29 July 2020
Taylor Wimpey plc
Half year results for the period ended 28 June 2020

Pete Redfern, Chief Executive, commented:

"I am pleased with Taylor Wimpey's performance during a very challenging time and am proud of the resilience, principled approach and agility that our teams have shown.

Our performance for the first half of 2020 has been impacted by the closing of our sites and sales centres but we have now reopened all sites successfully and safely and have returned to a sustainable level of sales and build. We are delighted that our NHS and care workers discount scheme has been taken up by over 1,200 households to date.

Looking ahead, balance sheet strength, a long order book and our high quality and growing landbank gives us confidence in our ability to navigate the challenges and emerge stronger from the pandemic. While uncertainties remain, we are confident in the underlying fundamentals of the housing market.

I would like to thank all of our employees, subcontractors and suppliers for their exceptional response to the crisis. Their tremendous effort has enabled us to continue to support customers and protect the value of our business, at a time of great uncertainty."

Group financial highlights

	H1 2020	**H1 2019**	**Change**	**FY 2019**
Revenue £m	754.6	1,732.7	(56.4)%	4,341.3
Operating (loss) / profit* £m	(16.1)	311.9	n/a	850.5
Operating margin*†	(2.1)%	18.0%	n/a	19.6%
(Loss) / profit before tax and exceptional items £m	(29.8)	299.8	n/a	821.6
(Loss) / profit before tax £m	(39.8)	299.8	n/a	835.9
(Loss) / profit for the period before exceptional items £m	(23.2)	242.0	n/a	662.3
(Loss) / profit for the period £m	(31.5)	242.0	n/a	673.9
Basic (loss) / earnings per share pence	(1.0)	7.4	n/a	20.6
Adjusted basic (loss) / earnings per share pence††	(0.7)	7.4	n/a	20.3
Tangible net asset value per share pence†	102.8	102.2	0.6%	100.5
Net cash‡ £m	497.3	392.0	26.9%	545.7
Return on net operating assets**	16.8%	29.4%	(12.6)ppt	31.4%

UK operational highlights:

- Group completions of 2,771 homes (H1 2019: 6,541) excluding joint ventures, impacted by site closure during Q2 2020
- Positive sales momentum and customer interest:
    - H1 2020 net private sales rate of 0.70 (H1 2019: 1.00). Sales rate of 0.97 prior to shutdown, which reduced to 0.30 during the shutdown
    - Sales prices during shutdown consistent with those achieved in Q1 2020
    - Outlets increased to 252 at period end (H1 2019 period end: 246 outlets)
    - Strong total order book as at 28 June 2020 representing 11,686 homes (30 June 2019: 10,137 homes), up 15%, with a value of £2,904 million (30 June 2019: £2,366 million), up 23%, excluding joint ventures
- NHS and care workers discount scheme well received with 1,206 homes reserved at w/e 26 July 2020
- All of our employees have returned to work from furlough and we have returned all furlough subsidies to Government
- Improved average Construction Quality Review score to 4.31, in the top quartile of large homebuilders (H1 2019: 4.05)
- 4 out of 5 star rating on Trustpilot and over 90% of customers would recommend us in H1 2020, according to the Home Builders Federation 8-week customer survey
- Successful equity raise, raising net proceeds of c.£510 million for investment in attractive land opportunities

Financial overview

The COVID-19 pandemic has had a significant impact on production activity and therefore completion levels for the first half of 2020. Our sites and sales centres were closed from 23 March and we returned to site at reduced capacity between 4 May and 29 May. Sales centres reopened between 22 May and 29 June. This has resulted in a material impact on our financial performance.

Total home completions (excluding joint ventures) decreased by 57.6% to 2,771 (H1 2019: 6,541). Gross profit was £91.0 million (H1 2019: £409.6 million), with a gross profit margin of 12.1% (H1 2019: 23.6%). Group operating profit decreased to a loss of £16.1 million (H1 2019: £311.9 million profit) and an operating margin of (2.1)% (H1 2019: 18.0%) driven by reduced ability to absorb fixed costs on lower completions.

The operating loss includes £39.2 million of costs directly relating to the COVID-19 pandemic. These include £29.9 million of non-productive site overhead costs incurred during the controlled closure and lockdown period which would ordinarily be capitalised to work in progress and expensed as plots legally complete; £4.7 million of additional costs incurred due to extended site durations resulting from reduced productivity levels as we developed our operational processes under the COVID-19 Secure guidelines; and £4.6 million of incremental costs incurred in responding to COVID-19, including costs to meet our health and safety requirements and complying with Government guidelines. This resulted in a loss for the period of £31.5 million.

Cashflow was also significantly impacted by the closure of our sites, with revenues delayed as completions were held back whilst we continued to pay trade and land creditor commitments. We maintained strong cash management and cost discipline throughout the crisis and retained a net cash position prior to our equity raise. We ended the period with net cash of £497.3 million, having raised c.£510 million in net proceeds through an equity raise in June for investment in land opportunities over the next 12 months. Our revolving credit facility was drawn in full as a precaution as we went into the lockdown and has now been fully repaid and remains undrawn.

UK current trading and outlook

In the nine weeks since our sales centres reopened in England, our sales rate increased from 0.30 (during shutdown) to 0.70 and there has been a 206% increase in appointments booked and a 50% increase in website visits, year on year.

Whilst there remains a high degree of uncertainty in the short term from both the impact of COVID-19, particularly on employment, as well as the UK's exit from the European Union, demand has remained robust and our customers have continued to want to progress their home purchases. Despite the uncertainty, mortgage finance has continued to be available and we welcome the positive lending signals from the banks. The decrease in the Bank of England base rate to a new historic low in March continues to support affordability.

As at 26 July 2020, we were c.97% forward sold for private completions for 2020 (2019 equivalent period: 87%), with very limited availability of homes for customers to move into in 2020. This gives us significant confidence for this year's completions, although reduced availability is likely to mean that sales rates remain below normal until construction catches up.

Forward indicators remain strong and our order book has increased in both value and number of homes. We are focused on building our order book for 2021. Our total order book value stands at £3,022 million (2019 equivalent period: £2,516 million), excluding joint ventures as at 26 July 2020. This order book represents 12,014 homes (2019 equivalent period: 10,558).

Cancellation numbers have remained low throughout H1 2020. The cancellation rate for H1 2020 was 21% (H1 2019: 14%), representing 0.8% per week of the private order book (H1 2019: 0.9%). Cancellation rates peaked in the weeks immediately after we restarted construction, as customers' completion dates moved, but have now started to reduce week on week.

Our 2020 completions will be materially impacted by the closure of sites in March, which means Q4 completions will largely move into Q1 2021. We are now operating safely at c.80% production capacity and expect to deliver around 40% less completions in 2020, compared to 2019. This will have a significant impact on revenues and margins in 2020 and will have some knock on impact on 2021 delivery. We expect to end 2020 in a net cash position in the range of £550 million to £750 million, dependent on the timing of land purchases.

Our priority has been to protect the business in the short term while ensuring we position ourselves to take advantage of opportunities which will strengthen the business for the future and increase shareholder returns. This includes significant investment in land, given the short term opportunity, and investing in and opening new sales outlets, which we expect to continue to grow in the medium term. We have secured and approved 26 new sites in the weeks since returning to the land market, with strong financial metrics despite a weighting towards smaller sites. Opportunities and the pipeline remain at a high level. We will continue to focus on driving down cost while running the business in the right way for the longer term. We expect to emerge from this period of uncertainty in a strong competitive position and expect to recommence ordinary dividend payments in 2021 (2020 final). We will review the special dividend in 2021 for payment in 2022.

Alternative performance measures and other key performance indicators

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

*† Operating margin is defined as operating profit or loss divided by revenue.

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

*** Return on capital employed is defined as rolling 12 months operating profit or loss divided by the average capital employed calculated on a monthly basis over the period.

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

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

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

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

†** WIP turn is defined as total revenue divided by the average of opening and closing work in progress for the 12 month period.

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

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

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

‡‡‡ Contribution margin is defined as revenue less direct build costs, less gross land costs and less direct selling expenses. Contribution margin excludes the impact of supplier rebates, land provision utilisation and discounting of deferred land commitments.

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

A reconciliation of alternative performance measures to statutory measures is disclosed in note 17 of the financial statements.

- Ends –

A presentation to investors and analysts will be hosted by Chief Executive Pete Redfern and Group Finance Director Chris Carney via conference call at 9:00am on Wednesday 29 July 2020. 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 29 July 2020.

For further information please contact:

Taylor Wimpey plc Tel: +44 (0) 7826 874 461

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

Finsbury TaylorWimpey@Finsbury.com

Faeth Birch
Anjali Unnikrishnan

Notes to editors:

Taylor Wimpey plc is a customer-focused homebuilder, operating at a local level from 24 regional businesses across the UK. We also have operations in Spain.

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

Follow us on Twitter @TaylorWimpeyplc

COVID-19 overview

During the first half of 2020 the UK housing market was materially impacted by the UK-wide lockdown in response to the COVID-19 pandemic. Our first priority has been the health and safety of our customers, employees, subcontractors and suppliers and we took an early decision in March to temporarily close all show homes, sales centres and construction sites to enable us to put in place detailed COVID-19 Secure health and safety protocols. We started the phased reopening of our construction sites on 4 May in England and Wales and on 22 May in Scotland and are now open on all construction sites and operating at c.80% build capacity. All sales centres and show homes are open for pre-booked appointments only. Our small Spanish business underwent a short period of shutdown and changes to working protocols that impacted first half completions. Our Spanish business is now fully open, although the second homes market remains slow.

