30 July 2014
Taylor Wimpey plc
Half year results for the period ended 29 June 2014

Highlights

- Strong progress made towards medium term targets for the Group:
  - Operating profit margin* up 300 basis points to 16.1% (H1 2013: 13.1%)
  - Return on net operating assets** up 350 basis points to 17.8% (H1 2013: 14.3%)
  - Tangible net asset value per share† increased by 9.5% to 73.6 pence (H1 2013: 67.2 pence)

- Completed 5,766 homes across the UK, up 11%, with a 10% increase in total average selling price to £206k
- Acquired 4,336 plots in the UK short term land market in quality locations
- Worked with communities, planners and landowners to convert a record 7,195 plots from the strategic pipeline in order to develop much needed new homes across the UK
- Contributed c.£116 million to local communities across the UK via planning obligations
- Maintenance dividend up 9% reflecting increase in net assets
- 2015 cash return increased by £50 million to £250 million

Pete Redfern, Chief Executive, commented:

"Our strategy, coupled with the improvements in the UK housing market, has enabled us to significantly improve the quality of our financial performance, whilst delivering sustainable growth of much needed new homes and contributing £116 million to local communities. In early July we began our cash return to shareholders, a key part of our active management of the cycle, and with confidence in the underlying strength and future performance of the business, we are pleased to announce that we now plan to increase our July 2015 payment."

Continuing Group	**H1 2014**	**H1 2013**	**Change**	**FY 2013**
Revenue £m	1,190.1	1,007.1	18.2%	2,295.5
Operating profit* £m	192.1	132.4	45.1%	312.9
Profit before tax and exceptional items £m	178.4	109.0	63.7%	268.4

Profit for the period before exceptional items £m	140.2	87.3	60.6%	214.7
Adjusted basic earnings per share pence	4.3	2.7	59.3%	6.7
Basic earnings per share pence	4.7	3.6	30.6%	7.5
Net asset value per share pence†	73.6	67.2	9.5%	69.6
Net (debt) / cash £m	(36.2)	(68.4)	(47.1)%	5.4
Maintenance dividends per share pence	0.24	0.22	9.1%	0.69

Group strategy

Since we re-entered the land market in 2009, we have invested strongly at the right time and are now at our optimum size of landbank, with record conversion in the last few years of our strategic pipeline adding to the landbank in scale, quality and future profitability. The average selling price in the UK short term owned and controlled landbank in the first half of 2014 has increased by 16% to £211k, driven by the quality of additions and the improvement in the housing market.

We operate in a cyclical industry, where active management of the cycle not only creates value for our shareholders and our other stakeholders, but also crucially protects it. We are currently operating in a balanced housing market, and believe we are in the early stages of the housing cycle. We still see attractive opportunities in the land market and will continue to invest where we can create value, however as we have previously announced we are now moving into a broadly land replacement position in the land market and into a phase focused on delivery.

To reflect this, in May 2014 we announced a new and enhanced set of financial targets for the period from 2015 to 2017, to challenge the business to deliver more over the medium term.

These targets, each of which are applicable for the period from 2015 to 2017, are to achieve:

- An average operating margin* of 20% over the three year period
- A return on net operating assets** of at least 20% per annum
- An average increase in net assets (including returns to shareholders) of 15% per annum over the three year period
- An average conversion of at least 65% of operating profit into operating cash flow*** over the three year period

In particular, the focus on converting a high proportion of our profitability into cash is an important measure for this stage of the cycle, and our strategy, and we are committed to returning significant cash to investors. Whilst earnings metrics are important measures of quality, they are neither always reflective of future opportunity, nor of risk. When we set out the principles of our cash return plan in February 2014 the Board stated that they did not consider it appropriate to tie all shareholder returns to traditional income statement measures only. Our dividend and cash return strategy therefore comprises two elements: a regular maintenance dividend, which is deliberately set as a through the cycle measure and which remains unchanged at 1% to 2% of net assets, and surplus cash returns at the appropriate time in the cycle. We will pay additional surplus payments to shareholders over the medium term taking into account profitability, investment strategy and cyclical risk.

On 3 July 2014 we returned £49.7 million to shareholders, equating to 1.54 pence per share. With operating cash generation improving and land payments still to be made, we have stated before that we consider 2014 to be a transitional year with significant cash surpluses expected to be generated from the second half of the year onwards. We have, however, continued to outperform our own expectations, both in terms of cash generated and importantly our forecast cash expectations, with reduced cash requirements for land and work in progress investment. Therefore, the 2015 cash return will be increased by £50 million to £250 million, equating to c.7.68 pence per share, subject to shareholder approval. This will be paid in July 2015 in line with the working capital requirements of the business. It is proposed that, subject to regulatory requirements, shareholders will be able to choose to take the return of cash either as income or capital through a B-class share scheme. Underpinned by the strength and quality of our landbank and strategic pipeline, going forward we continue to expect that these cash return payments, in addition to the maintenance dividends, will be at least £200 million per annum for the medium term and will also offer potential upside in line with the cash generation of the business.

Future cash returns to shareholders will be announced on an annual basis at the half year results, when we have good visibility in terms of order book position and market conditions, and will be paid the following July subject to shareholder approval. The next update will therefore be at our 2015 half year results, in or around July 2015, for the 2016 cash return, which will be paid in July 2016.

Current trading and outlook

In the first six months of 2014, we have seen the positive benefit of the improved environment in all of our regional markets. Particularly in the second quarter, we have seen greater balance between the regions, with increases in sales prices and sales rates outside of the strong London and the South East markets.

Visitor levels have continued to be strong and confidence remains good amongst customers.

The net private sales rate in the first half of the year was 0.71 (H1 2013: 0.67) with a return to traditional seasonal patterns, which we believe will include a slower summer period. We are now operating in a 'normal' and healthy market, and believe this should sustain an annual sales rate of around 0.70.

The market risk in the short term has substantially reduced in the first half of the year, with the extension of Help to Buy to 2020 and policy makers focused on a longer term view of managing risk and protecting growth.

Our strategy has been set to position the business to perform well across the cycle. We will continue to benefit in the improved market conditions that we are seeing. In addition to making good progress towards our medium term targets, we have continued to invest in the business to ensure a growing and sustainable future for 2015-2017 and beyond. We are focused on working with local authorities, land owners and communities to promote the sites that we own and control through the planning process and continue to open outlets as soon as we have implementable planning permission. This ensures we add the most value to our total land portfolio which, at current prices, stands at a potential c.£35 billion in revenue as at the end of June 2014. In 2014, we expect to deliver a Group operating margin* increase of at least 300 basis points, and a return on net operating assets** of at least 20%. We will deliver growth towards our medium term targets in the next few years in a healthy and balanced way, ensuring quality for our customers and communities and the quality and sustainability of returns for our shareholders.

* Operating profit is defined as profit on ordinary activities from continuing operations before finance costs and exceptional items, after share of results of joint ventures.
** Return on net operating assets is defined as 12 month rolling operating profit divided by the average of the opening and closing net operating assets, which is defined as capital employed plus intangibles less tax balances.
*** Operating cash flow is defined as cash generated by operations before taxation and interest paid.
† Tangible net assets per share is defined as net assets before any accrued dividends excluding goodwill and intangible assets divided by the number of shares in issue at the period end.

