Independent Auditor's Report

We have audited the financial statements of Taylor Wimpey plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- Under the Listing Rules we are required to review:
- the Directors' Statement contained within the Directors' Report on Corporate Governance in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matters

We have reported separately on the parent Company financial statements of Taylor Wimpey plc for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Colin Hudson, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Registered Auditor
London, United Kingdom
28 February 2012

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Consolidated Income Statement

for the year to 31 December 2011

£ million	Note	Before exceptional items 2011	Exceptional items (Note 5) 2011	Total 2011	Before exceptional items 2010 (Restated Note 1)	Exceptional items (Note 5) 2010 (Restated Note 1)	Total 2010 (Restated Note 1)
Continuing operations							
Revenue	3	**1,808.0**	**–**	**1,808.0**	1,767.7	–	1,767.7
Cost of sales		**(1,520.3)**	**–**	**(1,520.3)**	(1,537.9)	(17.3)	(1,555.2)
Gross profit/(loss)		**287.7**	**–**	**287.7**	229.8	(17.3)	212.5
Net operating expenses	5	**(129.4)**	**(5.8)**	**(135.2)**	(129.2)	(38.2)	(167.4)
Profit/(loss) on ordinary activities before finance costs		**158.3**	**(5.8)**	**152.5**	100.6	(55.5)	45.1
Interest receivable		**3.7**	**–**	**3.7**	3.4	–	3.4
Finance costs	7	**(73.3)**	**(5.5)**	**(78.8)**	(119.6)	(83.4)	(203.0)
Share of results of joint ventures	13	**1.2**	**–**	**1.2**	(0.3)	–	(0.3)
Profit/(loss) on ordinary activities before taxation		**89.9**	**(11.3)**	**78.6**	(15.9)	(138.9)	(154.8)
Taxation (charge)/credit	8	**(24.2)**	**1.5**	**(22.7)**	(31.3)	360.8	329.5
Profit/(loss) for the year from continuing operations		**65.7**	**(9.8)**	**55.9**	(47.2)	221.9	174.7
Discontinued operations							
Profit for the year		**43.1**	**–**	**43.1**	67.0	17.6	84.6
Profit for the year		**108.8**	**(9.8)**	**99.0**	19.8	239.5	259.3
Attributable to:							
Equity holders of the parent				**99.0**			259.3
Non-controlling interests				**–**			–
				99.0			259.3

	Note	2011	2010
Basic earnings per share – total Group	9	**3.1p**	8.1p
Diluted earnings per share – total Group	9	**3.0p**	7.9p
Basic earnings per share – continuing operations	9	**1.8p**	5.5p
Diluted earnings per share – continuing operations	9	**1.7p**	5.3p
Adjusted basic earnings/(loss) per share – continuing operations	9	**2.1p**	(1.5)p
Adjusted diluted earnings/(loss) per share – continuing operations	9	**2.0p**	(1.4)p

Consolidated Statement of Comprehensive Income

for the year to 31 December 2011

£ million	Note	2011	2010
Exchange differences on translation of foreign operations	25	1.8	33.9
Movement in fair value of hedging derivatives		3.0	(3.6)
Actuarial (loss)/gain on defined benefit pension schemes	21	(33.2)	46.9
Tax credit/(charge) on items taken directly to equity	14	4.8	(15.9)
Other comprehensive (expense)/income for the year net of tax		(23.6)	61.3
Profit for the year		99.0	259.3
Total comprehensive income for the year		75.4	320.6
Attributable to:			
Equity holders of the parent		75.4	320.6
Non-controlling interests		–	–
		75.4	320.6

Consolidated Balance Sheet

at 31 December 2011

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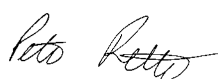
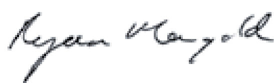
£ million	Note	2011	2010
Non-current assets			
Goodwill	10	–	2.4
Other intangible assets	11	5.1	1.0
Property, plant and equipment	12	5.0	7.6
Interests in joint ventures	13	31.9	49.7
Trade and other receivables	16	70.3	96.5
Deferred tax assets	14	342.8	372.4
		455.1	529.6
Current assets			
Inventories	15	2,686.6	3,436.2
Trade and other receivables	16	72.5	155.7
Tax receivables		10.9	19.8
Cash and cash equivalents	16	147.7	183.9
		2,917.7	3,795.6
Total assets		3,372.8	4,325.2
Current liabilities			
Trade and other payables	19	(697.8)	(902.9)
Tax payables		(70.4)	(162.7)
Bank loans and overdrafts	17	–	(15.1)
Provisions	22	(76.6)	(46.8)
		(844.8)	(1,127.5)
Net current assets		2,072.9	2,668.1
Non-current liabilities			
Trade and other payables	19	(199.7)	(257.1)
Debenture loans	18	(164.6)	(250.0)
Bank and other loans	17	(100.0)	(573.3)
Retirement benefit obligations	21	(210.2)	(250.5)
Deferred tax liabilities	14	–	(0.8)
Provisions	22	(18.5)	(42.9)
		(693.0)	(1,374.6)
Total liabilities		(1,537.8)	(2,502.1)
Net assets		1,835.0	1,823.1
Equity			
Share capital	23	287.7	287.7
Share premium account	24	754.4	753.7
Own shares	26	(8.4)	(0.6)
Other reserves	25	46.7	101.4
Retained earnings	25	753.1	679.4
Equity attributable to parent		1,833.5	1,821.6
Non-controlling interests		1.5	1.5
Total equity		1,835.0	1,823.1

The financial statements of Taylor Wimpey plc (registered number: 00296805) were approved by the Board of Directors and authorised for issue on 28 February 2012. They were signed on its behalf by:



P Redfern
Director



R Mangold
Director

Consolidated Statement of Changes in Equity

for the year to 31 December 2011

For the year to 31 December 2011 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2011	287.7	753.7	(0.6)	101.4	679.4	1,821.6
New share capital subscribed	–	0.7	–	–	–	0.7
Own shares acquired	–	–	(10.0)	–	–	(10.0)
Utilisation of own shares	–	–	2.2	–	–	2.2
Share-based payment credit	–	–	–	–	3.9	3.9
Cash cost of satisfying share options	–	–	–	–	(1.2)	(1.2)
Exchange differences on translation of foreign operations	–	–	–	1.8	–	1.8
Increase in fair value of hedging derivatives	–	–	–	3.0	–	3.0
Actuarial loss on defined benefit pension schemes	–	–	–	–	(33.2)	(33.2)
Deferred tax credit	–	–	–	–	4.8	4.8
Transfer to retained earnings	–	–	–	(0.4)	0.4	–
Recycling of translation reserve on disposal of subsidiaries	–	–	–	(59.1)	–	(59.1)
Profit for the year	–	–	–	–	99.0	99.0
Equity attributable to parent	287.7	754.4	(8.4)	46.7	753.1	1,833.5
Non-controlling interests						1.5
Total equity						1,835.0

For the year to 31 December 2010 £ million	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Total
Balance as at 1 January 2010	287.7	753.6	(5.0)	76.7	385.5	1,498.5
New share capital subscribed	–	0.1	–	–	–	0.1
Utilisation of own shares	–	–	4.4	–	(4.4)	–
Share-based payment credit	–	–	–	–	2.8	2.8
Cash cost of satisfying share options	–	–	–	–	(0.4)	(0.4)
Exchange differences on translation of foreign operations	–	–	–	33.9	–	33.9
Decrease in fair value of hedging derivatives	–	–	–	(3.6)	–	(3.6)
Actuarial gain on defined benefit pension schemes	–	–	–	–	46.9	46.9
Deferred tax charge	–	–	–	–	(15.9)	(15.9)
Transfer to retained earnings	–	–	–	(5.6)	5.6	–
Profit for the year	–	–	–	–	259.3	259.3
Equity attributable to parent	287.7	753.7	(0.6)	101.4	679.4	1,821.6
Non-controlling interests						1.5
Total equity						1,823.1

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Consolidated Cash Flow Statement

for the year to 31 December 2011

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£ million	Note	2011	2010
Net cash (used in)/from operating activities	28	**(34.8)**	87.9
Investing activities			
Interest received		**6.3**	0.8
Dividends received from joint ventures		**10.9**	17.1
Proceeds on disposal of property, plant and investments		**0.8**	0.1
Purchases of property, plant and investments	12	**(1.7)**	(3.7)
Purchases of software	11	**(4.1)**	(1.0)
Amounts invested in joint ventures		**–**	(1.0)
Amounts repaid from/(loaned to) joint ventures		**2.5**	(3.9)
Disposal of subsidiaries	27	**562.3**	–
Net cash from investing activities		**577.0**	8.4
Financing activities			
Proceeds from sale of own shares		**0.7**	–
Cash cost of satisfying share options		**(1.2)**	(0.4)
Purchase of own shares		**(7.9)**	–
Repayment of debenture loans		**(85.4)**	(732.4)
Increase in debenture loans		**–**	250.0
Repayment of overdrafts, bank and other loans		**(487.1)**	(348.7)
Increase in bank and other loans		**–**	781.7
Net cash used in financing activities		**(580.9)**	(49.8)
Net (decrease)/increase in cash and cash equivalents		**(38.7)**	46.5
Cash and cash equivalents at beginning of year		**183.9**	132.1
Effect of foreign exchange rate changes		**2.5**	5.3
Cash and cash equivalents at end of year	28	**147.7**	183.9

Notes to the Consolidated Financial Statements

for the year to 31 December 2011

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated below.

The Group has significantly reduced its debt outstanding through the year and has prepared a forecast for a period greater than 12 months. This forecast indicates that the Group will have sufficient resources for at least the next 12 months from the date of signing these financial statements.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Basis of accounting

The consolidated financial statements have been prepared in accordance with applicable International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS relevant to the Group's operations and effective for accounting periods beginning on 1 January 2011.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent.

The results of subsidiaries 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. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

Where a jointly controlled operation is undertaken the related assets and liabilities are consolidated on a proportional consolidation basis.

Segmental reporting

The Group is divided into three operating divisions for management reporting and control:

- Housing United Kingdom;
- Housing Spain; and
- Corporate

The Group completed the disposal of its North American business in July 2011. These results have been presented as discontinued operations. In accordance with the requirements of IFRS 5 'Discontinued operations and assets held for sale' the prior year results of the North American business have been restated for the income statement, cash flow and related notes.

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

(c) Contracting work and social housing contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(d) Interest receivable

Interest income on bank deposits is recognised on an accruals basis. Also included in interest receivable are interest and interest related payments the Group receives on other receivables.

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1. Significant accounting policies continued

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 'Presentation of Financial Statements'.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as assets and liabilities denominated in the functional currency of the company in which they arose.

The Group enters into forward contracts in order to hedge its exposure to certain foreign exchange transaction risks relating to the functional currency in accordance with Group policy. It also uses foreign currency borrowings and derivatives to hedge its net investment exposure to certain overseas subsidiaries (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

Operating leases

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary or jointly-controlled entity, the carrying value of any attributable goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Brands

Internally generated brands are not capitalised. Acquired brands are capitalised. Their values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses.

Software development costs

Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight-line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

Plant and equipment is stated at cost less depreciation. Depreciation is charged so as to expense the cost or valuation of assets over their estimated useful lives. Depreciation is charged, where material, on buildings over the expected useful life of the asset. Other assets are depreciated using the straight-line method, on the following bases:

Plant, fixtures and equipment 20-25%; and computer equipment 33%.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset and this difference is recognised in the income statement.

1. Significant accounting policies continued

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, impairment losses are allocated first to the intangible assets in the cash-generating unit.

If the full impairment of intangible assets is not sufficient to reduce the carrying value of the cash-generating unit to its recoverable amount, tangible fixed assets must then be reviewed for impairment. If the recoverable amount of tangible fixed assets exceeds their carrying value, no further impairment is required. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. Trade receivables on extended terms, particularly in respect of land, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Derivative financial instruments are measured at fair value.

Mortgage receivables relate to sales incentives including shared equity. Where the receivable is due over one year it is discounted to present value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs.