We have benefited from our investments in IT, training and development which allowed us to continue to support customers through this time and protect and grow our order book, at a time of great uncertainty. Our communication to, and support of subcontractors through our Pay It Forward scheme, as well as weekly updates to suppliers and subcontractors has helped the process of returning to work on Taylor Wimpey sites and strengthened those relationships.

The pandemic has materially reduced the level of competition for land and created a disconnect in the land market, resulting in significant short term opportunities to acquire land from a broad range of sources at attractive returns.

On 17 June 2020 we announced an opportunity-led equity raise where we raised net proceeds of c.£510 million to take advantage of these near term opportunities. Our strong balance sheet and net cash position have given us choices and have meant that we have been able to maintain our strategy in addition to tightly controlling cash. These investments, which are continuing to meet our returns criteria, will support sustainable future growth and deliver long term value to shareholders.

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.

Our key performance indicators (KPIs)

Our KPIs target and measure improvement across the five key areas of our strategy and tie into remuneration across a number of levels in the business.

Table 1: KPIs

UK	H1 2020	H1 2019	Change	FY 2019
Customers and communities at the heart of our strategy				
Customer satisfaction 8-week score ‘Would you recommend?’	91%	89%	2.0ppt	89%
Customer satisfaction 9-month score ‘Would you recommend?’	76%	77%	(1.0)ppt	77%
Build quality: getting it right first time				
Construction Quality Review (average score / 6)	4.31	4.05	6.4%	4.13
Average reportable items per inspection	0.26	0.28	(7.1)%	0.28
Optimising our strong landbank				
Land cost as % of ASP on approvals	20.1%	21.2%	(1.1)ppt	16.2%
Landbank years	c.6.5	c.5.1	27.5%	c.4.8
% of completions from strategically sourced land	55%	58%	(3)ppt	56%
Becoming the employer of choice				
Employee turnover % (voluntary) rolling 12 months	11.1%	12.9%	(1.8)ppt	12.9%
Number of people recruited into early talent programmes: graduates, management trainees and site management trainees rolling 12 months	98	152	(35.5)%	116
Directly employed key trades including trade apprentices	1,110	821	35.2%	1,169
Health and Safety Injury Incidence Rate (per 100,000 employees and contractors) rolling 12 months†***	130	241	(46.1)%	156
Best in class efficient engine room				
Net private sales rate per outlet per week	0.70	1.00	(30.0)%	0.96
Private legal completions per outlet	8.8	18.8	(53.2)%	48.2
Order book value £m	2,904	2,366	22.7%	2,176
Order book volume – no. of homes	11,686	10,137	15.3%	9,725

N.B. The 8-week ‘would you recommend’ score for H1 2020 relates to customers who legally completed between October 2019 and March 2020 with the comparator relating to the same period 12 months prior. The 9-month ‘would you recommend’ score for H1 2020 relates to customers who legally completed between October 2018 and March 2019, with the comparator relating to the same period 12 months prior.

Sales, completions and pricing

Total home completions (excluding joint ventures) decreased by 58% to 2,713 (H1 2019: 6,432) including 637 affordable homes (H1 2019: 1,594), equating to 23.5% of total completions (H1 2019: 24.8%). The reduction in completions is the result of the closure of construction sites and the gradual scaling up and adjusting to new COVID-19 Secure principles.

Our net private sales rate for the first half of the year was 0.70 homes per outlet per week (H1 2019: 1.00). Cancellation numbers have remained low throughout H1 2020. The cancellation rate for H1 2020 was 21% (H1 2019: 14%), representing 0.8% per week of the private order book (H1 2019: 0.9%). Average selling prices on private completions increased by 2.0% to £307k (H1 2019: £301k). Our total average selling price increased by 3.1% to £269k (H1 2019: £261k), with a slightly larger mix from our Southern businesses.

Table 2: Year to date sales data

	Pre-shutdown Weeks 1-13	**During shutdown Weeks 14-21**	**Post shutdown Weeks 22-30**
Average outlets	240	231	243
Net private sales rate per outlet per week	0.97	0.30	0.70
Cancellation rate (private)	15%	29%	30%
Cancellations / week as % of private order book	0.8%	0.5%	1.1%
Order book units	10,917	11,152	12,014
Order book value £m	2,688	2,757	3,022
% of order book exchanged	69%	70%	67%

N.B. All outlets were physically shut down during weeks 14-21 but 231 average outlets remained open digitally

In recognition of the incredible work our nation's care workers have done throughout the crisis, we launched a new discount scheme for NHS staff, care workers and the emergency services offering a 5% discount, applied to homes reserved in 2020 to complete in 2020 and 2021. This initiative has been well received with 1,206 homes reserved under this scheme as at week ending 26 July 2020.

We have a wide range of products from one-bedroom apartments to five-bedroom homes. First time buyers accounted for 50% of total sales in the first half of 2020 (H1 2019: 38%). Investor sales continued to be at a very low level at 3% (H1 2019: 5%).

During the first half of 2020 approximately 50% of total customer sales used the Help to Buy scheme (H1 2019: c.40%) of which 77% were first time buyers (H1 2019: 76%).

As at 28 June 2020, our order book represented 11,686 homes (30 June 2019: 10,137 homes) increasing in value by 23% to £2,904 million (30 June 2019: £2,366 million), excluding joint ventures. The Central London order book was 279 homes (30 June 2019: 188 homes), at a value of £279 million (30 June 2019: £154 million). Our affordable order book stood at 5,119 homes at the period end (30 June 2019: 4,474 homes).

During the first half of 2020 we opened 39 new outlets (H1 2019: 53).

Customers

We have continued to support our customers during this period and have focused on how to provide reassurance and make the homebuying process easier for them, during a challenging time. One of the biggest challenges of delivering for our customers this year will be meeting and managing their expectations for completion dates, some of which have moved significantly because of site closures.

We have enhanced our digital offering to enable customers to complete their entire homebuying journey remotely, from registering their interest through to completion of purchase. We have also introduced a new series of digital tours so our Sales Executives can complete digital viewings, which we will continue to expand.

In monitoring our progress, we continue to asses a broad range of measures on quality and service. In 2019 we also introduced the NHBC Construction Quality Review (CQR) score as a new KPI. In H1 2020 we scored an average of 4.31 (H1 2019: 4.05) from a possible score of six, making us a top quartile major housebuilder. We aim to improve this further by ensuring our quality assurance processes are embedded at every stage of build and our target is to maintain a rating of at least four in each regional business.

We are pleased that we are operating at above 90% customer satisfaction, the level recognised as being a five-star builder according to the Home Builders Federation (HBF) 8-week customer survey, achieving a score of 91% for the first half of 2020. We also encourage customers to leave reviews on Trustpilot. We currently have a 4 out of 5 star rating with a TrustScore of 4.0 out of 5.

Land

Our short term landbank stood at c.77k plots, as at 28 June 2020 (31 December 2019: c.76k plots). We completed fewer than usual land transactions in the first half reflecting our decision to put land acquisition on hold in March until recommencing activity in the second quarter. These acquisitions also reflect our focus, outlined at the full year results, on acquiring smaller site sizes. As a result, we approved 5,167 plots during the first half of 2020 (H1 2019: 5,846) at an average contribution margin[‡‡‡] of 28.5% and return on capital employed*** of 34.8%, with an average size of 258 plots.

Our strategic land pipeline stood at c.138k potential plots as at 28 June 2020 (31 December 2019: c.140k potential plots). During the first six months of 2020 we converted a further 2,501 plots from the strategic pipeline to the short term landbank (H1 2019: 4,165 plots). In the period, 55% of our completions were sourced from the strategic pipeline (H1 2019: 58%).

The average cost of land as a proportion of average selling price within the short term owned landbank remains low at 14.8% (H1 2019: 15.3%). The estimated average selling price in the short term owned landbank in H1 2020 was £288k (H1 2019: £284k).

We prioritise engaging with local communities as part of the planning and construction process and strive to make a positive impact in the wider community and have looked for more innovative ways of doing this during this period. We continued to progress planning through the shutdown period and were pleased to have achieved the UK's first significant planning permission remotely. In the first half of 2020, through our planning obligations, we have contributed over £92 million to the local communities in which we build (H1 2019: £196 million). This provides vital local infrastructure, affordable homes, public transport and education facilities.

<u>Increased land opportunities</u>

Our high-quality landbank remains a key competitive advantage and value driver and we are adding further high quality land at attractive prices to benefit shareholder returns.

The land market continues to be attractive for buyers with capital and liquidity, who can offer certainty and the ability to execute. Through the second quarter we saw an increased level of deals returning to market, with other buyers unable or unwilling to continue to complete on their previously agreed terms. We intend to use the proceeds of our recently completed equity raise to take advantage of these short term opportunities, in addition to our planned land expenditure, over the next 6-12 months.

Our new purchases include conservative assumptions on selling rates and reflect increased costs in relation to potential changes as a result of new environmental legislation.

Since we recommenced land activity in the second quarter, we have approved or contracted 26 land deals at a total cost of £346 million. These sites have an average return on capital of c.35% and an average operating margin above our medium term target of c.21-22%. The sites represent 6,165 plots in good locations broadly spread across our three divisions with an average site size of 237 plots, reflecting our focus on increasing the proportion of smaller sites in our mix. Smaller sites typically offer a higher return on capital but lower operating margins than larger sites, so it is pleasing that we have been able to advance this strategy at margins above our target range.

