George Wimpey

21 June 2005

George Wimpey Plc
International Financial Reporting Standards

George Wimpey Plc ("the Group") today releases information about the restatement of its financial statements for the year to 31 December 2004, prepared under International Financial Reporting Standards ("IFRS"). These restated 2004 financial statements will be the comparative figures in the 2005 financial statements.

The Group's first published accounts under IFRS will be in respect of the 26 weeks ending 3 July 2005, and the first Annual Report and Accounts prepared on this basis will be for the year ending 31 December 2005.

The main features of the restatement are:

- Underlying cashflows are unaffected.
- 2004 reported profit before tax and basic earnings per share are each approximately 3% lower under IFRS, primarily as a result of increased pension accounting costs under IAS 19.
- Net assets reduce by £107.7 million to £1,331.4 million, primarily due to revised accounting for pensions (net of deferred tax) partially offset by the revised treatment of proposed dividends. The reduction in net assets has the effect of increasing gearing by 2.3% points.

In summary, the impact of IFRS on key reported results for 2004 is as follows:

	UK GAAP	IFRS	Change
Group revenue	£3,005.7 m	£3,005.7 m	-
Group operating profit	£500.4 m	£497.5 m	- £2.9m
Profit before taxation	£450.7 m	£437.6 m	- £13.1 m
Profit attributable to shareholders	£311.0 m	£301.8 m	- £9.2 m
Earnings per share (basic)	80.8p	78.4p	- 2.4p
Earnings per share (fully diluted)	79.7p	77.3p	- 2.4p
Net assets	£1,439.1 m	£1,331.4 m	- £107.7 m
Gearing	36.8%	39.1%	+ 2.3%pts

Enquiries

George Wimpey Plc
Andrew Carr-Locke – Group Finance Director 020 7963 6354

Maitland
Liz Morley 020 7379 5151

A pdf version of this release is available from the George Wimpey Plc website at www.georgewimpeyplc.co.uk

George Wimpey Plc
Information about financial statements to be prepared in accordance with International Financial Reporting Standards

Index

Section		Page
1	Basis of preparation	3
2	Accounting policies	6
3	Restatement of Income Statements	10
4	Restatement of Statements of Recognised Income and Expense	12
5	Restatement of Balance Sheets	13
6	Restatement of Cash Flow Statements	19

1. Basis of Preparation

1.1 Introduction

For all periods up to and including 31 December 2004 George Wimpey Plc ("the Group") has prepared its financial statements in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"). However, from 1 January 2005 the Group and all other European Union ("EU") companies listed on a regulated market are required by EU directive to prepare consolidated accounts in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Commission ("EC"). The Group's first published accounts under IFRS will be for the 26 weeks to 3 July 2005, and the first Annual Report and Accounts prepared on this basis will be for the year to 31 December 2005.

This document presents previously published UK GAAP information for 2004, restated on an IFRS basis. The information about restatements contained in this document has been prepared on IFRS currently in issue and adopted by the EC. However, these standards may be subject to interpretive guidance issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and best practice regarding the interpretation and application of IFRS continues to develop. New standards may also be issued by the International Accounting Standards Board for adoption for financial years beginning on or after 1 January 2005. Any or all of these factors could impact on the Annual Report and Accounts for the year ending 31 December 2005.

It is important to recognise that the restatement to IFRS:

- does not impact Group strategy or investment and commercial decision making;
- does not impact the cash flows of the Group.

The restatement of 2004 financial information shows the impact of IFRS is to reduce profit attributable to ordinary shareholders by £9.2 million in the full year and £3.3 million in the half year to June. This is primarily due to the new pension accounting charges, which are almost identical to the FRS 17 increased charges reported in note 8 of the 2004 Annual Report and Accounts.

The other change of some significance is the discounting to fair value of long term creditors which has given rise to a net charge of £1.3 million after tax in the full year and £0.4 million in the half year. This change of policy is, in practice, a timing change as the higher finance cost recognised as the discount on the long term creditor unwinds is offset subsequently by a higher margin as the land is sold.

Net assets at December 2004 are reduced by £107.7 million or 7.5% as a consequence primarily of taking the deficit on the defined benefit pension scheme onto the Balance Sheet, net of deferred tax, partially offset by the revised accounting treatment for proposed dividends. The pension adjustment is almost identical to the FRS 17 adjustment reported in the 2004 Annual Report and Accounts.