Derivative financial instruments and hedge accounting

The Group uses forward exchange contracts to hedge transactions denominated in foreign currencies. The Group also uses foreign currency borrowings and derivatives to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the parent Company. Interest rate derivatives are used to manage interest rate risk in respect of borrowings. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are measured at fair value. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the Consolidated Income Statement.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement. Gains or losses from remeasuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to the income statement for the period. In the situation that a derivative financial instrument does not meet the specific criteria of IAS 39 'Financial instruments' for hedging it is presented as a held for trading asset or liability.

1. Significant accounting policies continued

Customer deposits

Customer deposits are recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is probable that they will not be exercised.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Share-based payments

The Group has applied the requirements of IFRS 2 'Share-based payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 Employee benefits. In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Payments to defined contribution schemes are charged as an expense as they fall due.

Key sources of estimation uncertainty and critical accounting judgements

Estimation of costs to complete

In order to determine the profit that the Group is able to recognise on the proportion of completions for the period, internal site valuations are carried out for each development at regular intervals throughout the year. The valuations will include an estimation of the costs to complete and remaining revenues which may differ from the actual costs incurred and revenues received on completion.

Carrying value of land and work in progress

In order to assess the appropriateness of the carrying value of land and work in progress, the Group is required to make estimations of sales prices, costs and margins expected on sites in order to determine whether any write-downs or reversals are required to ensure inventory is stated at the lower of cost and net realisable value. Following previous significant impairments of inventories, the Group has again undertaken a detailed review on a site-by-site basis of the net realisable value of its land and work in progress. As market conditions have stabilised in the United Kingdom, the Group has not recorded any other reversals of net realisable value as there is no clear evidence of a sustained change in the economic circumstances at the balance sheet date.

1. Significant accounting policies continued

Continuing Group gross profit includes a positive contribution of £99.6 million (2010: £103.5 million), relating to realisation of written down inventory above its originally estimated net realisable value, where our market assumptions in previous net realisable value exercises have been exceeded. This has partly been due to actions taken by the Group in the re-plan of sites, the further utilisation of standard house types and continued value engineering driving build cost savings as well as other external factors. These amounts are stated before the allocation of overheads excluded from the Group's net realisable value exercise.

Impairment of other intangible assets

The determination of whether other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation involves significant judgement including an estimate of the future cash flows expected to arise from the cash-generating unit, the future growth rate of revenue and costs, and a suitable discount rate. If the current trading conditions significantly improve the impairment provision relating to other intangible assets may reverse in part or in whole.

Pensions

The value of plan assets and liabilities is determined based on various long term actuarial assumptions, including future rates of inflation, salary growth, yields, returns on investments and mortality rates. Changes in these assumptions over time and differences to the actual outcome will be reflected in the Group's Consolidated Statement of Comprehensive Income. Note 21 details the main assumptions in accounting for the Group's defined benefit pension schemes.

Tax and deferred tax

Aspects of tax accounting require management judgement and interpretation of tax legislation across many jurisdictions, in some cases relating to items which may not be resolved with the relevant tax authority for many years.

In determining the carrying amounts of deferred tax assets, management is required to assess the timing of the utilisation of provisions for tax purposes and whether it is probable that sufficient taxable profits will be available to enable the asset to be recovered.

Going concern

The Group has recorded profits in the current year and has significantly reduced financial borrowings, partly due to the disposal of the North American business.

The Group has prepared forecasts with certain sensitivities and whilst the economic conditions have stabilised there continues to be certain risks including mortgage availability and weakened demand due to market environment. However the Directors are satisfied that the Group will be able to continue to operate within the available financing facilities for at least the next 12 months from the date of signing these financial statements.

Accordingly the consolidated financial statements have been prepared on a going concern basis.

Adoption of new and revised Standards and Interpretations

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IAS 24 (amended) Related party disclosures. Clarifies and simplifies the definition of a related party and will require certain entities to make additional disclosures. The amendment is not expected to have any impact on the Group's financial statements.

IAS 32 (amended) Financial instruments presentation. Classification of Rights issue, where offered for a fixed amount of foreign currency, these should be classified as equity. The amendment is not expected to have any impact on the Group's financial statements.

IFRIC 14 (amended) Prepayments of a minimum funding requirement. These amendments correct an unintended consequence of IFRIC 14 where in some circumstances entities are not entitled to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued.

IFRIC 19 Extinguishing financial liabilities and equity instruments. Requires that where a debtor issues equity instruments to a creditor to settle all or part of a financial liability, these instruments should be deemed fully paid and measured at the fair value of the liability extinguished. The amendment is not expected to have any impact on the Group's financial statements.

Improvements to IFRSs 2010 (amendments). This release incorporated amendments to seven International Financial Reporting Standards (IFRSs). This is part of the IASB's amendments issued under the annual improvements process, which is designed to make necessary, but non-urgent, amendments to IFRSs.

Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, there are no Standards and Interpretations which have not been applied in these financial statements that were in issue and endorsed by the EU but not yet effective.

2. General information

Taylor Wimpey plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 114. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Review on pages 6 to 10.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on pages 61 to 62.

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3. Revenue

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

£ million	2011	2010 (Restated Note 1)
Housing	**1,783.1**	1,756.3
Land sales	**24.9**	11.4
Consolidated revenue	**1,808.0**	1,767.7
Interest receivable	**3.7**	3.4
Total revenue for the year	**1,811.7**	1,771.1

Housing revenue includes £143.9 million (2010: £128.0 million) in respect of the value of properties accepted in part exchange by the Group.

4. Operating segments

IFRS 8 Operating segments requires information to be presented in the same basis as it is reviewed internally. The Group's Board of Directors view the businesses on a geographic basis when making strategic decisions for the Group and as such the Group is organised into three operating divisions – Housing United Kingdom, Housing Spain, and Corporate.

The North American business has been presented as discontinued operations following its disposal on 13 July 2011. The prior year net assets of the North American business have been presented separately as discontinued operations.

Segment information about these businesses is presented below:

For the year to 31 December 2011 £ million	Housing United Kingdom	Housing Spain	Corporate	Consolidated
Revenue:				
External sales	**1,779.4**	**28.6**	**–**	**1,808.0**
Result:				
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	**172.0**	**0.2**	**(13.9)**	**158.3**
Share of results of joint ventures	**1.2**	**–**	**–**	**1.2**
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	**173.2**	**0.2**	**(13.9)**	**159.5**
Exceptional items	**(5.8)**	**–**	**–**	**(5.8)**
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	**167.4**	**0.2**	**(13.9)**	**153.7**
Finance costs, net (including exceptional finance costs)				**(75.1)**
Profit on ordinary activities before taxation				**78.6**
Taxation (including exceptional tax)				**(22.7)**
Result from continuing operations:				**55.9**
Result from discontinued operations:				
Profit for the year from discontinued operations				**43.1**
Profit for the year – total Group				**99.0**

4. Operating segments continued

At 31 December 2011 £ million	Housing United Kingdom	Housing Spain	Corporate	Consolidated
Assets and liabilities:				
Segment operating assets	**2,761.9**	**76.1**	**1.5**	**2,839.5**
Joint ventures	**31.7**	**0.2**	**–**	**31.9**
Segment operating liabilities	**(1,072.1)**	**(14.9)**	**(115.8)**	**(1,202.8)**
Continuing Group net operating assets/(liabilities)	**1,721.5**	**61.4**	**(114.3)**	**1,668.6**
Net current taxation				**(59.5)**
Net deferred taxation				**342.8**
Net debt				**(116.9)**
Net assets				**1,835.0**

2011 £ million	Housing United Kingdom	Housing Spain	Corporate	Consolidated
Other information – continuing operations:				
Property, plant and equipment additions	**0.8**	**0.1**	**–**	**0.9**
Software development costs	**4.1**	**–**	**–**	**4.1**
Depreciation – plant and equipment	**0.6**	**0.2**	**–**	**0.8**

For the year to 31 December 2010 (restated Note 1) £ million	Housing United Kingdom	Housing Spain	Corporate	Consolidated
Revenue:				
External sales	1,736.6	31.1	–	1,767.7
Result:				
Profit/(loss) on ordinary activities before joint ventures, finance costs and exceptional items	123.3	(3.6)	(19.1)	100.6
Share of results of joint ventures	(0.3)	–	–	(0.3)
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	123.0	(3.6)	(19.1)	100.3
Exceptional items	–	(17.3)	(38.2)	(55.5)
Profit/(loss) on ordinary activities before finance costs, after share of results of joint ventures and exceptional items	123.0	(20.9)	(57.3)	44.8
Finance costs, net (including exceptional finance costs)				(199.6)
Loss on ordinary activities before taxation				(154.8)
Taxation (including exceptional tax)				329.5
Result from continuing operations:				174.7
Result from discontinued operations:				
Profit for the year from discontinued operations				84.6
Profit for the year – total Group				259.3

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4. Operating segments continued

At 31 December 2010 (restated Note 1) £ million	Housing United Kingdom	Housing Spain	Corporate	Consolidated
Assets and liabilities – continuing operations:				
Segment operating assets	2,719.4	82.6	10.3	2,812.3
Joint ventures	33.7	0.2	–	33.9
Segment operating liabilities	(1,124.5)	(12.9)	(75.0)	(1,212.4)
Net operating assets/(liabilities)	1,628.6	69.9	(64.7)	1,633.8
Discontinued operations				
Operating assets				900.5
Operating liabilities				(287.8)
				612.7
Total net operating assets				2,246.5
Goodwill				2.4
Net current taxation				(142.9)
Net deferred taxation				371.6
Net debt				(654.5)
Net assets				1,823.1

2010 £ million (restated Note 1)	Housing United Kingdom	Housing Spain	Corporate	Consolidated
Other information – continuing operations:				
Property, plant and equipment additions	1.7	0.1	–	1.8
Software development costs	1.0	–	–	1.0
Depreciation – plant and equipment	2.2	0.2	–	2.4

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

£ million	2011	2010 (Restated Note 1)
Administration expenses	**136.4**	127.0
Net other (income)/expense	**(7.0)**	2.2
Exceptional items	**5.8**	38.2
	135.2	167.4

Net other income/(expense) includes profits on the sale of property, plant and equipment, VAT refunds and ground rents receivable.

Exceptional items: £ million	2011	2010 (Restated Note 1)
Net land and work in progress write-downs	**–**	17.3
Restructuring costs	**–**	6.5
Refinancing expenses	**–**	31.7
Pension enhanced transfer value offer	**5.8**	–
Exceptional items	**5.8**	55.5

Market conditions have stabilised in the United Kingdom, however there continues to be uncertainty due to continued scarcity of mortgage finance and unemployment. The Spanish market whilst stable continues to be challenging, however there have been no material market condition changes. The Group has completed its assessment on the carrying value of land and work in progress which has not resulted in further land and work in progress net write-downs (31 December 2010: £17.3 million) to the lower of cost and net realisable value, nor any reversals of previous write-downs (2010: £nil million) as there is no clear evidence of a sustained change in the economic circumstances at the balance sheet date.

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

The current year exceptional costs of £5.8 million relates to the George Wimpey Staff Pension Scheme (GWSPS) enhanced transfer value exercise. Deferred members of the GWSPS have been offered enhanced transfer values in an exercise designed to reduce the volatility of the Group's future pension obligations.

In 2010 the Group incurred £6.5 million of costs predominantly in relation to actions relating to the Group's review of strategic options with regards to the North American business. Refinancing expenses of £31.7 million incurred in 2010 were predominantly fees payable to lenders and advisors in relation to the refinancing of the Group's debt facilities.

The Group paid a premium over nominal value of £5.5 million following the repurchase of £85.4 million of Senior Notes 10.375% due 2015 and this is presented as an exceptional finance charge (Note 7). In 2010 £83.4 million interest related breakage costs on the refinancing were included within exceptional finance costs in the Consolidated Income Statement.