The number of new opportunities is continuing to improve and our total pipeline now stands at over 80 sites and almost 30,000 plots under discussion and consideration.

Employees

With 24 regional businesses across the country, we are a significant local employer, employing on average 6,024 people (H1 2019: 5,613) directly, with thousands more working with us through subcontractors and suppliers.

Our employees have shown great commitment and flexibility throughout this period enabling us to maintain strong relationships with our customers and protect the order book, and safely restart operations on our sites. All of our employees have returned to work from furlough and we have now returned the furlough subsidies to the Government.

Our employees have been engaged throughout the crisis and we believe their dedication will ensure we are able to respond quickly to any opportunities we see. Our rolling 12 months voluntary employee turnover rate remained low at 11.1% (H1 2019: 12.9%) with no redundancies made as a result of COVID-19.

We have 1,110 directly employed key tradespeople, including apprentices, as at 28 June 2020, a 35% increase year on year. In the 12 months to 28 June 2020, we recruited 98 people into our early talent management schemes (H1 2019 12 months rolling: 152), to meet our business requirement and reflecting our low employee turnover.

Employee communication and engagement has been vital in this period. We have introduced a new series of ‘pulse’ employee surveys to regularly gain feedback from our employees on key matters. 98% of our employees said they feel positive about how the Company supported them whilst on furlough and 97% are comfortable with the arrangements the Company has put in place to protect their safety.

With the business fully open, and all employees returned to work, Executive Director salaries and Non Executive Director fees will return to normal from the beginning of August.

We are delighted that TheJobCrowd have recognised us as one of the country’s best places to work for Graduates and Apprentices in 2020/21. Based on employee feedback, we were ranked first among property and housebuilding companies for Apprentices, and second for Graduates. We were also pleased to have been named in the top 50 places to work in the UK for 2020 by Glassdoor, as voted for by employees, for the third consecutive year.

Suppliers, subcontractors and partners

The health and safety of individuals on our sites will always be our number one priority. Our Injury Incidence Rate (IIR) for reportable injuries per 100,000 employees and contractors was 130 on a rolling 12 months basis to 28 June 2020 (2019 equivalent period: 241).

Our strong culture and processes have assisted in implementing the Taylor Wimpey COVID-19 Code of Conduct and we continue to receive good feedback from both our employees and subcontractors. Our Pay It Forward scheme has been welcomed, and replicated, by our subcontractors and has had a positive impact on getting our sites back up and running efficiently.

Our employees' dedication to local communities has been demonstrated throughout the COVID-19 crisis, donating and making vital PPE for care homes, volunteering for the NHS and within their communities and raising funds for charities.

Build costs

We have been reassured by the availability of both labour and material as we have returned to sites. We remain focused on cost and increased discipline. Our central procurement team is targeting improvements in visibility and availability of material selection that will help avoid material shortages and help mitigate future price increases.

As set out earlier, as a result of COVID-19 we had non-productive and incremental costs in the period which increased build costs. However, as production capacity is now at 80% and improving, we would expect non-productive and incremental costs to gradually reduce over the balance of the year.

We achieved an annual return on net operating assets for the Group of 16.8% in the first half of 2020 (H1 2019: 29.4%). The annual return on net operating assets for the UK business was 16.4% in the first half of 2020 (H1 2019: 29.2%). Our UK net operating asset turn†* was 1.08 times (H1 2019: 1.42 times).

Dividends

In order to conserve cash and increase flexibility at the outset of the pandemic we took the decision to cancel the 2020 final dividend of 3.80 pence per share (c.£125 million) which was due to be paid on 15 May 2020, and the planned special dividend payment of 10.99 pence per share (c.£360 million), which was due to be paid on 10 July 2020. Although our Ordinary Dividend Policy has been the subject of prudent and comprehensive stress testing against various downside scenarios, including a 20% reduction in prices and a 30% reduction in volumes, and is payable through a normal downturn, the COVID-19 pandemic represents a highly unusual set of circumstances. We expect to resume the payment of an ordinary dividend in 2021 (2020 final) and will review the special dividend in 2021 for payment in 2022.

Spain

As in the UK, our Spanish business has faced market disruption during the COVID-19 pandemic. Our construction sites were closed for a relatively short period of between two and three weeks in March, whilst we installed health and safety measures, but are now up and running and operating efficiently.

There has been a more prolonged impact on sales activity given COVID-19 limitations on travel. This has impacted our international customer base, with new reservations mainly comprising Spanish nationals and existing residents in Spain purchasing holiday homes.

We completed 58 homes in the first half of 2020 (H1 2019: 109) at an average selling price of €407k (H1 2019: €434k), with prices reflecting mix impacts. Gross margin increased to 27.0% (H1 2019: 25.3%). The business delivered an operating profit of £3.5 million for the first half of 2020 (H1 2019: £8.1 million), reflecting the lower completions, and an operating profit margin of 17.2% (H1 2019: 19.7%).

Our total order book as at 28 June 2020 was 209 homes (30 June 2019: 312 homes). The total plots in the landbank stood at 2,791 (31 December 2019: 2,841), with net operating assets at £98.6 million (31 December 2019: £78.1 million). We have not seen a material impact on cancellations, and we have continued to complete on properties as expected. We continue to invest in work in progress to deliver our strong order book.

Group financial review of operations

The Group uses Alternative Performance Measures (APMs) as key financial performance indicators to assess underlying performance of the Group. The APMs used are widely used industry measures and form the measurement basis of the key strategic KPIs (return on net operating assets, operating margin and cash conversion[‡‡]). A portion of executive remuneration is also directly linked to some of the APMs. Definitions and reconciliations to the equivalent statutory measures are included in note 17 of the financial statements.

Income statement

Group revenue decreased by 56.4% to £754.6 million in the first half of 2020 (H1 2019: £1,732.7 million), reflecting the unprecedented impact of COVID-19 on the Group. UK volumes excluding JVs decreased by 57.8% to 2,713 completions (H1 2019: 6,432) with UK average selling prices up 3.1% to £269k (H1 2019: £261k). Average selling prices on private completions increased by 2.0% to £307k (H1 2019: £301k) in the UK, due to larger average plot sizes, and an increased proportion of completions from our Southern businesses compared with 2019.

During the period we have identified and expensed £39.2 million of costs relating to the COVID-19 pandemic, with £38.3 million charged to gross profit and £0.9 million to overheads. These costs include unproductive site overhead costs incurred during the controlled closure and lockdown period which would ordinarily be capitalised to WIP and expensed as plots legally complete of £29.9 million; additional costs incurred by the business due to extended site durations resulting from the reduced productivity levels as we develop our operational processes under the COVID-19 Secure guidelines totalling £4.7 million; and incremental costs incurred by the business in responding to COVID-19, including to meet our health and safety requirements and complying with Government guidelines, of £4.6 million.

Cost of sales reduced to £663.6 million (H1 2019 £1,323.1 million) in the period as the total cost of land, build and direct selling expenses reduced, reflecting the reduction in completions.

Group gross profit of £91.0 million (H1 2019: £409.6 million) decreased by 77.8% and includes the impact of COVID-19 related costs, as discussed above, as well as fixed build and direct selling costs which are absorbed across fewer completions. A positive contribution from previously written down inventory of £0.7 million was included (H1 2019: £3.6 million).

During the period, completions from joint ventures were 35 (H1 2019: 66), as a result of delays due to site closures. The total order book value of joint ventures as at 28 June 2020 was £90 million (30 June 2019: £54 million), representing 183 homes (30 June 2019: 133). Our share of results of joint ventures in the period was a loss of £1.8 million (H1 2019: loss of £0.2 million).

As a result of the decrease in volumes and additional costs in relation to COVID-19 the Group operating profit decreased to a loss of £16.1 million (H1 2019: £311.9 million profit) and an operating margin of (2.1)% (H1 2019: 18.0%).

Loss on ordinary activities before finance costs was £24.3 million (H1 2019: £312.1 million profit), reflecting the impact of reduced volumes and the exceptional costs incurred of £10.0 million (H1 2019: no exceptional charge).

Net finance costs for the period were £13.7 million (H1 2019: £12.1 million). The increase was due to the interest payable on the revolving credit facility that was fully drawn for part of the period and repaid prior to period end. This was partially offset by a decrease in the interest charge on the defined benefit pension scheme. In addition, changes in foreign exchange rates in the period resulted in a small foreign exchange gain compared with a small loss in the comparative period.

Loss before tax and exceptional items for the period was £29.8 million (H1 2019: £299.8 million profit). The pre-exceptional tax credit was £6.6 million (H1 2019: £57.8 million charge) with an effective tax rate of 22.1% (H1 2019: 19.3%). The effective tax rate includes a £1.3 million credit (H1 2019: nil) arising from the remeasurement of the Group's UK deferred tax assets at 19.0% following the changes to the corporation tax rates enacted by the UK Government. This resulted in a loss before exceptional items, for the half year of £23.2 million (H1 2019: £242.0 million profit).

The Group discloses material financial impacts arising from events which are one-off or unusual in nature as exceptional items. Having reviewed ongoing works to replace Aluminium Composite Material (ACM) cladding on a small number of legacy buildings a further £10.0 million has been provided for expected costs to complete the works.

Loss before tax for the period was £39.8 million (H1 2019: £299.8 million profit) after the exceptional charge of £10.0 million (H1 2019: no exceptional charges in the period). Loss after tax for the period was £31.5 million (H1 2019: £242.0 million profit).

Basic loss per share was 1.0 pence (H1 2019: 7.4 pence earnings per share). The adjusted basic loss per share was 0.7 pence (H1 2019: 7.4 pence earnings per share).