- ends -

A presentation to analysts will be hosted at 9.00am on 30 July 2014. This presentation will be broadcast live through our website www.taylorwimpey.co.uk/corporate

For further information please contact:

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

Pete Redfern, Chief Executive
Ryan Mangold, Group Finance Director
Debbie Sempie, Investor Relations

RLM Finsbury — Tel: +44 (0) 20 7251 3801
Faeth Birch
Sarah Heald

Notes to editors:

Taylor Wimpey plc is a UK-focused residential developer which also has operations in Spain. Our vision is to become the UK's leading residential developer for creating value and delivering quality.

For further information, please visit the Group's website:
www.taylorwimpey.co.uk
Follow us on Twitter @TaylorWimpeyplc

Operational review

Taylor Wimpey plc is a UK focused residential developer, with a small operation in Spain. Our operational review is UK only as the majority of metrics do not apply to the Spanish business. The financial analysis is presented at Group level which includes Spain, and is followed by a short summary of the Spanish business.

Our key performance metrics

UK	H1 2014	H1 2013	Change	FY 2013
Contribution per legal completion £k	45.3	39.6	14.4%	38.8
Forward order book as a % of completions	61.0%	63.5%	(2.5)ppt	57.4%
Owned and controlled plots with planning or resolution to grant	75,141	65,084	15.5%	70,628
Strategic land pipeline conversion plots	7,195	5,565	29.3%	9,210
% of completions from strategically sourced land	37%	28%	9.0ppt	29%
Customer satisfaction %	85.9%	88.0%	(2.1)ppt	90%
Health and Safety Annual Injury Incidence Rate (per 100,000 employees and contractors)	100	90	11.1%	207
Employee turnover %	7%	5%	2ppt	8%

Sales, completions and pricing

We completed 5,766 homes in the first six months of the year, up 11% (H1 2013: 5,191). This comprised 4,755 private completions (H1 2013: 4,229), 940 affordable (H1 2013: 930) and 71 joint venture completions (H1 2013: 32). In the first half of this year, 37% of our completions were from land sourced from the strategic pipeline (H1 2013: 28%).

The average selling price of completions also increased by 10% to £206k (H1 2013: £188k), driven by the strength in the private completions. The average selling price of private completions increased by 9% to £224k (H1 2013: £205k). This increase is due to our continued weighting towards better quality locations and the benefit of the wider housing market improvement.

During the first half of 2014, we achieved an average private net reservation rate of 0.71 per outlet per week (H1 2013: 0.67), demonstrating the benefit of the traditionally strong spring selling season. Cancellation rates remained low at 11% (H1 2013: 14%).

During the period we operated from an average of 307 outlets (H1 2013: 312).

The total order book, as at 29 June 2014, excluding completions to date and joint ventures, is at an optimal level, with reservations averaging approximately five to six months ahead of completions, representing 7,587 homes (30 June 2013: 7,101 homes), of which 64% were private homes (30 June 2013: 62%). The total order book value also increased by 26% and stood at £1,584 million at 29 June 2014 (30 June 2013: £1,255 million). This reflects the continued strong private order book at £1,283 million as at 29 June 2014, up 35% (30 June 2013: £948 million) with private average selling prices up 21% year on year. Again this can be attributed to our underlying shift to better quality locations, the wider positive market impact and the impact of our London market business.

Land and planning

Our focus on value starts with our land acquisition and is the basis for all of our investment decisions. Our land buying is broadly spread across the country, typically 60% weighted towards the south, but most importantly in places supported by strong demographics and in the villages, towns and cities where people want to live.

During the first half of 2014, the land market remained disciplined and balanced. Land prices have, overall, moved in line with house prices, although we continue to source and secure attractive opportunities, without compromising on margin. During the period we acquired 4,336 plots in the short term land market at operating margins similar to 2013. As we have previously signalled, as competition inevitably increases over the medium term we will move from the land investment stage of the cycle into a more land replacement position within the short term land market. We have land identified into and beyond 2017 and as such are able to be very selective. In the first half of the year, we worked with local authorities and communities to convert a further 7,195 plots from the strategic pipeline, a record for Taylor Wimpey. This is in excess of our medium term conversion target of c.6,000 plots per annum. In this planning constrained environment, we believe we are at our optimum scale of short term landbank for this stage of the cycle at c.75,000 plots. Given our success with the strategic pipeline, and the larger size of sites sourced through a strategic route, we see this naturally remaining high, even as we continue to grow our completions to the optimum scale for our business of approximately 14,000 completions. This gives us increased choices and opportunities and we will pursue land disposals on larger sites where we can achieve best value.

Land spend in the UK, including land creditors, was £374.1 million (H1 2013: £233.0 million). We remain focused on achieving the best value and securing the best terms and we will use a variety of structures, including land creditors, to do this.

We have the largest strategic pipeline in the sector and this remains a key differentiating factor, giving us both increased flexibility and land supply secured at a discount. Our ability to manage our cash flows in this way also means the teams across the business are under less pressure in the short term land market. The strategic pipeline stands at 107,630 potential plots (30 June 2013: 101,566), underpinning our confidence in delivering sustainable margins through the cycle by protecting the quality of the short term landbank. We continue to invest in this for the long term future and in the first six months of the year we added 9,704 new potential plots to the strategic pipeline. Our aim is to increase completions from the strategic pipeline to over 40% per annum in the medium term. With 54% of our landbank now comprising strategically sourced land (H1 2013: 48%), we are well placed to deliver on this aspiration.

We continue to open all new outlets with implementable planning permission as soon as possible. The planning process, in the round, has remained slightly easier than during the last cycle, however we continue to carefully monitor the time taken to satisfy final stage pre-commencement development conditions which has increased. We are continuing to benefit from our effective approach to community engagement processes that we have in place on each of our sites. We are particularly pleased to have been short-listed in the Best Community Initiative category for our extensive community engagement programme and also shortlisted in the Most Sustainable Housebuilder category in the Housebuilder Awards 2014.

Build costs and efficiency

The improved market has resulted in some build cost increases, as anticipated, however these are being maintained at manageable levels. In the first half of 2014, commodities have stabilised as manufacturing has stepped up to keep pace with the growth of the industry. Our key focus has been on assuring security of supply for our key materials, including bricks which we have now secured around 18 months ahead of build schedule. Inevitably labour cost inflation has also increased, albeit in a controlled and manageable way. As at the end of June 2014, our new house type range was plotted on over 70% of sites. This, in combination with our national deals and our scale, will help mitigate expected build cost inflation.

Our supply chain logistics business, Taylor Wimpey Logistics, is a particularly important part of our supply chain management in the current, improved environment. Taylor Wimpey Logistics source bulk materials directly from manufacturers generally using national contracts, providing us with an alternative route to delivery and aiding efficiency with the preparation of ‘just in time’ build packs for each stage of the building process.

We balance our culture of driving continuous improvement with a desire and focus to continue to improve our asset efficiency. We have improved our UK net operating asset turn to 1.20 times (H1 2013: 1.19) and routinely look at opportunities on sites which we already own, to assess possible ways of bringing forward the delivery of much needed new homes. Over the next year we will be working to ensure a steady flow of completions during each period, which will have a significant impact on our internal business efficiency, delivery of good customer service and management of costs.