Profit on ordinary activities before financing costs for continuing operations has been arrived at after charging: £ million	2011	2010 (Restated Note 1)
Cost of inventories recognised as expense in cost of sales, before write-downs of inventories	1,454.4	1,478.2
Write-downs of inventories	–	17.3
Depreciation – plant and equipment	0.8	2.4
Minimum lease payments under operating leases recognised in income for the year	6.6	5.5

The remuneration paid to Deloitte LLP, the Group's external auditors, is as follows: £ million	2011	2010
Fees payable to the Company's auditors for the audit of the Company's annual accounts and consolidated financial statements	0.1	0.2
Fees payable to the Company's auditors and their associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	0.3	0.6
Total audit fees	0.4	0.8
Other services pursuant to legislation	0.1	0.1
Tax services	0.5	0.7
Corporate finance services	0.2	–
Other assurance services	0.4	2.0
Total non-audit fees	1.2	2.8
Total fees	1.6	3.6

Non-audit services in 2011 and 2010 predominantly relate to work undertaken as a result of Deloitte LLP's role as auditors, or work resultant from knowledge and experience gained as part of the role. Other services include necessary work related to the Group's refinancing process and certain attest services in relation to the interested party offers for the North American business. Their work was either the subject of a competitive tender or was best performed by the Group's auditors because of their knowledge of the Group. Tax services include tax compliance work and advisory services for Taylor Wimpey plc and subsidiaries. See page 36 for details of the Group's policies in respect of non-audit services and approval by the Audit Committee.

6. Staff costs

Continuing Group	2011 Number	2010 Number (Restated Note 1)
Average number employed		
Housing United Kingdom including corporate office	3,464	3,484
Housing Spain	65	85
	3,529	3,569
United Kingdom	3,464	3,484
Overseas	65	85
	3,529	3,569
Discontinued operations	337	731

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6. Staff costs continued

£ million	2011	2010 (Restated Note 1)
Remuneration		
Wages and salaries	**143.9**	143.2
Redundancy costs	**1.8**	1.8
Social security costs	**18.1**	17.3
Other pension costs	**6.6**	7.2
	170.4	169.5
Discontinued operations	**33.2**	64.7

The information required by the Companies Act 2006 and the Listing Rules of the Financial Services Authority is contained on pages 39 to 50 in the Directors' Remuneration Report.

7. Finance costs

Finance costs from continuing operations are analysed as follows:

£ million	2011	2010 (Restated Note 1)
Interest on overdrafts, bank and other loans	**29.1**	27.2
Interest on debenture loans	**23.2**	58.0
Movement on interest rate derivatives and foreign exchange movements	**(1.0)**	2.4
	51.3	87.6
Unwinding of discount on land creditors and other payables	**7.9**	9.0
Notional net interest on pension liability (Note 21)	**14.1**	23.0
	73.3	119.6
Exceptional finance costs:		
Senior Note 10.375% due 2015 premium and bank loans and debenture fees and breakage fees	**5.5**	83.4
	78.8	203.0

The exceptional finance costs incurred in 2011 relate to the premium paid on the repurchase of £85.4 million of Senior Notes 10.375% due 2015 and the prior year costs relate to one-off interest related breakage payments following the early redemption of loan notes, debenture loans and certain arrangement fees.

8. Tax

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

£ million		2011	2010 (Restated Note 1)
Current tax:			
UK corporation tax:	Current year	**–**	(0.8)
	Prior years	**6.0**	60.8
Foreign tax:	Current year	**–**	–
	Prior years	**(0.2)**	0.1
		5.8	60.1
Deferred tax:			
UK:	Current year	**(28.5)**	269.4
		(28.5)	269.4
		(22.7)	329.5

Corporation tax is calculated at 26.5% (2010: 28%) of the estimated assessable profit (2010: loss) for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year includes a credit in respect of exceptional items of £1.5 million (2010: £360.8 million credit) in respect of UK tax. The 2010 credit in the UK related to the recognition of a deferred tax asset of £300.0 million relating to trading losses carried forward and the settlement of various issues with HM Revenue and Customs.

8. Tax continued

The charge for the year includes an amount of £22.2 million relating to the impact on the deferred tax asset of the 2% reduction in UK corporation tax from 27% to 25%.

The (charge)/credit for the year can be reconciled to the profit/(loss) per the income statement as follows:

£ million	2011	2010 (Restated Note 1)
Profit/(loss) before tax	78.6	(154.8)
Tax at the UK corporation tax rate of 26.5% (2010: 28%)	(20.8)	43.3
Net over-provision in respect of prior years	5.8	60.8
Tax effect of expenses that are not deductible in determining taxable profit	(0.3)	(5.9)
Non-taxable income	–	0.2
Losses not recognised	(7.3)	(45.2)
Recognition of deferred tax asset relating to trading losses	22.1	300.0
Current year impact of settlement with Tax Authorities	–	(23.7)
Impact of 2% rate reduction on deferred tax	(22.2)	–
Tax (charge)/credit for the year	(22.7)	329.5

9. Earnings per share

	2011	2010 (Restated Note 1)
Basic earnings per share	3.1p	8.1p
Diluted earnings per share	3.0p	7.9p
Basic earnings per share – continuing operations	1.8p	5.5p
Diluted earnings per share – continuing operations	1.7p	5.3p
Basic earnings per share – discontinued operations	1.4p	2.6p
Diluted earnings per share – discontinued operations	1.3p	2.6p
Adjusted basic earnings/(loss) per share – continuing operations	2.1p	(1.5p)
Adjusted diluted earnings/(loss) per share – continuing operations	2.0p	(1.4p)
Weighted average number of shares for basic/adjusted earnings per share – million	3,190.1	3,193.8
Weighted average number of shares for diluted basic/adjusted earnings/(loss) per share – million	3,282.3	3,297.6

Adjusted basic and adjusted diluted earnings per share, which exclude the impact of exceptional items and the associated net tax charges, are shown to provide clarity on the underlying performance of the Group. A reconciliation of earnings attributable to equity shareholders used for basic and diluted earnings per share to that used for adjusted earnings per share is shown below.

£ million	2011	2010 (Restated Note 1)
Earnings from continuing operations for basic profit per share and diluted earnings per share	55.9	174.7
Adjust for exceptional items (Notes 5 and 7)	11.3	138.9
Adjust for exceptional tax items (Note 8)	(1.5)	(360.8)
Earnings/(loss) from continuing operations for adjusted basic and adjusted diluted earnings per share	65.7	(47.2)

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10. Goodwill

£ million	
Cost and carrying amount	
At 1 January 2010 and 1 January 2011	2.4
Disposal of subsidiaries	(2.4)
At 31 December 2011	–

The goodwill related to a mortgage advisory service acquired within the North American business in a prior year. It was disposed of in the current year when the North American business was sold on 13 July 2011.

11. Other intangible assets

£ million	Brands	Software development costs	Total
Cost			
At 1 January 2010	140.2	18.7	158.9
Additions	–	1.0	1.0
At 31 December 2010	140.2	19.7	159.9
Additions	–	4.1	4.1
Disposals	–	(18.7)	(18.7)
At 31 December 2011	**140.2**	**5.1**	**145.3**
Amortisation/impairment			
At 1 January 2010	(140.2)	(18.7)	(158.9)
Charge for the year	–	–	–
At 31 December 2010	(140.2)	(18.7)	(158.9)
Charge for the year	–	–	–
Disposals	–	18.7	18.7
At 31 December 2011	**(140.2)**	**–**	**(140.2)**
Carrying amount			
31 December 2011	**–**	**5.1**	**5.1**
31 December 2010	–	1.0	1.0

The Group has evaluated its performance in the current year and concluded that it would not be appropriate to reverse any of the previously recognised impairment charges.

Additions in the year relate to certain software and consultancy services relating to a new IT system being developed for use by the operational business units.

During the year the Group disposed of software development costs which were previously held at nil book value.

12. Property, plant and equipment

£ million	Freehold land and buildings	Plant and equipment	Total
Cost			
At 1 January 2010	1.0	26.2	27.2
Additions	–	3.7	3.7
Disposals	–	(4.7)	(4.7)
Changes in exchange rates	–	0.3	0.3
At 31 December 2010	1.0	25.5	26.5
Additions	0.5	1.2	1.7
Disposals	–	(4.3)	(4.3)
Disposal of subsidiaries	–	(7.8)	(7.8)
Changes in exchange rates	–	(0.1)	(0.1)
At 31 December 2011	**1.5**	**14.5**	**16.0**
Accumulated depreciation			
At 1 January 2010	–	(19.0)	(19.0)
Disposals	–	4.7	4.7
Charge for the year	–	(4.3)	(4.3)
Changes in exchange rates	–	(0.3)	(0.3)
At 31 December 2010	–	(18.9)	(18.9)
Disposals	–	3.7	3.7
Charge for the year	–	(1.7)	(1.7)
Disposal of subsidiaries	–	5.8	5.8
Changes in exchange rates	–	0.1	0.1
At 31 December 2011	**–**	**(11.0)**	**(11.0)**

Carrying amount £ million	Freehold land and buildings	Plant and equipment	Total
At 31 December 2011	**1.5**	**3.5**	**5.0**
At 31 December 2010	1.0	6.6	7.6

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13. Interests in joint ventures

£ million	2011	2010
Aggregated amounts relating to share of joint ventures		
Current assets	40.8	60.0
Total assets	40.8	60.0
Current liabilities	(2.6)	(2.7)
Non-current liabilities	(32.2)	(36.0)
Total liabilities	(34.8)	(38.7)
Carrying amount	6.0	21.3
Loans to joint ventures	25.9	28.4
Total interests in joint ventures	31.9	49.7

£ million	2011	2010 (Restated Note 1)
Share of post-tax profits from joint ventures		
Revenue	1.6	3.8
Cost of sales	(1.0)	(4.1)
Gross profit/(loss)	0.6	(0.3)
Net operating income	0.9	–
Profit/(loss) on ordinary activities before finance costs	1.5	(0.3)
Finance costs	(0.2)	–
Profit/(loss) on ordinary activities before tax	1.3	(0.3)
Taxation	(0.1)	–
Share of joint ventures' post-tax results for the year	1.2	(0.3)

The Group has two (2010: three) principal joint ventures.

Particulars of principal joint ventures are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts	Taylor Wimpey plc interest in the issued ordinary share capital
Great Britain	Strada Developments Limited [(a)]	50%
Great Britain	Academy Central Limited Liability Partnership [(a)(b)]	62%

(a) Interest held by subsidiary undertakings.

(b) The Group is equally represented on the Board of Academy Central Limited Liability Partnership. It and the other partner have equal voting rights over operational management of the entity.

14. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

£ million	Losses	Retirement benefit obligations	Other temporary differences	Total
At 1 January 2010	–	114.7	4.1	118.8
Credit/(charge) to income[(a)]	300.0	(30.6)	(1.2)	268.2
Charge to equity[(a)]	–	(15.9)	–	(15.9)
Changes in exchange rates	–	0.1	0.4	0.5
At 31 December 2010	300.0	68.3	3.3	371.6
(Charge)/credit to income	(10.2)	(18.6)	0.3	(28.5)
Credit to equity	–	4.8	–	4.8
Disposal of subsidiaries	–	(1.8)	(3.3)	(5.1)
At 31 December 2011	**289.8**	**52.7**	**0.3**	**342.8**

(a) 2010 income statement movements have not been restated

Closing deferred tax on UK temporary differences has been calculated at the enacted rate of 25% (2010: 27%). The effect of the reduction in the UK corporation tax rate from 27% to 25% is a reduction in the net deferred tax asset at the end of 2011 of an amount of £26.4 million. Of this £26.4 million, £4.2 million has been charged directly to the Statement of Comprehensive Income.

The proposed reduction in the main rate of corporation tax by 1% per year to 23% by 2014 is expected to be enacted separately each year. Based on the level of deferred tax recognised at the balance sheet date a charge of £13.7 million for each 1% reduction would arise. The Group will assess the impact of the reduction in rate in line with its accounting policy in respect of deferred tax at each balance sheet date.

The net deferred tax balance is analysed into assets and liabilities as follows:

£ million	2011	2010
Deferred tax assets	**342.8**	372.4
Deferred tax liabilities	**–**	(0.8)
	342.8	371.6

The Group has not recognised potential deferred tax assets relating to tax losses and other temporary differences carried forward amounting to £67.6 million (2010: £78.6 million) in the UK and £24.7 million (2010: £29.8 million) in other jurisdictions.

At the balance sheet date, the Group has unused UK capital losses of £252.4 million (2010: £253.0 million), all of which are agreed as available for offset against future capital profits. In 2010 the Group conceded a significant proportion of capital losses as part of a wider settlement agreement with HM Revenue & Customs. No deferred tax asset has been recognised in respect of the remaining capital losses at 31 December 2011 because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future.