Balance sheet

Net operating assets increased over the course of the period by £443.6 million to £3,243.8 million at 28 June 2020 (31 December 2019: £2,800.2 million). Inventories have increased by £347.4 million reflecting an increase in the first half in work in progress of £277.0 million, as completions were delayed due to closure of our sites and an increase in land of £70.4 million. Land creditors decreased by £98.6 million following repayments made in the period and the temporary pause in new land acquisitions in response to the COVID-19 uncertainties. Return on net operating assets was 16.8% (H1 2019: 29.4%). Group net operating asset turn was 1.08 times (H1 2019: 1.42 times, FY 2019: 1.60 times).

Average work in progress per UK outlet at 28 June 2020 increased by 13.8% to £6.6 million (31 December 2019: £5.8 million) and UK work in progress turn[†**] decreased to 2.05 times (30 June 2019: 2.66) as a result of the impact of delayed legal completions.

As at the balance sheet date, the Group held certain land and work in progress that had previously been written down by £70.1 million (31 December 2019: £68.6 million) to a net realisable value of £64.0 million as development continues (31 December 2019: £59.3 million). The balance of written down land and work in progress in the UK was £42.7 million (31

December 2019: £39.0 million), following the associated write-down of £29.7 million (31 December 2019: £30.5 million). The overall increase in the provision since the prior year end being due to foreign exchange movements in the balance held by the Spanish operations.

As at 28 June 2020, the UK short term landbank comprised 77,338 plots, with a net book value of £2.4 billion. Short term owned land comprised £2.3 billion (31 December 2019: £2.3 billion), representing 54,201 plots (31 December 2019: 54,641). The controlled short term landbank represented 23,137 plots (31 December 2019: 20,971). The value of long term owned land increased to £189 million (31 December 2019: £97 million), representing 35,628 plots (31 December 2019: 33,329), with a further total controlled strategic pipeline of 102,161 plots (31 December 2019: 106,895). Total potential revenue in the owned and controlled landbank increased to £54 billion in the period (31 December 2019: £53 billion), reflecting the overall mix of opportunities in the short term landbank and strategic pipeline.

As at 28 June 2020, in the UK, 89% of the short term owned and controlled landbank was purchased after 2009, 58% 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 14.8% (31 December 2019: 14.9%).

Land creditors decreased to £630.6 million (31 December 2019: £729.2 million) and, combined with net cash, resulted in a lower adjusted gearing[‡‡‡] of 3.5% (31 December 2019: 5.5%). Included within the land creditor balance is £53.3 million of UK land overage commitments (31 December 2019: £56.4 million). £286.8 million of Group land creditors are expected to be paid within 12 months and £343.8 million thereafter.

Provisions increased to £129.6 million (31 December 2019: £128.4 million) as the £10.0 million increase in the Aluminium Composite Material (ACM) cladding replacement provision was largely offset by utilisation as claims were made and processed through the ground rent assistance scheme and costs were incurred on work performed to replace ACM cladding.

Our net deferred tax asset of £37.4 million (31 December 2019: £29.8 million) relates to our pension deficit, employee share schemes and the temporary differences of our Spanish business, including brought forward trading losses.

Net assets at 28 June 2020 stood at £3,755.2 million (30 June 2019: £3,007.6 million, 31 December 2019: £3,307.8 million).

Pensions

As previously announced, further to our 31 December 2016 triennial valuation, we agreed a recovery plan with the Trustee to December 2020. This included a contribution mechanism, tested quarterly, such that should the Taylor Wimpey Pension Scheme (TWPS) become fully funded on the Technical Provisions funding basis, further contributions would be suspended and only recommence if the funding level fell below 96%.

The quarterly funding test for 31 December 2018 showed that the TWPS funding level had fallen to 94%, as a result the Group recommenced regular contributions from January 2019. By the end of 31 December 2019, the funding level had improved to 97%. However, along with many other UK pension schemes, the funding level has fallen during the first half of 2020 as a result of the economic volatility arising from the COVID-19 pandemic. During April 2020 and in response to the site shutdowns, we agreed with the Trustee a temporary suspension of the agreed contributions for three months between April and June. These suspended contributions will instead be paid between January 2021 and March 2021.

The most recent funding test at 28 June 2020 showed a deficit of £217 million and a funding level of 92%. As a result, regular contributions will continue. The Group continues to provide a contribution for Scheme expenses and also makes contributions via the Pension Funding Partnership. Total Scheme contributions and expenses are expected to be £37.1 million in 2020 (2019: £47.1 million), assuming the TWPS remains less than 100% funded. Following the deferment of contributions, contributions of £10.8 million, including expenses, are expected to be paid between January 2021 and March 2021.

Retirement benefit obligations of £114.7 million at 28 June 2020 (31 December 2019: £85.0 million) comprise a defined benefit pension liability of £114.2 million (31 December 2019: £84.5 million) and a post-retirement healthcare liability of £0.5 million (31 December 2019: £0.5 million).

The Group continues to work closely with the Trustee in managing pension risks, including management of interest rate, inflation and longevity risks. The Company and Trustee are currently discussing the results of the triennial valuation at 31 December 2019. The valuation and any recovery plan are due to be agreed by 31 March 2021 in line with requirements.

The underlying volatility of the TWPS remains low due to the c.£200 million buy-in completed in 2014 (covering c.10% of the liabilities), combined with c.90% liability hedging against interest rates and inflation risk exposure on the Scheme's long term, 'self-sufficiency' basis.

Cash flow

Net cash decreased to £497.3 million at 28 June 2020 from £545.7 million at 31 December 2019, primarily as a result of a net cash outflow from operating activities of £523.7 million and an increase in investments in joint ventures of £23.7 million being predominantly offset by net proceeds from the issuance of shares in June 2020 of c.£510.1 million.

The main driver of the net cash outflow from operating activities in the first half of 2020 was an increase in land and work in progress working capital of £423.8 million as we settled land creditor obligations, continued investment in land and the number of completions decreased. During the period there was also an overall decrease in payables as payments were made during the time that our construction sites were closed but they were not replaced at the same rate due to the lower levels of construction activity.

When the Group initially shut its sites in late March 2020 it took the prudent step of fully drawing down the previously unutilised £550 million revolving credit facility. Once construction had restarted under new operating protocols the facility was fully repaid before the end of the current period.

In the 12 months to 28 June 2020 we converted 46.5% of operating profit into operating cash flow**** (H1 2019 rolling 12 months: 71.3%).

Financing structure

At 28 June 2020 our committed borrowing facilities were £654.5 million which comprises €100 million loan notes due June 2023, €15 million loan maturing December 2021 and an undrawn £550 million revolving credit facility maturing February 2025. Average net cash for the period was £241.5 million (30 June 2019: £290.6 million; 31 December 2019: £157.0 million). At the start of 2020 we extended the term of the £550 million revolving credit facility by a further year to 2025, resulting in an average maturity of the committed borrowing facilities of 4.3 years.

Dividends

In order to conserve cash and increase flexibility at the outset of the pandemic we took the decision to cancel the 2020 final dividend of 3.80 pence per share (c.£125 million) which was due to be paid on 15 May 2020 and the planned special dividend payment of 10.99 pence per share (c.£360 million) which was due to be paid on 10 July 2020. Although our Ordinary Dividend Policy has been the subject of prudent and comprehensive stress testing against various downside scenarios, including a 20% reduction in prices and a 30% reduction in volumes, and is payable through a normal downturn, the COVID-19 pandemic represents a highly unusual set of circumstances. We expect to resume the payment of an ordinary dividend in 2021 (2020 final) and will review the special dividend in 2021 for payment in 2022.

Going concern

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

Principal Risks and uncertainties

As with any business, Taylor Wimpey's operational performance and ability to achieve its strategic objectives are subject to several potential risks and uncertainties. The Board takes a proactive approach to the management of these and regularly reviews both internal and external factors to identify and assess their impact on the business. These risks and uncertainties are then managed through effective mitigating controls and the development of action plans, with the continual monitoring of progress against agreed KPIs as an integral part of the business process and core activities.

The Board assesses and monitors the Principal Risks of the business regularly. Set out in the Group's Annual Report and Accounts for the year ended 31 December 2019 were details of the Principal Risks and uncertainties for the Group and the key mitigating activities used to address them at that time.

A global health pandemic was previously identified as one of our Emerging Risks but the speed with which it materialised and the direct and indirect impact it had on the business, during such a short period, has demonstrated the fundamental importance of having a robust risk management process in place.

The Group implemented a number of measures to ensure the health and safety of our employees, customers and suppliers. This included closure of our construction sites and sales centres, and creation of a COVID-19 working group to provide guidance, support and direction to all our employees and our customers, suppliers and contractor base at the onset of the pandemic, throughout the lockdown phase and during the re-mobilisation of the business. We have engaged with the Government and sector specific bodies to develop COVID-19 working protocols that meet the Government guidance. To assist the wider sector, we have made these available to other housebuilders. The Group will continue to monitor Government guidance carefully, including the impact of localised lockdowns, and where needed adapt its operational protocols and processes to safeguard our employees and customers. We are pleased with how resilient we have demonstrated ourselves to be and we remain optimistic about being able to effectively manage this risk and its continued impact on our business operations.

The Board's latest risk assessment has considered both the specific consequences of COVID-19 and its effect on the underlying Principal Risks managed by the business.