Health and safety

The health and safety of individuals on our sites is our non-negotiable top priority. We are committed to providing a safe place in which our employees and subcontractors can work and our customers can live. We have continued to keep our Annual Injury Incidence Rate low at 100 per 100,000 employees and contractors in the first half of 2014 (H1 2013: 90).

People and skills

Ensuring we have the right people with the right skills at all levels in our organisation is critical to our success. We currently directly employ 3,834 people across the UK and our employee turnover rate remains low at 7% (H1 2013: 5%). Over the last few years we have invested in our future success through our employee learning and development, including training programmes and apprenticeship schemes, and we are starting to see benefits of this consistency of approach. We have also been assessing how we reward staff. During the period we introduced an enhanced employee discount scheme when buying a Taylor Wimpey home to reward long term loyalty of our employees. We believe this scheme, offering up to 20% discount, subject to certain criteria, is the best in the industry and will make a difference to many of our staff across the business.

Our site managers won a total of 70 Quality Awards (2013: 68) in the National House-Building Council (NHBC) Pride in the Job Awards 2014, reflecting our commitment to build quality.

Customers

During the first half of 2014 we achieved a customer satisfaction rate of 85.9% (H1 2013: 88.0%). Whilst this remains high in comparison to historic trends, we are disappointed that this has decreased. This is a very important area for us and it will continue to be a key focus for 2014.

The Help to Buy equity loan remains very popular with our customers. During the first half of 2014 we completed approximately 42% of private homes through the scheme and worked with 2,000 households to take the first step to home ownership or to move up the housing ladder. Approximately 70% of sales through Help to Buy were to first time buyers in the first half of 2014.

Financial review

Revenue from continuing operations increased by 18.2% to £1,190.1 million in the first half of 2014 (H1 2013: £1,007.1 million) driven by much improved selling prices, with UK average selling price up £18k to £205.6k, as well as higher volumes up 10.4% to 5,695 completions (H1 2013: 5,159), excluding joint ventures. The UK private selling prices were up £19k to £224.1k (H1 2013: £205.2k) which benefited from mix of product and improved quality of locations.

Total UK land cost per completion as a percentage of selling prices for the first half of 2014 was 21.5% (H1 2013: 20.9%) reflecting the product mix and increase in volumes from the London market. The UK land cost per unit sold at £44.1k is higher than £39.2k in the prior year reflecting the better quality locations traded from in 2014 that contributes positively to the sales price growth.

Build cost per unit in the UK increased to £109.3k (H1 2013: £103.5k) reflecting higher quality mix driven product specification and the impact of build cost inflation. We anticipate that build cost inflation should somewhat reduce as the industry adjusts to the increased labour and material demand, and it is pleasing to note additional capacity for key supplies being brought back following more certainty of the continual supply of housing. Other direct costs and selling expenses per unit have marginally increased to £6.9k (H1 2013: £5.3k).

The increase in selling prices marginally offset by land and cost increases has led to a UK contribution per completion of £45.3k for the first half of 2014, an increase of 14.4% (H1 2013: £39.6k).

Gross profit, before exceptional items, of £259.4 million (H1 2013: £197.0 million) increased by 31.7% and included a positive contribution of £6.0 million (H1 2013: £22.4 million), relating to realisation of written down inventory above its originally estimated net realisable value, where the combination of selling prices and cost, or mix improvements have exceeded our original market assumptions. These amounts are stated before the allocation of overheads excluded from the Group's net realisable value exercise.

In the first six months of the year 16% (H1 2013: 35%) of the Group's UK completions were from sites that had been previously impaired. In Spain 12 plots (H1 2013: 25) were completed that had previously been impaired. The Group anticipates that c.15% of short term owned and controlled impaired plots will complete in the second half of 2014.

Operating profit* increased to £192.1 million (H1 2013: £132.4 million), delivering an operating margin* of 16.1% (H1 2013: 13.1%). These improvements have been driven by the ongoing benefits of timing and quality of our short term land acquisitions and by our promotion of strategic land. We expect to continue to make strong progress towards our medium term target of an average of 20% operating margin for 2015-2017.

Pre-exceptional net finance costs for the period were £13.7 million (H1 2013: £23.4 million), benefiting from lower average net debt in the period and the repurchase of the outstanding £149.9 million of the £250 million 10.375% Senior Notes in December 2013.

Pre-exceptional profit before tax for the period from continuing operations increased by 63.7% to £178.4 million (H1 2013: £109.0 million). The pre-exceptional tax charge was £38.2 million (H1 2013: £21.7 million) with an underlying tax rate of 21.4% (H1 2013: 19.9%), largely reflecting the statutory tax rate for the period.

This resulted in a profit, before exceptional items from continuing operations, for the period of £140.2 million (H1 2013: £87.3 million).

Basic earnings per share were 4.7 pence (H1 2013: 3.6 pence). The adjusted basic earnings per share for continuing operations were 4.3 pence (H1 2013: 2.7 pence), up 59.3%, reflecting the strong improvement in trading and more efficient debt structure following the Senior Note repurchase in December 2013.

At the half year the Group completed a net realisable value assessment of inventory and with the improved market conditions, and increased profitability on a number of our previously impaired sites, the Group has recorded a net reversal of £18.9 million of inventory write-downs in the UK (H1 2013: £34.1 million). The net reversal in the UK consisted of a reversal of previous write-downs of £23.4 million and additional write-downs to the lower of cost and net realisable value of £4.5 million. The net impairment release of £18.9 million as at 29 June 2014 will reduce second half profitability by approximately £5.4 million.

Net operating assets were £2,237.1 million (30 June 2013: £1,958.2 million), reflecting a net investment of £417.0 million (H1 2013: £147.4 million) year on year in land and work in progress, funded mostly by profitability in the period. Return on net operating assets** increased by 350 basis points to 17.8% (H1 2013: 14.3%), reflecting improved profitability and balance sheet discipline.

Group net operating asset turn increased to 1.18 times (H1 2013: 1.09 times) as a result of trading from better quality locations and focused land and work in progress investment.

Net assets at 29 June 2014 were £2.4 billion (30 June 2013: £2.2 billion). The net asset increase was driven by profitability in the period offset by the £22.1 million maintenance dividend paid for 2013 and the accrual of the £49.7 million cash return that was paid on 3 July 2014.

As at the balance sheet date the Group held inventory that had been written down to net realisable value of £422.8 million of which the balance in the UK was £392.6 million (31 December 2013: £459.9 million). As at 29 June 2014, the associated write-downs were £228.1 million of which the balance in the UK was £172.5 million (31 December 2013: £351.5 million).

As at 29 June 2014, 9% of our short term owned and controlled land was impaired (31 December 2013: 12%), with 68% of the short term owned and controlled landbank purchased post 2009, of which 56% has been sourced through our strategic pipeline, resulting in a land cost to average selling price in the owned landbank of 16.5% (June 2013: 18.8%).

The mortgage debtor balance was £111.1 million at 29 June 2014 (31 December 2013: £107.5 million), with the increase mainly reflecting further fair value gains of £4.0 million (30 June 2013: £nil; 31 December 2013: £5.5 million) partially offset by loan redemptions in the period.