15. Inventories

£ million	2011	2010
Raw materials and consumables	**1.2**	1.7
Finished goods and goods for resale	**17.9**	19.4
Residential developments:		
Land[(a)]	**2,018.9**	2,248.4
Development and construction costs	**643.8**	1,159.6
Commercial, industrial and mixed development properties	**4.8**	7.1
	2,686.6	3,436.2

(a) Details of land creditors are in Note 19

The Directors consider all inventories to be current in nature. The operational cycle is such that the majority of inventory will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

Continuing Group gross profit includes a positive contribution of £99.6 million (2010: £103.5 million), relating to realisation of written down inventory above its originally estimated net realisable value, where our market assumptions in previous net realisable value exercises have been exceeded. This has partly been due to actions taken by the Group in the re-plan of sites, the further utilisation of standard house types and continued value engineering driving build cost savings as well as other external factors. These amounts are stated before the allocation of overheads excluded from the Group's net realisable value exercise.

16. Other financial assets

Trade and other receivables

£ million	Current		Non-current	
	2011	2010	2011	2010
Trade receivables	44.8	94.0	68.2	74.8
Currency and interest rate derivatives	–	–	–	6.2
Other receivables	27.7	61.7	2.1	15.5
	72.5	155.7	70.3	96.5

The average credit period taken on sales is 8 days (2010: 16 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £5.5 million (2010: £8.3 million). This allowance has been determined by reference to past default experience.

Cash and cash equivalents

£ million	2011	2010
Cash and cash equivalents (see Note 20)	147.7	183.9

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value in both years.

17. Overdrafts, bank and other loans

£ million	2011	2010
Bank overdrafts repayable on demand	–	12.1
Bank loans	–	476.3
Other loans	100.0	100.0
	100.0	588.4
Amount due for settlement within one year	–	15.1
Amount due for settlement after one year	100.0	573.3
Total bank borrowings	100.0	588.4

£ million	Bank overdraft	Bank and other loans
Analysis of borrowings by currency:		
31 December 2011		
Sterling	–	100.0
	–	100.0
Analysis of borrowings by currency:		
31 December 2010		
Sterling	–	152.0
Canadian dollars	12.1	–
Euros	–	97.4
US dollars	–	326.9
	12.1	576.3

Bank borrowings and overdrafts are borrowed at variable rates of interest, from 3.0% to 6.0% (2010: 2.5% to 6.0%).

Secured bank loans and overdrafts outstanding totalled £nil million (2010: £15.1 million). Secured bank loans and overdrafts are secured on certain fixed asset properties, land and mortgages receivable.

Other loans comprise a £100.0 million (2010: £100.0 million) variable rate term loan with an investment fund.

18. Debenture loans

£ million	2011	2010
Unsecured		
£250m Senior Note 10.375% due 2015	**164.6**	250.0
Carrying value	**164.6**	250.0
Fair value	**175.4**	261.2

The fair value for all debenture loans has been derived from inputs that are observable for the liability either directly or indirectly, relevant for the term and currency.

During the current year the Group has repurchased £85.4 million of Senior Notes 10.375% due 2015.

£ million	2011	2010
Repayable		
Total falling due in more than one year	**164.6**	250.0
	164.6	250.0

Interest rates and currencies of debenture loans:

	Fixed rate £ million	Weighted average interest rate %	Weighted average time until maturity years
31 December 2011			
Sterling	**164.6**	**10.4**	**4.0**
31 December 2010			
Sterling	250.0	10.4	5.0
	250.0	10.4	5.0

As part of the Group's £250.0 million Senior Notes issued on 14 December 2010, disclosures of certain metrics are required to be annually presented, including the following:

- 'Net financial expense', considered to be the Group's interest on overdrafts, bank and other loans and interest on debenture loans less bank interest receivable was £52.3 million (2010: £85.8 million).
- 'Interest coverage ratio', defined as profit on ordinary activities before finance costs and exceptional items over the net financial expense. In the year this ratio was 3.0 (2010: 2.1).
- 'Net debt/EBITDA' defined as the Group's overdrafts, debenture, bank and other loans less cash and cash equivalents over profit/(loss) on ordinary activities before finance costs, exceptional items, depreciation and amortisation and after share of results of joint ventures. At 31 December 2011 the ratio was 0.7 (2010: 3.3).

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19. Trade and other payables

£ million	Current 2011	Current 2010	Non-current 2011	Non-current 2010
Trade payables	322.2	374.5	144.4	175.9
Currency and interest rate derivatives	1.4	9.0	–	–
Other payables	374.2	519.4	55.3	81.2
	697.8	902.9	199.7	257.1

Trade payable days were 32 days (2010: 30 days), based on the ratio of year end trade payables (excluding sub-contract retentions and unagreed claims of £31.2 million (2010: £34.4 million) and land creditors) to amounts invoiced during the year by trade creditors.

Other payables include customer deposits for reserving plots of £17.0 million (2010: £83.8 million) and £136.4 million (2010: £133.8 million) relating to certain accruals associated with completed sites.

Land creditors (included within trade payables) are due as follows:

£ million	2011	2010
Due within one year	163.5	198.4
Due in more than one year	142.9	170.8
	306.4	369.2

Land creditors are denominated as follows:

£ million	2011	2010
Sterling	303.9	317.1
US dollars	–	1.6
Canadian dollars	–	47.2
Euros	2.5	3.3
	306.4	369.2

Land creditors of £197.3 million (2010: £160.2 million) are secured against land acquired for development, or supported by bond or guarantee.

20. Financial instruments

Capital management

The Group's objective is to obtain a strong credit rating for the business and to have an appropriate funding structure based on maintaining a minimum interest cover and within a maximum level of gearing adjusted for land creditors. Shareholders' equity and long term debt are used to finance fixed assets and medium to long term land bank. Revolving credit facilities are used to fund net current assets including work in progress.

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets £ million	Note	2011 Carrying value	2010 Carrying value
Cash and cash equivalents	(b)	147.7	183.9
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	–	–
Held for trading	(a)	–	6.2
Loans and receivables:			
Land receivables	(b)	9.9	15.4
Trade and other receivables	(b)	41.9	121.1
Mortgage receivables	(b)	66.5	54.9
		266.0	381.5

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

Current and non-current trade and other receivables, as disclosed in Note 16, include £24.5 million (2010: £70.0 million) of non-financial assets.

20. Financial instruments continued

Financial liabilities £ million	Note	2011 Carrying value	2010 Carrying value
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	–	–
Held for trading	(a)	1.4	9.0
Amortised cost:			
Overdrafts, bank and other loans		100.0	588.4
Land creditors	(b)	306.4	369.2
Trade and other payables	(b)	501.6	571.6
Debenture loans	(c)	164.6	250.0
		1,074.0	1,788.2

(a) Derivative financial instruments are carried at fair value. The fair values are derived from inputs that are observable for the asset or liability either directly or indirectly and relevant for the term, currency and instrument.

(b) The Directors consider that the carrying amount of other financial assets and liabilities recorded in the financial statements approximates their fair values.

(c) Details of fair values of debenture loans are provided in Note 18.

Land creditors are included in the balance sheet as trade and other payables for current and non-current amounts. Current and non-current trade and other payables, as disclosed in Note 19, include £88.1 million (2010: £210.2 million) of non-financial liabilities.

The Group has the following types of derivatives:

	2011 Notional amount	2011 Weighted average fixed	2010 Notional amount	2010 Weighted average fixed
Designated as held for trading:				
Floating £ to fixed £ interest	£35.0m	5.80%	£185.0m	5.28%
US$160.5m floating US$ to fixed £ interest	–	–	£100.0m	6.63%
Designated as hedging instruments:				
Currency forward contract to sell € against £	€55.0m	n/a	–	–

In addition, forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy /(sell) against Sterling: €79.5 million and C$(0.9) million (2010: C$192.0 million). The fair values of the forward contracts are not material as they were entered into on or near 31 December in each year and mature not more than one month later.

Profit/(loss) before tax has been arrived at after charging/(crediting) the following gains and losses: £ million	2011	2010 (Restated Note 1)
Change in fair value of financial liabilities designated as effective hedged items	–	1.2
Change in fair value of derivatives designated as effective hedging instruments	–	(1.2)
Change in fair value of derivatives classified as held for trading	1.5	2.5
	1.5	2.5

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks by the use of fixed or variable rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and variable interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. A combination of fixed rate borrowings and interest rate swaps are used to manage the volatility risk such that at the year end, if borrowings are greater than 50% of tangible net assets then taking all interest rate derivatives into account, fixed rate borrowings are not normally more than 70% of total borrowings and not less than 30%. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility.

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20. Financial instruments continued

In order to measure the risk, variable rate borrowings and the expected interest cost for the year are forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year. At the year end the Group had £200.0 million (2010: £335.0 million) of fixed rate exposure equivalent to 171% (2010: 51%) of net debt.

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with Group policy. Only one interest rate swap is currently held which does not satisfy the strict requirements for hedge accounting and is therefore designated as held for trading.

A forward contract is currently being used to hedge the net investment risk in the Spanish operations.

Interest rate sensitivity

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at the balance sheet date, for a 1% (2010: 1%) rise in interest rates is £0.4 million (2010: £(4.0) million), before tax. A fall of 1% (2010: 1%) in interest rates gives the same but opposite effect. For derivatives the fair values have been calculated based on rates available from a recognised financial information provider adjusted for the sensitivity as shown in the tables below.

The table assumes all other variables remain constant and in accordance with IFRS 7 does not attempt, for example, to include the effects of any resultant change in exchange rates.

1% increase in interest rates £ million	Sensitivity income 2011	Sensitivity equity 2011	Sensitivity income 2010	Sensitivity equity 2010
Derivatives	0.3	0.3	0.4	0.4
Non-derivatives	0.4	0.4	(4.0)	(4.0)
	0.7	0.7	(3.6)	(3.6)

1% decrease in interest rates £ million	Sensitivity income 2011	Sensitivity equity 2011	Sensitivity income 2010	Sensitivity equity 2010
Derivatives	(0.3)	(0.3)	(0.4)	(0.4)
Non-derivatives	(0.4)	(0.4)	4.0	4.0
	(0.7)	(0.7)	3.6	3.6

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates. The Group completed the sale of its North American business in July 2011 and as such Spain is the only remaining overseas business.

The Group is not materially exposed to transaction risks as all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is also exposed to the translation risk of accounting for both the income and the net investment held in functional currencies other than Sterling. The net investment risk is partially hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates and resultant exchange gains or losses monitored each month. Income is also measured monthly using the latest exchange rates and compared to a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings the translation risk of income is not hedged using derivatives. The policy is kept under periodic review.

The Group's exposure to, and the way in which it manages, exchange rate risk has not changed from the previous year.

Hedge accounting

The Group has designated the carrying value of €55.0 million (2010: US$138.0 million and €75.0 million) borrowings or foreign currency forward contracts as a net investment hedge of part of the Group's investment in Euro denominated assets.

The change in the carrying amount of the derivatives which were effective hedging instruments and the change in the carrying value of the borrowings offset the exchange movement on the Group's US dollar and € net investments and are included in the translation reserve. Following the disposal of the North American business, £59.1 million of translation reserves were recycled through the income statement.

20. Financial instruments continued

Foreign currency sensitivity

Following the disposal of the North American business, the Group is only exposed to the Euro due to its Spanish operations. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis, to a 15% increase (2010: 15%) in the respective currencies against Sterling and in accordance with IFRS 7, all other variables remaining constant. A 15% (2010: 15%) decrease in the value of Sterling would have an equal but opposite effect.

The 15% (2010: 15%) change represents a reasonably possible change in the specified foreign exchange rates in relation to Sterling.

£ million	Income sensitivity 2011	Equity sensitivity 2011	Income sensitivity 2010	Equity sensitivity 2010
US dollar	–	–	0.1	(13.1)
Canadian dollar	–	–	(0.2)	(29.9)
Euro	1.0	(5.9)	(0.3)	(9.9)
	1.0	(5.9)	(0.4)	(52.9)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

The Group's policy is that surplus cash when not used to repay borrowings is placed on deposit with the Group's main relationship banks and with other banks based on a minimum credit rating.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that if the risk is not acceptable then the deferred payment must have adequate security, either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management considers that the credit quality of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk. A small allowance for credit losses against sundry debtors is held, however the balance is not material in relation to the gross carrying value of this particular class of financial asset.

