GEORGE WIMPEY PLC

Annual Report & Accounts 2001

january

february

march

april

may

june

july

august

september

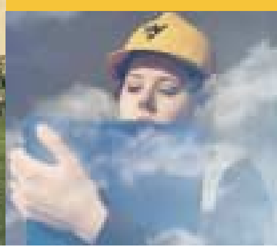
october

november

december

2001

building on strong foundations



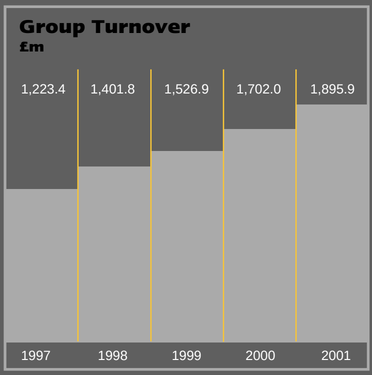
Our commitment to create and deliver value for our customers and shareholders has determined the ways in which we have brought changes to George Wimpey. By continuing to create real value we will achieve our goal of becoming a truly successful housebuilder measured by customers and shareholders alike.

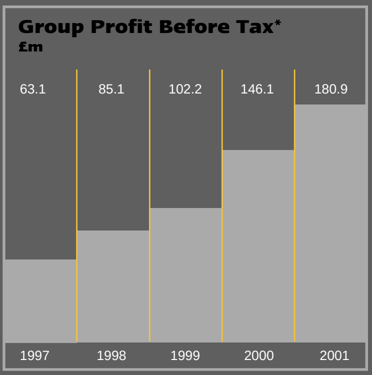
Contents

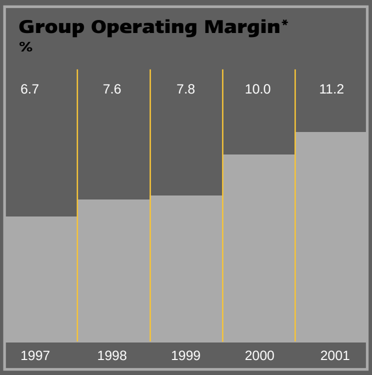
During 2001 we have changed to create a new and rejuvenated business. We are rebuilding our Company to ensure that George Wimpey offers a long term secure and rewarding investment for our shareholders.

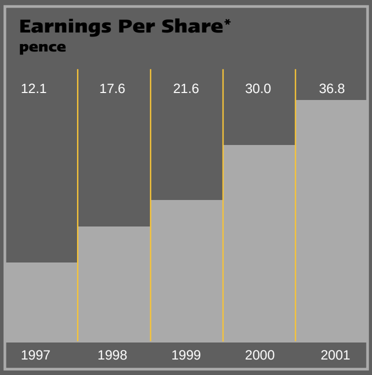
Financial Highlights

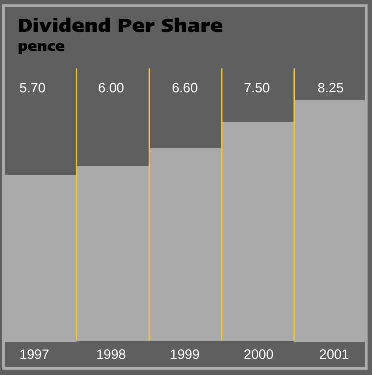
Year ended 31 December	**2001**	2000
Turnover	**£1895.9m**	£1702.0m
Operating profit*	**£213.1m**	£170.2m
Net Interest Payable	**(£32.2m)**	(£24.1m)
Group profit before tax*	**£180.9m**	£146.1m
Earnings per share*	**36.81p**	30.04p
Dividend per share	**8.25p**	7.5p
Net Finance Debt	**£383.0m**	£220.2m
Gearing	**50%**	33%

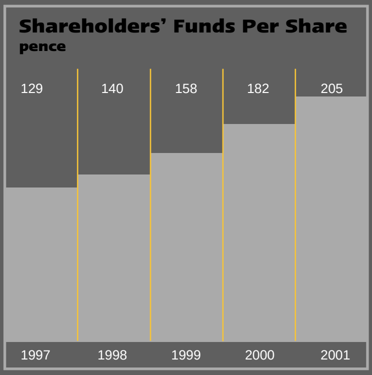












* Excluding exceptional items

A year of fundamental change

I am pleased to report that 2001 was a year of fundamental and significant change for George Wimpey PLC, building on our established strengths and qualities. During the year we have:

- successfully completed the integration of Wimpey Homes and McLean Homes;
- successfully acquired and integrated McAlpine Homes in the UK and Richardson Homes in the US;
- begun to develop effective links between our US and UK businesses; and
- strengthened and reshaped our Board.

These changes arise from our commitment to deliver sustainable improvements in George Wimpey's financial performance. The first benefits were achieved during the year. Profit before tax and exceptional items increased by 24% to £180.9 million on a total Group turnover of £1,896 million, up 11% on 2000. Pre-exceptional earnings per share grew 23% to 36.8p.