Our deferred tax asset declined to £199.3 million (30 June 2013: £281.4 million), due to utilisation against profits in the period. The unrecognised tax losses in the UK of £17.4 million will be assessed at the full year results.

Net debt decreased to £36.2 million at 29 June 2014 from £68.4 million at 30 June 2013, having taken advantage of the continued benign conditions in the land market over the past year to invest a higher level of profitability in the landbank to reach the optimal scale for the business. We have also increased our investment in work in progress, including increasing our presence in the London market year on year. In the last 12 months, we paid £27.6 million in interest costs, including the redemption cost of the repurchase of the senior notes, paid £22.1 million in dividends and purchased £25.1 million of own shares for settlement of future vesting of share schemes. Average net debt for the half year was £139 million (H1 2013: £194 million). At 29 June 2014, the Group had total committed debt facilities of £650 million with an average maturity of four years, providing significant financial capacity.

We continue to use land creditors as a way of funding land acquisitions where this makes the most commercial sense. Land creditors have increased slightly since the year end and, combined with net debt, results in adjusted gearing of 21.3% (30 June 2013: 18.0%).

The IAS19 pension deficit, including the post-retirement healthcare liability of £1.5 million (30 June 2013: £1.7 million), is £147.6 million at 29 June 2014 (30 June 2013: £175.4 million). The decrease in the deficit was predominantly due to asset outperformance and cash contributions paid into the scheme. We remain in dialogue with the pension scheme trustees on the initial valuation as at 31 December 2013 and related future deficit repair contributions.

Spain

The housing market in Spain remains challenging, although the wider market environment is now stable.

We completed 20 homes in Spain during the first half of 2014 (H1 2013: 27) at an average selling price of €254k (H1 2013: €216k). The order book value was £65 million at 29 June 2014 (30 June 2013: £37 million), representing 284 homes (30 June 2013: 174 homes). Our Spanish business is expected to make a small positive contribution to 2014 performance, with recently acquired sites adding to completions and profitability from the second half.

Dividends and return of cash

As set out earlier, our dividend and cash return strategy comprises two elements: a regular maintenance dividend, which is deliberately set as a through the cycle measure and which remains unchanged at 1% to 2% of net assets, and surplus cash returns at the appropriate time. We will pay additional surplus cash return payments to shareholders over the medium term with reference to profitability, investment strategy and cyclical risk.

The Board has declared an interim dividend of 0.24 pence per share. In line with the Board's policy, this interim dividend has been calculated with reference to the net asset value of the Group and is expected to represent around one-third of the total dividend for the year. This dividend will be paid on 25 September 2014 to shareholders on the register at close of business on 22 August 2014.

The Company offers shareholders the opportunity to use their dividends to purchase shares on the market under the terms of the Dividend Reinvestment Plan (DRIP). Elections to join the Plan must reach the Registrar by 31 August 2014 in order to be effective for this dividend. Further details can be found on our website www.taylorwimpey.co.uk

In addition, on 3 July we returned cash of £49.7 million by way of a special cash return, equating to 1.54 pence per share, to shareholders on the register at the close of business on 6 June 2014. We have also announced that £250 million will be returned to shareholders in July 2015, subject to shareholder approval. As previously confirmed, the DRIP will not be made available in respect of cash return payments.

Subject to shareholder approval and regulatory requirements, we propose to return cash through the issue of unlisted B-class shares. This arrangement known as a B-class share scheme, will allow shareholders, subject to applicable overseas restrictions, to choose between income, immediate capital, deferred capital or any combination of the three. A circular will be sent to shareholders with the 2014 Annual Report and Accounts, which will contain full details of the scheme and instructions to shareholders on how to elect to receive their proceeds of the cash return. We will seek shareholder approval of the scheme at our 2015 Annual General Meeting.

Risks and uncertainties

As with any business, Taylor Wimpey faces a number of risks and uncertainties in the course of its day to day operations. It is only by effectively identifying and managing these risks that we are able to deliver on our strategic objectives in the short term and also through the housing cycle.

In summary, these risks include:

- *Government policy and planning regulations* – The implementation of recent legislation (including the Localism Act, National Planning Policy Framework and the Community Infrastructure Levy (CIL)) are having a significant impact on the planning system and, with the recovering housing market, local authorities are increasing demands which could impact on the viability of projects. This together with the approaching Scottish independence vote and the general election means that political uncertainty is increasing which could impact the improving housing market.
- *Impact of market environment on mortgage availability and demand* – Mortgage availability is a key constraint on demand in the UK housing market. The stricter lending rules, which came into force at the end of April following the Mortgage Market Review (MMR) and the increased likelihood of a Bank of England interest rate hike increasing the cost of mortgages, could translate into a decrease in the availability of mortgages resulting in reduced demand for housing.
- *Ability to attract and retain high-calibre employees* – As the economy improves there is an increased risk of employee turnover as a result of increased workload, perceived lack of career prospects, uncompetitive reward or lack of job satisfaction, potentially leading to business disruption, process failure and knowledge drain.
- *Material costs and availability of subcontractors* – The recovery of the housing market with the associated increase in production could reduce the availability of materials and subcontractors resulting in the increase in costs above expectations.
- *Site and product safety* – Building sites are inherently dangerous places. Unsafe practices by our employees or subcontractors have the potential to cause death or serious injury.
- *Land purchasing* – The purchase of land of poor quality, at too high a price, or incorrect timing of land purchases in relation to the economic cycle could impact future profitability.

Further detail on the relevance of these risks to our strategy, the potential impact on key performance indicators, mitigation and responsibility are provided on pages 24 and 25 of our Annual Report and Accounts 2013, which is available from www.taylorwimpey.co.uk

We maintain a Sustainability and Climate Change Risk and Opportunity Register to monitor other non-financial issues that could affect the Group. More information is available in our Corporate Responsibility Report: www.taylorwimpey.co.uk/corporate/corporate-responsibility

Cautionary note concerning forward looking statements

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

Taylor Wimpey plc
Condensed Consolidated Income Statement
For the half year ended 29 June 2014

