H1 2017: 20.3%). Profit on ordinary activities before finance costs increased by 46.4% to £316.4 million (H1 2017: £216.1 million). This increase is driven by a reduction in the exceptional charge in the period.

Net finance costs for the period were £13.3 million (H1 2017: £15.5 million). The reduction is due to the lower notional interest charge of £0.7 million (H1 2017: £3.1 million) on the defined benefit pension scheme deficit. This is a result of the deficit falling from £232.7 million in December 2016 to £63.7 million at December 2017, which drives the following periods' notional interest charge.

Imputed interest on land creditors was £9.3 million (H1 2017: £10.0 million).

Pre-exceptional profit before tax for the period from operations decreased by 1.2% to £331.0 million (H1 2017: £335.0 million). The pre-exceptional tax charge was £61.9 million (H1 2017: £63.9 million) with an underlying tax rate of 18.7% (H1 2017: 19.1%) that largely reflects the statutory tax rate in the UK. This resulted in a profit, before exceptional items, for the half year of £269.1 million (H1 2017: £271.1 million), 0.7% lower than the prior year.

An exceptional charge totalling £30.0 million has been recognised for the removal of Aluminium Composite Material ('ACM') cladding at a small number of sites. We have sought independent fire safety advice and believe the £30.0 million exceptional provision to be an appropriate estimate of the final outcome. An exceptional provision of £130.0 million was recognised in half year 2017 in relation to leasehold property matters and doubling ground rents.

Profit before tax for the period from operations increased by 46.8% to £301.0 million as a result of the reduction in exceptional charges. Similarly, earnings for the period were £244.5 million, up 47.6% on H1 2017.

Basic earnings per share was 7.5 pence (H1 2017: 5.1 pence). The adjusted basic earnings per share[††] was 8.2 pence (H1 2017: 8.3 pence), down 1.2%.

Balance sheet

Net operating assets** as at 1 July 2018 were £2,782.4 million (31 December 2017: £2,654.1 million), reflecting a net investment of £187.0 million (2 July 2017: £137.2 million) in the first half in land and work in progress, funded by profitability. Return on net operating assets** remained at 30.9% (H1 2017: 30.9%), as a result of maintaining balance sheet discipline. Group net operating asset turn[†*] was 1.46 times (H1 2017: 1.46 times, FY 2017: 1.53 times). Asset turn has benefited from the combination of on-going competitive land acquisition terms, and strong revenues.

Net assets at 1 July 2018 stood at £2,950.6 million (2 July 2017: £2,778.9 million, 31 December 2017: £3,137.3 million). The net asset decrease from 31 December 2017 was driven by the payment of the final ordinary dividend of £79.8 million and the accrual of the special dividend of £340.0 million, partially offset by profits in the period.

As at the balance sheet date, the Group held certain land and work in progress that had been written down by £89.0 million (31 December 2017: £93.3 million) to a net realisable value of £84.5 million (31 December 2017: £87.7 million). The balance of previously written down land and work in progress in the UK was £62.9 million (31 December 2017: £69.9 million), following the associated write-down of £43.4 million (31 December 2017: £46.9 million) and principally related to eight locations.

As at 1 July 2018, in the UK, 84% of the short term owned and controlled landbank was purchased after 2009, 60% of which was sourced through our strategic pipeline. This results in a land cost to average selling price in the short term owned landbank of 14.6% (31 December 2017: 14.8%).

Land creditors increased to £668.1 million (31 December 2017: £639.1 million) and, combined with net cash****, resulted in a low level of adjusted gearing of 4.8% (31 December 2017: 4.1%). Included within the land creditor balance is £113 million of UK land overage commitments (31 December 2017: £117 million). £365.2 million of Group land creditors are expected to be paid within 12 months and £156.7 million between one and two years from the balance sheet date.

The mortgage debtor balance was £55.4 million at 1 July 2018 (31 December 2017: £63.1 million), with the decrease largely due to redemption receipts of £9.2 million.

Our net deferred tax asset relates to our pension deficit, employee share schemes and the temporary differences of our Spanish business, including brought forward trading losses. This increased to £31.1 million in the period (31 December 2017: £29.3 million).

Pensions

As previously announced, further to our 31 December 2016 triennial valuation, we agreed a four-year recovery plan with the Trustees. This included a funding mechanism, tested quarterly, such that should the Pension Scheme reach a technical provisions surplus, further contributions would be suspended and only recommence if the funding level fell below 96%. At our Capital Markets Day in May 2018, we announced that the first quarterly test as at 29 March 2018, identified a deficit of £23.0 million which was paid in April 2018. The subsequent test at 29 June 2018 has resulted in a small deficit although, as the Scheme remains 99% funded, regular contributions remain suspended. The Group will continue to cover Scheme expenses and make contributions via the Pension Funding Partnership. Total Scheme contributions are expected to be £34.1 million in 2018 (2017: £23.1 million) reducing to £7.1 million per annum from 2019, assuming the Scheme remains at least 96% funded.

Retirement benefit obligations of £56.3 million at 1 July 2018 (31 December 2017: £64.8 million) comprise a defined benefit pension liability of £55.2 million (31 December 2017: £63.7 million) and a post-retirement healthcare liability of £1.1 million (31 December 2017: £1.1 million). The underlying volatility of the Scheme remains low due to the c.£200 million buy-in completed in 2014 (c.10% of the liabilities), combined with c.80% liability hedging against interest rates and inflation risk exposure.

Cash flow

Net cash**** increased to £525.1 million at 1 July 2018 from £429.0 million at 2 July 2017, despite returning £455.5 million to shareholders by way of dividends in the 12-month period to 1 July 2018. 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 £272.6 million (H1 2017: £295.3 million). The sum of £1,063.8 million has been invested in work in progress in the period (H1 2017: £1,088.3 million).

In the first half of 2018, we paid £8.9 million in relation to the exceptional leasehold provision (H1 2017: £0.6 million). We also paid £3.8 million in interest costs (H1 2017: £2.8 million) and £79.8 million in dividends (H1 2017: £74.8 million). The Group also paid £64.1 million in corporation tax (H1 2017: £61.4 million, FY 2017 £126.7 million).

In the 12 months to 1 July 2018 we converted 86% of operating profit* into operating cash flow*** (H1 2017 rolling 12 months: 104%).

Financing structure

Our committed borrowing facilities are currently £638.5 million with an average maturity of 4.7 years. Average net cash**** for the half year was £360.6 million (H1 2017: £223.8 million net cash; FY 2017: £186.5 million net cash).

As previously announced, on 14 February 2018, we completed an amendment and extension of the £550 million revolving credit facility to mature in 2023 on improved terms with an option to extend for a further two years.

Dividends

As announced at our Capital Markets Day in May 2018, and subject to shareholder approval, the Company will pay an enhanced ordinary dividend of approximately 7.5% of Group net assets from 2019, which will be at least £250 million per annum. This ordinary dividend will continue to be paid equally as a final dividend in May and as an interim dividend in November each year.