1.2 Basis of preparation

The information about restatements contained in this document has been prepared based on IFRS currently in issue and adopted by the EC. However, these standards may be subject to interpretative guidance issued by IFRIC, and best practice regarding the interpretation and application of IFRS continues to develop. New standards may also be issued by the International Accounting Standards Board ("IASB") for adoption for financial years beginning on or after 1 January 2005. Any or all of these factors could impact upon the 2005 Annual Report and Accounts.

Exemptions taken by the Group under IFRS 1 "First-time Adoption of International Financial Reporting Standards" are explained below under (1.4) "Transition effects".

The financial information presented within this document is unaudited.

1.3 Status of standards

The EC has endorsed without amendment all but one of the 36 international accounting standards that are mandatory from 1 January 2005. The exception is IAS 39 "Financial Instruments: Recognition and Measurement".

The EC has endorsed a version of IAS 39 that has been amended by them from the version published by the IASB. The amended IAS 39 has carve outs that affect the parts of IAS 39 relating to requirements for macro hedging and the fair value option for financial liabilities. The EC has also yet to consider the adoption of the amendment to IAS 39 "Transition and Initial Recognition of Financial Assets and Financial Liabilities" that was published by the IASB in December 2004.

1.4 Transition effects

IFRS 1 "First-time Adoption of International Financial Reporting Standards" exempts those companies adopting IFRS for the first time from certain of the full requirements of IFRS in the transition period. The Group intends to apply the following key exemptions:

i) IAS 19 "Employee Benefits". At the transition date for IAS 19 all cumulative actuarial gains and losses have been recognised in the Balance Sheet within pension liabilities. Subsequently, actuarial gains and losses will be recognised in full immediately and taken to reserves through the Statement of Recognised Income and Expense.

ii) IAS 21 "The Effects of Changes in Foreign Exchange Rates". Under IAS 21 cumulative translation differences arising on the consolidation of overseas subsidiaries are being accumulated for each individual subsidiary from the date of transition to IFRS and not from the original acquisition date.

iii) IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Financial instruments will be designated as a financial asset or liability at fair value or as available for sale on the adoption date of 1 January 2005, rather than at the date of initial recognition. IAS 32 and IAS 39 will not be applied to the comparative financial statements included in the first set of IFRS accounts. Financial instruments in 2004 are recorded on the existing UK GAAP basis.

iv) IFRS 2 "Share-based Payment". IFRS 2 has been adopted from the transition date and is only being applied to equity instruments (e.g. share options and the Long Term Incentive Plan ("LTIP")) granted on or after 7 November 2002 which had not vested on the effective date of the standard. The Group has elected not to take up the option of full retrospective application of the standard.

v) IFRS 3 "Business Combinations". This standard requires goodwill to be carried at cost with impairment reviews carried out at least annually. The Group has applied the standard from the transition date and so the net carrying value of goodwill at December 2003 has been brought forward as cost at January 2004, with no amortisation charge from that date.

1.5 Overview of impact

The move from UK GAAP to IFRS does not impact Group strategy or commercial decisions, nor does it change the cash flows of the Group.

The most significant changes for the Group in its financial statements for 2004 arising from the move to IFRS are:

i) the recognition on the Balance Sheet of the deficit on the defined benefit pension scheme, and the resulting increase in financing costs in the Income Statement;

ii) a reduction of inventory value and long term land creditor values as a result of booking the long term creditors at fair value at the time of recognition. Subsequently, operating margins are increased as the lower value of inventory is utilised, but finance charges are increased due to the unwinding of the discount on the long term creditor. There is an inherent timing difference which means the finance charges are booked before the improved margin;

iii) an increased charge to the Income Statement relating to share based payments;

iv) the cessation of goodwill amortisation;

v) the reporting of the Group's share of joint venture results in one line on the face of the Income Statement, rather than showing share of turnover, operating cost, interest and taxation separately; and

vi) the exclusion of dividends from the Income Statement and from liabilities in the Balance Sheet. Under IFRS, a dividend is not recorded until it is declared (interim dividend) or approved by shareholders (final dividend), at which time it is reported as a reserve movement.

In addition, there are other presentational changes arising from the move to IFRS, most notably on the layout of the Balance Sheet. These are explained in the following sections.