£ million	Note	Half year ended 29 June 2014 Before exceptional items	Half year ended 29 June 2014 Exceptional items (Note 3)	Half year ended 29 June 2014 Total	Half year ended 30 June 2013 Before exceptional items	Half year ended 30 June 2013 Exceptional items (Note 3)	Half year ended 30 June 2013 Total	Year ended 31 December 2013 Before exceptional items	Year ended 31 December 2013 Exceptional items (Note 3)	Year ended 31 December 2013 Total
			(Reviewed)			(Reviewed)			(Audited)	
Continuing Operations:										
Revenue		**1,190.1**	**-**	**1,190.1**	1,007.1	-	1,007.1	2,295.5	-	2,295.5
Cost of sales		**(930.7)**	**18.9**	**(911.8)**	(810.1)	34.1	(776.0)	(1,846.2)	45.6	(1,800.6)
Gross profit before positive contribution		**253.4**	**18.9**	**272.3**	174.6	34.1	208.7	403.9	45.6	449.5
Positive contribution from written down inventory		**6.0**	**-**	**6.0**	22.4	-	22.4	45.4	-	45.4
Gross profit		**259.4**	**18.9**	**278.3**	197.0	34.1	231.1	449.3	45.6	494.9
Net operating expenses		**(68.1)**	**-**	**(68.1)**	(64.6)	-	(64.6)	(139.6)	-	(139.6)
Profit on ordinary activities before finance costs		**191.3**	**18.9**	**210.2**	132.4	34.1	166.5	309.7	45.6	355.3
Interest receivable		**0.3**	**-**	**0.3**	0.2	-	0.2	0.9	-	0.9
Finance costs	4	**(14.0)**	**-**	**(14.0)**	(23.6)	-	(23.6)	(45.4)	(7.8)	(53.2)
Share of results of joint ventures		**0.8**	**-**	**0.8**	-	-	-	3.2	-	3.2
Profit on ordinary activities before tax		**178.4**	**18.9**	**197.3**	109.0	34.1	143.1	268.4	37.8	306.2
Tax charge	5	**(38.2)**	**(4.1)**	**(42.3)**	(21.7)	(7.9)	(29.6)	(53.7)	(12.7)	(66.4)
Profit for the period from continuing operations		**140.2**	**14.8**	**155.0**	87.3	26.2	113.5	214.7	25.1	239.8
Discontinued operations:										
Profit for the period from discontinued operations	8	**-**	**-**	**-**	22.6	-	22.6	31.3	-	31.3
Profit for the period		**140.2**	**14.8**	**155.0**	109.9	26.2	136.1	246.0	25.1	271.1
Attributable to:										
Equity holders of the parent				**155.0**			136.1			271.4
Non-controlling interests				**-**			-			(0.3)
				155.0			136.1			271.1
Basic earnings per share – total Group				**4.7p**			4.3p			8.5p
Diluted earnings per share – total Group				**4.7p**			4.2p			8.3p
Basic earnings per share – continuing operations				**4.7p**			3.6p			7.5p
Diluted earnings per share – continuing operations				**4.7p**			3.5p			7.3p
Adjusted basic earnings per share – continuing operations				**4.3p**			2.7p			6.7p
Adjusted diluted earnings per share – continuing operations				**4.2p**			2.7p			6.5p

Taylor Wimpey plc

Condensed Consolidated Statement of Comprehensive Income

For the half year ended 29 June 2014

£million	Half year ended 29 June 2014 (Reviewed)	Half year ended 30 June 2013 (Reviewed)	Year ended 31 December 2013 (Audited)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(1.1)**	(0.1)	(1.2)
Movement in fair value of hedging derivatives and loans	**1.1**	-	1.2
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on defined benefit pension schemes	**15.9**	62.8	21.0
Tax on items taken directly to equity	**(4.9)**	(8.6)	(6.6)
Other comprehensive income for the period net of tax	**11.0**	54.1	14.4
Profit for the period	**155.0**	136.1	271.1
Total comprehensive income for the period	**166.0**	190.2	285.5
Attributable to:			
Equity holders of the parent	**166.0**	190.2	285.8
Non-controlling interests	**-**	-	(0.3)
	166.0	190.2	285.5

Taylor Wimpey plc
Condensed Consolidated Balance Sheet
As at 29 June 2014

£ million	Note	29 June 2014 (Reviewed)	30 June 2013 (Reviewed)	31 December 2013 (Audited)
Non-current assets				
Other intangible assets		**3.4**	4.9	4.2
Property, plant and equipment		**9.4**	7.0	8.3
Interests in joint ventures		**33.8**	32.6	34.7
Trade and other receivables		**113.8**	117.5	110.8
Deferred tax assets	5	**201.1**	281.4	246.6
		361.5	443.4	404.6
Current assets				
Inventories		**3,303.7**	2,856.3	2,928.8
Trade and other receivables		**138.1**	94.6	118.5
Tax receivables		**7.8**	10.0	7.8
Cash and cash equivalents	7	**63.8**	181.0	105.4
		3,513.4	3,141.9	3,160.5
Total assets		**3,874.9**	3,585.3	3,565.1
Current liabilities				
Trade and other payables		**(871.5)**	(735.5)	(793.9)
Tax payables		**(7.6)**	(8.7)	(7.6)
Provisions	8	**(25.3)**	(55.8)	(28.3)
Accrued dividends	12	**(49.7)**	-	-
		(954.1)	(800.0)	(829.8)
Net current assets		**2,559.3**	2,341.9	2,330.7
Non-current liabilities				
Trade and other payables		**(314.9)**	(182.4)	(193.7)
Debenture loans	7	**-**	(149.4)	-
Bank loans	7	**(100.0)**	(100.0)	(100.0)
Deferred tax liabilities	5	**(1.8)**	-	-
Retirement benefit obligations	9	**(147.6)**	(175.4)	(183.8)
Provisions	8	**(5.8)**	(5.6)	(6.0)
		(570.1)	(612.8)	(483.5)
Total liabilities		**(1,524.2)**	(1,412.8)	(1,313.3)
Net assets		**2,350.7**	2,172.5	2,251.8

£ million				
Share capital		**288.3**	288.1	288.1
Share premium account		**762.9**	759.7	760.2
Own shares		**(22.7)**	(11.9)	(18.9)
Other reserves		**41.9**	44.0	43.8
Retained earnings		**1,279.2**	1,091.1	1,177.5
Equity attributable to equity holders of the parent		**2,349.6**	2,171.0	2,250.7
Non-controlling interests		**1.1**	1.5	1.1
Total equity		**2,350.7**	2,172.5	2,251.8

Taylor Wimpey plc
Condensed Consolidated Statement of Changes in Equity
For the half year ended 29 June 2014

Reviewed half year ended 29 June 2014 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2014	288.1	760.2	(18.9)	43.8	1,177.5	2,250.7
Exchange differences on translation of foreign operations	-	-	-	1.1	-	1.1
Movement in fair value of hedging derivatives and loans	-	-	-	(1.1)	-	(1.1)
Actuarial gain on defined benefit pension schemes	-	-	-	-	15.9	15.9
Deferred tax charge	-	-	-	-	(4.9)	(4.9)
Other comprehensive income for the period net of tax	**-**	**-**	**-**	**-**	**11.0**	**11.0**
Profit for the period	-	-	-	-	155.0	155.0
Total comprehensive income for the period	**-**	**-**	**-**		**166.0**	**166.0**
New share capital subscribed	0.2	2.7	-	-	-	2.9
Own shares acquired	-	-	(10.0)	-	-	(10.0)
Utilisation of own shares	-	-	6.2	-	-	6.2
Share-based payment credit	-	-	-	-	3.1	3.1
Cash cost of share options	-	-	-	-	(4.4)	(4.4)
Transfer to retained earnings	-	-	-	(1.9)	1.9	**-**
Dividends approved and paid	-	-	-	-	(15.2)	(15.2)
Dividends approved					(49.7)	(49.7)
Equity attributable to parent	**288.3**	**762.9**	**(22.7)**	**41.9**	**1,279.2**	**2,349.6**
Non-controlling interests						**1.1**
Total equity						**2,350.7**