We have not established a new Principal Risk for the COVID-19 pandemic; instead, due to its pervasive nature, we recognise the impact it has had and will continue to have on our entire risk landscape. It has impacted the inherent nature of five of our existing Principal Risks, as reflected in the table below. However, due to the additional mitigating actions that have been implemented, there is no fundamental change to the overall residual assessment of our Principal Risks. We will continue to closely monitor the situation over the coming period and will take any required action to maintain control over the impact. Additionally, a new key risk has been added into our operational risk framework to reflect the impact of possible site closures, should Government guidance change on either a localised or national level.

Principal Risk	Potential Impact from COVID-19
Impact of the market environment on mortgage availability and housing demand	The macro-economic impact of COVID-19 could reduce mortgage affordability and therefore impact on demand for housing as - uncertainty and unemployment affect customer confidence - constraints on mortgage availability, or higher costs of mortgage funding
Material costs and availability of subcontractors	Disruptions to the supply chain stability and to suppliers / subcontractors.
Ability to attract and retain high-calibre employees	We have retained a stable workforce during the pandemic with staff attrition rates lower than normal. Due to this we have seen no loss of talent and therefore the need to attract new staff has diminished. This is viewed as a short term effect with the expectation of a more 'normal' pattern resuming in the future.
Quality and reputation	COVID-19 increases the risk of reputational damage if we are not recognised to be doing the right thing for our employees, customers and suppliers.
Site and product safety	There is an increased inherent risk from any personal interaction given the nature of COVID-19, in particular as lockdown measures are eased.

Further details of the Group's Principal Risks and the mitigations in place are outlined on pages 48 to 52 of the 2019 Annual Report and Accounts, published in March 2020, which is available at www.taylorwimpey.co.uk. These are summarised below, in no order of significance, and we believe that they continue to be the Principal Risks to the business, with appropriate ongoing mitigations and monitoring in place.

- Government policy and planning regulations
- Impact of the market environment on mortgage availability and housing demand
- Material costs and availability of subcontractors
- Ability to attract and retain high-calibre employees
- Land purchasing
- Quality and reputation
- Site and product safety

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

Cautionary note concerning forward looking statements

This announcement includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'projects', 'anticipates' or ‘expects’. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements.

Accordingly, there are or will be important factors that could cause Taylor Wimpey Plc's actual results to differ materially from those indicated in these statements. Persons receiving this announcement should not place reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made and, except as required by applicable law or regulation, Taylor Wimpey Plc undertakes no obligation to update these forward-looking statements. Nothing in this statement should be construed as a profit forecast.

Taylor Wimpey plc
Condensed Consolidated Income Statement

For the half year ended 28 June 2020

£ million	Note	Half year ended 28 June 2020 Before exceptional items	(Reviewed) Half year ended 28 June 2020 Exceptional items	Half year ended 28 June 2020 Total	Half year ended 30 June 2019 Before exceptional items	(Reviewed) Half year ended 30 June 2019 Exceptional items	Half year ended 30 June 2019 Total	Year ended 31 December 2019 Before exceptional items	(Audited) Year ended 31 December 2019 Exceptional items	Year ended 31 December 2019 Total
Continuing operations										
Revenue	2	**754.6**	**-**	**754.6**	1,732.7	-	1,732.7	4,341.3	-	4,341.3
Cost of sales		**(663.6)**	**-**	**(663.6)**	(1,323.1)	-	(1,323.1)	(3,297.2)	-	(3,297.2)
Gross profit before positive contribution		**90.3**	**-**	**90.3**	406.0	-	406.0	1,034.0	-	1,034.0
Positive contribution from written down inventory		**0.7**	**-**	**0.7**	3.6	-	3.6	10.1	-	10.1
Gross profit		**91.0**	**-**	**91.0**	409.6	-	409.6	1,044.1	-	1,044.1
Net operating expenses	4	**(105.3)**	**(10.0)**	**(115.3)**	(97.5)	-	(97.5)	(201.6)	14.3	(187.3)
(Loss)/profit on ordinary activities before finance costs		**(14.3)**	**(10.0)**	**(24.3)**	312.1	-	312.1	842.5	14.3	856.8
Finance income	5	**1.9**	**-**	**1.9**	1.8	-	1.8	2.9	-	2.9
Finance costs	5	**(15.6)**	**-**	**(15.6)**	(13.9)	-	(13.9)	(31.8)	-	(31.8)
Share of results of joint ventures		**(1.8)**	**-**	**(1.8)**	(0.2)	-	(0.2)	8.0	-	8.0
(Loss)/profit before taxation		**(29.8)**	**(10.0)**	**(39.8)**	299.8	-	299.8	821.6	14.3	835.9
Taxation credit/(charge)	6	**6.6**	**1.7**	**8.3**	(57.8)	-	(57.8)	(159.3)	(2.7)	(162.0)
(Loss)/profit for the period		**(23.2)**	**(8.3)**	**(31.5)**	242.0	-	242.0	662.3	11.6	673.9
Basic (loss)/earnings per share	7			**(1.0)p**			7.4p			20.6p
Diluted (loss)/earnings per share	7			**(1.0)p**			7.4p			20.6p
Adjusted basic (loss)/earnings per share	7			**(0.7)p**			7.4p			20.3p
Adjusted diluted (loss)/earnings per share	7			**(0.7)p**			7.4p			20.2p

All of the (loss)/profit for the period is attributable to the equity holders of the parent company.

Taylor Wimpey plc
Condensed Consolidated Statement of Comprehensive Income
For the half year ended 28 June 2020

£ million	Half year ended 28 June 2020 (Reviewed)	Half year ended 30 June 2019 (Reviewed)	Year ended 31 December 2019 (Audited)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**6.0**	(0.6)	(5.5)
Movement in fair value of hedging instruments	**(4.9)**	0.5	4.1
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	**(43.7)**	6.7	(8.9)
Tax credit/(charge) on items taken directly to other comprehensive income	**10.0**	(0.6)	1.7
Other comprehensive (expense)/income for the period net of tax	**(32.6)**	6.0	(8.6)
(Loss)/profit for the period	**(31.5)**	242.0	673.9
Total comprehensive (expense)/income for the period	**(64.1)**	248.0	665.3

All of the comprehensive (expense)/income for the period is attributable to the equity holders of the parent company.

Taylor Wimpey plc
Condensed Consolidated Balance Sheet
As at 28 June 2020

£ million	Note	28 June 2020 (Reviewed)	30 June 2019 (Reviewed)	31 December 2019 (Audited)
Non-current assets				
Intangible assets		**8.1**	5.6	7.0
Property, plant and equipment		**25.3**	21.2	25.6
Right-of-use assets		**24.4**	25.7	27.4
Interests in joint ventures		**77.1**	69.9	55.3
Trade and other receivables		**42.0**	48.5	43.7
Deferred tax assets		**37.4**	35.3	29.8
		214.3	206.2	188.8
Current assets				
Inventories		**4,543.4**	4,415.0	4,196.0
Trade and other receivables		**144.0**	187.9	161.0
Tax receivables		**-**	0.6	-
Cash and cash equivalents	8	**601.8**	481.3	630.4
		5,289.2	5,084.8	4,987.4
Total assets		**5,503.5**	5,291.0	5,176.2
Current liabilities				
Trade and other payables		**(901.9)**	(1,044.0)	(974.8)
Lease liabilities		**(7.1)**	(6.6)	(7.6)
Tax payables		**(23.3)**	(52.0)	(67.9)
Provisions	11	**(72.3)**	(67.4)	(72.7)
Accrued dividends	14	**-**	(350.0)	-
		(1,004.6)	(1,520.0)	(1,123.0)
Net current assets		**4,284.6**	3,564.8	3,864.4
Non-current liabilities				
Trade and other payables		**(449.5)**	(473.3)	(499.7)
Lease liabilities		**(17.7)**	(19.4)	(20.3)
Bank and other loans	8	**(104.5)**	(89.3)	(84.7)
Retirement benefit obligations	9	**(114.7)**	(103.6)	(85.0)
Provisions	11	**(57.3)**	(77.8)	(55.7)
		(743.7)	(763.4)	(745.4)
Total liabilities		**(1,748.3)**	(2,283.4)	(1,868.4)
Net assets		**3,755.2**	3,007.6	3,307.8
Equity				
Share capital	12	**292.2**	288.5	288.6
Share premium		**771.5**	762.9	762.9
Own shares		**(12.3)**	(18.0)	(17.6)
Other reserves		**543.8**	44.9	43.6
Retained earnings		**2,160.0**	1,929.3	2,230.3
Total equity		**3,755.2**	3,007.6	3,307.8

Taylor Wimpey plc
Condensed Consolidated Statement of Changes in Equity
For the half year ended 28 June 2020

Reviewed half year ended 28 June 2020 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2020	288.6	762.9	(17.6)	43.6	2,230.3	3,307.8
Other comprehensive income/(expense) for the period	-	-	-	1.1	(33.7)	(32.6)
Loss for the period	-	-	-	-	(31.5)	(31.5)
Total comprehensive income/(expense) for the period	-	-	-	1.1	(65.2)	(64.1)
New share capital subscribed	3.6	8.6	-	499.1	-	511.3
Utilisation of own shares	-	-	5.3	-	-	5.3
Cash cost of satisfying share options	-	-	-	-	(6.0)	(6.0)
Share-based payment credit	-	-	-	-	1.4	1.4
Tax charge on items taken directly to statement of changes in equity	-	-	-	-	(0.5)	(0.5)
Total equity at 28 June 2020	**292.2**	**771.5**	**(12.3)**	**543.8**	**2,160.0**	**3,755.2**