In summary, the impact of IFRS on key reported results for 2004 is as follows:

	UK GAAP	IFRS	Change
Group revenue	£3,005.7 m	£3,005.7 m	-
Group operating profit	£500.4 m	£497.5 m	- £2.9m
Profit before taxation	£450.7 m	£437.6 m	- £13.1 m
Profit attributable to shareholders	£311.0 m	£301.8 m	- £9.2 m
Earnings per share (basic)	80.8p	78.4p	- 2.4p
Earnings per share (fully diluted)	79.7p	77.3p	- 2.4p
Net assets	£1,439.1 m	£1,331.4 m	- £107.7 m
Gearing	36.8%	39.1%	+ 2.3%pts

Greater detail is given in sections 3 to 6.

2. Accounting Policies

The following accounting policies have been applied consistently, unless otherwise stated, in dealing with items which are considered material. Some of the policies will only apply from 1 January 2005 because of the transitional arrangements for first time adoption of IFRS. These are noted where applicable.

2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ("subsidiaries") made up to the Balance Sheet date.

Entities which are jointly controlled with another party or parties ("joint ventures") are accounted for using the equity method of accounting.

The results of subsidiaries and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

2.2 Goodwill arising on consolidation

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable assets acquired.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is charged immediately to the income statement and is not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts following impairment tests. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated.

2.3 Revenue

Revenue from private housing sales is recognised as the fair value of the consideration received or receivable on legal completion.

2.4 Share-based payment

The Group has complied with the accounting requirements of IFRS 2 "Share-based Payment". In accordance with the transitional provisions IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 which had not vested as of 1 January 2004.

The Group issues equity-settled share-based payments to certain employees. These are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period. Adjustments to the amounts expensed are only made in respect of non market related factors.

2.5 Operating leases

Operating lease rentals are charged to the Income Statement in equal amounts over the lease term.

2.6 Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its residual value evenly over its expected useful life as follows:

- Freehold buildings - over 50 years
- Short leaseholds - over the period of the lease
- Plant and equipment - 20% to 33% per annum

2.7 Interest

Interest receivable and payable, on bank deposits and borrowings, is credited or charged to finance costs as incurred.

Notional interest payable, representing the unwinding of the discount on long term liabilities, is charged to finance costs.

Infrequently a long term land creditor is for a parcel, or parcels, of land where the Group has exchanged unconditional contracts, and so recognised the creditor and the land inventory, but in practice does not have title or access to the land. In those few cases the notional interest payable already charged to finance costs is then credited to finance costs and added to the cost of inventory in accordance with IAS 23 “Borrowing Costs” and IAS 2 “Inventories”. In no circumstances will the cost of such land inventory exceed the contracted sum payable.

2.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation recorded in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted, or substantively enacted, by the Balance Sheet date.

Deferred tax is recognised on all differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited through the Statement of Recognised Income and Expense when it is charged or credited there.

2.9 Segmental reporting

For management reporting and control, the group is divided as follows:

- UK housing (George Wimpey and Laing Homes brands)
- US housing (Morrison Homes brand)
- Corporate

These components make up the primary segmental analysis in the financial statements. No secondary segmental analysis is provided as the primary segmental analysis follows the geographical split.

2.10 Investment in subsidiary entities

The Company's investments in subsidiary entities are stated at cost less, if necessary, an impairment provision.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition. Cost in certain circumstances also includes notional interest as explained in the accounting policy for interest. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

Land inventory is recognised at the time a liability is recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"– generally after exchange of unconditional contract.

2.12 Trade receivables

Trade receivables do not carry interest and are stated at their initial value reduced by appropriate allowances for estimated irrecoverable amounts.

2.13 Derivative financial instruments

To December 2004:

Derivative foreign exchange instruments that are deemed hedges of specific foreign currency net assets are matched against the underlying net assets. Derivative interest rate instruments are matched within interest payable or receivable over the life of the instrument or relevant interest period. Interest rate instruments are not recognised in the Balance Sheet. Changes in the fair value of financial instruments are not recognised in the Profit and Loss account or Balance Sheet.

From January 2005:

Derivatives utilised by the Group are primarily interest rate swaps and foreign exchange swaps.