Reviewed half year ended 30 June 2013 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2013	288.0	758.8	(15.9)	44.6	912.6	1,988.1
Exchange differences on translation of foreign operations	-	-	-	(0.1)	-	(0.1)
Actuarial gain on defined benefit pension schemes	-	-	-	-	62.8	62.8
Deferred tax charge	-	-	-	-	(8.6)	(8.6)
Other comprehensive (expense)/income for the period net of tax	**-**	**-**	-	**(0.1)**	**54.2**	**54.1**
Profit for the period		-	-	-	136.1	136.1
Total comprehensive (expense)/income for the period	**-**	**-**	**-**	**(0.1)**	**190.3**	**190.2**
New share capital subscribed	0.1	0.9	-	-	-	1.0
Utilisation of own shares	-	-	4.0	-	-	4.0
Share-based payment credit	-	-	-	-	2.9	2.9
Cash cost of share options	-	-	-	-	(1.4)	(1.4)
Transfer to retained earnings	-	-	-	(0.5)	0.5	**-**
Dividends approved and paid	-	-	-	-	(13.8)	(13.8)
Equity attributable to parent	**288.1**	**759.7**	**(11.9)**	**44.0**	**1,091.1**	**2,171.0**
Non-controlling interests						**1.5**
Total equity						**2,172.5**

Taylor Wimpey plc

Condensed Consolidated Statement of Changes in Equity (continued)

For the half year ended 29 June 2014

Audited year ended 31 December 2013 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2013	288.0	758.8	(15.9)	44.6	912.6	1,988.1
Exchange differences on translation of foreign operations	-	-	-	1.2	-	1.2
Movement in fair value of hedging derivatives and loans	-	-	-	(1.2)	-	(1.2)
Actuarial gain on defined benefit pension schemes	-	-	-	-	21.0	21.0
Deferred tax charge	-	-	-	-	(6.6)	(6.6)
Other comprehensive income for the year net of tax	**-**	**-**	**-**	**-**	**14.4**	**14.4**
Profit for the year	-	-	-	-	271.4	271.4
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**285.8**	**285.8**
New share capital subscribed	0.1	1.4	-	-	-	1.5
Own shares acquired	-	-	(15.1)	-	-	(15.1)
Utilisation of own shares	-	-	12.1	-	-	12.1
Share-based payment credit	-	-	-	-	6.4	6.4
Cash cost of satisfying share options	-	-	-	-	(7.3)	(7.3)
Transfer to retained earnings	-	-	-	(0.8)	0.8	-
Dividends approved and paid	-	-	-	-	(20.8)	(20.8)
Equity attributable to parent	**288.1**	**760.2**	**(18.9)**	**43.8**	**1,177.5**	**2,250.7**
Non-controlling interests						1.1
Total equity						**2,251.8**

Taylor Wimpey plc
Condensed Consolidated Cash Flow Statement
For the half year ended 29 June 2014

£ million	Note	Half year ended 29 June 2014 (Reviewed)	Half year ended 30 June 2013 (Reviewed)	Year ended 31 December 2013 (Audited)
Net cash (used in)/ from operating activities	7	**(21.9)**	3.5	98.1
Investing activities				
Interest received		**0.2**	0.2	0.6
Dividends received from joint ventures		**1.0**	-	1.5
Proceeds on disposal of property, plant and investments		**0.2**	-	0.1
Purchases of property, plant and investments		**(2.1)**	(0.6)	(2.5)
Purchase of software		**-**	(0.4)	(0.6)
Amounts loaned from/(loaned to) joint ventures		**0.7**	(1.1)	(1.5)
Net cash used in investing activities		**-**	(1.9)	(2.4)
Financing activities				
Dividends paid		**(15.2)**	(13.8)	(20.8)
Proceeds from sale of own shares		**2.9**	5.1	1.5
Cash cost of satisfying share options		**(4.4)**	(1.4)	(7.3)
Purchase of own shares		**(3.8)**	-	(3.0)
Repayment of debenture loans		**-**	-	(149.4)
Net cash used in financing activities		**(20.5)**	(10.1)	(179.0)
Net decrease in cash and cash equivalents		**(42.4)**	(8.5)	(83.3)
Cash and cash equivalents at beginning of period		**105.4**	190.4	190.4
Effect of foreign exchange rate changes		**0.8**	(0.9)	(1.7)
Cash and cash equivalents at end of period		**63.8**	181.0	105.4

1. Accounting policies

Basis of preparation

The half year report has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) and the disclosure requirements of the Disclosure and Transparency rules of the Financial Conduct Authority.

The condensed consolidated financial statements included in this half year report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. These should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with applicable IFRSs.

The information for the year ended 31 December 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498 (2) or (3) respectively of the Companies Act 2006.

The accounting policies and method of computations adopted in the preparation of the half year 2014 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 2013, with the exception of the application of new accounting standards. Taxes on profits for the six month period are accrued based on the rate expected to be applicable for the full year.

The following new standards, amendments to standards or interpretations have been adopted by the European Union and are mandatory for the first time for the year ending on or after 1 January 2014:

IFRS 10 Consolidated financial statements - This standard establishes a single, control-based model for assessing control and determining the scope of consolidated entities. It replaced the corresponding requirements of both IAS 27 'Consolidated and Separate Financial Statements' and SIC -12 'Consolidation – Special Purpose Entities'. IFRS 10 does not alter the basic principles of consolidation; however it does introduce a new concept of how control should be assessed, focusing on the ability to direct the activities that most affect returns. IFRS 10 also provides clarity on areas which were previously unclear under IAS 27 and SIC-12.

IFRS 11 Joint Arrangements - This standard has replaced IAS 31 'Interests in Joint Ventures'. The most significant change to accounting for joint arrangements will be as a result of the change to the definition of control required by IFRS 10 meaning entities may require accounting for in line with IFRS 11 which were previously outside of the scope.

IFRS 12 Disclosure of Interests in Other Entities - The objective of this standard is to enable users of the financial statements to evaluate an entity's interest in other entities through requiring the disclosure of the nature and risks associated with the interests in other entities and how those interests affect the entity's financial position, financial performance and cash flows.

The Group has reviewed all significant Joint venture arrangements to establish whether the change to the definition of control under IFRS 10 has impacted on how the entity should be accounted for in the consolidated financial statements or if the arrangement now falls within the scope of IFRS 11. There are no material adjustments required to the condensed consolidated financial statements as a result of these new standards.

Other changes to accounting standards in the current year had no material impact.

Going concern

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

Estimates and judgements

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those applied to the Group's consolidated financial statements as at and for the year ended 31 December 2013.

The Group has considered the trading environments of the geographies it operates in. The UK trading environment has improved, supported by low interest rates and Government initiatives. Consequently, following the completion of the H1 2014 net realisable value (NRV) exercise, net £18.9 million (H1 2013: 34.1 million) of write-downs have been reversed.

2. Operating segments

The Group is organised into two operating divisions – Housing United Kingdom and Housing Spain. These divisions are the basis on which the Group reports its segment information.