We reconfirm today that we intend to return £350 million in special dividends to shareholders in July 2019, equating to c.10.7 pence per ordinary share, subject to shareholder approval at the 2019 AGM. Based on this, in 2019, shareholders will receive a total dividend of approximately £600 million or c.18.3 pence per share, which is a 20% increase on 2018.

On 18 May 2018, we returned £79.8 million to shareholders by way of a 2017 final ordinary dividend, equating to 2.44 pence per share. The Board has declared that a 2018 interim dividend of 2.44 pence per share is to be paid on 9 November 2018 to shareholders on the register at the close of business on 5 October 2018 (H1 2017 interim dividend: 2.30 pence per share). This has been set in line with the existing Ordinary Dividend Policy of approximately 5% of net assets per annum, which applies to 2018.

In addition, on 13 July 2018, we returned £340 million to shareholders by way of a special dividend, equating to 10.40 pence per share. Based on our current five-year expectations, and in current market conditions, we expect special dividend payments to remain comparable to the 2018 and 2019 payments.

The 2018 interim 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 19 October 2018 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk

The Board intends to keep the mechanics of how the Company will pay its special dividends under periodic review as and when appropriate.

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.

The key business risks and uncertainties are in line with those outlined in the 2017 Annual Report, published in March 2018. In addition to the industry related risks summarised below, we also closely monitor a number of other key internal and external factors. These include the impact from a successful cyber-attack and other factors likely to affect our reputation. The key business risks, not listed in order of importance, now include:

- *Government regulations, planning policy and political pressures* – The National Planning Policy Framework (NPPF) has been revised and reissued on 24 July 2018. Beneficial changes have been made to the preparations and review of development plans, which we welcome. The impact of these and other changes introduced by NPPF 2018 will take time to be felt, however, in the meantime neither the NPPF nor the Localism Act have delivered the required level of housing availability for the UK when assessed against Government targets. Areas presenting the greatest uncertainty to the housing industry and the Group include: the future of the Government's Help to Buy scheme after 2021, the changes to the approach to viability assessments in planning and continuing uncertainty in respect of ground rent terms for leasehold properties. Insufficient notice of changes, together with certain changes themselves, could have a disruptive effect on the planning system, sales rate, site mixes and customer behaviour. We are pleased that all political parties understand the importance of and very real need for more good-quality homebuilding in the UK. We welcome the draft analysis of the Letwin independent review into build out rates published in June 2018 and the clear conclusion that major homebuilders do not engage in speculative landbanking.

- *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, low wage inflation or increasing personal debt levels, could challenge mortgage affordability, leading to lower selling prices as a result of falling demand.
- *Exiting the EU with no agreed deal* – Leaving the EU with no agreed deal in place, and UK business applying World Trade Organisation (WTO) rules until new trading arrangements have been negotiated, would be likely to lead to a period of reduced trade, resulting in a negative impact to business and consumer confidence. The resulting environment would not support the same level of interest in house-purchase as exists today, although this may be tempered to some extent by the current imbalance between housing demand and supply.
- *Materials and trades cost pressures* - Increased housing production could reduce the availability of materials, and put pressure on utility firms to keep up with the pace of production. Increased production, together with an ageing housebuilding workforce, could also lead to an insufficient level of skilled labour. Further, leaving the EU could reduce the availability of skilled workers, particularly in the South East. 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 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 38 to 41 of the 2017 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 1 July 2018

		(Reviewed)			(Reviewed)			(Audited)		
		Half year ended 1 July 2018	Half year ended 1 July 2018	Half year ended 1 July 2018	Half year ended 2 July 2017 (restated)	Half year ended 2 July 2017	Half year ended 2 July 2017 (restated)	Year ended 31 December 2017 (restated)	Year ended 31 December 2017	Year ended 31 December 2017 (restated)
£ 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		**1,719.8**	**-**	**1,719.8**	1,727.5	-	1,727.5	3,965.2	-	3,965.2
Cost of sales		**(1,274.8)**	**-**	**(1,274.8)**	(1,283.8)	-	(1,283.8)	(2,933.4)	-	(2,933.4)
Gross profit before positive contribution		**441.2**	**-**	**441.2**	431.9	-	431.9	1,014.4	-	1,014.4
Positive contribution from written down inventory		**3.8**	**-**	**3.8**	11.8	-	11.8	17.4	-	17.4
Gross profit		**445.0**	**-**	**445.0**	443.7	-	443.7	1,031.8	-	1,031.8
Net operating expenses	3	**(98.6)**	**(30.0)**	**(128.6)**	(97.6)	(130.0)	(227.6)	(195.3)	(130.0)	(325.3)
Profit/(loss) on ordinary activities before finance costs		**346.4**	**(30.0)**	**316.4**	346.1	(130.0)	216.1	836.5	(130.0)	706.5
Interest receivable	4	**1.0**	**-**	**1.0**	0.4	-	0.4	0.8	-	0.8
Finance costs	4	**(14.3)**	**-**	**(14.3)**	(15.9)	-	(15.9)	(32.9)	-	(32.9)
Share of results of joint ventures		**(2.1)**	**-**	**(2.1)**	4.4	-	4.4	7.6	-	7.6
Profit/(loss) on ordinary activities before tax		**331.0**	**(30.0)**	**301.0**	335.0	(130.0)	205.0	812.0	(130.0)	682.0
Tax (charge)/credit	5	**(61.9)**	**5.4**	**(56.5)**	(63.9)	24.6	(39.3)	(151.7)	25.0	(126.7)
Profit/(loss) for the period		**269.1**	**(24.6)**	**244.5**	271.1	(105.4)	165.7	660.3	(105.0)	555.3
Attributable to:										
Equity holders of the parent				**244.5**			165.7			555.3
				244.5			165.7			555.3
Basic earnings per share	6			7.5p			5.1p			17.0p
Diluted earnings per share	6			7.5p			5.1p			16.9p
Adjusted basic earnings per share	6			8.2p			8.3p			20.2p
Adjusted diluted earnings per share	6			8.2p			8.3p			20.1p

Taylor Wimpey plc
Condensed Consolidated Statement of Comprehensive Income
For the half year ended 1 July 2018

£million	Half year ended 1 July 2018 (Reviewed)	Half year ended 2 July 2017 (Reviewed)	Year ended 31 December 2017 (Audited)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(0.1)**	1.6	2.2
Movement in fair value of hedging derivatives and loans	**0.1**	(1.1)	(1.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	**(22.4)**	94.8	154.8
Tax credit/(charge) on items taken directly to other comprehensive income	**4.7**	(15.2)	(26.5)
Other comprehensive (expense)/income for the period net of tax	**(17.7)**	80.1	129.3
Profit for the period	**244.5**	165.7	555.3
Total comprehensive income for the period	**226.8**	245.8	684.6
Attributable to:			
Equity holders of the parent	**226.8**	245.8	684.6
	226.8	245.8	684.6