I am delighted that the Board is therefore able to recommend an increase in the final dividend of 10% to 5.35p per share, bringing the total for the year to 8.25p, a rise of 10% on 2000. The dividend is covered 3.9 times by basic earnings. For the first time, this year I am also pleased to announce that we will be offering the choice of a Scrip Dividend. Full details are set out in the enclosed Scrip Dividend Circular and Mandate Form.

The Board

During the year the improvements made to our operating businesses have been reflected in changes that have been made to the Board. I have been delighted to welcome three new members to the Board strengthening and broadening our knowledge and experience. As announced in last year's report Peter Curry retired as a Non Executive Director and was succeeded as Senior Non Executive Director by Mike Blackburn. Christopher Bartram and David Williams took up their positions as Non Executive Directors on 1 May 2001. They have already made valuable contributions to Board discussions.

Following the restructuring at the beginning of 2001, Richard Saville decided to leave the Company after thirteen years service, the last seven as Finance Director. Andrew Carr-Locke joined the Board in May as Group Finance Director. Andrew's extensive financial experience and knowledge of consumer industries have contributed greatly to the reorganisation of the Group's finance function and the support it provides to the business units. Stefan Bort, our Company Secretary for the past 6 years, left the Company at the end of January this year. I am pleased to welcome James Jordan to George Wimpey as Company Secretary. His legal background and experience will be of value to the Company. I would like to thank both Richard and Stefan for their valuable contributions to George Wimpey over their years with the business.

To strengthen corporate governance several new committees have been established during the year, reporting to the Board. An Executive Committee chaired by Peter Johnson now meets once a month to discuss the financial and operational performance of the businesses. A new Charity Committee has been established to promote and monitor charitable giving by individual companies to the local communities in which we operate. A Treasury Committee has been formed, chaired by Andrew Carr-Locke, to oversee Treasury policy and its implementation. The minutes of all these Committees are reviewed by the Board at its regular meetings.

Staff

Throughout this year our staff in both the UK and the US have continued to work with great dedication to bring about the improvements we outlined in our Annual Report for 2000. I would like to thank them all on behalf of the Board. Without their enthusiasm and commitment we would not have been able to achieve so much.

Outlook

Almost all our markets in both the UK and the US recovered strongly from the initial weakness which followed the tragic events of 11 September and ended the year on a positive note. As a result we entered 2002 with a record forward sales position. The new year has started equally well. Visitor levels, sales registrations and pricing have remained healthy across the UK and in most of our US markets.

Continued benefits arising from the cost reduction programmes initiated in 2001 and the acquisition of McAlpine Homes, along with continued market share growth in Morrison Homes, should enable the Company to continue to make progress in the coming year.

John Robinson Chairman

delivering on our promises

Last year I set out our plans to improve the financial performance of George Wimpey PLC and to increase our operating margins. During 2001 substantial progress was achieved.

Profit before tax and exceptional items grew 24% to £180.9 million. Operating margins increased from 11.4% to 12.4% in the UK and from 8.6% to 9.6% in the US. Return on capital employed was 20.9%

Both UK and US markets remained strong for most of the year, though central London, where George Wimpey has a limited presence, softened during the second half as did those of our US markets, in particular Austin, Texas, which are exposed to high-tech industries. The tragic events of 11 September had only a very limited effect on our business as a whole. By the year end, visitor levels and sales had recovered. Sales proceeding (a measure of the forward order book) were up 33% on 2000 to 3054 in the UK and 15% to 898 in the US.

The major events of the year concerned the restructuring of the UK business, the merger of Wimpey Homes and McLean Homes and the acquisition of McAlpine Homes. The actions taken to reduce costs, strengthen the land bank and improve long term performance had some beneficial impact in the year and provide a firm basis for continuing improvements in profitability. Together they have transformed the shape and potential of George Wimpey. Whilst the detail of these is set out in the following pages, the major benefits of the restructuring programme are:

- £20 million in annual overhead savings identified following the merger of Wimpey Homes and McLean Homes. These savings have now been fully achieved.
- £15 million of potential further savings identified by benchmarking build costs across all regions of the merged business. Of this, £10 million will be achieved in 2002.
- A new approach to marketing customer options was initiated following feedback from a team established to identify best practice and to learn from Morrison's success in this area. Sales of such options are increasing.
- A review of the strategic landbank prioritised sites capable of development from 2002 onwards. New land was purchased on significantly better terms than in recent years.
- An increased exposure to higher margin markets in southern England and primary locations nationwide came with the acquisition of McAlpine Homes, completed on 1 October 2001. 50% of McAlpine's sales were in southern England compared with 34% for George Wimpey. With the acquisition, almost all George Wimpey's land requirements for 2002 and 2003 are now satisfied.
- £20 million overhead savings achieved following the integration of McAlpine Homes, completed by the year end. This compares with an original estimate of £18 million. Further cost savings of £5 million from 2003 have been identified from lower build costs.
- New, modern and lower cost office locations for the corporate and UK management teams in Victoria, London and High Wycombe respectively also symbolise the cultural changes that have taken place across the Company.