Foreign exchange swaps are utilised to match the Group's net foreign currency borrowings with the net operating assets in those currencies. Gains or losses on foreign exchange swaps are recognised directly in the translation reserve as they are a hedge of the translation gains or losses arising on the foreign currency net operating assets.

Gains or losses on interest rate swaps are taken direct to the Income Statement.

2.14 Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land purchases, are recorded at their fair value.

2.15 Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 “Employee Benefits”. For defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at market value. The operating and financing costs of such plans are recognised separately in the Income Statement; service costs being spread systematically over the lives of the employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in full through the Statement of Recognised Income and Expense.

Payments to defined contribution schemes are charged to the Income Statement as they become due.

2.16 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at closing rates of exchange. On consolidation, the Income Statements of overseas subsidiary entities are translated at the average rate for the year and the Balance Sheets at the closing rate. Exchange differences arising on the retranslation of opening Balance Sheets, together with the difference between Income Statements translated at average rates and closing rates, are dealt with through reserves.

3. Restatement of Income Statements

	Note	Half Year to June 2004 £m	Year to December 2004 £m
Reported profit on ordinary activities before interest		181.6	500.4
Eliminate charge for pension costs under SSAP 24	3.1	5.5	11.0
Book charge for pension costs under IAS 19	3.1	(5.4)	(10.8)
Book charge for share based payments under IFRS 2	3.2	(1.0)	(2.2)
Eliminate charge (credit) for share based payments	3.2	0.7	(1.7)
Reallocate share of joint venture interest	3.3	-	(0.3)
Reallocate share of joint venture corporation tax	3.3	-	0.2
Eliminate goodwill amortisation	3.4	0.2	0.4
Increased margin from lower cost inventory	3.5	0.2	0.5
Revised profit on ordinary activities before interest		**181.8**	**497.5**
Reported interest – net payable		(23.1)	(49.7)
Book interest charge on discounted pension liabilities	3.1	(4.0)	(8.1)
Reallocate joint venture interest	3.3	-	0.3
Interest charge on discounted land creditors	3.5	(1.4)	(3.8)
Notional interest expense booked to cost of inventory	3.5	0.6	1.4
Revised interest – net payable		**(27.9)**	**(59.9)**
Reported profit on ordinary activities before taxation		158.5	450.7
Revised profit on ordinary activities before taxation		**153.9**	**437.6**
Reported tax on profit on ordinary activities		(49.1)	(139.7)
Increased deferred tax credit arising from adoption of IAS 19 to account for pension costs	3.1	1.2	2.4
Increased deferred tax (charge) credit on share based payments	3.2	(0.1)	1.1
Reallocate joint venture taxation	3.3	-	(0.2)
Deferred tax on net impact of discounting land creditors	3.5	0.2	0.6
Revised tax on profit on ordinary activities		**(47.8)**	**(135.8)**
Reported profit attributable to ordinary shareholders		109.4	311.0
Revised profit attributable to ordinary shareholders		**106.1**	**301.8**
Reported earnings per share – basic		28.6p	80.8p
Reported earnings per share - diluted		27.9p	79.7p
Revised earnings per share - basic		**27.7p**	**78.4p**
Revised earnings per share - diluted		**27.1p**	**77.3p**

Notes to the restatement of Income Statements

3.1 Accounting for pension costs of the defined benefit scheme under IAS 19 “Employee Benefits”, in place of SSAP 24, increases the overall charge and separates the charge into an operating cost and an interest cost. The Group has previously reported in the notes to the financial statements, within the Annual Report and Accounts, figures calculated in accordance with FRS 17, which is almost identical to IAS 19.

3.2 Accounting for share-based payments under IFRS 2 “Share-based Payment” requires the fair values of options granted after 7 November 2002 to be charged to the Income Statement at fair value over the life of the options. No adjustments are made retrospectively to account for performance related to market based factors. Under previous UK GAAP where an option was considered unlikely to vest due to not meeting performance targets provisions previously made could be reversed. In the 6 months to June 2004 there was a charge of £0.7 million for the 2003 LTIP. In the year to December 2004 there was a £1.7 million credit relating to the reversal of a provision at December 2003 for the 2003 LTIP. The charge and reversal in June and December 2004 respectively are eliminated under IFRS.

Deferred tax on share based payments is calculated not on the Income Statement charge but on a calculation at Balance Sheet date based on the intrinsic values of the options at that time.