Taylor Wimpey plc
Condensed Consolidated Balance Sheet
As at 1 July 2018

£ million	Note	1 July 2018 (Reviewed)	2 July 2017 (Reviewed)	31 December 2017 (Audited)
Non-current assets				
Intangible assets		**3.5**	3.9	3.9
Property, plant and equipment		**21.4**	22.0	22.8
Right-of-use assets	14	**29.7**	-	-
Interests in joint ventures		**70.2**	55.1	50.9
Trade and other receivables		**60.6**	66.5	60.1
Deferred tax assets		**31.1**	40.5	29.3
		216.5	188.0	167.0
Current assets				
Inventories		**4,284.1**	4,055.2	4,075.7
Trade and other receivables		**155.7**	164.1	122.2
Tax receivables		**1.7**	-	0.7
Cash and cash equivalents	7	**613.6**	516.8	600.5
		5,055.1	4,736.1	4,799.1
Total assets		**5,271.6**	4,924.1	4,966.1
Current liabilities				
Trade and other payables		**(1,114.0)**	(1,034.8)	(1,024.5)
Lease liabilities	14	**(7.9)**	-	-
Tax payables		**(49.7)**	(36.7)	(58.6)
Provisions	10	**(97.0)**	(78.9)	(87.3)
Accrued dividends	12	**(340.0)**	(300.0)	-
		(1,608.6)	(1,450.4)	(1,170.4)
Net current assets		**3,446.5**	3,285.7	3,628.7
Non-current liabilities				
Trade and other payables		**(451.2)**	(392.9)	(430.6)
Lease liabilities	14	**(21.7)**	-	-
Bank and other loans	7	**(88.5)**	(87.8)	(88.7)
Retirement benefit obligations	8	**(56.3)**	(130.2)	(64.8)
Provisions	10	**(94.7)**	(83.9)	(74.3)
		(712.4)	(694.8)	(658.4)
Total liabilities		**(2,321.0)**	(2,145.2)	(1,828.8)
Net assets		**2,950.6**	2,778.9	3,137.3

£ million			
Equity			
Share capital	**288.5**	288.5	288.5
Share premium account	**762.9**	762.9	762.9
Own shares	**(13.3)**	(8.2)	(21.3)
Other reserves	**44.2**	43.7	44.2
Retained earnings	**1,868.3**	1,691.1	2,063.0
Equity attributable to parent	**2,950.6**	2,778.0	3,137.3
Non-controlling interests	**-**	0.9	-
Total equity	**2,950.6**	2,778.9	3,137.3

Taylor Wimpey plc
Condensed Consolidated Statement of Changes in Equity
For the half year ended 1 July 2018

Reviewed half year ended 1 July 2018 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2018	288.5	762.9	(21.3)	44.2	2,063.0	3,137.3
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Movement in fair value of hedging derivatives and loans	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Actuarial loss on defined benefit pension schemes	**-**	**-**	**-**	**-**	**(22.4)**	**(22.4)**
Deferred tax credit	**-**	**-**	**-**	**-**	**4.7**	**4.7**
Other comprehensive expense for the period net of tax	**-**	**-**	**-**	**-**	**(17.7)**	**(17.7)**
Profit for the period	**-**	**-**	**-**	**-**	**244.5**	**244.5**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**226.8**	**226.8**
Impact to reserves of IFRS 16 adoption (Note 14)	**-**	**-**	**-**	**-**	**(1.5)**	**(1.5)**
New share capital subscribed	**-**	**-**	**-**	**-**	**-**	**-**
Own shares acquired	**-**	**-**	**-**	**-**	**-**	**-**
Utilisation of own shares	**-**	**-**	**8.0**	**-**	**-**	**8.0**
Cash cost of satisfying share options	**-**	**-**	**-**	**-**	**(7.1)**	**(7.1)**
Share-based payment credit	**-**	**-**	**-**	**-**	**7.7**	**7.7**
Tax charge on items taken directly to statement of changes in equity	**-**	**-**	**-**	**-**	**(0.8)**	**(0.8)**
Dividends approved and paid	**-**	**-**	**-**	**-**	**(79.8)**	**(79.8)**
Dividends approved	**-**	**-**	**-**	**-**	**(340.0)**	**(340.0)**
Total equity at 1 July 2018	**288.5**	**762.9**	**(13.3)**	**44.2**	**1,868.3**	**2,950.6**

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 at 2 July 2017						2,778.9

Taylor Wimpey plc
Condensed Consolidated Statement of Changes in Equity (continued)
For the half year ended 1 July 2018

Audited year ended 31 December 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	-	-	-	2.2	-	2.2
Movement in fair value of hedging derivatives and loans	-	-	-	(1.2)	-	(1.2)
Actuarial gain on defined benefit pension schemes	-	-	-	-	154.8	154.8
Deferred tax charge	-	-	-	-	(26.5)	(26.5)
Other comprehensive income for the year net of tax	-	-	-	1.0	128.3	129.3
Profit for the year	-	-	-	-	555.3	555.3
Total comprehensive income for the year	-	-	-	1.0	683.6	684.6
New share capital subscribed	0.1	-	-	-	-	0.1
Own shares acquired	-	-	(13.3)	-	-	(13.3)
Utilisation of own shares	-	-	4.2	-	-	4.2
Cash cost of satisfying share options	-	-	-	-	(0.7)	(0.7)
Share-based payment credit	-	-	-	-	11.5	11.5
Tax credit on items taken directly to statement of changes in equity	-	-	-	-	1.8	1.8
Dividends approved and paid	-	-	-	-	(450.5)	(450.5)
Total equity at 31 December 2017	288.5	762.9	(21.3)	44.2	2,063.0	3,137.3

Taylor Wimpey plc
Condensed Consolidated Cash Flow Statement
For the half year ended 1 July 2018

£ million	Note	Half year ended 1 July 2018 (Reviewed)	Half year ended 2 July 2017 (Reviewed)	Year ended 31 December 2017 (Audited)
Net cash from operating activities	7	**118.2**	142.0	604.1
Investing activities:				
Interest received		**1.0**	0.4	0.8
Dividends received from joint ventures		**-**	-	0.7
Purchases of property, plant and equipment		**(0.5)**	(2.0)	(4.2)
Purchases of software		**(0.1)**	(1.0)	(1.5)
Amounts (loaned to)/repaid by joint ventures		**(21.3)**	(0.3)	6.1
Proceeds from sale of interest in subsidiary		**-**	-	2.7
Net cash (used in)/generated from investing activities		**(20.9)**	(2.9)	4.6
Financing activities:				
Lease capital repayments		**(4.1)**	-	-
Proceeds from issue of own shares		**-**	0.1	0.1
Net cash received/(cash cost) from satisfying share options		**0.9**	(0.8)	3.5
Purchase of own shares		**-**	-	(13.3)
Dividends paid		**(79.8)**	(74.8)	(450.5)
Net cash used in financing activities		**(83.0)**	(75.5)	(460.2)
Net increase in cash and cash equivalents		**14.3**	63.6	148.5
Cash and cash equivalents at beginning of period		**600.5**	450.2	450.2
Effect of foreign exchange rate changes		**(1.2)**	3.0	1.8
Cash and cash equivalents at end of period		**613.6**	516.8	600.5

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 2017, which have been prepared in accordance with applicable IFRSs.