Mortgages receivables, including shared equity, are in connection with the various promotion schemes to support sales on a selective basis. The mortgages are mostly secured by a second charge over the property and are held at their carrying value.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of term cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities for a minimum of 12 months from maturity. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. The Group has a range of maturities with an average life of 3.2 years (2010: 3.5 years).

In addition to term borrowings and committed overdraft facilities the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £600.0 million (2010: £477.0 million) and cash and cash equivalents of £147.7 million (2010: £183.9 million).

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20. Financial instruments continued

The maturity profile of the anticipated future cash flows including interest using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis is as follows:

Financial liabilities £ million	Overdrafts, bank and other loans	Land creditors	Trade and other payables*	Debenture loans	Total
On demand	–	–	–	–	–
Within one year	5.8	169.5	456.7	17.1	649.1
More than one year and less than two years	5.8	84.6	28.3	17.1	135.8
More than two years and less than five years	108.8	57.2	15.0	198.7	379.7
In more than five years	–	16.8	1.6	–	18.4
31 December 2011	**120.4**	**328.1**	**501.6**	**232.9**	**1,183.0**

* Excludes land creditors

Financial liabilities £ million	Bank loans and overdraft	Land creditors	Trade and other payables*	Debenture loans	Total
On demand	15.1	–	–	–	15.1
Within one year	22.1	201.0	499.8	28.0	750.9
More than one year and less than two years	194.4	86.6	19.3	25.9	326.2
More than two years and less than five years	432.3	65.3	20.0	327.8	845.4
In more than five years	–	38.0	2.4	–	40.4
31 December 2010	663.9	390.9	541.5	381.7	1,978.0

* Excludes land creditors

The following table represents the undiscounted cash flow profile of the Group's derivative financial instruments and has been calculated using implied interest rates and exchange rates derived from the respective yield curves. Interest rate swaps are settled net and foreign currency swaps and forward contracts are settled gross, except in the case of a default by either party where the amounts may be settled net.

Derivatives £ million	Net-settled derivatives net amount	Gross-settled derivatives receivable	Gross-settled derivatives payable	Total
Within one year	(1.6)	–	–	(1.6)
More than one year and less than two years	–	–	–	–
More than two years and less than five years	–	–	–	–
31 December 2011	**(1.6)**	**–**	**–**	**(1.6)**

Derivatives £ million	Net-settled derivatives net amount	Gross-settled derivatives receivable	Gross-settled derivatives payable	Total
Within one year	(7.7)	6.6	(2.6)	(3.7)
More than one year and less than two years	(1.4)	106.6	(104.5)	0.7
More than two years and less than five years	–	–	–	–
31 December 2010	(9.1)	113.2	(107.1)	(3.0)

21. Retirement benefit schemes

Retirement benefit obligation comprises gross pension liability of £208.2 million (2010: £248.5 million) and gross post-retirement healthcare liability of £2.0 million (2010: £2.0 million).

The Group operates defined benefit and defined contribution pension schemes. In the UK, the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) are funded defined benefit schemes and are managed by boards of Trustees. The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002 and with the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) on 27 August 2004. The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006 and the GWSPS was closed to future accrual with effect from 31 August 2010. An alternative defined contribution arrangement, the Taylor Wimpey Personal Choice Plan (TWPCP), is offered to new employees and to members of the defined benefit schemes when they were closed to future accrual. Legacy George Wimpey staff were members of a UK Stakeholder arrangement and contributions to the arrangement ceased with effect from 31 August 2010. These members were offered membership of the TWPCP. The Group also operated a number of small overseas pension schemes including defined benefit schemes in the US and Canada, until 13 July 2011 when the business was disposed of. The Group made an additional payment of £16.25 million to each of the UK defined benefit schemes following the sale of the North American businesses in July 2011. Future revaluation of deferred member benefits in the UK defined benefit schemes will be based on the CPI in line with scheme rules. Pensioner increases will continue to be based on RPI.

The pension scheme assets of the Group's principal defined benefit pension schemes, TWGP&LAF and GWSPS, are held in separate trustee-administered funds to meet long term pension liabilities to past and present employees. The Trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees is determined by each scheme's trust documentation. The Group has a policy that at least one-third of all trustees should be nominated by members of the scheme. The Trustees have agreed to hold Joint Trustee Board meetings to manage the schemes jointly, where appropriate, they have also implemented a Joint Investment Sub Committee to manage the investment of the combined defined benefit scheme assets. The Group and the Trustees have undertaken a review of the schemes' investment strategy, implementation of the investment changes started during 2011 and will be completed in 2012.

The most recent formal triennial valuations of the TWGP&LAF and the GWSPS were carried out as at 31 March 2010. The Group agreed revised funding schedules under which the Group will make annual funding contributions of £22.0 million per annum in respect of the TWGP&LAF over 10 years from the valuation date and £24.0 million per annum in respect of the GWSPS from the valuation date. Previously the Group was making annual funding contributions of £20.0 million per annum over eight years in respect of the TWGP&LAF and £25.0 million per annum over 10 years in respect of the GWSPS. Following the last valuation of the GWSPS, the ordinary contribution rate was set at 18% of pensionable salaries, which was applicable until the scheme was closed to future accrual in August 2010. The projected unit method was used in all valuations and assets were taken into account using market values.

In September 2011 the Group undertook an enhanced transfer value exercise, for members of the GWSPS, which was materially complete at the end of the year. There was an approximate 14% member uptake of the offer which included a 15% additional pension and cash contribution.

Contributions of £6.6 million (2010: £4.1 million) were charged to income in respect of defined contribution schemes.

The main financial assumptions, which were used for the triennial funding valuation and are all relative to the inflation assumption, are as set out below:

Assumptions	TWGP&LAF	GWSPS
RPI inflation	3.60%	3.85%
Discount rate – pre/post-retirement	6.85%-5.10%	6.75%-4.75%
General pay inflation	–	–
Real pension increases	0.00%	0.00%

Valuation results	TWGP&LAF	GWSPS
Market value of assets	£758m	£694m
Past service liabilities	£1,022m	£953m
Scheme funding levels	74%	73%

There have been two significant post valuation events, the future revaluation of deferred member benefits to be based on CPI from 1 January 2011, which will reduce liabilities by £20.0 million for the TWGP&LAF and £19.0 million for the GWSPS and the additional Company payment to each scheme of £37.5 million in December 2010 have increased assets for both schemes. Annual funding contributions take into account these post valuation events.

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21. Retirement benefit schemes continued

The results of the March 2010 valuations of the Group's pension schemes have been updated to 31 December 2011 and the position of overseas schemes has been included within the IAS 19 disclosures. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	United Kingdom 2011	United Kingdom 2010
As at 31 December		
Discount rate for scheme liabilities	4.90%	5.40%
Expected return on scheme assets	5.04%-5.43%	5.55%-5.92%
General pay inflation	n/a	n/a
Deferred pension increases	1.95%	2.45%
Pension increases	2.00%-3.55%	2.20%-3.65%

The basis for the above assumptions are prescribed by IAS 19 and do not reflect the assumptions that may be used in future funding valuations of the Group's pension schemes.

The current life expectancies (in years) underlying the value of the accrued liabilities for the main UK plans are:

	2011		2010	
Life expectancy	Male	Female	Male	Female
Member currently age 65	87	90	86	90
Member currently age 45	88	92	88	92

The life expectancies have been derived using mortality assumptions that were based on the results of a recent investigation into the mortality experience of the schemes. The base tables used are the PA92 series tables with appropriate age rating adjustments. Future improvements in life expectancy are allowed for in the form of the medium cohort projections, with a 1% per annum underpin to future improvements in life expectancy.

The fair value of assets and present value of obligations of the Group's defined benefit pension schemes are set out below:

	Expected rate of return % p.a	United Kingdom £ million	North America £ million	Total plans £ million	Percentage of total plan assets held
31 December 2011					
Assets:					
Equities	7.45%	641.8	–	641.8	38%
Bonds	4.70%	428.3	–	428.3	26%
Gilts	2.95%	459.2	–	459.2	27%
Other assets	2.80%-7.45%	151.3	–	151.3	9%
		1,680.6	–	1,680.6	100%
Present value of defined benefit obligations		(1,888.8)	–	(1,888.8)	
Deficit in schemes recognised as non-current liability		(208.2)	–	(208.2)	
31 December 2010					
Assets:					
Equities	7.65%	587.3	10.0	597.3	37%
Bonds	5.40%	324.9	7.0	331.9	21%
Gilts	4.15%	481.0	–	481.0	30%
Other assets	3.20%-7.65%	191.2	2.7	193.9	12%
		1,584.4	19.7	1,604.1	100%
Present value of defined benefit obligations		(1,828.4)	(24.2)	(1,852.6)	
Deficit in schemes recognised as non-current liability		(244.0)	(4.5)	(248.5)	

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on investments (particularly government bonds) and the historical level of the risk premium associated with the other asset classes in which the portfolio is invested. The expectations for future returns of each asset class were then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

21. Retirement benefit schemes continued

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold bonds issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered riskier investments. Similarly, the trustees have holdings in 'alternative' investments which are also considered riskier investments but are intended to reduce the overall risk of the portfolio by introducing greater diversification.

It is generally accepted that the yield on equity investments will contain a premium, 'the equity risk premium', to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

A summary of the target asset allocations of the major defined benefit schemes are shown below:

	TWGP&LAF	GWSPS
UK Equities	7.6%	5.3%
Non-UK Equities	30.4%	21.2%
Index-Linked Gilts	9.4%	20.3%
Fixed-Interest Gilts	5.1%	8.7%
Other bonds	25.0%	25.5%
Alternatives (GTAA; Opportunistic credit; EMD; Active commodities)	20.5%	19.0%
Property	2.0%	–

£ million	2011	2010 (Restated Note 1)
Amount charged against income:		
Current service cost	–	(3.2)
Settlement (loss)/curtailment gain[(a)]	(4.0)	12.0
Operating (cost)/income	(4.0)	8.8
Expected return on scheme assets	82.3	73.8
Interest cost on scheme liabilities	(96.4)	(96.8)
Finance charges	(14.1)	(23.0)
Total charge	(18.1)	(14.2)

(a) The settlement for 2011 is in relation to an enhanced transfer value exercise, and the curtailment for 2010 is in respect of the closure of the GWSPS to future accrual.

The actual return on scheme assets was a gain of £96.1million (2010: £145.7 million).

£ million	2011	2010 (Restated Note 1)
Actuarial gains in the Statement of Comprehensive Income:		
Difference between actual and expected return on scheme assets	13.8	70.7
Experience losses arising on scheme liabilities	–	(8.6)
Changes in assumptions	(47.0)	(12.8)
Actuarial loss associated with discontinued operations	–	(2.4)
Total (loss)/gain recognised in the Statement of Comprehensive Income	(33.2)	46.9

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21. Retirement benefit schemes continued

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income is £201.9 million loss (2010: £168.7 million loss).

£ million	2011	2010[a]
Movement in present value of defined benefit obligations		
1 January	**1,852.6**	1,818.7
Disposal of subsidiary	**(24.2)**	–
Changes in exchange rates	**–**	0.7
Service cost	**–**	3.7
Settlement loss/curtailment (gain)	**1.8**	(12.6)
Benefits paid and expenses	**(84.8)**	(81.0)
Contributions – employee	**–**	0.9
Interest cost	**96.4**	98.3
Actuarial losses	**47.0**	23.9
31 December	**1,888.8**	1,852.6

£ million	2011	2010[a]
Movement in fair value of scheme assets		
1 January	**1,604.1**	1,412.3
Disposal of subsidiary	**(19.7)**	–
Changes in exchange rates	**–**	0.7
Expected return on scheme assets and expenses	**82.3**	74.9
Contributions – employer and employee	**84.9**	126.4
Benefits paid	**(84.8)**	(81.0)
Actuarial gains	**13.8**	70.8
31 December	**1,680.6**	1,604.1

(a) 2010 income statement movements have not been restated

£ million	2011	2010	2009	2008	2007
History of experience gains and losses:					
Fair value of scheme assets	**1,680.6**	1,604.1	1,412.3	1,280.5	1,434.2
Present value of defined benefit obligations	**(1,888.8)**	(1,852.6)	(1,818.7)	(1,557.7)	(1,650.6)
Deficit in the scheme	**(208.2)**	(248.5)	(406.4)	(277.2)	(216.4)
Difference between actual and expected return on scheme assets:					
Amount	**13.8**	70.8	102.7	(210.4)	(12.7)
Percentage of scheme assets	**0.8%**	4.4%	7.3%	16.4%	1.0%
Experience adjustments on scheme liabilities:					
Amount	**–**	(9.7)	29.1	(22.1)	26.7
Percentage of scheme liabilities	**–**	0.5%	1.6%	1.4%	2.0%

The estimated amounts of contributions expected to be paid to the TWGP&LAF during 2012 are £22.0 million and to the GWSPS are £24.0 million.