3.3 The Group has elected to report the results of joint ventures using the equity method. Using this method the Group's share of the post tax results of the joint ventures is reported on a single line on the face of the Income Statement. Previously the operating result, interest expense and tax credit were reported separately.

3.4 Under IFRS 3 "Business Combinations" amortisation of goodwill is replaced by a regular impairment review of goodwill held on the Balance Sheet. The reviews have indicated no impairment of the goodwill of £5.2 million in the Balance Sheet at 31 December 2003, the transition date to IFRS, and so the amortisation charged in the 6 months to June 2004 and the year to December 2004 has been eliminated.

The Group does not carry a significant amount of goodwill. For recent acquisitions, the majority of the premium over book value of assets has been attributed to the fair value of land acquired and expensed as the land has been consumed.

3.5 Under IAS 2 “Inventories” inventories funded by long term creditors are booked at fair value at the time of recognition of the creditor. This reduces the book value of inventories and, to the extent the inventories are sold in an accounting period, the operating margins will benefit as a result of the reduced cost of sales. The unwinding of the discount on the creditor over time is charged to finance costs in the Income Statement. As set out in the Accounting Policies in 2.7 and 2.11 for a limited number of contracts the notional interest charged is then transferred to the cost of the inventory in accordance with IAS 23 “Borrowing Costs” and IAS 2.

4. Restatement of Statements of Recognised Income and Expense

	Note	Half Year to June 2004 £m	Year to December 2004 £m
Reported profit attributable to shareholders		109.4	311.0
Revisions per restatement of prior periods Income Statements		(3.3)	(9.2)
Revised profit attributable to shareholders		**106.1**	**301.8**
Reported currency translation differences on foreign currency net investments	4.1	-	(1.7)
Reclassification to foreign exchange revaluation reserve	4.1	-	1.7
IAS 19 actuarial loss on defined benefit scheme	4.2	-	(3.6)
Deferred tax credit on actuarial loss	4.2	-	1.1
Revised total recognised income		**106.1**	**299.3**

Notes to the restatement of Statements of Recognised Income and Expense

4.1 Under IFRS currency translation differences on foreign currency net investments are taken to a new foreign exchange revaluation reserve.

4.2 The Group has elected to adopt the full recognition method of accounting under IAS 19 “Employee Benefits”, whereby movements in the Scheme obligations due to changes in actuarial assumptions or revised terms of the Scheme, are recognised in full through the Statement of Recognised Income and Expense

5a. Restatement of Balance Sheet – December 2003

	Reported December 2003	Gross up deferred tax	IAS 19 pension accounting	Dividend	IFRS 2 Share-based payment	IFRS 3 Business combinations	Deferred tax on land	IAS 2 Inventory	Revised December 2003
Non-current assets									
Goodwill	5.2								5.2
Property, plant and equipment	21.2								21.2
Joint ventures	-								-
Deferred tax assets	11.0	6.5	55.9		0.4			0.5	74.3
Trade and other receivables	9.6								9.6
	47.0	6.5	55.9		0.4			0.5	110.3
Current assets									
Inventories	2,365.8							(6.3)	2,359.5
Trade and other receivables	98.2		(15.4)						82.8
Derivative financial instruments	-								-
Cash and cash equivalents	23.6								23.6
	2,487.6		(15.4)					(6.3)	2,465.9
Current liabilities									
Financial liabilities	(17.4)								(17.4)
Trade and other payables	(392.9)								(392.9)
Land creditors	(234.5)								(234.5)
Dividend	(32.2)			32.2					-
Current tax liabilities	(58.6)								(58.6)
	(735.6)			32.2					(703.4)
Non-current liabilities									
Financial liabilities	(535.4)								(535.4)
Land creditors	(55.5)							4.7	(50.8)
Other creditors	(12.1)								(12.1)
Deferred tax liabilities	-	(6.5)	4.6						(1.9)
Deficit on defined benefit pension scheme	-		(186.2)						(186.2)
Provisions	(27.6)								(27.6)
	(630.6)	(6.5)	(181.6)					4.7	(814.0)
Net assets	1,168.4	-	(141.1)	32.2	0.4			(1.1)	1,058.8