The information contained in this Interim Report for the year ended 31 December 2017 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 2018 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 2017 with the exception of three new accounting standards which have been adopted by the Group with an effective date of 1 January 2018. Note 14 provides analysis of the impact that the adoption of these new standards has had on the results of the Group for the period to 1 July 2018.

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

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 have not yet been adopted by the EU:

- 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
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle – IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments

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 2017. This assessment has not changed in the period to 1 July 2018. 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 for the year ended 31 December 2017. However, following the tragic fire at Grenfell Tower in London in June 2017, the Group undertook a review of its legacy developments to identify those with Aluminium Composite Materials (ACM). Where ACM was identified we have worked with building owners, management companies and local fire and rescue services to implement the Government's guidance on interim fire safety measures.

Estimates and judgements (continued)

The detailed design solutions for the replacement of the ACM have not yet been finalised. However, the Group have engaged with independent advisors and as such the £30.0 million exceptional provision booked in respect of these works is considered by Management to be our best estimate of the final outcome as at 1 July 2018 (see 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 1 July 2018 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Revenue						
External sales	**638.3**	**594.2**	**449.2**	**0.3**	**37.8**	**1,719.8**
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	**133.4**	**150.3**	**88.7**	**(35.5)**	**9.5**	**346.4**
Share of results of joint ventures	**-**	**-**	**(2.0)**	**(0.1)**	**-**	**(2.1)**
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	**133.4**	**150.3**	**86.7**	**(35.6)**	**9.5**	**344.3**
Exceptional items (Note 3)	**-**	**-**	**-**	**(30.0)**	**-**	**(30.0)**
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	**133.4**	**150.3**	**86.7**	**(65.6)**	**9.5**	**314.3**
Net finance costs						**(13.3)**
Profit on ordinary activities before taxation						**301.0**
Taxation (including exceptional tax)						**(56.5)**
Profit for the period						**244.5**

As at 1 July 2018 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	**1,270.2**	**1,270.0**	**1,578.6**	**262.8**	**173.4**	**4,555.0**
Joint ventures	**1.9**	**3.6**	**61.5**	**3.2**	**-**	**70.2**
Segment operating liabilities	**(408.5)**	**(491.0)**	**(504.4)**	**(327.2)**	**(111.7)**	**(1,842.8)**
Net operating assets/(liabilities)	**863.6**	**782.6**	**1,135.7**	**(61.2)**	**61.7**	**2,782.4**
Net current taxation						**(48.0)**
Net deferred taxation						**31.1**
Accrued dividends						**(340.0)**
Net cash						**525.1**
Net assets						**2,950.6**

2. Operating segments (continued)

Half year ended 2 July 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total (restated)
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	(40.0)	2.8	346.1
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	(40.0)	2.8	350.5
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	(170.0)	2.8	220.5
Net finance costs*						(15.5)
Profit on ordinary activities before taxation						205.0
Taxation (including exceptional tax)						(39.3)
Profit for the period						165.7

*These balances have been restated following the adoption of IFRS 9 resulting in a change in the treatment of the mortgage receivables - see Note 14.

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)

For the year to 31 December 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total (restated)
Revenue						
External sales	1,334.5	1,291.2	1,236.3	9.0	94.2	3,965.2
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items*	295.4	318.0	263.1	(66.8)	26.8	836.5
Share of results of joint ventures	(0.5)	-	8.3	(0.2)	-	7.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures*	294.9	318.0	271.4	(67.0)	26.8	844.1
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*	294.9	318.0	271.4	(197.0)	26.8	714.1
Net finance costs*						(32.1)
Profit on ordinary activities before taxation						682.0
Taxation (including exceptional tax)						(126.7)
Profit for the period						555.3

*These balances have been restated following the adoption of IFRS 9 resulting in a change in the treatment of the mortgage receivables - see Note 14.

As at 31 December 2017 £ million	North Division	Central & South West Division	London & South East Division	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,192.5	1,233.2	1,501.3	212.7	145.0	4,284.7
Joint ventures	2.1	3.5	42.3	3.0	-	50.9
Segment operating liabilities	(353.9)	(486.9)	(486.9)	(264.2)	(89.6)	(1,681.5)
Net operating assets/(liabilities)	840.7	749.8	1,056.7	(48.5)	55.4	2,654.1
Net current taxation						(57.9)
Net deferred taxation						29.3
Net cash						511.8
Net assets						3,137.3

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

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

£ million	**Half year ended 1 July 2018**	Half year ended 2 July 2017 (restated)	Year ended 31 December 2017 (restated)
Administration expenses	**103.3**	97.4	201.9
Other expense	**3.6**	5.0	8.7
Other income	**(8.3)**	(4.8)	(15.3)
Exceptional items (Note 3)	**30.0**	130.0	130.0

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

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

Exceptional items: £ million	**Half year ended 1 July 2018**	Half year ended 2 July 2017	Year ended 31 December 2017
Provision in respect of ACM cladding	**30.0**	-	-
Provision in respect of leasehold review	**-**	130.0	130.0
Tax credit	**(5.4)**	(24.6)	(25.0)
Net exceptional items charged to the income statement	**24.6**	105.4	105.0

Aluminium Composite Materials (ACM) cladding provision

Following the tragic fire at Grenfell Tower in London in June 2017, the Group undertook a review of its legacy developments to identify those with ACM. Where ACM was identified we have worked with building owners, management companies and local fire and rescue services to implement the Government's guidance on interim fire safety measures.

In addition, we have sought expert advice to determine what, if any, further works should be undertaken to make those buildings with ACM safe in the long term. Based on that advice the Group has committed to replacing the ACM cladding on a small number of legacy buildings where we believe it's the right thing to do in the circumstances specific to those buildings.

The detailed design solutions for the replacement of the ACM have not yet been finalised. However, the Group have engaged with independent advisors and as such the £30.0 million exceptional provision booked in respect of these works is considered by Management to be our best estimate of the final outcome at 1 July 2018.

We expect the cash outflow to be spread over a number of years, the rate of which will be determined by the timeliness of agreeing final design solutions and therefore being able to start site works.

Leasehold provision

Following concerns raised by certain customers in the latter part of 2016 relating to the mortgageability and saleability of their homes due to the ground rents structure in their leases, the Group undertook a review of historic leasehold structures on developments which were commenced between 2007 and 2011. As a result of this review, in order to address these concerns and to make the ground rent more affordable, a voluntary help scheme – the Taylor Wimpey Ground Rent Review Assistance Scheme (GRRAS), was announced in April 2017, together with a provision of £130.0 million. This was designed to help our customers convert the ground rent structure of their leases from one which doubles every ten years until the fiftieth anniversary, to one based on RPI.

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 general industry practice the relevant freehold reversions have been sold to a number of third parties over several years.