Reviewed half year ended 30 June 2019 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2019	288.5	762.9	(22.7)	45.0	2,153.1	3,226.8
Other comprehensive income for the period	-	-	-	(0.1)	6.1	6.0
Profit for the period	-	-	-	-	242.0	242.0
Total comprehensive income for the period	-	-	-	(0.1)	248.1	248.0
Utilisation of own shares	-	-	4.7	-	-	4.7
Cash cost of satisfying share options	-	-	-	-	(2.1)	(2.1)
Share-based payment credit	-	-	-	-	4.3	4.3
Tax credit on items taken directly to statement of changes in equity	-	-	-	-	0.1	0.1
Dividends approved and paid	-	-	-	-	(124.2)	(124.2)
Dividends approved	-	-	-	-	(350.0)	(350.0)
Total equity at 30 June 2019	288.5	762.9	(18.0)	44.9	1,929.3	3,007.6

Audited year ended 31 December 2019 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2019	288.5	762.9	(22.7)	45.0	2,153.1	3,226.8
Other comprehensive expense for the year	-	-	-	(1.4)	(7.2)	(8.6)
Profit for the year	-	-	-	-	673.9	673.9
Total comprehensive income for the year	-	-	-	(1.4)	666.7	665.3
New share capital subscribed	0.1	-	-	-	-	0.1
Utilisation of own shares	-	-	5.1	-	-	5.1
Cash cost of satisfying share options	-	-	-	-	0.3	0.3
Share-based payment credit	-	-	-	-	8.0	8.0
Tax credit on items taken directly to statement of changes in equity	-	-	-	-	1.9	1.9
Dividends approved and paid	-	-	-	-	(599.7)	(599.7)
Total equity at 31 December 2019	288.6	762.9	(17.6)	43.6	2,230.3	3,307.8

Taylor Wimpey plc
Condensed Consolidated Cash Flow Statement
For the half year ended 28 June 2020

£ million	Note	Half year ended 28 June 2020 (Reviewed)	Half year ended 30 June 2019 (Reviewed)	Year ended 31 December 2019 (Audited)
Operating activities:				
(Loss)/profit on ordinary activities before finance costs		**(24.3)**	312.1	856.8
Adjustments for:				
Depreciation and amortisation		**7.8**	6.1	13.5
Pension contributions in excess of charge to the income statement		**(14.8)**	(25.1)	(60.6)
Share-based payment charge		**1.4**	4.3	8.0
Net increase/(decrease) in provisions excluding exceptional payments		**8.7**	(4.4)	(6.2)
Operating cash flows before movements in working capital		**(21.2)**	293.0	811.5
Increase in inventories		**(423.8)**	(239.9)	(21.7)
Decrease/(increase) in receivables		**13.9**	(47.8)	(12.7)
Decrease in payables		**(44.2)**	(21.3)	(74.9)
Cash generated by operations		**(475.3)**	(16.0)	702.2
Payments relating to exceptional charges		**(7.8)**	(11.5)	(36.8)
Income taxes paid		**(34.1)**	(71.5)	(149.0)
Interest paid		**(6.5)**	(3.3)	(6.4)
Net cash from operating activities		**(523.7)**	(102.3)	510.0
Investing activities:				
Interest received		**1.9**	1.8	2.9
Dividends received from joint ventures		**-**	0.4	7.4
Purchase of property, plant and equipment		**(2.1)**	(0.8)	(7.2)
Purchase of software		**(2.5)**	(3.0)	(5.4)
Amounts invested in joint ventures		**(23.7)**	(22.2)	(6.3)
Net cash used in investing activities		**(26.4)**	(23.8)	(8.6)
Financing activities:				
Lease capital repayments		**(4.0)**	(4.1)	(8.4)
Proceeds from the issue of own shares	12	**510.1**	-	0.1
Cash received on exercise of share options		**0.3**	2.6	5.4
Proceeds from borrowings		**13.5**	-	-
Dividends paid		**-**	(124.2)	(599.7)
Net cash generated from/(used in) financing activities		**519.9**	(125.7)	(602.6)
Net decrease in cash and cash equivalents		**(30.2)**	(251.8)	(101.2)
Cash and cash equivalents at beginning of period		**630.4**	734.2	734.2
Effect of foreign exchange rate changes		**1.6**	(1.1)	(2.6)
Cash and cash equivalents at end of period	8	**601.8**	481.3	630.4

Taylor Wimpey plc
Notes to the Condensed Consolidated Financial Statements
For the half year ended 28 June 2020

1. Accounting policies

Basis of preparation

The condensed consolidated financial statements have 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 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 2019, which have been prepared in accordance with applicable IFRSs.

The information contained in this report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The condensed consolidated financial statements have been reviewed but not audited. A copy of the statutory accounts for year ended 31 December 2019 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) of the Companies Act 2006.

The accounting policies and method of computations adopted in the preparation of these 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 2019.

Going concern

During the period the Group took a number of mitigating actions, in response to the COVID-19 pandemic, to tightly manage working capital and liquidity, including pausing discretionary land spend and cancelling the 2019 final dividend and 2020 special dividends. The prudent step of fully drawing down the previously unutilised £550 million revolving credit facility was also taken, which was subsequently fully repaid in the period. In addition Her Majesty's Treasury has confirmed that the Group was eligible in principle, subject to documentation, as an issuer of the Covid Corporate Financing Facility (CCFF).

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

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

The assessment considered sensitivity analysis on a number of realistically possible, but severe and prolonged, changes to principal assumptions through to the end of December 2021. In determining these the Group included macro-economic and industry wide projections as well as matters specific to the Group. To arrive at the sensitisation tests the Group has drawn on experience gained managing the business through previous economic downturns and stress tested the business against a number of scenarios including:

- Volume – a reduction in volumes compared with 2019 of c.40%, particularly impacting on 2020
- Price – reduced selling prices by c.10% against current prices

In addition the Group considered what additional reductions to volumes or sales prices would be required, before any further mitigating actions were taken, to cause a potential breach in the Group's financial covenants. Having performed the analysis the Directors consider the likelihood of such scenarios to be remote and that mitigating actions would be available should they be required.

1. Accounting policies (continued)

The mitigating actions considered included a reduction in land investment, a reduction in the level of production and work in progress held and optimising the overhead base to ensure it aligned with the scale of the operations through the cycle.

The Group's liquidity (defined as cash and undrawn committed facilities) was £1,152 million at 28 June 2020 (excluding the CCFF). Both drawn and undrawn facilities have maturities more than one year after the current balance sheet date with €100 million due in June 2023, €15 million due in December 2021 and £550 million maturing in February 2025. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis.

Based on these forecasts it is considered that there are sufficient resources available for the Group to 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 significant judgements and estimates. Management have considered whether there are any such sources of estimation or accounting judgements in preparing the condensed financial statements. In identifying these areas management have considered the size of the associated balance and the potential likelihood of changes due to macro-economic factors such as the United Kingdom leaving the European Union or the impact of COVID-19.

In preparing these condensed consolidated financial statements, the critical 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 2019.

2. Revenue

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

£ million	**Half year ended 28 June 2020**	Half year ended 30 June 2019	Year ended 31 December 2019
Private sales	**657.8**	1,498.1	3,798.3
Partnership housing	**92.0**	220.7	490.6
Land and other	**4.8**	13.9	52.4
Total revenue	**754.6**	1,732.7	4,341.3

3. 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 divisions, each managed by a Divisional Chair 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 28 June 2020 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Revenue						
External sales	267.7	260.9	205.3	0.4	20.3	754.6
Result						
(Loss)/profit on ordinary activities before joint ventures, finance costs and exceptional items	(3.2)	22.3	(3.5)	(33.4)	3.5	(14.3)
Share of results of joint ventures	-	-	(1.7)	(0.1)	-	(1.8)
Operating (loss)/profit (Note 17)	(3.2)	22.3	(5.2)	(33.5)	3.5	(16.1)
Exceptional items (Note 4)	-	-	-	(10.0)	-	(10.0)
(Loss)/profit before finance costs	(3.2)	22.3	(5.2)	(43.5)	3.5	(26.1)
Net finance costs						(13.7)
Loss before taxation						(39.8)
Taxation						8.3
Loss for the period						**(31.5)**

As at 28 June 2020 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,406.3	1,428.9	1,494.0	279.5	178.5	4,787.2
Joint ventures	0.8	4.6	67.7	4.0	-	77.1
Segment operating liabilities	(326.5)	(495.0)	(402.5)	(316.6)	(79.9)	(1,620.5)
Net operating assets/(liabilities)	1,080.6	938.5	1,159.2	(33.1)	98.6	3,243.8
Net current taxation						(23.3)
Net deferred taxation						37.4
Accrued dividends						-
Net cash						497.3
Net assets						**3,755.2**

3. Operating segments (continued)

Half year ended 30 June 2019 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Revenue						
External sales	648.5	596.5	445.6	1.0	41.1	1,732.7
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	134.4	124.8	71.0	(26.2)	8.1	312.1
Share of results of joint ventures	-	-	0.2	(0.4)	-	(0.2)
Operating profit/(loss) (Note 17)	134.4	124.8	71.2	(26.6)	8.1	311.9
Exceptional items (Note 4)	-	-	-	-	-	-
Profit/(loss) before finance costs	134.4	124.8	71.2	(26.6)	8.1	311.9
Net finance costs						(12.1)
Profit before taxation						299.8
Taxation						(57.8)
Profit for the period						242.0