5b. Restatement of Balance Sheet – 30 June 2004

	Reported June 2004	Gross up deferred tax	IAS 19 pension accounting	Dividend	IFRS 2 Share-based payment	IFRS 3 Business combinations	Deferred tax on land	IAS 2 Inventory	Revised June 2004
Non-current assets									
Goodwill	5.0					0.2			5.2
Property, plant and equipment	23.5								23.5
Joint ventures	-								-
Deferred tax assets	11.0	8.3	55.3		0.5			0.7	75.8
Trade and other receivables	10.0								10.0
	49.5	8.3	55.3		0.5	0.2		0.7	114.5
Current assets									
Inventories	2,515.4						2.1	(6.5)	2,511.0
Trade and other receivables	116.9		(21.3)						95.6
Derivative financial instruments	-								-
Cash and cash equivalents	13.7								13.7
	2,646.0		(21.3)				2.1	(6.5)	2,620.3
Current liabilities									
Financial liabilities	(21.9)								(21.9)
Trade and other payables	(393.7)								(393.7)
Land creditors	(101.3)								(101.3)
Dividend	(20.1)			20.1					-
Current tax liabilities	(52.7)								(52.7)
	(589.7)			20.1					(569.6)
Non-current liabilities									
Financial liabilities	(746.1)								(746.1)
Land creditors	(49.9)							4.3	(45.6)
Other creditors	(5.0)								(5.0)
Deferred tax liabilities	-	(8.3)	6.4		(0.2)		(2.1)		(4.2)
Deficit on defined benefit pension scheme	-		(184.2)						(184.2)
Provisions	(26.7)								(26.7)
	(827.7)	(8.3)	(177.8)		(0.2)		(2.1)	4.3	(1,011.8)
Net assets	1,278.1	-	(143.8)	20.1	0.3	0.2	-	(1.5)	1,153.4

5c. Restatement of Balance Sheet – 31 December 2004

	Reported December 2004	Gross up deferred tax	IAS 19 pension accounting	Dividend	IFRS 2 Share-based payment	IFRS 3 Business combinations	Deferred tax on land	IAS 2 Inventory	Revised December 2004
Non-current assets									
Goodwill	4.7					0.5			5.2
Property, plant and equipment	24.2								24.2
Joint ventures	7.0								7.0
Deferred tax assets	9.0	10.1	55.9		1.0			1.1	77.1
Trade and other receivables	11.2								11.2
	56.1	10.1	55.9		1.0	0.5		1.1	124.7
Current assets									
Inventories	2,655.4						2.1	(10.3)	2,647.2
Trade and other receivables	113.3		(26.9)						86.4
Derivative financial instruments	-								-
Cash and cash equivalents	19.5								19.5
	2,788.2		(26.9)				2.1	(10.3)	2,753.1
Current liabilities									
Financial liabilities	(19.4)								(19.4)
Trade and other payables	(397.7)								(397.7)
Land creditors	(205.5)								(205.5)
Dividend	(42.3)			42.3					-
Current tax liabilities	(105.5)								(105.5)
	(770.4)			42.3					(728.1)
Non-current liabilities									
Financial liabilities	(521.0)								(521.0)
Land creditors	(76.0)							6.8	(69.2)
Other creditors	(11.3)								(11.3)
Deferred tax liabilities	-	(10.1)	8.1				(2.1)		(4.1)
Deficit on defined benefit pension scheme	-		(186.2)						(186.2)
Provisions	(26.5)								(26.5)
	(634.8)	(10.1)	(178.1)				(2.1)	6.8	(818.3)
Net assets	1,439.1	-	(149.1)	42.3	1.0	0.5	-	(2.4)	1,331.4