Half year ended 29 June 2014 £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue:			
External sales	1,185.3	4.8	1,190.1
Result:			
Operating profit/(loss) before joint ventures and exceptional items	193.2	(1.9)	191.3
Share of results of joint ventures	0.8	-	0.8
Profit on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	194.0	(1.9)	192.1
Exceptional items	18.9	-	18.9
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	212.9	(1.9)	211.0
Net finance costs			(13.7)
Profit on ordinary activities before tax			197.3
Taxation (including exceptional tax)			(42.3)
Profit from continuing operations:			155.0
Result from discontinued operations:			-
Profit for the period – total Group			155.0

As at 29 June 2014 £ million	Housing United Kingdom	Housing Spain	Consolidated
Assets and liabilities:			
Segment operating assets	3,478.5	89.1	3,567.6
Joint ventures	33.6	0.2	33.8
Segment operating liabilities	(1,324.2)	(40.1)	(1,364.3)
Group net operating assets	2,187.9	49.2	2,237.1
Net current taxation			0.2
Net deferred taxation			199.3
Accrued dividends			(49.7)
Net debt			(36.2)
Net assets			2,350.7

Half year ended 30 June 2013 £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue:			
External sales	1,001.5	5.6	1,007.1
Result:			
Operating profit/(loss) before joint ventures and exceptional items	134.8	(2.4)	132.4
Share of results of joint ventures	-	-	-
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	134.8	(2.4)	132.4
Exceptional items	34.1	-	34.1
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	168.9	(2.4)	166.5
Net finance costs			(23.4)
Profit on ordinary activities before tax			143.1
Taxation (including exceptional tax)			(29.6)
Result from continuing operations:			113.5
Profit for the period from discontinued operations:			22.6
Profit for the period – total Group			136.1

2. Operating segments (continued)

As at 30 June 2013 £ million	Housing United Kingdom	Housing Spain	Consolidated
Assets and liabilities:			
Segment operating assets	2,995.6	84.7	3,080.3
Joint ventures	32.4	0.2	32.6
Segment operating liabilities	(1,131.3)	(23.4)	(1,154.7)
Group net operating assets	1,896.7	61.5	1,958.2
Net current taxation			1.3
Net deferred taxation			281.4
Net debt			(68.4)
Net assets			2,172.5

For the year to 31 December 2013 £ million	Housing United Kingdom	Housing Spain	Consolidated
Revenue:			
External sales	2,271.4	24.1	2,295.5
Result:			
Operating profit before joint ventures and exceptional items	309.6	0.1	309.7
Share of results of joint ventures	3.2	-	3.2
Profit on ordinary activities before finance costs and exceptional items and after share of results of joint ventures	312.8	0.1	312.9
Exceptional items	62.3	(16.7)	45.6
Profit on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	375.1	(16.6)	358.5
Net finance costs (including exceptional finance costs)			(52.3)
Profit on ordinary activities before taxation			306.2
Taxation (including exceptional tax)			(66.4)
Profit from continuing operations			239.8
Discontinued operations:			
Result from discontinued operations			31.3
Profit for the year – total Group			271.1

At 31 December 2013 £ million	Housing United Kingdom	Housing Spain	Consolidated
Assets and liabilities:			
Segment operating assets	3,101.1	69.5	3,170.6
Joint ventures	34.5	0.2	34.7
Segment operating liabilities	(1,181.0)	(24.7)	(1,205.7)
Group net operating assets	1,954.6	45.0	1,999.6
Net current taxation			0.2
Net deferred taxation			246.6
Net cash			5.4
Net assets			2,251.8

3. Exceptional items

Exceptional items from continuing operations are analysed as follows:

£ million	Half year ended 29 June 2014	Half year ended 30 June 2013	Year ended 31 December 2013
Net reversal of inventory write-downs	18.9	34.1	45.6
Finance charge (Note 4)	-	-	(7.8)
Tax charge	(4.1)	(7.9)	(12.7)
Exceptional items	14.8	26.2	25.1

There has been continued improvement in the UK housing market and the wider UK economy supported by improved mortgage availability, historically low interest rates and the Help to Buy Government scheme.

At the half year, the Group completed a net realisable value assessment of inventory. Given the improved market conditions, supporting increased profitability on a number of our previously impaired sites in the UK, a net reversal of £18.9 million (H1 2013: £34.1 million) of impairment write-downs has been recorded.

The net reversal in the UK consists of a reversal of previous write-downs of £23.4 million and additional write-downs to the lower of cost and net realisable value of £4.5 million on a small number of previously impaired sites.

The UK net realisable value assessment of inventory is highly sensitive to small changes in judgements and the table below provides an indication of the impact to the inventory held on the balance sheet of 1% movements in selling prices and build costs.

As at £ million	+1% selling price	-1% selling price	+1% build cost	-1% build costs
29 June 2014	10.9	(8.2)	(7.1)	9.2
31 December 2013	18.3	(6.9)	(6.6)	11.7

At the balance sheet date the Group held inventory in the UK that had been written down to net realisable value of £392.6 million (31 December 2013: £459.9 million) with associated write-downs of £172.5 million (31 December 2013: £206.8 million). As at 29 June 2014, 9% (31 December 2013: 12%) of our UK short-term owned and controlled land was impaired.

In the half year 16% (H1 2013: 35%) of the Group’s UK completions were from sites that had been previously impaired.

Only 12 plots (H1 2013: 25) were completed in Spain that had previously been impaired. In Spain there was inventory written down to net realisable value of £30.1 million as at 30 June 2014 (31 December 2013: £30.2 million).

The gross profit for the period included £6.0 million (H1 2013: £22.4 million) of positive contribution, on completions from sites with previously impaired inventory.

4. Finance costs

Interest receivable from continuing operations:

£ million	Half year ended 29 June 2014	Half year ended 30 June 2013	Year ended 31 December 2013
External interest receivable	0.3	0.2	0.9

Finance costs from continuing operations are analysed as follows:

£ million	Half year ended 29 June 2014	Half year ended 30 June 2013	Year ended 31 December 2013
Interest on overdrafts, bank and other loans	6.9	6.3	12.4
Interest on debenture loans	-	7.8	15.5
Movement on interest rate derivatives and foreign exchange movements	0.3	(0.4)	(0.2)
	7.2	13.7	27.7
Unwinding of discount on land creditors and other payables	2.9	4.8	8.0
Notional net interest on pension liability	3.9	5.1	9.7
	14.0	23.6	45.4
Exceptional finance costs:			
Senior Note 10.375% due 2015 prepayment penalty	-	-	7.8
	14.0	23.6	53.2

5. Tax

The pre-exceptional tax charge of £38.2 million relates to the utilisation of the deferred tax asset against profits generated in the period. The exceptional tax charge of £4.1 million relates to the tax associated with reversal of the net realisable value of inventory write downs recorded in the period.

Closing deferred tax on UK temporary differences has been calculated at the rates expected to apply for the period when the asset is realised or the liability is settled. Accordingly, the majority of temporary differences have been calculated at the rate of 20% (2013: 21.5%).