As part of the GRRAS, we have completed negotiations with the respective freehold owners of the majority of the leaseholders to convert our customers' leases to an RPI structure, with the Group bearing the financial cost of doing so.

This provision has been calculated using a range of assumptions including the total number of properties owned by each freeholder and whether the applications are likely to fall within the eligibility criteria of the GRRAS. Assumptions will be regularly reviewed. However, given the information available at 1 July 2018 it is considered that the above-mentioned provision of £130.0 million remains appropriate.

We expect the cash outflow to be spread over a number of years; to date the Group has spent £11.2 million. The rate of spend will be determined by the timing of applications from customers.

4. Finance costs and interest receivable

Interest receivable:

£ million	**Half year ended 1 July 2018**	Half year ended 2 July 2017	Year ended 31 December 2017
External interest receivable	**1.0**	0.4	0.8

Finance costs:

£ million	**Half year ended 1 July 2018**	Half year ended 2 July 2017 (restated)	Year ended 31 December 2017 (restated)
Interest on overdrafts, bank and other loans	**2.7**	2.8	6.0
Movement on interest rate derivatives and foreign exchange movements	**0.4**	0.1	0.1
	3.1	2.9	6.1
Unwinding of discount on land creditors and interest on other payables and other items	**10.5**	9.9	20.9
Notional net interest on pension liability	**0.7**	3.1	5.9
Total finance costs	**14.3**	15.9	32.9

5. Taxation

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

£ million	**Half year ended 1 July 2018**	Half year ended 2 July 2017	Year ended 31 December 2017
Current tax:			
UK corporation tax: Current year	**(49.8)**	(36.6)	(122.6)
Adjustment in respect of prior years	**(4.2)**	-	1.5
Foreign tax	**(0.9)**	(0.9)	(3.3)
Total current tax	**(54.9)**	(37.5)	(124.4)
Deferred tax:			
UK corporation tax: Current year	**(5.8)**	(1.8)	(2.8)
Adjustment in respect of prior years	**4.2**	-	-
Foreign tax	**-**	-	0.5
Total deferred tax	**(1.6)**	(1.8)	(2.3)
	(56.5)	(39.3)	(126.7)

The effective tax rate for the period is 18.8% (2 July 2017: 19.2%). The tax charge of £56.5 million (2 July 2017: £39.3 million) predominantly relates to current tax. Included within the total tax charge is an exceptional tax credit of £5.4 million related to the ACM cladding provision recognised in the period (2 July 2017: £24.6 million in relation to the leasehold review provision).

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% (2 July 2017: 19% and 17%).

6. Earnings per share

	Half year ended 1 July 2018	Half year ended 2 July 2017	Year ended 31 December 2017
Basic earnings per share	**7.5p**	5.1p	17.0p
Diluted earnings per share	**7.5p**	5.1p	16.9p
Adjusted basic earnings per share	**8.2p**	8.3p	20.2p
Adjusted diluted earnings per share	**8.2p**	8.3p	20.1p
Weighted average number of shares for basic earnings per share – million	**3,267.0**	3,263.8	3,264.0
Weighted average number of shares for diluted earnings per share – million	**3,277.1**	3,278.0	3,280.4

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 1 July 2018**	Half year ended 2 July 2017	Year ended 31 December 2017
Profit from operations for basic earnings per share and diluted earnings per share	**244.5**	165.7	555.3
Adjust for exceptional provision in respect of ACM Cladding review	**30.0**	-	-
Adjust for exceptional provision in respect of leasehold review	**-**	130.0	130.0
Adjust for tax on exceptional items	**(5.4)**	(24.6)	(25.0)
Profit for adjusted basic and adjusted diluted earnings per share	**269.1**	271.1	660.3

7. Notes to the cash flow statement

£ million	**Half year ended 1 July 2018**	Half year ended 2 July 2017 (restated)	Year ended 31 December 2017 (restated)
Profit on ordinary activities before finance costs	**316.4**	216.1	706.5
Adjustments for:			
Depreciation of plant and equipment	**6.3**	1.0	2.3
Amortisation of software development	**0.5**	0.6	1.1
Pension contributions in excess of charge to the income statement	**(31.6)**	(12.3)	(20.1)
Share-based payment charge	**7.7**	5.8	11.5
Loss on disposal of property, plant and equipment	**-**	-	0.1
Net increase in provisions excluding exceptional payments	**36.3**	129.6	128.5
Operating cash flows before movements in working capital	**335.6**	340.8	829.9
Increase in inventories	**(187.0)**	(137.2)	(61.7)
Increase in receivables	**(36.5)**	(66.6)	(15.8)
Increase/(decrease) in payables	**82.9**	69.2	(16.5)
Cash generated by operations	**195.0**	206.2	735.9
Payments relating to exceptional charges	**(8.9)**	-	-
Income taxes paid	**(64.1)**	(61.4)	(126.7)
Interest paid	**(3.8)**	(2.8)	(5.1)
Net cash from operating activities	**118.2**	142.0	604.1

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 2018	**600.5**	**(88.7)**	**511.8**
Cashflow	14.3	-	14.3
Foreign exchange	(1.2)	0.2	(1.0)
Balance 1 July 2018	**613.6**	**(88.5)**	**525.1**

£ 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 2017	450.2	(85.5)	364.7
Cashflow	148.5	-	148.5
Foreign exchange	1.8	(3.2)	(1.4)
Balance 31 December 2017	600.5	(88.7)	511.8

Our committed borrowing facilities are currently £638.5 million (2 July 2017: £638.0 million) with an average maturity of 4.7 years (2 July 2017: 3.1 years). Average net cash for the half year was £360.6 million (H1 2017: £223.8 million net cash; FY 2017: £186.5 million net cash).

8. Pensions

Retirement benefit obligations comprise a defined benefit liability of £55.2 million (December 2017: £63.7 million) and a post-retirement healthcare liability of £1.1 million (December 2017: £1.1 million).

The 2016 triennial valuation was signed in February 2018. This commits the Group to cash contributions of £40 million per annum plus £2.0 million of administration costs, together with the £5.1 million dividend from the Pension Funding Partnership. However, the £40 million of cash contributions may be paused should the, now quarterly assessed, technical deficit become a surplus or show the scheme being more than 96% fully funded.

The technical deficit at 31 March 2018 was £23 million and the Group made a bullet payment of this amount to fully fund the scheme. At 1 July 2018, the scheme was 99% funded and as such no further cash contributions have been made.

The changes in the mortality assumption made during 2017, combined with continued asset outperformance, has resulted in an IAS19 surplus of £105.8 million at 1 July 2018 (£23.9 million at 31 December 2017).

Due to the terms of the scheme rules, the Group is unable to request repayment of funds if the scheme is in surplus and, as such, is required to recognise a deficit equal to the present value of future cashflows at the period end. As the scheme is more than 96% funded, no further cash contributions (over and above the £2 million for administrative costs and the £5.1 million from the Pension Funding Partnership) are expected to be made. Therefore, only these cash commitments are included in the calculation of the HY 2018 IFRIC 14 deficit which results in a deficit recognised on the balance sheet of £55.2 million (31 December 2017: £63.7 million).