The Group liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value of the assets so there is no net effect on the Group liability.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1% p.a.	Decrease by £30.0m
Rate of inflation	Increase by 0.1% p.a.	Increase by £26.3m
Rate of mortality	Members assumed to live 1 year longer	Increase by £61.5m

21. Retirement benefit schemes continued

The projected liabilities of the defined benefit scheme are apportioned between members' past and future service using the projected unit actuarial cost method. The defined benefit obligation makes allowance for future earnings growth.

The gross post-retirement liability also includes £2.0 million at 31 December 2011 (2010: £2.0 million) in respect of continuing post-retirement healthcare insurance premiums for retired long-service employees. The liability is based upon the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 2008.

The cost is calculated assuming a discount rate of 3.6% per annum (2010: 3.6%) and an increase in medical expenses of 10.0% per annum (2010: 10.0%). The premium cost to the Group in respect of the retired long-service employees for 2011 was £0.2 million (2010: £0.2 million).

22. Provisions

£ million	Housing maintenance	Restructuring	Other	Total
At 1 January 2010	9.1	15.9	73.8	98.8
Additional provision in the year	4.2	–	18.0	22.2
Utilisation of provision	(4.9)	(3.7)	(22.8)	(31.4)
Released	(0.2)	–	(1.0)	(1.2)
Changes in exchange rates	0.4	0.1	0.8	1.3
At 31 December 2010	8.6	12.3	68.8	89.7
Additional provision in the year	2.4	0.6	10.9	13.9
Utilisation of provision	(2.4)	(3.6)	(12.5)	(18.5)
Released	(0.1)	(4.9)	(2.3)	(7.3)
Disposal of subsidiaries	(8.1)	(2.0)	(30.3)	(40.4)
Transfers and reclassifications	–	–	58.4	58.4
Changes in exchange rates	–	–	(0.7)	(0.7)
At 31 December 2011	**0.4**	**2.4**	**92.3**	**95.1**

£ million	
Amount due for settlement within one year	**76.6**
Amount due for settlement after one year	**18.5**
31 December 2011	**95.1**

The Group restructuring provision relates to the reorganisation of the business following the merger with George Wimpey plc in 2007 and subsequent restructuring exercises. It is anticipated that the majority of this provision, which comprises predominantly of empty property costs, will be utilised within approximately six years.

Other provisions consist of a remedial work provision, provisions for legal claims and other contract-related costs. The remedial work provision covers various obligations, including aftercare at Springfield Environmental Limited which has a legal responsibility of a long term nature for the management of old, completed sites relating to a former business and provisions for losses on construction contracts. Also included in other provisions are amounts for legal claims and contract-related costs associated with various matters arising across the Group, the majority of which are anticipated to be settled within a three year period.

Transfers into other provisions of £58.4 million comprise certain provisions associated with the North American business relating to indemnities provided to the buyers of the North American business.

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23. Share capital

£ million	2011	2010
Authorised:		
22,200,819,176 (2010: 22,200,819,176) ordinary shares of 1p each	**222.0**	222.0
1,158,299,201 (2010: 1,158,299,201) deferred ordinary shares of 24p each	**278.0**	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2010	3,197,183,700	287.7
Share warrants exercised in the year	4,175,739	–
31 December 2011	**3,201,359,439**	**287.7**

During the year, options were exercised on 6,029,714 ordinary shares (2010: 156,674) all of which were met from our holding of shares in our ESOTs at varying prices from nil pence to 25.52p per share. Under the Group's executive share option plans, employees held options at 31 December 2011 to purchase 10,496,846 shares (2010: 23,606,831) at prices between 39.34p and 146.38p per share exercisable up to 7 August 2019. Under the Group's savings-related share option schemes, employees held options at 31 December 2011 to purchase 42,841,812 shares (2010: 37,487,029) at prices between 22.88p and 189.23p per share exercisable up to 31 May 2017. Under the Group's performance share plan employees held conditional awards at 31 December 2011 in respect of 29,831,231 shares (2010: 22,640,446) at nil pence per share exercisable up to 3 October 2014. Under the Group's share purchase plan employees held conditional awards at 31 December 2011 in respect of 6,354,976 shares (2010: 5,628,627) at nil pence per share.

Under the Override Agreement signed in April 2009, the Company agreed to issue 57.8 million warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc. The warrants may be exercised at 17.4473p per share by the holder within five years of the date of issue and as at 31 December 2011 4,660,617 warrants had been exercised.

24. Share premium account

£ million	
Balance at 1 January 2010	753.6
Share warrants exercised	0.1
Balance at 31 December 2010	753.7
Share warrants exercised	0.7
Balance at 31 December 2011	**754.4**

25. Reserves

£ million	Retained earnings	Capital redemption reserve	Translation reserve	Share-based payment tax reserve	Other	Total other reserves
Balance at 1 January 2010	385.5	31.5	29.3	5.6	10.3	76.7
Cancellation and disposal of treasury shares	(4.4)	–	–	–	–	–
Share-based payment credit	2.8	–	–	–	–	–
Cash cost of satisfying share options	(0.4)	–	–	–	–	–
Actuarial gain on defined benefit pension schemes	46.9	–	–	–	–	–
Deferred tax charge	(15.9)	–	–	–	–	–
Exchange differences on translation of overseas operations, net of tax	–	–	33.9	–	–	33.9
Decrease in fair value of hedging derivatives	–	–	(3.6)	–	–	(3.6)
Transfer to retained earnings	5.6	–	–	(5.6)	–	(5.6)
Profit for the year	259.3	–	–	–	–	–
Balance at 31 December 2010	679.4	31.5	59.6	–	10.3	101.4
Share-based payment credit	3.9	–	–	–	–	–
Cash cost of satisfying share options	(1.2)	–	–	–	–	–
Actuarial loss on defined benefit pension schemes	(33.2)	–	–	–	–	–
Deferred tax credit	4.8	–	–	–	–	–
Exchange differences on translation of overseas operations, net of tax	–	–	1.8	–	–	1.8
Increase in fair value of hedging derivatives	–	–	3.0	–	–	3.0
Transfer to retained earnings	0.4	–	–	–	(0.4)	(0.4)
Recycling of translation reserve on disposal of subsidiaries	–	–	(59.1)	–	–	(59.1)
Profit for the year	99.0	–	–	–	–	–
Balance at 31 December 2011	**753.1**	**31.5**	**5.3**	**–**	**9.9**	**46.7**

Other reserves

Capital redemption reserve

The capital redemption reserve arose on the historical redemption of parent Company shares, and is not distributable.

Translation reserve

The translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging derivatives where such instruments are designated and effective as hedges of investment in overseas operations. Following the disposal of the North American business on 13 July 2011, £59.1 million was recycled through the income statement.

Share-based payment tax reserve

As explained in the statement of accounting policies, an expense is recorded in the Consolidated Income Statement over the period from the grant date to the vesting date of share options granted to employees. As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the expense recorded in the Consolidated Income Statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory tax rate, the excess is recorded directly in equity, in this share-based payment tax reserve. As the Group had previously written off all its deferred tax assets through the Consolidated Income Statement in prior years, it was considered appropriate to transfer the remaining reserve of £5.6 million to retained earnings in 2010.

Other reserve

The Group issued 57.8 million of warrants with a fair value of £5.5 million in 2009 as part of its debt refinancing agreement. The full cost of the warrants was recognised in the Other reserve on their issuance.

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26. Own shares

£ million	
Balance at 1 January 2010	5.0
Disposed of on exercise of options	(4.4)
Balance at 31 December 2010	0.6
Shares acquired	10.0
Disposed of on exercise of options	(2.2)
Balance at 31 December 2011	**8.4**

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market, those held as treasury shares and held by the Taylor Wimpey Employee Share Ownership Trusts to satisfy options and conditional share awards under the Group's share plans.

	2011 Number	2010 Number
These comprise ordinary shares of the Company:		
Shares held in trust for bonus, option and performance award plans	23.8m	1.5m
	23.8m	1.5m

Employee Share Ownership Trusts (ESOTs) are used to hold the Company's shares (shares) which have been acquired on the market. These shares are used to meet the valid exercise options and/or vesting of conditional awards under the Executive Incentive Scheme, Performance Share Plan, Executive Share Option Scheme and the Savings-Related Share Option Scheme and the matching award of shares under the Share Purchase Plan.

During the year, Taylor Wimpey plc purchased £10 million of its own shares which are held in the ESOTs (2010: £nil).

The ESOTs' entire holding of shares at 31 December 2011, aggregating 23.8 million shares (2010: 1.5 million), was covered by outstanding options and conditional awards over shares at that date.

27. Discontinued operations

On 13 July 2011, Taylor Wimpey plc disposed of its North American business the results of which have been presented as discontinued operations. The Group received net proceeds of £731.9 million for the net assets of the North American business. The transaction costs for the disposal were £16.5 million and the Group realised £59.1 million of translation reserves associated with the North American business.

The net cash proceeds from the disposal of the North American business of £562.3 million are taken as proceeds of £731.9 million less net cash of £153.1 million and transaction costs of £16.5 million.

During the period, North America contributed £8.9 million (2010: £77.1 million) to the Group's net operating cash flows, received £10.0 million (2010: £15.7 million) in respect of investing activities and £31.9 million (2010: £2.9 million) in respect of financing activities.

£ million	2011	2010
Revenue	**364.3**	835.6
Cost of sales	**(302.0)**	(701.5)
Exceptional inventory write-downs	**–**	(7.5)
Cost of Sales	**(302.0)**	(709.0)
Gross profit	**62.3**	126.6
Net operating expenses	**(27.7)**	(50.5)
Profit on ordinary activities before finance costs and tax	**34.6**	76.1
Interest receivable	**0.7**	0.4
Finance costs	**(3.6)**	(3.2)
Share of results of joint ventures	**4.6**	10.2
Profit on ordinary activities before exceptional items and taxation	**36.3**	91.0
Exceptional items	**–**	(7.5)
Profit on ordinary activities before taxation	**36.3**	83.5
Taxation charge	**(11.8)**	(24.0)
Exceptional tax credit	**–**	25.1
Taxation (charge)/credit	**(11.8)**	1.1
Profit after tax from discontinued operations	**24.5**	84.6
Impairment	**(24.0)**	–
Transaction costs	**(16.5)**	–
Recycling of translation reserves	**59.1**	–
Profit from discontinued operations	**43.1**	84.6

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27. Discontinued operations continued

The Group disposed of the net assets of the North American business on 13 July 2011. The net assets were impaired by £24.0 million prior to disposal to reflect their fair value less costs to sell.