As at 30 June 2019 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,325.1	1,372.6	1,575.5	255.8	174.9	4,703.9
Joint ventures	1.6	4.0	61.7	2.6	-	69.9
Segment operating liabilities	(388.6)	(550.1)	(455.4)	(305.5)	(92.5)	(1,792.1)
Net operating assets/(liabilities)	938.1	826.5	1,181.8	(47.1)	82.4	2,981.7
Net current taxation						(51.4)
Net deferred taxation						35.3
Accrued dividends						(350.0)
Net cash						392.0
Net assets						3,007.6

Year ended 31 December 2019 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Revenue						
External sales	1,547.9	1,447.3	1,214.4	11.3	120.4	4,341.3
Result						
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	320.0	316.2	227.3	(53.1)	32.1	842.5
Share of results of joint ventures	-	-	7.6	0.4	-	8.0
Operating profit/(loss) (Note 17)	320.0	316.2	234.9	(52.7)	32.1	850.5
Exceptional items (Note 4)	-	-	-	14.3	-	14.3
Profit/(loss) before finance costs	320.0	316.2	234.9	(38.4)	32.1	864.8
Net finance costs						(28.9)
Profit before taxation						835.9
Taxation						(162.0)
Profit for the period						673.9

As at 31 December 2019 £ million	North	Central & South West	London & South East	Corporate	Spain	Total
Assets and liabilities						
Segment operating assets	1,310.1	1,345.4	1,372.6	270.9	161.7	4,460.7
Joint ventures	0.8	4.1	46.6	3.8	-	55.3
Segment operating liabilities	(425.1)	(538.1)	(391.9)	(277.1)	(83.6)	(1,715.8)
Net operating assets/(liabilities)	885.8	811.4	1,027.3	(2.4)	78.1	2,800.2
Net current taxation						(67.9)
Net deferred taxation						29.8
Net cash						545.7
Net assets						3,307.8

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

(Loss)/profit on ordinary activities before finance costs has been arrived at after charging/(crediting):

£ million	**Half year ended 28 June 2020**	Half year ended 30 June 2019	Year ended 31 December 2019
Administration expenses	**103.3**	103.6	211.7
Other expense	**3.9**	0.8	4.3
Other income	**(1.9)**	(6.9)	(14.4)
Exceptional items	**10.0**	-	(14.3)

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. In April 2020 the Group took the decision to utilise the Government's Coronavirus Job Retention Scheme. As of 1 June 2020, all employees had returned from furlough and the Group stopped its use of the scheme. As announced on 17 June 2020 the Group was returning the funds to Government with repayment occurring on 13 July 2020 with a creditor recognised at the end of the period.

Exceptional items: £ million	**Half year ended 28 June 2020**	Half year ended 30 June 2019	Year ended 31 December 2019
Provision in relation to Aluminium Composite Materials cladding	**10.0**	-	-
Net Pension Increase Exchange credit	**-**	-	(14.3)
	10.0	-	(14.3)
Tax (credit)/charge	**(1.7)**	-	2.7
Net exceptional items charged to the income statement	**8.3**	-	(11.6)

Aluminium Composite Materials (ACM) cladding

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

Pension Increase Exchange (PIE)

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

5. Finance income and finance costs

Finance income:

£ million	**Half year ended 28 June 2020**	Half year ended 30 June 2019	Year ended 31 December 2019
Interest receivable	**1.9**	1.8	2.9

Finance costs:

£ million	**Half year ended 28 June 2020**	Half year ended 30 June 2019	Year ended 31 December 2019
Interest on overdrafts, bank and other loans	**5.7**	2.4	5.5
Foreign exchange movements	**(0.6)**	0.5	1.1
	5.1	2.9	6.6
Unwinding of discount on land creditors and other items	**9.5**	9.0	21.5
Interest on lease liabilities	**0.2**	0.2	0.5
Net interest on pension liability	**0.8**	1.8	3.2
	15.6	13.9	31.8

6. Taxation

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

£ million		**Half year ended 28 June 2020**	Half year ended 30 June 2019	Year ended 31 December 2019
Current tax:				
UK:	Current year	**10.8**	(51.0)	(138.1)
	Adjustment in respect of prior years	**-**	-	(5.2)
Overseas:	Current year	**(0.4)**	(1.4)	(5.2)
	Adjustment in respect of prior years	**(0.1)**	(0.7)	(0.6)
		10.3	(53.1)	(149.1)
Deferred tax:				
UK:	Current year	**(2.0)**	(3.9)	(10.8)
	Adjustment in respect of prior years	**-**	(0.8)	0.5
Overseas:	Current year	**-**	-	(1.8)
	Adjustment in respect of prior years	**-**	-	(0.8)
		(2.0)	(4.7)	(12.9)
		8.3	(57.8)	(162.0)

The effective tax rate for the period is 20.9% (30 June 2019 effective tax rate: 19.3%) and includes a £1.3 million credit (30 June 2019: £nil) arising from the remeasurement of the Group's UK deferred tax assets at 19% following the changes to the corporation tax rates enacted by the UK Government.

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 a rate of 19% (30 June 2019: between 19% and 17%).

7. (Loss)/earnings per share

	Half year ended 28 June 2020	Half year ended 30 June 2019	Year ended 31 December 2019
Basic (loss)/earnings per share	**(1.0)p**	7.4p	20.6p
Diluted (loss)/earnings per share	**(1.0)p**	7.4p	20.6p
Adjusted basic (loss)/earnings per share	**(0.7)p**	7.4p	20.3p
Adjusted diluted (loss)/earnings per share	**(0.7)p**	7.4p	20.2p
Weighted average number of shares for basic (loss)/earnings per share – million	**3,305.1**	3,267.0	3,268.2
Weighted average number of shares for diluted (loss)/earnings per share – million	**3,305.1**	3,275.8	3,276.2

Adjusted basic and adjusted diluted (loss)/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. In accordance with IAS 33, the weighted average number of shares for diluted (loss)/earnings per share are without reference to adjustments in respect of outstanding shares when the impact would be anti-dilutive.

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

£ million	**Half year ended 28 June 2020**	Half year ended 30 June 2019	Year ended 31 December 2019
Earnings for basic and diluted (loss)/earnings per share	**(31.5)**	242.0	673.9
Exceptional items	**10.0**	-	(14.3)
Tax on exceptional items	**(1.7)**	-	2.7
Earnings for adjusted basic and adjusted diluted (loss)/earnings per share	**(23.2)**	242.0	662.3

8. Notes to the cash flow statement

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

Movement in net cash:

£ million	Cash and cash equivalents	Bank and other loans	Total net cash
At 1 January 2020	630.4	(84.7)	545.7
Net cash flow	(30.2)	(13.5)	(43.7)
Foreign exchange	1.6	(6.3)	(4.7)
At 28 June 2020	**601.8**	**(104.5)**	**497.3**

£ million	Cash and cash equivalents	Bank and other loans	Total net cash
At 1 January 2019	734.2	(90.1)	644.1
Net cash flow	(251.8)	-	(251.8)
Foreign exchange	(1.1)	0.8	(0.3)
At 30 June 2019	481.3	(89.3)	392.0

£ million	Cash and cash equivalents	Bank and other loans	Total net cash
At 1 January 2019	734.2	(90.1)	644.1
Net cash flow	(101.2)	-	(101.2)
Foreign exchange	(2.6)	5.4	2.8
At 31 December 2019	630.4	(84.7)	545.7

The committed borrowing facilities are currently £654.5 million with an average maturity of 4.3 years.

9. Pensions

The 2016 triennial valuation for the Taylor Wimpey Pension Scheme was completed in February 2018. This committed the Group to cash contributions of £40.0 million per annum plus £2.0 million towards administration costs, together with the £5.1 million distribution from the Pension Funding Partnership. However, the £40.0 million of cash contributions may be paused should the Scheme become fully funded on a Technical Provisions basis during the period.

At 28 June 2020, the Scheme was 92% funded and as such cash contributions will continue under the funding plan. At 28 June 2020 the IAS19 deficit was £80.1 million (£100.5 million surplus at 31 December 2019).

An IFRIC 14 deficit has been recognised, which represents the present value of future contributions under the funding plan together with distributions from the Pension Funding Partnership. As the Scheme is less than 96% funded, the cash commitments under the funding plan are included in the calculation of the IFRIC 14 deficit which results in a deficit recognised on the balance sheet of £114.2 million (31 December 2019: £84.5 million). In addition there is as a post-retirement healthcare liability of £0.5 million (31 December 2019: £0.5 million).

10. Financial assets and liabilities

		Carrying amount			Fair value		
£ million		**28 June 2020**	30 June 2019	31 December 2019	**28 June 2020**	30 June 2019	31 December 2019
Financial assets							
Cash and cash equivalents	a	**601.8**	481.3	630.4	**601.8**	481.3	630.4
Land receivables	a	**7.5**	7.7	12.8	**7.5**	7.7	12.8
Trade and other receivables	a	**106.2**	141.5	113.5	**106.2**	141.5	113.5
Mortgage receivables	b	**30.6**	40.3	34.0	**30.6**	40.3	34.0
Financial liabilities							
Bank and other loans	c	**104.5**	89.3	84.7	**104.3**	91.0	85.8
Land creditors	a	**630.6**	717.7	729.2	**630.6**	717.7	729.2
Trade and other payables	a	**543.9**	667.4	628.2	**543.9**	667.4	628.2
Lease liabilities	a	**24.8**	26.0	27.9	**24.8**	26.0	27.9

(a) The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.
(b) Mortgage receivables relate to sales incentives including shared equity loans and are measured at fair value through profit or loss. The fair value is established based on a publicly available national house price index, being significant other observable inputs (level 2).
(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 £41.7 million (31 December 2019: £44.4 million) of non-financial assets.