9. Financial Instruments' fair value disclosure

The Group held the following financial assets and liabilities (including financial instruments) at 1 July 2018:

		Carrying amount			Fair Value		
£ million		**1 July 2018**	2 July 2017	31 December 2017	**1 July 2018**	2 July 2017	31 December 2017
Financial Assets							
Cash and cash equivalents	b	**613.6**	516.8	600.5	**613.6**	516.8	600.5
Land receivables	b	**11.9**	9.6	13.8	**11.9**	9.6	13.8
Trade and other receivables	b	**95.8**	102.9	67.2	**95.8**	102.9	67.2
Mortgage receivables (Note 14)	a	**55.4**	71.3	63.1	**55.4**	71.3	63.1
Financial Liabilities							
Overdrafts, bank and other loans	c	**88.5**	87.8	88.7	**88.1**	87.8	87.8
Land creditors	b	**668.1**	526.1	639.1	**668.1**	526.1	639.1
Lease liabilities	b	**29.6**	-	-	**29.6**	-	-
Trade and other payables	b	**751.9**	772.2	690.7	**751.9**	772.2	690.7

(a) The fair value of the derivative is established based on a publicly 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 financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate their fair values.

(c) The fair value of the €100 million fixed rate loan notes has been determined by reference to external interest rates and the Directors' assessment of the margin for credit risk (level 2).

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 £53.2 million (31 December 2017: £38.2 million) of non-financial assets.

Current and non-current trade and other payables and lease liabilities on the balance sheet of £1,594.8 million (31 December 2017: £1,455.1 million) includes land creditors of £668.1 million (31 December 2017: £639.1 million), trade and other payables of £751.9 million (31 December 2017: £690.7million), lease liabilities of £29.6 million (31 December 2017: £nil), and non-financial liabilities of £145.2 million (31 December 2017: £125.3 million).

The Group has designated a financial liability in the sum of €54.0 million (2017: €54.0 million) as a net investment hedge.

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	ACM Cladding provision (Note 3)	North America disposal	Leasehold provision (Note 3)	Other	Total
At 31 December 2017	**-**	9.7	127.6	24.3	161.6
Additional/reclassified provision in the period	30.0	-	-	9.7	39.7
Utilisation of provision	(0.1)	-	(8.8)	(0.7)	(9.6)
Released	-	-	-	-	-
At 1 July 2018	**29.9**	**9.7**	**118.8**	**33.3**	**191.7**

£ million	**1 July 2018**	31 December 2017
Current	**97.0**	87.3
Non-current	**94.7**	74.3
At period end date	**191.7**	161.6

During the period to 1 July 2018, the Group recognised a £30.0 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.

10. Provisions (continued)

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 1 July 2018, 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 £10.5 million (year to 31 December 2017: £20.2 million). In addition, indirect purchases through sub-contractors amounted to £11.8 million (year to 31 December 2017: £27.8 million). Any residual purchases made at a local level are not material to either party. All transactions were completed on an arms-length basis.

12. Dividends

£ million	**Half year ended 1 July 2018**	Half year ended 2 July 2017	Year ended 31 December 2017
Approved and paid	**79.8**	74.8	450.5
Approved and accrued	**340.0**	300.0	-
Approved	**80.0**	75.2	-
Proposed	**-**	-	80.0

At the Company’s 2018 Annual General Meeting shareholders approved the special dividend of c.£340.0 million paid on 13 July 2018. 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 c.2.44 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 5 October 2018 and will be paid on 9 November 2018. This is expected to result in a payment of c.80.0 million.

In accordance with IAS 10 ‘Events after the balance sheet date’ the approved interim dividend has not been accrued in the 1 July 2018 balance sheet.

13. Share based payments

The Group recognised a total expense of £7.7 million to 1 July 2018 (2 July 2017: £5.8 million) in relation to equity-settled share based payment transactions.

14. Adoption of new accounting standards

IFRS 9 ‘Financial Instruments’
Classification and measurement of financial assets

The Group has applied IFRS 9 from 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised at 1 January 2018.

All financial assets within the scope of IFRS 9 are subsequently measured at amortised cost, or fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI).

14. Adoption of new standards (continued)

The Directors of the Company have reviewed and assessed the Group's financial assets at 1 January 2018 and, based on the facts, concluded that the application of IFRS 9 has had the following impact on the Group's financial assets as regard their classification and measurement:

Financial assets classified as land, trade and other receivables under IAS 39 'Financial Instruments: Recognition and measurement' continue to be measured at amortised cost under IFRS 9. They are held to collect contractual cash flows which consist only of payments of principal and, where relevant, interest on the principal amount outstanding.

Under IAS 39, the Group's mortgage receivables were held as a receivable at amortised cost with a non-closely related embedded derivative which was held at FVTPL. On adoption of IFRS 9, mortgage receivables are measured at FVTPL in their entirety. This reclassification does not alter the value on the balance sheet but the classification of the movements in the income statement. Under IAS 39, the unwind of the amortised cost was recognised as a credit to finance costs, now this is included in the fair value assessment and therefore any movement in the value of the asset is recognised within other income in net operating expenses.

Impairment of financial assets

IFRS 9 requires an expected credit loss model, rather than an incurred credit loss model to be applied. This requires the assessment of the expected credit loss on each class of financial asset at each reporting date. This assessment should take into consideration any changes in credit risk since the initial recognition of the financial asset.

At 1 January 2018, the Directors of the Group have reviewed and assessed the existing financial assets, and amounts due from customers using reasonable and supportable information to determine the credit risk of each item and concluded that there is no financial impact on the Group. The main classes of financial asset held by the Group are mortgage receivables; the expected credit loss is included in the assessment of their fair value. Other receivables include completion monies for house sales and other deposits which are both held for short periods of time and mainly relate to the Help to Buy scheme, exposing the Group to limited credit risk. Land debtors have been assessed for credit risk but, this is also considered to be limited, as the period of deferment is short.

Classification and measurement of financial liabilities

The Group does not hold any financial liabilities which are held at FVTPL and as such, the application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities which are held at amortised cost.

Hedge accounting

In accordance with the allowed transition provisions for hedge accounting, the Group has applied IFRS 9 prospectively from 1 January 2018. The qualifying hedge relationships in place under IAS 39 also qualify for hedge accounting in accordance with IFRS 9, and therefore have been regarded as continuing hedge relationships. The critical terms of the hedging instruments match those of the hedged items and all hedge relationships have continued to be effective under IFRS 9's effectiveness assessment requirements. There are no hedging relationships under IFRS 9 which would not have qualified for hedge accounting under IAS 39.

The only hedge relationship within the Group is a net investment hedge to manage the Group's exposure to movements in the Euro exchange rate impacting the results from the Spanish business. There are no changes to the treatment of net investment hedges under IFRS 9 and therefore the application of IFRS 9 hedge accounting requirements has had no impact on the results or financial position of the Group at 1 January 2018 or in the current reporting period.