6. Earnings per share

	Half year ended 29 June 2014	Half year ended 30 June 2013	Year ended 31 December 2013
Basic earnings per share – total Group	4.7p	4.3p	8.5p
Diluted earnings per share – total Group	4.7p	4.2p	8.3p
Basic earnings per share from continuing operations	4.7p	3.6p	7.5p
Diluted earnings per share from continuing operations	4.7p	3.5p	7.3p
Adjusted basic earnings per share from continuing operations	4.3p	2.7p	6.7p
Adjusted diluted earnings per share from continuing operations	4.2p	2.7p	6.5p
Basic earnings per share from discontinued operations	-	0.7p	1.0p
Diluted earnings per share from discontinued operations	-	0.7p	1.0p
Weighted average number of shares for basic earnings per share – million	3,270.4	3,195.4	3,201.4
Weighted average number of shares for diluted earnings per share – million	3,328.0	3,255.4	3,280.4

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

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

£ million	Half year ended 29 June 2014	Half year ended 30 June 2013	Year ended 31 December 2013
Profit from operations for basic earnings per share and diluted earnings per share	155.0	136.1	271.1
Adjust for exceptional net reversal of inventory write-downs	(18.9)	(34.1)	(45.6)
Adjust for exceptional interest items	-	-	7.8
Adjust for exceptional tax items	4.1	7.9	12.7
Discontinued operations	-	(22.6)	(31.3)
Profit from continuing operations for adjusted basic and adjusted diluted earnings per share	140.2	87.3	214.7

7. Notes to the cash flow statement

£ million	Half year ended 29 June 2014	Half year ended 30 June 2013	Year ended 31 December 2013
Profit on ordinary activities before finance costs			
- continuing	210.2	166.5	355.3
- discontinued	-	22.6	31.3
Adjustments for:			
Depreciation of plant and equipment and amortisation of software equipment	1.7	1.4	2.9
Net reversal of inventory write-downs	(18.9)	(34.1)	(45.6)
Pension settlement gain	-	-	(4.1)
Pension overhead expenses	1.2	1.7	3.2
Share-based payment charge	3.1	2.9	6.4
Profit on disposal of property and plant	(0.2)	-	(0.1)
Decrease in provisions	(3.2)	(33.7)	(60.7)
Operating cash flows before movements in working capital	193.9	127.3	288.6
Increase in inventories	(244.1)	(29.6)	(92.8)
Increase in receivables	(20.1)	(12.9)	(27.3)
Increase/(decrease) in payables	79.8	(54.5)	12.0
Pension contributions in excess of charge	(25.3)	(12.7)	(48.1)
Cash (used in) / generated by operations	(15.8)	17.6	132.4
Income taxes received/(paid)	0.1	(0.3)	0.9
Interest paid including exceptional charges	(6.2)	(13.8)	(35.2)
Net cash (used in)/from operating activities	(21.9)	3.5	98.1

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

Movement in net debt:

£ million	Cash and cash equivalents	Overdrafts, banks & other loans	Debenture loans	Total net debt
Balance 1 January 2014	105.4	(100.0)	-	5.4
Cashflow	(42.4)	-	-	(42.4)
Foreign exchange	0.8	-	-	0.8
Balance 29 June 2014	63.8	(100.0)	-	(36.2)

£ million	Cash and cash equivalents	Overdrafts, banks& other loans	Debenture loans	Total net debt
Balance 1 January 2013	190.4	(100.0)	(149.4)	(59.0)
Cashflow	(8.5)	-	-	(8.5)
Foreign exchange	(0.9)	-	-	(0.9)
Balance 30 June 2013	181.0	(100.0)	(149.4)	(68.4)

£ million	Cash and cash equivalents	Overdrafts, banks& other loans	Debenture loans	Total net debt
Balance 1 January 2013	190.4	(100.0)	(149.4)	(59.0)
Cashflow	(83.3)	-	149.4	66.1
Foreign exchange	(1.7)	-	-	(1.7)
Balance 31 December 2013	105.4	(100.0)	-	5.4

8. Discontinued operations

Following the 2011 sale of the North American division, the Group provided certain indemnities to the buyers and the Group has continued to resolve outstanding indemnities to the buyers.

In the prior period £22.6 million of provisions were released following settlement of a number of claims. A further £8.7 million was released at 31 December 2013.

9. Pensions

The Group's defined benefit pension scheme was actuarially assessed for the half year 29 June 2014. The decrease in the defined benefit pension scheme deficit was predominantly due to Company cash contributions of £25.3 million, a decrease in inflation rates used to value the deficit and better than expected return on plan assets partially offset by lower discount rates.

10. Financial Instruments' fair value disclosure

The Group held the following financial assets and liabilities (including financial instruments) at 29 June 2014.

		Carrying amount			Fair Value		
£ million		29 June 2014	30 June 2013	31 December 2013	29 June 2014	30 June 2013	31 December 2013
Financial Assets							
Mortgage receivables	b	111.1	100.2	107.5	111.1	100.2	107.5
Cash and cash equivalents	c	63.8	181.0	105.4	63.8	181.0	105.4
Land receivables	c	24.5	28.0	29.3	24.5	28.0	29.3
Trade and other receivables	c	65.0	53.1	48.6	65.0	53.1	48.6
Financial Liabilities							
Debenture loans	a	-	149.4	-	-	162.7	-
Overdrafts, bank and other loans	c	100.0	100.0	100.0	100.0	100.0	100.0
Land creditors	c	463.7	322.7	349.0	463.7	322.7	349.0
Trade and other payables	c	622.8	516.2	553.5	622.8	516.2	553.5

(a) The fair value of debenture loans have been determined from inputs that are observable for the liability directly or indirectly, relevant for the term and currency, being quoted prices in active markets for identical assets/liabilities (level 1).

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

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

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts. Land creditors are included in the balance sheet as trade and other payables for current and non-current amounts.

The Group has designated the carrying value of €34.0 million (2013: €34.0 million) foreign currency forward contracts as a net investment hedge. The fair value of the forward contract is based on the observable forward exchange rates at the end of the period (level 2). At the period end the carrying value is considered to approximate its fair value.

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

11. Related party transactions

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

12. Dividends

£ million	Half year ended 29 June 2014	Half year ended 30 June 2013	Year ended 31 December 2013
Approved and paid	15.2	13.9	20.8
Approved and accrued	49.7	-	-
Approved	7.8	6.9	-
Proposed	-	-	15.2

Following the strong performance recorded in 2013, the Directors proposed a special dividend of £49.7 million and at the 2014 Company annual general meeting shareholders approved the special dividend paid on 3 July 2014. This dividend was accrued as at the balance sheet.

The Directors have assessed the Company's performance in the current period and approved an interim dividend of 0.24 pence per share in line with the Group's dividend policy.

The dividend will be payable to all shareholders on the register at the close of business 22 August 2014 and will be paid on 25 September 2014. This is expected to result in a payment of £7.8 million.

In accordance with IAS 10 'Events after the balance sheet date' the approved interim dividend has not been accrued in the 29 June 2014 balance sheet.

13. Seasonality

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

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

14. Events occurring after 29 June 2014

There were no material subsequent events affecting the Group after 29 June 2014 and the date of this announcement that need to be disclosed.

Taylor Wimpey plc

Statement of Directors' responsibility

For the half year ended 29 June 2014

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

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

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

The Directors of Taylor Wimpey plc are listed in the Taylor Wimpey plc Annual Report and Accounts to 31 December 2013.

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

By order of the Board

Kevin Beeston, Chairman

Pete Redfern, Chief Executive

29 July 2014

INDEPENDENT REVIEW REPORT TO TAYLOR WIMPEY plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the half year ended 29 June 2014 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the half year ended 29 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

29 July 2014