5d. Restatement of Balance Sheet – 1 January 2005

	Revised December 2004	IAS 39 Derivatives	Accrued interest reclassified	January 2005
Non-current assets				
Goodwill	5.2			5.2
Property, plant and equipment	24.2			24.2
Joint ventures	7.0			7.0
Deferred tax assets	77.1			77.1
Trade and other receivables	11.2			11.2
	124.7			124.7
Current assets				
Inventories	2,647.2			2,647.2
Trade and other receivables	86.4		(1.0)	85.4
Derivative financial instruments	-	2.9		2.9
Cash and cash equivalents	19.5			19.5
	2,753.1	2.9	(1.0)	2,755.0
Current liabilities				
Financial liabilities	(19.4)		(4.1)	(23.5)
Trade and other payables	(397.7)		5.1	(392.6)
Land creditors	(205.5)			(205.5)
Dividend	-			-
Current tax liabilities	(105.5)			(105.5)
	(728.1)		1.0	(727.1)
Non-current liabilities				
Financial liabilities	(521.0)			(521.0)
Land creditors	(69.2)			(69.2)
Other creditors	(11.3)			(11.3)
Deferred tax liabilities	(4.1)	(0.8)		(4.9)
Deficit on defined benefit pension scheme	(186.2)			(186.2)
Provisions	(26.5)			(26.5)
	(818.3)	(0.8)		(819.1)
Net assets	1,331.4	2.1	-	1,333.5

Notes to the restatements of Balance Sheets

5.1 The layout of the Balance Sheet has been amended as required under IAS 1 "Presentation of Financial Statements". The net assets are divided into:

- Non-current assets. This category includes fixed assets, with intangibles shown separately from tangibles, investments in joint ventures, deferred tax assets and other long term debtors.
- Current assets.
- Current liabilities.
- Non-current liabilities. This category includes provisions, long term pension liabilities, long term financial liabilities, long term creditors and deferred tax liabilities.

Words in italics refer to column headings of 5a, 5b, 5c and 5d.

5.2 *Gross up deferred tax.* Under IFRS deferred tax assets and liabilities are not netted off. Instead, the assets and liabilities are shown separately on the Balance Sheet within non-current assets and liabilities.

5.3 *IAS 19 pension accounting.* Under UK GAAP the Group accounted for pensions in accordance with SSAP 24. Pension prepayments under SSAP 24 represented the difference between the company pension contributions and the actuarially calculated regular pension cost charged to the Profit and Loss account.

Pension assets and liabilities on an FRS 17 basis have been disclosed in the notes to the Group Annual Report and Accounts.

IAS 19 uses a similar approach to FRS 17 for valuations except that it requires the market value of plan assets to be on a bid basis rather than the mid-market basis. Under IAS 19 deficits on defined benefit pension schemes are brought directly onto the Balance Sheet.

At the transition date the Group has recognised all actuarial gains and losses in the Balance Sheet. It has adopted the IAS 19 amended approach and will recognise actuarial gains and losses in full immediately through the Statement of Recognised Income and Expense.

The resulting effect on net assets at December 2004 of the move to IFRS is a combination of a reduction in SSAP 24 prepayments and an increase in pension liabilities, together with a related reduction in deferred tax liabilities and an increase in deferred tax assets. The net impact is to reduce net assets by £149.1 million, compared with the figure reported in the notes to the Annual Report and Accounts of £148.8 million.

5.4 *Dividend.* Under IAS 10 "Events After the Balance Sheet Date" dividends are only recognised as liabilities from the time of announcement (interim dividend) or approval by shareholders (final dividend). At that time they are dealt with in the accounts as a movement on shareholders' funds.

5.5 *IFRS 2 Share-based payment.* Under IFRS 2 equity-settled share-based transactions with employees are fair valued at the date of grant and expensed to the Income Statement over the vesting period. The other side of the accounting entry is to credit reserves as the settlement of the sums due is by way of shares, and so it is not a liability of existing shareholders. However, the cost of the settlement will be an allowable expense for Corporation Tax purposes and so a deferred tax asset is recognised, based on the intrinsic value of the options calculated on the Balance Sheet date.

5.6 *IFRS 3 Business combinations.* Under IFRS 3 "Business Combinations" amortisation of goodwill is replaced by a regular impairment review of goodwill held on the Balance Sheet. The reviews have indicated no impairment of the goodwill of £5.2 million in the Balance Sheet at 31 December 2003, the transition date to IFRS, and so the amortisation charged in the six months to June 2004 and the year to December 2004 has been eliminated.

5.7 *Deferred tax on land.* A parcel of land acquired during 2004 within a company was fair valued at the cash amount paid, but under FRS 19, as there was no short term intention to sell the land, the fair value adjustment did not gross up the value of the land for the tax which would be payable if it were sold at market value. IAS 12 "Income Taxes" does not include the exemption not to provide for deferred tax where there is no short term intention of selling the land. Hence the gross value of the land has been increased to market value at the time of purchase with a deferred tax creditor recognised.