14. Adoption of new standards (continued)

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations.

The Group has adopted IFRS 15 from 1 January 2018. There is no net impact on retained earnings in prior years, as the timing of revenue recognition has not changed under IFRS 15. The details of the new accounting policies and the nature of the changes to previous accounting policies in relation to the Group's revenue streams are set out below:

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue Stream	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Private development, certain Partnership Housing contracts and land sales	Customers obtain control of a unit once the sale is complete and monies have been received by Taylor Wimpey. A house sale invoice is generated and revenue recognised at this point.	Under IAS 18 revenue was recognised when the risks and rewards were transferred to the customer which was also at the point when monies were received by Taylor Wimpey. Under IFRS 15, there is no change to the point of revenue recognition as the performance obligations are deemed to be satisfied at the point when legal title is transferred to the purchaser.
Partnership Housing long term contracts	The Group has determined that, where contracts with Housing Associations (HA) or Local Councils are such that cash is received during the manufacture of the units that the customer controls all the work in progress as the house is being built. This is because the unit is being built to an agreed specification and if the contract is terminated by the customer then the Group is entitled to reimbursement of the costs incurred to date. Therefore, revenue from these contracts and associated costs are recognised overtime and invoices are issued accordingly. Un-invoiced amounts are presented as contract assets.	These contracts were previously accounted for under IAS 11 and IFRIC 15 'Agreements for the Construction of Real Estate' and as such were recognised over time when certain milestones in the development were reached. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the sale dictate that the revenue should continue to be recognised over time.

Historically, under IAS 18, the purchase and sale of part exchange (PX) properties was treated as a linked transaction with the sale of the new build unit, and as such the net impact of the purchase and sale of a PX property was recognised in cost of sales. Under IFRS 15, this is now a separate transaction as it can no longer be linked with the sale of the new build house. However, this has not been reclassified as revenue and cost of sales because the Group does not consider the purchase and sale of PX properties to be a principal activity and therefore the net impact has been reclassified to other income/expense. Properties purchased under PX in the period 1 July 2018 amounted to £71.5 million, sales of PX properties amounted to £70.9 million.

14. Adoption of new standards (continued)

Impact on Statement of Comprehensive Income on adoption of IFRS 9 and IFRS 15

The tables below show the impact on adoption of the new accounting standards as discussed above.

2 July 2017

	As previously reported £m	IFRS 15 £m	IFRS 9 £m	Restated £m
Revenue	1,727.5	-	-	1,727.5
Cost of sales:	(1,283.5)	(0.3)	-	(1,283.8)
Gross profit	**444.0**	**(0.3)**	**-**	**443.7**
Other (expenses)/income	(2.0)	0.3	1.5	(0.2)
Administration expenses	(97.4)	-	-	(97.4)
Profit on ordinary activities before finance costs and tax	**344.6**	**-**	**1.5**	**346.1**
Net finance costs	(14.0)	-	(1.5)	(15.5)
Share of results of joint ventures	4.4	-	-	4.4
Profit before tax	**335.0**	**-**	**-**	**335.0**
Operating profit*	**349.0**	**-**	**1.5**	**350.5**
Operating profit* margin	**20.2%**		**0.1%**	**20.3%**

***See definitions on page 3**

31 December 2017	As previously reported £m	IFRS 15 £m	IFRS 9 £m	Restated £m
Revenue	3,965.2	-	-	3,965.2
Cost of sales	(2,932.2)	(1.2)	-	(2,933.4)
Gross profit	**1,033.0**	**(1.2)**	**-**	**1,031.8**
Net operating expenses				
Other income	2.5	1.2	2.9	6.6
Administration expenses	(201.9)	-	-	(201.9)
Profit on ordinary activities before finance costs and tax	**833.6**	**-**	**2.9**	**836.5**
Net finance costs	(29.2)	-	(2.9)	(32.1)
Share of results of joint ventures	7.6	-	-	7.6
Profit before tax	**812.0**	**-**	**-**	**812.0**
Operating profit*	**841.2**	**-**	**2.9**	**844.1**
Operating profit* margin	**21.2%**		**0.1%**	**21.3%**

***See definitions on page 3**

14. Adoption of new standards (continued)

IFRS 16 'leases'

The Group has elected to early adopt IFRS 16 'Leases' and it has been applied from 1 January 2018, using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2018. Comparative information has therefore not been restated, and is reported under IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs and an estimate of asset retirement obligations, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The lease liability is initially measured at the present value of lease payments, discounted using the Group's incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option. Subsequently the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

The Group has elected to apply exemptions for short term leases and leases for which the underlying asset is of low value. For these leases the lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

Right-of-use assets are presented within non-current assets on the face of the Statement of Financial Position and lease liabilities are shown separately on the Statement of Financial Position in current liabilities and non-current liabilities depending on the length of the lease term.

£ million	Right-of-use assets	Lease liabilities	Other*	Retained earnings
Adjustments on transition to IFRS 16	26.5	(28.5)	0.5	1.5
Movements in the period ended 1 July 2018	3.2	(1.1)	(2.5)	0.4
At 1 July 2018	29.7	(29.6)	(2.0)	1.9

*Other includes trade and other receivables, trade and other payables, provisions and deferred tax assets.

15. 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.

16. Events occurring after 1 July 2018

There were no material subsequent events affecting the Group between 1 July 2018 and the date of this announcement that need to be disclosed.

Taylor Wimpey plc
Alternative Performance Measures
For the half year ended 1 July 2018

The Group uses a number of Alternative Performance Measures (APMs) which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures should be considered alongside the IFRS measures. The following APMs are referred to throughout the half year results. Prior year comparatives have been restated where necessary following the application of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' see Note 14 for more detail.

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 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 1 July 2018	Half year ended 1 July 2018	Half year ended 1 July 2018	Half year ended 2 July 2017	Half year ended 2 July 2017	Half year ended 2 July 2017	Year ended 31 December 2017	Year ended 31 December 2017	Year ended 31 December 2017
	Profit £m	Revenue £m	Margin %	Profit* £m	Revenue £m	Margin* %	Profit* £m	Revenue £m	Margin* %
Profit before interest and tax	**316.4**	**1,719.8**	**18.4**	**216.1**	**1,727.5**	**12.5**	**706.5**	**3,965.2**	**17.8**
Adjusted for:									
Share of results of joint ventures	(2.1)	-	(0.1)	4.4	-	0.3	7.6	-	0.2
Exceptional items	30.0	-	1.7	130.0	-	7.5	130.0	-	3.3
Operating profit	**344.3**	**1,719.8**	**20.0**	**350.5**	**1,727.5**	**20.3**	**844.1**	**3,965.2**	**21.3**

*These balances have been restated following the adoption of IFRS 9 'Financial Instruments' resulting in a change in the treatment of the mortgage receivables see Note 14.

