

NOTES

1 DIVIDENDS

The final dividend for 2005 of 19.0p (2004: 18.4p) was approved by shareholders during the period and a charge of £55.9m (2004: £53.1m) was taken to reserves.

The Directors propose an interim dividend of 13.8p (2005: 12.0p). No charge has yet been made for this dividend in accordance with IAS 10 (Events After the Balance Sheet Date).

2 BUSINESS COMBINATIONS

On 17 January 2006, the Group acquired the entire issued share capital of Westbury plc for a total consideration, including preliminary investment at 24 November 2005, of £664.0m. This consideration was satisfied by cash of £650.6m and loan notes of £13.4m. The fair value of loan notes at issuance was equal to face value. Westbury was a UK housebuilder with the bulk of its operations being in the south of England and Wales.

In the period to 30 June 2006 the acquired business contributed £370.6m of revenue and £64.5m to gross profit. If the acquisition had occurred on 1 January 2006, the estimated revenue would have been £375.5m with gross profit of £66.2m.

Effect of the acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Book value £m	Provisional fair value £m
Acquiree's net assets at the acquisition date		
Intangible assets	43.1	61.9
Property, plant and equipment	17.3	16.8
Investment in jointly controlled entities	3.1	3.1
Deferred tax assets	13.5	30.0
Inventories	944.6	933.8
Cash	104.3	104.3
Bank overdrafts	(131.3)	(131.3)
Bank loans	(370.4)	(370.4)
Forward currency derivatives	(24.5)	(24.5)
Other receivables and payables	(94.9)	(126.4)
Retirement benefit obligation	(38.4)	(38.4)
Deferred tax liabilities	(2.2)	(21.7)
Net assets	464.2	437.2
Goodwill on acquisition		226.8
Consideration paid (including costs)		664.0
Loan notes issued as consideration		(13.4)
Net cash and cash equivalents acquired		27.0
Existing investment in Westbury plc shares		(169.1)
Net cash outflow in period		508.5

At 30 June 2006 the fair values of the assets and liabilities acquired noted above are provisional.

During the period the Group acquired the remaining 50% interest in Wescott Holdings Limited.

3 RECONCILIATION OF NET CASH FLOW TO NET DEBT

	Note	Six months to 30 June 2006 £m	Six months to 30 June 2005 £m	Year to 31 December 2005 £m
Increase/(decrease) in net cash and cash equivalents		25.9	15.7	(71.7)
(Increase)/decrease in debt and finance leases		(263.1)	2.2	17.4
(Increase)/decrease in net debt from cash flows		(237.2)	17.9	(54.3)
Net debt acquired		(394.9)	–	–
New finance leases		(0.4)	(0.8)	(1.4)
Non-cash movements		(15.6)	(2.9)	(16.3)
(Increase)/decrease in net debt		(648.1)	14.2	(72.0)
Net debt at beginning of period		(268.2)	(196.2)	(196.2)
Net debt at end of period	4	(916.3)	(182.0)	(268.2)

4 ANALYSIS OF NET DEBT

	Note	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Cash and cash equivalents		39.3	96.1	10.7
Bank overdrafts		(5.7)	(1.0)	(3.0)
Net cash and cash equivalents		33.6	95.1	7.7
Bank loans due after more than one year		(230.0)	–	(10.0)
US and UK senior loan notes due within one year		(18.6)	(14.3)	(20.2)
US, UK and EU senior loan notes due after more than one year		(584.7)	(233.0)	(222.3)
Other loan notes		(24.8)	–	–
Forward currency swaps		(89.4)	(27.3)	(20.9)
Finance leases		(2.4)	(2.5)	(2.5)
Net debt at end of period	3	(916.3)	(182.0)	(268.2)

5 TAXATION

Taxation has been calculated at 30.0% of profit before taxation (six months to 30 June 2005: 30.6% and year ended 31 December 2005: 30.4%). This is the estimated effective tax rate for the year to 31 December 2006.

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of £179.1m (£190.0m before reorganisation costs of £15.4m, net of tax of £4.5m), (six months to 30 June 2005: £162.9m and year ended 31 December 2005: £344.8m) by the weighted average number of ordinary shares in issue during the year, excluding those held in the Employee Share Ownership Trust and the Employee Benefit Trust, which are treated as cancelled. The weighted average number of ordinary shares in issue during the period was 295,189,559 (30 June 2005: 289,689,694 and 31 December 2005: 291,120,186).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the accounting period. The Company has only one category of dilutive potential ordinary shares: those share options and awards granted to directors and employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

The weighted average number of ordinary shares so calculated is 296,966,396 (30 June 2005: 291,318,992 and 31 December 2005: 292,236,493).