£ million	13 July 2011	December 2010
Goodwill	2.4	2.4
Property, plant and equipment	2.0	2.2
Interests in joint ventures	11.8	15.8
Inventories	753.2	755.6
Trade and other receivables	117.4	126.9
Cash and cash equivalents	199.3	111.9
Trade and other payables	(230.3)	(239.1)
Overdrafts bank and other loans	(46.2)	(15.0)
Retirement benefit obligation	(4.1)	(4.4)
Provisions	(40.4)	(44.3)
Current taxation liability	(12.6)	(17.5)
Deferred taxation asset	3.4	5.0
Impairment	(24.0)	–
Net assets of discontinued operations	**731.9**	699.5

28. Notes to the cash flow statement

£ million	2011	2010 (Restated Note 1)
Profit on ordinary activities before finance costs		
Continuing operations	152.5	45.1
Discontinued operations	34.6	76.1
Non-cash exceptional items:		
Inventories write-downs	–	24.8
Adjustments for:		
Depreciation of plant and equipment	1.7	4.3
Pensions curtailment	1.8	(12.6)
Share-based payment charge	3.9	2.8
Profit on disposal of property and plant	(0.2)	–
Decrease in provisions	(11.9)	(10.4)
Operating cash flows before movements in working capital	182.4	130.1
(Increase)/decrease in inventories	(7.1)	168.8
Increase in receivables	(12.9)	(42.5)
(Decrease)/increase in payables	(38.8)	91.9
Pension contributions in excess of charge	(84.7)	(119.1)
Cash generated by operations	38.9	229.2
Income taxes (paid)/received	(16.4)	25.7
Interest paid	(57.3)	(167.0)
Net cash (used in)/generated from operating activities	(34.8)	87.9

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

28. Notes to the cash flow statement continued

Movement in net debt

£ million	Cash and cash equivalents	Overdrafts, banks and other loans	Debenture loans	Total net debt
Balance 1 January 2010	132.1	(161.1)	(721.9)	(750.9)
Cash flow	46.5	(433.0)	482.4	95.9
Foreign exchange	5.3	5.7	(10.5)	0.5
Balance 31 December 2010	183.9	(588.4)	(250.0)	(654.5)
Cash flow	(38.7)	487.1	85.4	533.8
Foreign exchange	2.5	1.3	–	3.8
Balance 31 December 2011	**147.7**	**(100.0)**	**(164.6)**	**(116.9)**

On 13 July 2011 the Group disposed of its North American business. At the point of disposal the business had cash and cash equivalents of £199.3 million and overdrafts, bank and other loans of £46.2 million.

29. Contingent liabilities and capital commitments

General

The Group in the normal course of business, has given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Group has no material capital commitments as at 31 December 2011 (2010: nil).

30. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

£ million	2011	2010
Within one year	9.4	14.0
In more than one year but not more than five years	25.3	33.4
After five years	7.6	12.2
	42.3	59.6

Operating lease payments principally represent rentals payable by the Group for certain office properties and vehicles.

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31. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the paragraphs on 'Executive share-based reward' in the Directors' Remuneration Report on pages 39 to 50.

	2011		2010	
Schemes requiring consideration from participants:	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	62,621,773	0.45	69,235,774	0.52
Granted during the year	15,030,026	0.24	11,532,281	0.23
Lapsed during the year	(15,847,421)	0.74	(11,664,539)	1.30
Exercised during the year	(4,675,629)	0.26	(142,825)	0.26
Cancellations during the year	(2,073,902)	0.29	(6,338,918)	0.32
Outstanding at the end of the period	55,054,847	0.29	62,621,773	0.45
Exercisable at the end of the period	5,352,607	0.34	978,975	2.38

The weighted average share price at the date of exercise for share options exercised during the period was £0.26 (2010: £0.26). The options outstanding at 31 December 2011 had a range of exercise prices from £0.11 to £3.10 (2010: £0.23 to £3.10) and a weighted average remaining contractual life of 2.2 years (2010: 4.0 years).

	2011		2010	
Schemes not requiring consideration from participants:	Options	Weighted average exercise price (in £)	Options	Weighted average exercise price (in £)
Outstanding at beginning of year	28,269,073	–	23,318,576	–
Granted during the year	22,070,038	–	15,295,654	–
Lapsed during the year	(13,532,083)	–	(10,302,383)	–
Exercised during the year	(2,159)	–	(13,849)	–
Cancellations during the year	(26,717)	–	(28,925)	–
Outstanding at the end of the period	36,778,152	–	28,269,073	–
Exercisable at the end of the period	2,662,813	–	127,439	–

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plans. The Conditional awards outstanding at 31 December 2011 had a weighted average remaining contractual life of 2.8 years (2010: 1.5 years).

For share plans with non-market conditions granted during the current and preceding year, the fair value of the awards at grant date was determined using the Binomial model. The inputs into that model were as follows:

	2011	2010
Weighted average share price	£0.38	£0.29
Weighted average exercise price	£0.16	£0.18
Expected volatility	93%	74%
Expected life	3/5 years	3/5 years
Risk free rate	1.2%	1.5%
Expected dividend yield	0.0%	0.0%

The weighted average fair value of share awards granted during the year is £0.31 (2010: £0.33).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

31. Share-based payments continued

For share awards with market conditions granted during the current year, the fair value of the awards was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2011	2010
Weighted average share price	**£0.41**	£0.31
Weighted average exercise price	**Nil**	Nil
Expected volatility	**105%**	98%
Expected life	**3 years**	3/7 years
Risk free rate	**3.8%**	1.4%
Expected dividend yield	**0.0%**	0.0%

The weighted average fair value of share options granted during the year is £0.32 (2010: £0.23).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term. The expected life used in the model is based on historical exercise patterns.

The Group recognised total expenses of £3.9 million related to equity-settled share-based payment transactions in 2011 (2010: £2.8 million).

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below. The Group has loans with joint ventures that are detailed on Note 13. The pension schemes of the Group are related parties. Arrangements between the Group and its pension schemes are disclosed in Note 21.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £nil million (2010: £22.8 million). Purchases were based on open market values.

Remuneration of key management personnel

Details of the remuneration of the Directors and Executive Committee, who are the key management personnel of the Group, are contained in the audited part of the Remuneration Report on pages 47 to 50 and form part of these financial statements.

33. Dividends

The Directors believe that it is appropriate to commence dividend payments to shareholders at this time and are recommending a final dividend of 0.38 pence subject to shareholder approval at the Annual General Meeting, with a resultant total dividend of £12.1 million (2010: £nil).

In accordance with IAS 10 'Events after the balance sheet date' the proposed dividend has not been accrued as a liability as at 31 December 2011. The dividend will be paid on 22 May 2012 to all shareholders registered at the close of business on 20 April 2012.

Independent Auditor's Report

to the members of Taylor Wimpey plc

We have audited the parent Company financial statements of Taylor Wimpey plc for the year ended 31 December 2011 which comprise the Company Balance Sheet, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of Taylor Wimpey plc for the year ended 31 December 2011.

Colin Hudson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
28 February 2012

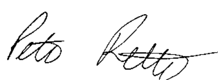
Company Balance Sheet

at 31 December 2011

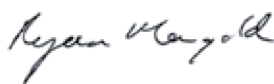
£ million	Note	2011	2010
Fixed assets			
Investment in Group undertakings	4	**1,622.0**	1,789.0
		1,622.0	1,789.0
Current assets			
Debtors	5	**2,212.2**	2,482.3
Cash at bank and in hand		**139.3**	66.7
		2,351.5	2,549.0
Current liabilities			
Creditors: amounts falling due within one year	6	**(1,375.7)**	(1,694.7)
		(1,375.7)	(1,694.7)
Net current assets		**975.8**	854.3
Total assets less current liabilities		**2,597.8**	2,643.3
Creditors: amounts falling due after one year	7	**(264.6)**	(823.4)
Provisions		**(2.9)**	(2.9)
Net assets		**2,330.3**	1,817.0
Capital and reserves			
Called-up share capital	9	**287.7**	287.7
Share premium account	10	**754.4**	753.7
Capital redemption reserve	11	**31.5**	31.5
Translation reserve	12	**–**	50.1
Profit and loss account	13	**1,265.1**	694.5
Own shares	14	**(8.4)**	(0.5)
Shareholders' funds	17	**2,330.3**	1,817.0

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company profit and loss account.

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2012. They were signed on its behalf by:



P Redfern
Director



R Mangold
Director

Notes to the Company Financial Statements

for the year to 31 December 2011

1. Significant accounting policies

The following accounting policies have been used consistently, unless otherwise stated, in dealing with items which are considered material.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and pronouncements of the Urgent Issues Task Force under the historical cost convention. As permitted by section 408 of the Companies Act 2006 the Company has not presented its own profit and loss account.

Under Financial Reporting Standard (FRS) 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the Company, are publicly available.

The Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has not reported transactions with fellow Group undertakings. The Company has also taken advantage of the exemption contained within FRS 29 'Financial Instrument Disclosures' and has not presented any disclosures required by that standard, as disclosures that comply with FRS 29 are included within the Taylor Wimpey plc consolidated financial statements in Note 20 on pages 78 to 82.

The principal accounting policies adopted are set out below.

Investments in Group undertakings

Investments are included in the balance sheet at cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount of the investment. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account; if the impairment is not considered to be a permanent diminution in value, it may reverse in a future period to the extent it is no longer considered necessary.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Any liability or credit in respect of Group relief in lieu of current tax is also calculated using corporation tax rates that have been enacted or substantively enacted by the balance sheet date unless a different rate (including a nil rate) has been agreed within the Group.

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Overseas currencies

Transactions denominated in foreign currencies are recorded in Sterling at actual rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Unrealised exchange differences on intercompany long term loans and foreign currency borrowings, to the extent that they hedge the Company's investment in overseas investments, are taken to the translation reserve.

Derivative financial instruments and hedge accounting

The Company uses foreign currency borrowings and currency swaps to hedge its investment in overseas operations. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of investment in overseas operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the profit and loss account. The hedged items are adjusted for changes in exchange rates, with gains or losses from remeasuring the carrying amount being recognised directly in reserves.

Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. The cost of equity-settled share-based payments granted to employees of subsidiary companies are borne by the employing company.

Provisions

Provisions are recognised at the Directors' best estimate when the Company has a present obligation as a result of a past event and it is probable that the Company will have to settle the obligation.

Own shares

The cost of the Company's investment in its own shares, which comprise shares held in treasury by the Company and shares held by employee benefit trusts for the purpose of funding certain of the Company's share option plans, is shown as a reduction in shareholders' funds.

Dividends paid

Dividends are charged to the Company's profit and loss reserve in the period of payment in respect of an interim dividend, and in the period in which shareholders' approval is obtained in respect of the Company's final dividend.

2. Particulars of employees

	2011 No.	2010 No.
Directors	3	3

The Executive Directors received all of their remuneration, as disclosed in the Directors' Remuneration Report on pages 39 to 50, from Taylor Wimpey UK Limited and Taylor Morrison Incorporated up to the point of the sale of North American business on 13 July 2011. However, it is not practicable to allocate such costs between their services as Executives of Taylor Wimpey UK Limited, Taylor Morrison Incorporated and their services as Directors of Taylor Wimpey plc and other Group companies. The fees of the Chairman and the Non Executive Directors, which are wholly attributable to the Company, are disclosed on page 47 of the Directors' Remuneration Report. The Company was recharged costs of £4.6 million (2010: £8.4 million) in respect of staff costs for Directors and employees of subsidiary companies who provided services to Taylor Wimpey plc during the year, which includes amounts in respect of employer contributions to both defined contribution and defined benefit pension schemes. Information in respect of the Group's defined benefit pension schemes is provided in Note 21, to the Taylor Wimpey plc consolidated financial statements. Contributions in respect of the Defined Contribution Scheme for Directors can be found in the Directors' Remuneration Report on page 50. There were no outstanding contributions at the year end.

3. Auditors' remuneration

£ million	2011	2010
External audit services	0.1	0.2
Other services	0.5	2.0
Tax services	0.5	0.4
Corporate finance services	0.2	–

A description of other services is included in Note 5 on page 69 to the Group financial statements.

4. Investments in Group undertakings

£ million	Shares	Loans	Total
Cost			
31 December 2010	4,888.1	337.6	5,225.7
Changes in exchange rates	–	6.3	6.3
Additions	363.4	–	363.4
Disposals	(4.2)	(343.9)	(348.1)
31 December 2011	**5,247.3**	**–**	**5,247.3**
Provision for impairment			
31 December 2010	3,364.6	72.1	3,436.7
Charge for the year	262.8	–	262.8
Release of previous impairments	(2.1)	(72.1)	(74.2)
31 December 2011	**3,625.3**	**–**	**3,625.3**
Carrying amount			
31 December 2011	**1,622.0**	**–**	**1,622.0**
31 December 2010	1,523.5	265.5	1,789.0

All of the above investments are unlisted and particulars of principal subsidiary undertakings are listed on page 104, which forms part of these financial statements.

During the year the Company recognised an impairment charge of £262.8 million (2010: £nil) against the value of its investment in subsidiary undertakings. The release of impairments during the year of £74.2 million (2010: £nil) reflect the permanent increase in value of assets in the underlying subsidiaries following the disposal of the Group's North American business.