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 1 July 2018

Net operating assets

£million	1 July 2018	2 July 2017	31 December 2017	31 December 2016	3 July 2016
Basic net assets	**2,950.6**	**2,778.9**	**3,137.3**	**2,900.3**	**2,592.2**
Average basic net assets	**2,864.8**	**2,685.6**	**3,018.8**		
Adjusted for:					
Cash	(613.6)	(516.8)	(600.5)	(450.2)	(300.7)
Borrowings	88.5	87.8	88.7	85.5	184.0
Net taxation	16.9	(3.8)	28.6	4.0	(5.6)
Accrued dividends	340.0	300.0	-	-	300.0
Net operating assets	**2,782.4**	**2,646.1**	**2,654.1**	**2,539.6**	**2,769.9**
Average net operating assets	**2,714.3**	**2,708.0**	**2,596.9**		

Return on net operating assets**

	1 July 2018	1 July 2018	1 July 2018	2 July 2017	2 July 2017***	2 July 2017	31 December 2017	31 December 2017	31 December 2017
	Net assets £m	Profit £m	Return on net assets %	Net assets £m	Profit* £m	Return on net assets %	Net assets £m	Profit* £m	Return on net assets %
Average basic net assets	**2,864.8**	**806.8**	**28.2**	**2,685.6**	**699.0**	**26.0**	**3,018.8**	**706.5**	**23.4**
Adjusted for:									
Average cash	(565.2)	-	6.0	(408.8)	-	3.9	(525.4)	-	4.7
Average borrowings	88.1	-	(0.9)	135.9	-	(1.3)	87.1	-	(0.8)
Average taxation	6.6	-	(0.1)	(4.7)	-	0.1	16.4	-	(0.1)
Average accrued dividends	320.0	-	(3.4)	300.0	-	(2.9)	-	-	-
Share of results of joint ventures	-	1.1	-	-	5.7	-	-	7.6	0.3
Exceptional items	-	30.0	1.1	-	132.7	5.1	-	130.0	5.0
Average net operating assets	**2,714.3**	**837.9**	**30.9**	**2,708.0**	**837.4**	**30.9**	**2,596.9**	**844.1**	**32.5**

*These balances have been restated following the adoption of IFRS 9 'Financial Instruments' resulting in a change in the treatment of the mortgage receivables see Note 14.
**Based on a rolling 12 month period.
***Profit figures for the 6 month period ended 31 December 2016: Profit before interest and tax*: £482.9m, Share of results of joint ventures: £1.3m, Exceptional charge: £2.7m.

Net operating asset turn
This is defined as total 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 1 July 2018

Net operating asset turn*

	1 July 2018 Net assets £m	1 July 2018 Revenue £m	1 July 2018 Net asset turn	2 July 2017 Net assets £m	2 July 2017** Revenue £m	2 July 2017 Net asset turn	31 December 2017 Net assets £m	31 December 2017 Revenue £m	31 December 2017 Net asset turn
Average basic net assets	**2,864.8**	**3,957.5**	**1.38**	**2,685.6**	**3,946.5**	**1.47**	**3,018.8**	**3,965.2**	**1.31**
Adjusted for:									
Average cash	(565.2)	-	0.30	(408.8)	-	0.22	(525.4)	-	0.27
Average borrowings	88.1	-	(0.05)	135.9	-	(0.07)	87.1	-	(0.04)
Average taxation	6.6	-	-	(4.7)	-	-	16.4	-	(0.01)
Average accrued dividends	320.0	-	(0.17)	300.0	-	(0.16)	-	-	-
Average net operating assets	**2,714.3**	**3,957.5**	**1.46**	**2,708.0**	**3,946.5**	**1.46**	**2,596.9**	**3,965.2**	**1.53**

*Based on a rolling 12 month period.

**Total Group revenue for the 6 month period ended 31 December 2016: £2,219.0m.

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

	1 July 2018 Net assets £m	1 July 2018 Ordinary shares in issue	1 July 2018 Net assets per share pence	2 July 2017 Net assets £m	2 July 2017 Ordinary shares in issue	2 July 2017 Net assets per share pence	31 December 2017 Net assets £m	31 December 2017 Ordinary shares in issue	31 December 2017 Net assets per share pence
Basic net assets	**2,950.6**	**3,276.7**	**90.0**	**2,778.9**	**3,272.0**	**84.9**	**3,137.3**	**3,275.4**	**95.8**
Adjusted for:									
Accrued dividends	340.0	-	10.4	300.0	-	9.2	-	-	-
Intangible assets	(3.5)	-	(0.1)	(3.9)	-	(0.1)	(3.9)	-	(0.1)
Tangible net assets	**3,287.1**	**3.276.7**	**100.3**	**3,075.0**	**3,272.0**	**94.0**	**3,133.4**	**3,275.4**	**95.7**

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 by operations divided by operating profit. Cash generated by operations is net cash from operating activities before tax, interest paid and exceptional cashflows. 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 1 July 2018

Cash conversion**

	1 July 2018 Profit £m	1 July 2018 Cash generated by operations^ £m	1 July 2018 Cash conversion %	2 July 2017 Profit* £m	2 July 2017*** Cash generated by operations^ £m	2 July 2017 Cash conversion %	31 December 2017 Profit* £m	31 December 2017 Cash generated by operations^ £m	31 December 2017 Cash conversion %
Profit before interest and tax	**806.8**	**724.7**	**89.8**	**699.0**	**868.8**	**124.3**	**706.5**	**735.9**	**104.2**
Adjusted for:									
Share of results of joint ventures	1.1	-	(0.1)	5.7	-	(0.8)	7.6	-	(0.9)
Exceptional items	30.0	-	(3.3)	132.7	-	(19.8)	130.0	-	(16.1)
Operating profit	**837.9**	**724.7**	**86.4**	**837.4**	**868.8**	**103.7**	**844.1**	**735.9**	**87.2**

*These balances have been restated following the adoption of IFRS 9 'Financial Instruments' resulting in a change in the treatment of the mortgage receivables see Note 14.
**Based on a rolling 12 month period.
***Cash generated from operations for the 6 month period ended 31 December 2016: £662.6m.
^Cash generated by operations is reconciled to net cash from operating activities in note 7.

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

	1 July 2018 £m	2 July 2017 £m	31 December 2017 £m
Cash	613.6	516.8	600.5
Private placement loan notes	(88.5)	(87.8)	(88.7)
Net cash	**525.1**	**429.0**	**511.8**
Land creditors	(668.1)	(526.1)	(639.1)
Adjusted net debt	**(143.0)**	**(97.1)**	**(127.3)**
Basic net assets	2,950.6	2,778.9	3,137.3
Adjusted gearing	**4.8%**	**3.5%**	**4.1%**

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.

Adjusted diluted earnings per share
This is calculated as earnings attributed to the shareholders, excluding exceptional items and tax on exceptional items, divided by the diluted 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 diluted basic earnings per share to diluted adjusted basic earnings per share.

Taylor Wimpey plc
Statement of Directors' responsibility

For the half year ended 1 July 2018

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 2017.

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

30 July 2018

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 1 July 2018 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 16. 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 1 July 2018 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

30 July 2018