Current and non-current trade and other payables includes non-financial liabilities of £176.9 million (31 December 2019: £117.1 million).

The Group has designated a financial liability in the sum of €79.0 million (31 December 2019: €79.0 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.

11. Provisions

£ million	ACM cladding provision	Leasehold provision	Other	Total
At 31 December 2019	23.7	72.2	32.5	128.4
Additions in the period	10.0	-	2.3	12.3
Utilised	(1.1)	(6.7)	(2.5)	(10.3)
Released	-	-	(1.0)	(1.0)
Other movements	-	-	0.2	0.2
At 28 June 2020	**32.6**	**65.5**	**31.5**	**129.6**

£ million	**28 June 2020**	30 June 2019	31 December 2019
Current	**72.3**	67.4	72.7
Non-current	**57.3**	77.8	55.7
	129.6	145.2	128.4

In 2018 the Group established an exceptional provision for the cost of replacing Aluminium Composite Material (ACM) on a small number of legacy developments, which was increased in the period to reflect the latest estimate of costs to complete the planned works. The majority of the provision is expected to be utilised within two years.

In 2017 the Group launched an assistance scheme to help certain customers restructure their ground rent agreements with their freeholder and established an associated provision of £130.0 million to fund this. The amounts and timing of the outflows depend largely on the number and rate of eligible applicants to the scheme and ongoing discussion with freeholders. The Group expects the scheme will run for several years and anticipates approximately £40.0 million of the provision will be utilised within the next twelve months.

Other provisions consist of a remedial work provision covering various obligations on a limited number of sites across the Group. Other provisions also includes amounts for legal claims and other 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; however, there is some uncertainty regarding the timing of these outflows due to the nature of the claims and the length of time it can take to reach settlement.

12. Share capital

In June 2020 the Group issued 360,265,931 ordinary shares of 1p at a price of 145p to raise total net proceeds of £510.1 million after expenses. 355,000,000 of these shares were placed via a cash box structure (the “Placing”) in which the cash box entity issued redeemable preference shares in consideration for the receipt of the net cash proceeds arising from the placement of those shares. Taylor Wimpey plc ordinary shares were issued in consideration for the transfer of the redeemable preference shares, that it did not already own, of the cash box entity. It was therefore determined that the placing of those shares qualified for merger relief under section 612 of the Companies Act 2006 such that the excess of the value of the acquired shares in the cash box entity over the nominal value of the ordinary shares issued by Taylor Wimpey plc was credited to Other Reserves. The remainder of the shares issued, 5,265,931, were issued via a Retail Offer open to employees and other retail investors and a Directors Subscription. The Placing was performed to allow the Group to pursue additional near term land acquisition opportunities.

The Placing, Retail and Subscription shares placed rank pari passu in all respects with the existing ordinary shares of the Company, including, without limitation, the right to receive all dividends and other distributions declared, made or paid after the date of issue.

13. 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.

14. Dividends

£ million	**Half year ended 28 June 2020**	Half year ended 30 June 2019	Year ended 31 December 2019
Approved and paid	**-**	124.2	599.7
Approved and accrued	**-**	350.0	-
Approved	**-**	125.0	-
Proposed	**-**	-	125.0

In order to conserve cash and increase flexibility the Group took the decision to cancel the 2020 final dividend of 3.80 pence per share (c.£125 million) that was due to be paid on 15 May 2020 and the planned special dividend payment of 10.99 pence per share (c.£360 million) which was due to be paid on 10 July 2020. The Group expects to resume the payment of an ordinary dividend in 2021 and will review the special dividend in 2021 for payment in 2022.

15. Share based payments

The Group recognised a share based payment expense of £2.4 million to 28 June 2020 (30 June 2019: £4.9 million), which was composed of £1.4 million in relation to equity settled schemes and £1.0 million in relation to cash settled elements.

16. Seasonality

Weekly sales rates in some of the Group's key markets historically experience significant seasonal variation, with the highest levels of reservations usually 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 the 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.

With the impact of COVID-19 these seasonal variations have been disrupted and the current period may not be reflective of prior period variations.

17. Alternative performance measures

The Group uses a number of Alternative Performance Measures (APMs) which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures should be considered alongside the IFRS measures. The following APMs are referred to throughout the half year results.

Profit/(loss) before taxation and exceptional items and profit/(loss) 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/(loss) before taxation and profit/(loss) for the period respectively, on the face of the Consolidated Income Statement.

17. Alternative performance measures (continued)

Operating profit/(loss) and operating margin

Throughout the report operating profit/(loss) is used as one of the main measures of performance. Operating profit/(loss) is defined as profit/(loss) 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 margin is calculated as operating profit/(loss) divided by total revenue. The Directors consider this to be a metric which reflects the underlying performance of the business.

	Half year ended 28 June 2020	Half year ended 30 June 2019	Year ended 31 December 2019
(Loss)/profit on ordinary activities before finance costs (£m)	(24.3)	312.1	856.8
Adjusted for:			
Share of results of joint ventures (£m)	(1.8)	(0.2)	8.0
Exceptional items (£m)	10.0	-	(14.3)
Operating (loss)/profit (£m)	**(16.1)**	**311.9**	**850.5**
Revenue (£m)	754.6	1,732.7	4,341.3
Operating margin	**(2.1)%**	**18.0%**	**19.6%**
Rolling 12-month operating profit* (£m)	**522.5**	**847.8**	**850.5**

* Operating profit for the 6-month period ended 31 December 2018: Profit before interest and tax: £512.4m; Share of results of joint ventures: £7.4m; Exceptional items: £(16.1)m.

Net operating assets

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

£million	**28 June 2020**	30 June 2019	31 December 2019	31 December 2018	1 July 2018
Basic net assets (£m)	**3,755.2**	**3,007.6**	**3,307.8**	**3,226.8**	**2,950.6**
Adjusted for:					
Cash (£m)	(601.8)	(481.3)	(630.4)	(734.2)	(613.6)
Borrowings (£m)	104.5	89.3	84.7	90.1	88.5
Net taxation (£m)	(14.1)	16.1	38.1	29.2	16.9
Accrued dividends (£m)	-	350.0	-	-	340.0
Net operating assets (£m)	**3,243.8**	**2,981.7**	**2,800.2**	**2,611.9**	**2,782.4**
Average basic net assets (£m)	**3,381.4**	**2,979.1**	**3,267.3**		
Average net operating assets (£m)	**3,112.8**	**2,882.1**	**2,706.1**		

Return on net operating assets

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

	28 June 2020	30 June 2019	31 December 2019
Rolling 12-month operating profit (£m)	522.5	847.8	850.5
Average net operating assets (£m)	3,112.8	2,882.1	2,706.1
Return on net operating assets	**16.8%**	**29.4%**	**31.4%**

17. Alternative performance measures (continued)

Net operating asset turn

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

	28 June 2020	30 June 2019	31 December 2019
Rolling 12-month revenue* (£m)	3,363.2	4,094.9	4,341.3
Average net operating assets (£m)	3,112.8	2,882.1	2,706.1
Net operating asset turn	**1.08**	**1.42**	**1.60**

* Revenue for the 6-month period ended 31 December 2018: £2,362.2 million

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.

	28 June 2020	30 June 2019	31 December 2019
Basic net assets (£m)	3,755.2	3,007.6	3,307.8
Adjusted for:			
Accrued dividends (£m)	-	350.0	-
Intangible assets (£m)	(8.1)	(5.6)	(7.0)
Tangible net assets (£m)	**3,747.1**	**3,352.0**	**3,300.8**
Ordinary shares in issue (millions)	3,644.4	3,279.8	3,283.1
Tangible net assets per share (pence)	**102.8**	**102.2**	**100.5**

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 and is reconciled in Note 8.

Cash conversion

This is defined as cash generated by operations divided by operating profit, based on a rolling 12-month period. The Directors consider this measure to be a good indication of how efficiently the Group is turning profit into cash.

	28 June 2020	30 June 2019	31 December 2019
Rolling 12-month cash generated by operations* (£m)	242.9	604.4	702.2
Rolling 12-month operating profit (£m)	522.5	847.8	850.5
Cash conversion	**46.5%**	**71.3%**	**82.6%**

* Cash generated by operations for the 6-month period ended 31 December 2018: £620.4m.

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.

	28 June 2020	30 June 2019	31 December 2019
Cash (£m)	601.8	481.3	630.4
Loans (£m)	(104.5)	(89.3)	(84.7)
Net cash (£m)	**497.3**	**392.0**	**545.7**
Land creditors (£m)	(630.6)	(717.7)	(729.2)
Adjusted net debt (£m)	**(133.3)**	**(325.7)**	**(183.5)**
Basic net assets (£m)	3,755.2	3,007.6	3,307.8
Adjusted gearing	**3.5%**	**10.8%**	**5.5%**

17. Alternative performance measures (continued)

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

18. Post balance sheet events

There were no material subsequent events affecting the Group between 28 June 2020 and the date of this announcement that need to be disclosed.

Taylor Wimpey plc
Statement of Directors' Responsibility
For the half year ended 28 June 2020

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.

By order of the Board

Irene Dorner, Chair
Pete Redfern, Chief Executive
28 July 2020

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 six months ended 28 June 2020 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 18. 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.

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 Guidance 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 Financial Reporting Council 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 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 six months ended 28 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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 Financial Reporting Council. 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.

Deloitte LLP
Statutory Auditor
London, United Kingdom
28 July 2020