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5. Debtors

£ million	2011	2010
Amounts falling due within one year:		
Due from Group undertakings	**2,206.1**	2,461.4
Other debtors	**0.7**	3.7
Corporation tax debtor	**5.4**	11.0
Amounts falling due after one year:		
Currency and interest rate derivatives	**–**	6.2
	2,212.2	2,482.3

6. Creditors: amounts falling due within one year

£ million	2011	2010
Due to Group undertakings	**1,369.2**	1,623.2
Other creditors	**4.9**	14.2
Currency and interest rate derivatives	**–**	41.9
Corporation tax creditor	**1.6**	15.4
	1,375.7	1,694.7

7. Creditors: amounts falling due after one year

£ million	2011	2010
Debenture loans	**164.6**	250.0
Bank loans	**–**	473.4
Other loans	**100.0**	100.0
	264.6	823.4
Bank and other loans are repayable as follows:		
In more than two years but less than five years	**100.0**	573.4
	100.0	573.4

Other loans comprise a £100 million variable rate fixed loan with an investment fund.

8. Debenture loans

£ million	2011	2010
Unsecured Senior Notes 10.375% due 2015	164.6	250.0
Repayable		
In more than five years	–	–
In more than one year but less than five years	164.6	250.0
Within one year or on demand	–	–
	164.6	250.0

During the current year the Company has repurchased £85.4 million of Senior Notes 10.375% due 2015.

9. Share capital

£ million	2011	2010
Authorised:		
22,200,819,176 (2010: 22,200,819,176) ordinary shares of 1p each	222.0	222.0
1,158,299,201 (2010: 1,158,299,201) deferred ordinary shares of 24p each	278.0	278.0
	500.0	500.0

	Number of shares	£ million
Issued and fully paid:		
31 December 2010	3,197,183,700	287.7
Share warrants exercised	4,175,739	–
31 December 2011	3,201,359,439	287.7

During the year, options were exercised on 6,029,714 ordinary shares (2010: 156,674) all of which were met from our holding of shares in our ESOTs at varying prices from nil pence to 25.52p per share. Under the Group's executive share option plans, employees held options at 31 December 2011 to purchase 10,496,846 shares (2010: 23,606,831) at prices between 39.34p and 146.38p per share exercisable up to 7 August 2019. Under the Group's savings-related share option schemes, employees held options at 31 December 2011 to purchase 42,841,812 shares (2010: 37,487,029) at prices between 22.88p and 189.23p per share exercisable up to 31 May 2017. Under the Group's performance share plan employees held conditional awards at 31 December 2011 in respect of 29,831,231 shares (2010: 22,640,446) at nil pence per share exercisable up to 3 October 2014. Under the Group's share purchase plan employees held conditional awards at 31 December 2011 in respect of 6,354,976 shares (2010: 5,628,627) at nil pence per share.

Under the Override Agreement signed in April 2009, the Company agreed to issue 57.8 million warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc. The warrants may be exercised at 17.4473p per share by the holder within five years of the date of issue and as at 31 December 2011 4,660,617 warrants had been exercised.

10. Share premium

£ million	2011	2010
1 January	753.7	753.6
Share warrants exercised	0.7	0.1
31 December	754.4	753.7

11. Capital redemption reserve

£ million	2011	2010
31 December	**31.5**	31.5

12. Translation reserve

£ million	2011	2010
1 January	**50.1**	36.1
Transfer (to)/from profit and loss account	**(50.1)**	14.0
31 December	**–**	50.1

13. Profit and loss account

£ million	2011	2010
1 January	**694.5**	768.4
Profit/(loss) for the financial year	**521.2**	(55.5)
Transfer from/(to) translation reserve	**50.1**	(14.0)
Cancellation and utilisation of own shares	**–**	(4.4)
Cash cost of satisfying share options	**(0.7)**	–
31 December	**1,265.1**	694.5

As permitted by section 408 of the Companies Act 2006, Taylor Wimpey plc has not presented its own profit and loss account. The profit of the Company for the financial year was £521.2 million (2010: loss of £55.5 million).

Included in the Company profit and loss account is £256.6 million (2010: £332.1 million) which is not distributable.

14. Own shares

£ million	2011	2010
Own shares	8.4	0.5

These comprise ordinary shares of the Company:	Number	Number
Treasury shares	–	–
Shares held in trust for bonus, options and performance award plans	23.8m	1.5m

The market value of the shares at 31 December 2011 was £8.9 million (2010: £0.5 million) and their nominal value was £0.24 million (2010: £0.01 million).

Dividends on these shares have been waived except for 0.01p per share in respect of the shares held in trust.

Employee Share Ownership Trusts (ESOTs) are used to hold the Company's shares (shares) which have been acquired on the market. These shares are used to meet the valid exercise options and/or vesting of conditional awards under the Executive Incentive Scheme, Performance Share Plan, Executive Share Option Scheme and the Savings-Related Share Option Scheme and the matching award of shares under the Share Purchase Plan.

During the year, Taylor Wimpey plc purchased £10 million of its own shares which are held in the ESOTs (2010: £nil).

The ESOTs' entire holding of shares at 31 December 2011, aggregating 23.8 million shares (2010: 1.5 million), was covered by outstanding options and conditional awards over shares at that date.

15. Share-based payments

Details of share awards granted by the Company to employees of subsidiaries, and that remain outstanding at the year end over the Company's shares, are set out in Note 31 to the Taylor Wimpey plc consolidated financial statements. The Company did not recognise any expense related to equity-settled share-based payment transactions in the current or preceding year.

16. Contingent liabilities

The Company has, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts.

Provision is made for the Directors' best estimate of known legal claims and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

In 2008, the Company issued a guarantee in respect of the Taylor Woodrow Group Pension and Life Assurance Fund, a defined benefit pension scheme in which a number of its subsidiary companies participate, and which had a deficit under IAS 19 of £177.4 million at 31 December 2011 (2010: £172.6 million). The guarantee commits the Company to ensure that the participating subsidiaries make deficit repair contributions in accordance with a schedule agreed with the Trustees during the year of £22.0 million per annum for 10 years.

17. Reconciliation of movement in shareholders' funds

£ million	2011	2010
Opening shareholders' funds	1,817.0	1,872.4
Profit/(loss) for the financial year	521.2	(55.5)
New share capital subscribed	0.7	0.1
Purchase of own shares	(10.0)	–
Utilisation of own shares	1.4	–
Closing shareholders' funds	2,330.3	1,817.0

18. Dividend

The Directors believe that it is appropriate to commence dividend payments to shareholders at this time and are recommending a final dividend of 0.38 pence subject to shareholder approval at the Annual General Meeting, with a resultant total dividend of £12.1 million (2010: £nil).

In accordance with IAS 10' Events after the balance sheet date' the proposed dividend has not been accrued as a liability as at 31 December 2011. The dividend will be paid on 22 May 2012 to all shareholders registered at the close of business on 20 April 2012.

Particulars of Principal Subsidiary Undertakings

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Country of incorporation and principal operations	Taylor Wimpey plc interest is 100% in the issued ordinary share capital of these undertakings included in the consolidated accounts
United Kingdom	Taylor Wimpey Holdings Limited
	George Wimpey Limited
	Taylor Wimpey UK Limited[a]
	Taylor Wimpey Developments Limited[a]
Spain	Taylor Wimpey de España S.A.U.[a][b]

(a) Interests held by subsidiary undertakings.

(b) 9% cumulative, redeemable preference shares are additionally held.

Five Year Review

£ million	2011	2010[f]	2009	2008[a]	2007[a]
Revenue – continuing	**1,808.0**	1,767.7	2,595.6	3,467.7	4,142.8
Profit on ordinary activities before exceptional items, finance costs and tax	**158.3**	100.6	37.7	86.3	435.5
Share of results of joint ventures	**1.2**	(0.3)	5.6	7.6	23.4
Exceptional items	**(5.8)**	(55.5)	(580.7)	(1,884.5)	(379.7)
Net finance costs, including exceptional finance costs	**(75.1)**	(199.6)	(162.5)	(179.1)	(112.8)
Profit/(loss) for the financial year	**78.6**	(154.8)	(699.9)	(1,969.7)	(33.6)
Taxation, including exceptional taxation	**(22.7)**	329.5	59.3	76.6	(173.4)
Profit for the year from discontinued operations	**43.1**	84.6	–	53.1	10.3
Profit/(loss) for the financial year	**99.0**	259.3	(640.6)	(1,840.0)	(196.7)
Profit/(loss) for the financial year before tax and exceptional items	**89.9**	(15.9)	(96.1)	(74.7)	346.1
Balance sheet					
Goodwill & Intangibles	**5.1**	1.0	2.4	–	820.3
Other fixed assets	**5.0**	5.4	8.2	15.5	39.0
Interests in joint ventures	**31.9**	33.9	51.9	67.7	59.9
Non-current loans and receivables	**70.3**	50.7	65.0	47.9	76.4
Non-current assets (excluding tax)	**112.3**	91.0	127.5	131.1	995.6
Inventories	**2,686.6**	2,680.6	3,603.3	4,890.6	6,017.8
Other current assets (excluding cash and debt)	**72.5**	74.7	130.5	181.3	408.1
Trade and other payables	**(697.8)**	(705.1)	(760.0)	(1,170.7)	(1,540.3)
Provisions	**(76.6)**	–	(47.8)	(56.1)	(48.2)
Net-current assets (excluding cash and debt)	**1,984.7**	2,050.2	2,926.0	3,845.1	4,837.4
Trade and other payables	**(199.7)**	(215.9)	(278.6)	(343.4)	(418.2)
Retirement obligations	**(210.2)**	(246.0)	(409.3)	(279.8)	(219.1)
Provisions	**(18.5)**	(103.3)	(51.8)	(51.0)	(38.4)
Non-current creditors (excluding debt) and provisions	**(428.4)**	(565.2)	(739.7)	(674.2)	(675.7)
Net assets held for sale	**–**	699.5	–	–	–
Net debt	**(116.9)**	(751.3)	(750.9)	(1,529.3)	(1,415.4)
Tax balances	**283.3**	298.9	(62.0)	(99.5)	(36.7)
Net assets	**1,835.0**	1,823.1	1,500.9	1,673.2	3,705.2
Capital employed excluding assets held for sale	**1,946.8**	1,873.9	2,249.4	3,202.5	4,300.3
Add back intangibles	**5.1**	1.0	–	–	120.3
Less tax balances	**(283.3)**	(298.9)	62.0	99.5	36.7
Net operating assets excluding assets held for sale	**1,668.6**	1,576.0	2,311.4	3,302.0	4,457.3
Statistics					
Adjusted earnings/(loss) per share – continuing Group	**2.1p**	(1.5)p	(4.3)p	(7.2)p	29.5p
Tangible net assets per share[b]	**57.3p**	56.9p	46.9p	119.8p	249.1p
Number of shares in issue at year end (millions)[b]	**3,201.4**	3,197.2	3,196.9	1,526.0	1,158.3
Return on capital employed[c]	**8.3%**	4.9%	1.5%	2.6%	14.8%
Operating margin	**8.8%**	5.7%	1.7%	2.6%	11.1%
Net gearing ratio[d]	**6.4%**	41.2%	50.0%	91.4%	38.2%
Return on net operating assets	**9.8%**	5.3%	1.6%	2.5%	14.4%
UK short term landbank (plots)[e]	**65,264**	63,566	66,089	74,917	86,155
ASP UK £'000	**171**	171	160	171	191
Completions UK (homes)	**10,180**	9,962	10,186	13,394	14,862
Total inventory/net debt	**23.0**	3.6	4.8	3.2	4.3

(a) The results of the construction business which was disposed of on 9 September 2008 are included within profit for the year from discontinued operations for 2008 and 2007.

(b) 2008 has been restated to reflect the increase in shares related to the open offer as part of the equity raise on 1 June 2009.

(c) Return on capital employed is calculated as profit on ordinary activities before amortisation of brands, exceptional items, finance costs and tax but including share of results of joint ventures, divided by the average of opening and closing capital employed. In 2008 and 2007 the results of the Construction division, of £2.1 million and £13.4 million respectively, were also included.

(d) Net gearing ratio is net debt divided by net assets.

(e) The total number of plots that we either own or control, with some form of planning consent.

(f) The results of the North American business have been restated for 2010. The 2010 balance sheet has the North American assets separated as assets held for sale and £57.8m tax liabilities have been reclassified to provisions.

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