In the United States, Morrison Homes continued to make progress from growth in its existing markets, successfully establishing a satellite operation in Jacksonville, Florida, and acquiring a new business in a high potential market, Denver, Colorado. Morrison has the potential to continue to grow within its existing markets and through establishing further satellite operations. It has established an effective brand, with some 20% of sales resulting from referrals by existing customers.

Initial steps have been taken to benefit from exchanging experiences between the UK and US businesses. Joint teams are considering opportunities for new products and are learning from each other. Regions in the UK and US have been twinned on a trial basis to assess the potential for further exchanges.

The remarkable pace of change during 2001 was made possible by the enthusiasm and commitment of everyone throughout the Company. It was a year of great change and challenge for many. I thank them all for their support and reaffirm the commitment of us all to make George Wimpey truly successful, measured by our shareholders and customers alike. The major tasks in the year ahead are to continue to deliver on the promises we have made and to narrow further the financial performance gap with the best in our industry.

Peter Johnson Group Chief Executive

2001

the year that changed George Wimpey

We are taking George Wimpey forward by delivering on the promises we have made to customers and shareholders

january

Tops for quality

During 2001 George Wimpey and McAlpine Homes site managers together continue to win many more awards for quality than any other housebuilder reinforcing our commitment to building quality homes for our customers.

Les Washington – NHBC Pride in the Job Supreme Champion 2001

New business plans revealed for the UK

Wimpey Homes and McLean Homes to be brought together as a single company, drawing on the strengths and core skills of both businesses. £20 million overhead savings identified – the majority to be achieved in 2001.

february

march

Victoria Institute unveiled

George Wimpey, in close association with English Heritage, has brought the former Arts and Science Institute in Worcester back to life. Careful restoration has ensured the building's original character and features have been maintained whilst creating luxury city apartments.

april

UK merger completed

George Wimpey restructured from 29 to 21 regional businesses with one new business established to focus on the specialised market of central London. Greater regional authority is created as centralised functions are closed.

Committed to Health and Safety

New working practices ensure that Health and Safety management is an integral part of the new business culture. Taking best practice from both businesses working parties have developed new guidelines, a rigorous new training programme has been developed at all levels of the business and improved reporting procedures have been introduced, all raising national standards and awareness.

First step into Colorado

Morrison has acquired Richardson Homes as an entry into the attractive market of Denver, Colorado. The business has strong margins and a sound landbank and will provide a springboard for further growth. Quality products, quality service and quality people made Richardson an attractive acquisition, perfectly complementing Morrison's existing operations.

Quail Creek, Denver, Colorado

may

Morrison continues to grow in the US

Time to talk to the City

Analysts and shareholders met with George Wimpey regional directors and management for the first time to learn about the changes taking place across our business in the UK. Presentations and discussions focussed on the potential within the regions and the many opportunities management now have to reduce build costs, increase sales of optional upgrades, consider local design solutions and inner-city developments as well as share experiences and learn from each other.

JUNE

july

Further savings announced at Interim results

£15 million of build cost savings have been identified following the introduction and evaluation of benchmarking across all regions. Opportunities exist for reducing build costs through procurement and more efficient design whilst still maintaining the highest standards of customer satisfaction.

Redesigned entrances reduce costs at The Laurels, Gunthorpe, Nottingham

Reducing build costs without reducing style

september

Breaking with tradition

After more than 120 years George Wimpey moves from Hammersmith. Indicative of the spirit of change being fostered across the businesses, slimmed down corporate and UK head office teams have moved to central London and High Wycombe respectively.

Spotlight on Florida

Morrison Homes continues to achieve growth within its existing businesses. The Orlando Division continued to grow in a strong market and established a profitable and successful new satellite in Jacksonville, some two hours drive to the north.

Morrison Homes developments at Lake Forest and Celebration, Orlando, Florida

august

High quality developments in prosperous suburbs of Orlando – swimming pools are just one of a comprehensive range of customer options offered by Morrison Homes.

october

McAlpine joins George Wimpey on 1 October

The £463 million acquisition of McAlpine Homes represents an opportunity to accelerate the strategic repositioning of George Wimpey; the deferred payment structure enables the acquisition to be completed within the Company's financial resources.

McAlpine Homes development Fairways, Epsom

november

Coming together – the future in our hands

The inaugural Group Conference in Orlando brought representatives from all parts of our operations together for the first time. 62 delegates from the US and UK met to listen, to understand, to discuss and to look forward. Together, delegates tackled common issues, shared experiences and opportunities and agreed action plans to take the business forward.

Morrison Homes Signature Selection Centre Orlando, Florida

Working together and learning from each other to build a better future for George Wimpey

december

Training for the future

Recognising the need to invest in training high quality managers for the future, George Wimpey has established a new graduate recruitment scheme. Eight graduates a year from Britain's top universities participate in the two year training programme which covers all aspects of the business. Nearly all of the graduates who joined in 2000 are already established in permanent positions within the regional businesses.

2001 Graduate trainee Ingrid Gelley

2001 was a year of further real progress. Profit before tax and exceptionals was a record at £180.9 million.