5.8 *IAS 2 Inventory.* Under IAS 2 "Inventories" inventory purchased on deferred terms has to be recorded at the fair value of the consideration. In the case of long term land creditors the fair value is taken to be the net present value of the consideration at the time the creditor is recognised – normally on exchange of unconditional contracts. As explained in the Income Statement adjustment notes the amount of the discount is charged to finance costs over the term of the deferral. Both inventories and long term creditors are, therefore, reduced, but by different amounts as the inventory is realised over a different period of time than the time of deferral of the creditor. In addition, for the infrequent contracts where the Group does not acquire title or access to the land for some time after exchange the finance cost on the specific creditor is subsequently credited to finance costs and added to the cost of the inventory in accordance with IAS 2 and IAS 23 "Borrowing Costs". If the policy had been not to add that finance cost element to the cost of the inventory the inventories at December 2004 would have been lower by a further £4.2 million which would have been realised as additional operating margin in periods thereafter.

5.9 The application of IAS has not caused any unexpected adjustments to shareholders' funds. At December 2004, net assets are reduced by £107.7 million, of which £149.1 million of reduction, relating to the defined benefit pension scheme net deficit, was indicated in the 2004 Annual Report and Accounts and £42.3 million of increase due to the timing of recognition of the dividend liability was also expected at that time.

5.10 The Group will be applying IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" from 1 January 2005. At that date there were only two adjustments to the December 2004 net assets. Firstly, the unrealised gain on hedges of £2.9 million reported in note 21 of the 2004 Annual Report and Accounts is recognised as an asset, with a deferred tax charge created against it; and secondly, accrued interest previously reported within prepayments (interest receivable) and accruals (interest payable), as allowed under UK GAAP, is included in financial liabilities on the Balance Sheet under IFRS, increasing reported net debt from £520.9 million to £525.0 million.

6. Restatement of Cash Flow Statements

The move from UK GAAP does not significantly change any of the cash flows of the Group. The IFRS cash flow format is similar to UK GAAP but presents various flows in different categories and in a different order from the UK GAAP cash flow statement. One change which does impact the analysis is that under IFRS short term cash deposits with less than three months to maturity are treated as cash equivalents, whereas under UK GAAP they were treated as liquid deposits. Net debt is unchanged at December 2004. The restated cash flows are as follows:

	Half Year to June 2004 £m	Year to December 2004 £m
Cash flows from operating activities		
Profit on ordinary activities before interest	181.8	497.5
Exclude share of joint venture results	-	0.4
Depreciation	3.2	7.8
Change in provisions	(2.8)	(5.2)
Land held for development realised from land and house sales	284.1	702.1
Working capital before land expenditure	(137.4)	(91.3)
Interest - net paid	(22.6)	(49.2)
Tax paid	(55.3)	(91.3)
Cash inflows from operating activities before land expenditure	251.0	970.8
Land expenditure (net of land creditors)	(462.0)	(935.1)
Net cash flows from operating activities	(211.0)	35.7
Cash flows from investing activities		
Purchase of property, plant and equipment	(6.2)	(13.4)
Proceeds from sale of property, plant and equipment	1.0	1.8
Loans to joint ventures	-	(7.4)
Net cash used in investing activities	(5.2)	(19.0)
Cash flows from financing activities		
Increase in / (repayment of) borrowings	209.9	(12.8)
Net proceeds from issue of ordinary share capital	1.8	4.5
Dividends paid to ordinary shareholders	(16.0)	(33.7)
Net cash generated from / (used in) financing activities	195.7	(42.0)
Effect of exchange rate changes	5.3	20.8
Net decrease in cash and cash equivalents	(15.2)	(4.5)
Cash and cash equivalents at start of period	12.3	12.3
Cash and cash equivalents at end of period	(2.9)	7.8

Cash and cash equivalents

Cash and cash equivalents are defined as cash on deposit maturing within three months less overdrafts. The make up of the cash equivalents figures appearing in the revised cash flow are as follows:

	December 2004 £m	June 2004 £m	December 2003 £m
Cash and cash equivalents per Balance Sheet	19.5	13.7	23.6
Bank overdrafts included in current financial liabilities	(11.7)	(16.6)	(11.3)
Cash and cash equivalents per Cash Flow Statement	7.8	(2.9)	12.3