The Executive Team
From left to right Peter Johnson, Keith Cushen, Stewart Cline, Andrew Carr-Locke

UK – George Wimpey

2001 was a year of considerable change and challenge for our UK housing business, George Wimpey, which led to an improvement both in financial performance and in the key driving factors that lie behind creating a successful housebuilding business.

Total turnover for the year rose by 12.1% to £1,406 million. Operating profits rose by 21.8% to £173.6 million and operating margins rose by a full percentage point to 12.4%. Completions for the year were 11,537 compared to 11,437 in 2000. The average private development selling price of a George Wimpey home rose by 8.9% to £122,559, an increase mainly resulting from the repositioning of the business already taking place prior to the McAlpine Homes acquisition. The higher prices achieved by McAlpine will begin to be evidenced in 2002. McAlpine Homes was incorporated into the results for the UK business with effect from the completion of the acquisition on 1 October 2001.

The decision was made during the year to slow down both the opening of new outlets and the purchase of new land in order to focus financial and management resources on the successful acquisition of McAlpine Homes. As a result, the average number of outlets open was down on the prior year, resulting in somewhat lower volumes than originally anticipated. From 1 October potential completions were also held back from McAlpine sites as new George Wimpey standards of presentation and customer handover processes were introduced.

As a result, sales proceeding at the beginning of 2002 were up a healthy 33% on 2001 to 3,054 units, whilst, with nearly 350 selling outlets now open, we are in a position to take advantage of the good market conditions prevailing in early 2002. The market has continued to be strong across the UK with visitor levels and sales registrations well in advance of last year.

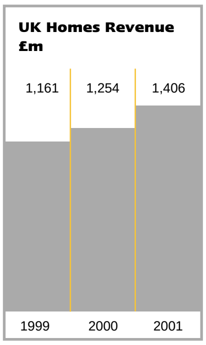
Improving the quality and length of George Wimpey's existing landbank was the major reason for the acquisition of McAlpine Homes. Geographically, the landbank is now more evenly distributed across our regions and is better located to meet our strategic objectives. The long term land bank now stands at 15,903 acres, a strong position from which to meet future aspirations. The short term land bank now stands at 40,567 plots – well in excess of 3 years supply at current expected volume output.

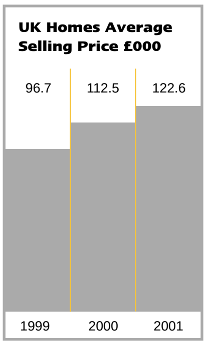
Restructuring

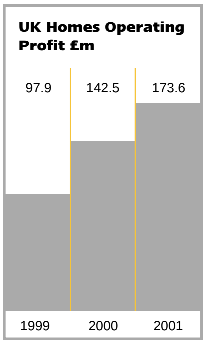
During the year the merger of our Wimpey Homes and McLean Homes divisions and the subsequent acquisition of McAlpine Homes has enabled the creation of a completely new regional structure, one which ensures that each regional business is better positioned for future growth. George Wimpey now incorporates 21 regional business units as well as two companies focussing on inner-city developments, one for central London and one for other major UK cities.

The plan to integrate Wimpey Homes and McLean Homes was announced in December 2000. After extensive consultation throughout the businesses, plans to rationalise the regional structure by reducing the number of regional offices from 29 to 21 at the same time as rationalising centralised functions, were announced in February 2001. The closure of 9 existing regional offices, the decentralisation of head office functions and the establishment of a new regional office for central London were completed by the end of March. This restructuring resulted in a headcount reduction of 435 in management and administrative functions.

The acquisition of McAlpine Homes provided further impetus to the repositioning of the Company. Following completion of the acquisition on 1 October a new Southern region was established from the existing







McAlpine Homes regional office in Chandlers Ford and the inner-city activities of both George Wimpey and McAlpine Homes outside central London were brought together into a single new business. The end of 2001 saw the completion of the integration and restructuring following the acquisition, reducing management and administration headcount by a further 466. As a result, overhead savings arising from this acquisition amount to £20 million in 2002 compared to £18 million originally forecast.

Rebranding

Following the integration of the Wimpey Homes, McLean Homes and McAlpine Homes businesses, the UK business will in future trade under the single brand 'George Wimpey'. Detailed work is underway on the presentation of this brand, which will be introduced during the second half of 2002.

Build Cost Savings

The merger of Wimpey Homes and McLean Homes provided an opportunity to introduce effective benchmarking of many key performance indicators across all the regional businesses. The results enabled us to identify £15 million in build cost savings that could be introduced without affecting the quality of our homes. Most of these savings come from improved procurement and the adoption of best practice design and build techniques. These initiatives are now being introduced across McAlpine Homes and an additional £5 million of further savings has been identified. McAlpine's substantial work in progress means these benefits will only be achieved in full from 2003 onwards. This work in progress will be reduced during 2002 as the new best practice George Wimpey build programmes are introduced.

Customer Options

Revenue from options selected by our customers has risen to £36.6 million, an increase of 8.2% and now averages £3,355 per completion. Excluding McAlpine completions (who did not offer such options), the figure rises to £3,568, an increase of 10.4% over 2001. Sales of customer options have grown over the past three years and are seen as a major opportunity for expansion in the future as we refine the service offered as well as our methods of operation. A new Options Centre with greater emphasis on the expanded range of products displayed in a more retail environment was introduced in the summer. Further developments will continue to be made as greater knowledge and experience are transferred between George Wimpey and Morrison Homes.

Customer Service

During the year we have strengthened our commitment to our customers. Our businesses are now strongly based on, and well positioned to meet, the quality requirements of our customers as we strive to provide the best quality homes within our industry. Building on the high quality standards achieved in previous years, George Wimpey and McAlpine Homes Site Managers continued to win significantly more NHBC Pride in the Job Awards than our competitors. In 2002, 88 Quality awards, 32 Seals of Excellence and 3 Regional awards were presented, a significantly better performance than any of our competitors.

To develop further our commitment to customer focus, a Director of Customer Services has been appointed; who will be responsible for maintaining a position at the top of housebuilding Industry Surveys, as well as improving our standard of service to that expected in other retail sectors.

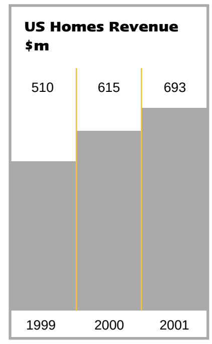
Product Development

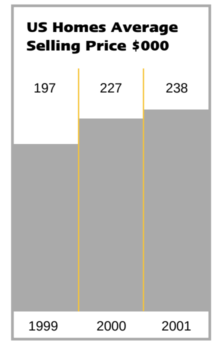
The product range now available to customers is well spread both in geographic and demographic terms and is well positioned to cater for a broad spectrum of the market. Inner-city and bespoke developments have continued to expand as dedicated management focus on this area of the product portfolio. The level of activity on brownfield sites has grown to 45%. Apartments now represent 11% of completions and 58.0% of homes completed in the year were detached.

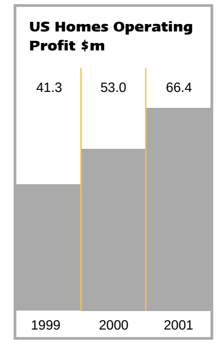
With a growing shortage of skilled labour, reassessing how homes are constructed whilst maintaining a high level of customer satisfaction is becoming a greater priority. A Research and Development Manager has been appointed who will concentrate on the research aspect of the challenge during 2002. This will entail assessing already proven building techniques around the world to ensure the Company is well prepared for changes over the next generation of housebuilding.

Going Forward

The New Year has started well with the fundamental factors in place for a stable housing market. The current rate of home provision cannot meet the demand arising from new household formation and with low interest rates and low inflation leading to good affordability levels the outlook, in both the short and long term, remains positive.







US – Morrison Homes

Morrison Homes, our US housing business, has continued to build on its strengthening performance of the past 5 years achieving further substantial improvements in results for 2001. These have been achieved at a time when the US economy entered a period of recession. The events of 11 September impacted the economy further by reducing consumer confidence and increasing unemployment. Technology and telecommunications industries have been badly affected which has impacted markets in Dallas and Austin, Texas, Denver, Colorado and the East Bay in Northern California. However the US housing industry has remained healthy during this recession driven primarily by 40 year low mortgage rates and continued consumer demand. Morrison operates in markets all with historic above average employment growth that continues to support long term demand.

Operating profits rose by 25.3% to a record level of $66.4 million and operating margins rose from 8.6% to 9.6%. Return on assets reached 21.7% and turnover grew 12.7% to $692.8 million.

Morrison began the year with 85 outlets open and finished the year with more than 100 open. Completions for the year at 2,900, rose by 9.9% despite weaker growth in the economy. Visitor rates showed a strong improvement of 33.4% over 2000 throughout the year and the average selling price of a Morrison home increased by 4.7% to $237,648.

Continued strengthening of the land bank was achieved throughout the year. At the end of the year the total owned and controlled land bank had risen to 12,235 plots. This represents a strong position from which to grow and meet future demand. Sales proceeding at the end of 2001 stood at 898, an increase of 15.4% over the end of 2000.

Growth Opportunities

The acquisition of Richardson Homes in June 2001 provided a platform for Morrison Homes to participate in the Denver, Colorado market. Morrison had previously identified Denver as a primary expansion market, with well above average job growth. Due to the strength of this market over the past 5 years, the availability of entitled land and competent management is limited, therefore the acquisition provides both an established landbank and a proven management team, with limited initial investment and risk.

Richardson Homes is now a fully integrated division of Morrison Homes, reporting to the regional office in Phoenix, Arizona. The division is well positioned at the beginning of 2002 with 5 outlets open.

Morrison entered the Jacksonville, Florida market in the second half of 2000 through an internal expansion of the Orlando division and the first full year of business has been very successful in terms of profitability and developments established. Four outlets are now open with an additional 3 coming on stream in 2002.

Customer Options

Over the past few years Morrison Homes has made significant improvements in operating margin by focussing on the sale of customer options. Following the success of the prototype centralised “Signature Selection Center”, opened in Orlando in mid-2000, further centres were opened in 2001 in Tampa, Florida and Sacramento, California. During 2002, centres will be opened in Morrison’s remaining markets. These centres offer customers a retail sales environment in which to consider opportunities for optional upgrades in addition to gaining professional input from interior designers to help them personalise their new homes, all encouraging customers to add more and higher value options to their homes. In 2001, sales of options averaged $23,111 per property, whilst 9.7% of revenues were attributed to options, an increase of 0.5 percentage points over 2000.

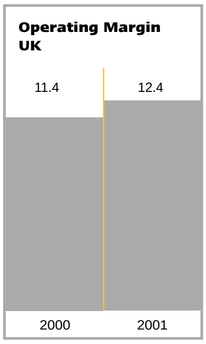
Morrison Financial Services

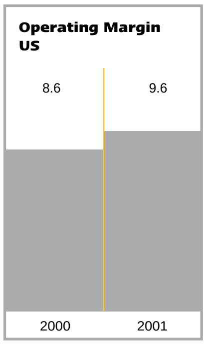
During 2001, Morrison Homes entered into 2 new mortgage joint venture arrangements with Wells Fargo Home Mortgage and Mortgage Direct Ventures to further improve customer service, internal processes and profitability. During the year Morrison Financial Services provided financing for more than 60% of Morrison’s customers.

Adding to the range of services we are able to offer customers, Morrison Title, a joint venture title company, was formed to cover all Florida and Texas markets during the second half of 2001. This venture will allow Morrison to serve our customers and employees better through a seamless process and allows us to achieve additional profits from the distinct legal completion processes that apply in the US.

Customer Focus

All Morrison Homes’ divisions continue to focus on customer service and “Commit to Quality” criteria are consistently measured and tracked. These results, together with the ongoing feedback received from quarterly Woodland O’Brien surveys, are used to initiate continuous improvement programmes. Customer “willingness to refer” for Morrison Homes reached 85% for the year. Some 20% of our new home buyers are now being referred by previous customers.





Morrison's proactive approach to customer service, starts at the point of sale and continues for two years after the customer has completed their purchase. This remains the core focus for the business.

Going Forward

Morrison Homes finished 2001 on a strong note in most of our markets and it is anticipated that in general the outlook will remain healthy during the current year. US commentators remain optimistic that the US economy will begin to show recovery by the second quarter of 2002. Even if that is delayed, the outlook for new housing remains strong, supported by underlying demographics and affordability. The longer term prospects are therefore good, and Morrison is well-positioned for future organic growth.

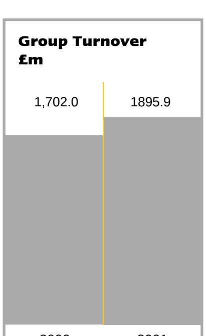
Financial Review

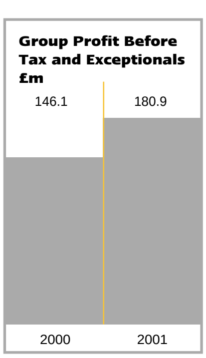
Summary

2001 was a year of strong strategic and financial progress with the Group's pre-exceptional profit before tax rising by 24% to £180.9 million.

Exceptional costs of £28.9 million were incurred during the year, split equally between the merger of the Wimpey Homes and McLean Homes businesses and the integration of the McAlpine Homes business, acquired on 1 October 2001.

The pre-exceptional return on the Group's average capital employed improved to 20.9%, whilst the return on average shareholders funds increased to 19.0% reflecting strong revenue growth, improved margins, tight balance sheet control and greater use of debt capacity.





The balance sheet remains strong with the year end debt/equity ratio standing at 50%, in line with the target announced in August 2001. For the year, interest cover (calculated by dividing pre-exceptional operating profits by interest costs excluding the imputed interest on the McAlpine Homes deferred consideration) stood at approximately 8 times.

Corporate Activity

In June, Morrison Homes entered the Denver, Colorado market by acquiring Richardson Homes. Consideration of $21.7 million represented a premium of $6.0 million to historic net asset values. Of this $1.7 million has been allocated to fair valuation of land, the balance $4.3 million to goodwill which will be written off over 10 years.

On 1 October George Wimpey PLC acquired Alfred McAlpine Homes Holdings Ltd. Total consideration has been agreed at £462.6 million which represents a £50 million premium to net assets at the date of completion. As at the year end consideration of £200 million had been paid with further instalments due as follows:

2 January 2002	**£50 million**
4 March 2002	**£50 million**
7 July 2002	**£52.6 million**
30 August 2002	**£110 million**
Total deferred consideration	**£262.6 million**

In line with Financial Reporting Standard 7, the interest value of the payment in instalments has been imputed at £13.1 million of which £5.5 has been included in the interest charge in 2001. The balance will be charged to interest in 2002. £45 million, which represents the £50 million premium less the imputed interest plus acquisition costs of £8 million, has been ascribed to the balance sheet as a fair value adjustment to land assets. The Directors believe this to be a prudent approach and are comfortable that the market value of the assets acquired is at least equal to the values held in the balance sheet after the fair value adjustment. As the acquired land is sold following development, the relevant proportion of the fair value adjustment will be expensed in the profit and loss account. In 2001 the fair value adjustment expensed from 1 October totalled £0.9 million. There were no material adjustments arising from accounting methodology differences.

The acquisition was funded from existing debt arrangements and an additional £260 million of credit facilities.

Accounting Standards

The 2001 Annual Report has been produced in accordance with standards issued by the Accounting Standards Board. There have been no new standards issued during 2001. New pronouncements issued by the Urgent Issues Task Force have had no impact on reported results.

FRS 17 on retirement benefits and FRS 19 on deferred taxation will be adopted by the Group in the future in line with requirements. FRS 17 requires certain disclosures under the transition arrangements which are detailed in the notes to the accounts. In summary, the UK pension scheme has assets (at current market value) of £528 million and liabilities (discounted at the AA bond yield) of £598 million. On this valuation method, which will be required by the new Accounting Standard, this would result in a reported deficit of £70 million, which

Operating and Financial Review continued

is partially offset by a deferred tax asset of £21 million to give a net deficit of £49 million. Under the scheme rules, an actuarial valuation of the Pension Scheme is due in April 2002. However, in view of the increased cost of providing defined benefit schemes arising from lower assumed investment returns and increased longevity, the Directors have decided to offer only a defined contribution scheme to those joining the Company from 1 January 2002. A consultation process to review arrangements for existing members has been initiated.

Group Annual Results

Total Group turnover rose to £1,896 million, 11% ahead of last year. Profit before tax and exceptional items grew strongly, up 24% to £180.9 million. The McAlpine Homes and Richardson Homes acquisitions contributed £125 million of turnover and £16.2 million of operating profit. Exceptional costs of £14.7 million were incurred in integrating McAlpine, which with the costs incurred in merging McLean Homes and Wimpey Homes earlier in the year, brought full year exceptional costs to £28.9 million.

In the UK, turnover increased by 12.1% to £1,406 million including a first-time contribution from McAlpine Homes of £112.5 million, whose results were consolidated for the last three months of the financial year. Average UK private development selling prices increased by 8.9% to £122,559. UK operating profit margins improved from 11.4% to 12.4% benefiting from overhead savings achieved through the merging of the McLean Homes and Wimpey Homes businesses early in the year and consequent rationalisation of the regional structure.

In the US, Morrison Homes' turnover grew by $78 million, or 12.7%, to $692.8 million, of this $19 million was due to the acquisition of Richardson Homes. Average selling prices rose by 4.7% to $237,600. Legal completions totalled 2,900, a growth of 9.9%. Morrison Homes' operating margins also improved from 8.6% in 2000 to 9.6% in 2001, helped by improved pricing, good cost control and higher sales of customer options. The effect of sterling depreciating slightly against the dollar benefited sterling operating profits by £2.4 million.

Interest

The Group's interest charge totalled £32.2 million including £5.5 million imputed interest on the deferred consideration payable to Alfred McAlpine PLC. The interest on borrowings, £26.7 million, represents an increase of 11% on 2000. Average net debt increased by 25% but this was mitigated by a reduction in average interest rates to 6.0%.

Interest cover, defined as operating profit before exceptionals divided by the net interest charge, exceeded 6 times. If the imputed interest on the McAlpine Homes deferred consideration is excluded, this rises to around 8 times.

Tax

The tax charge for the year totalled £33.4 million representing an effective rate of 22%. This low effective rate derives from a negative charge for the US operations which benefited from past tax losses carried forward and favourable resolution of issues previously in dispute.

It is expected that 2002 will see the final utilisation of the US tax losses brought forward.

Cash Flow/Net Debt

The cash flow for the Group can be summarised as follows:

£m	2001	2000
Operating profit	213	170
Exceptional costs	(29)	0
Land spend	(746)	(485)
Land realised	393	353
Working capital	(160)	(14)
McAlpine deferred consideration	255	0
Discontinued operations	4	12
Tax	(35)	(23)
Net funding costs	(52)	(49)
Net capital spend	(3)	1
Net cash flow (excluding currency movement)	(160)	(35)

Net cash flow before currency movement but after the first £200 million of payments to Alfred McAlpine PLC was £160 million. After aligning the Group's debt denominated in dollars to the year end exchange rate, the increase in Group borrowings was £163 million, bringing year end debt to £383 million. Net debt represents 50% of shareholders funds in line with expectations following the McAlpine acquisition.

The acquisition of McAlpine Homes has resulted in an increase in the value of the total UK land bank, including current and strategic land, from £728 million to £1,146 million. The UK land bank has improved in both quality and quantity with a shift in profile towards superior locations.

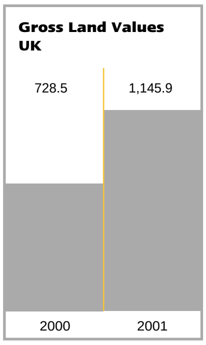
Increased cash tied up in working capital reflects business growth in the US, increased activity in brownfield and apartment developments in the UK and most significantly the McAlpine Homes acquisition. McAlpine Homes had high levels of work in progress (amounting to £127 million on acquisition) which will be reduced during 2002 in line with George Wimpey policies and practices.

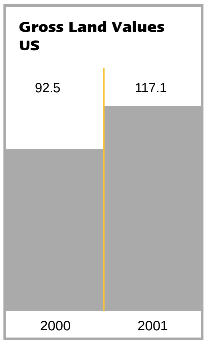
In the US the owned and controlled land bank grew by 23% to 12,235 plots. This provides a strong basis to support further growth, particularly as almost two thirds of completions are built on serviced plots and development land is of less importance than in the UK.

Balance Sheet

In 2001, in spite of exceptional costs of £29 million and a proposed dividend of £31 million, shareholders funds grew by £91 million to £764 million. This represents 205p per share, a 13% increase on the 2000 year end. At 31 December 2001 79% of the Group's assets were employed in the UK with the balance in the US.

Reflecting ongoing investment in land holdings and the acquisition of McAlpine Homes, the value of land in the closing balance sheet of the Group totalled £1,263 million, an increase of £442 million on 2000. This reflects an increase in the length and improvement in the quality of the land bank in the UK, with an increased emphasis towards the south and larger properties. Construction work in progress was valued at £520 million,





a £174 million increase due to the McAlpine acquisition and growth in the US. Deferred consideration due to Alfred McAlpine PLC after the effect of discounting totalled £255 million.

Second Half Results

Operating profits before exceptional items increased by 32% in the six months to 31 December to £147 million. In the UK, operating profits rose by 35% to £119.6 million, benefiting from the first-time inclusion of McAlpine Homes and reduced costs in the existing business.

Despite the difficult economic environment and uncertainty caused by the tragedy of 11 September, Morrison Homes continued to make progress with turnover increasing by 7%; operating profits by 9%.

Interest costs in the six months to 31 December were £19.1 million, an increase of £5.6 million over the same period in 2000 entirely due to the imputed interest value of paying for McAlpine Homes on a partially deferred basis. Interest rates were generally favourable and this balanced higher work in progress and the effect of the first stage payment for McAlpine Homes.

Financial and Treasury Policies

The Group finances its operations through a combination of retained profits, bank loans, and long term loans in the form of US$ private placements with a group of US insurance companies. All loans are raised centrally by the Group's Treasury Department.

The Group uses derivatives to generate the appropriate balance between fixed and floating interest rates and the effective currency profiles. It is not Group policy to trade actively in derivatives or to use more complex derivatives.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, and foreign exchange currency risk. These risks are all regularly monitored by the Treasury Committee.

Interest Rate Risk: The Group manages its exposure to interest rate fluctuations on its borrowings by the use of interest rate swaps and options. The highest risk scenario is high interest rates which would have the negative impacts of weakening the housing market and hence revenues whilst at the same time increasing borrowing costs. Whilst this scenario appears unlikely in the foreseeable future, management have taken the opportunity of the availability of low long term interest rates to substantially increase the percentage of fixed borrowings. Borrowings of £150 million have been fixed for 10 years at an interest cost of less than 6%.

Total fixed borrowings as a percentage of total Group borrowings at the year end were 56% compared to 32% in 2000. Fixed and floating borrowings by currency are detailed in note 18.

The value of the interest rate swaps and options are not shown on the balance sheet but the estimated market value at the end of 2001 was £7.9 million as detailed in note 23.

Liquidity Risk: The Group maintains adequate committed borrowing facilities to exceed by a comfortable margin the Group's forecast peak borrowings. As can be seen from note 17 to the accounts the Group has committed bank facilities of £692 million at the end of 2001. This shows an increase of £260 million over the prior year reflecting increased facilities raised in order to finance the McAlpine Homes acquisition. The weighted average maturity of these facilities is over 3.5 years.

In addition to bank facilities the Group has £83 million of borrowings through two US private placements, over 28% of which mature after 5 years. In total the Group's committed borrowing arrangements as at 31 December 2001 totalled £775 million. The Group has sufficient facilities to meet forecast requirements over the next 18 months.

Currency Risk: The Group's principal currency risk is translation exposure to its USA investment, Morrison Homes. The Group has maintained its policy of ensuring that between 50% and 100% of its year end US dollar assets would be matched by dollar debt. At the year end dollar assets were valued at $351 million and dollar borrowings were valued at $272 million giving a percentage coverage of 78%.

Fair Value: Note 23 of the Accounts shows the fair value of the Group's financial instruments. The fair value at the end of 2001 shows an uplift of £6.0 million on the book value of these financial instruments compared to an uplift of £1.0 million at the end of 2000. This year's uplift arises in the main from an increase in the value of sterling interest rate swaps arranged in the year.

Andrew Carr-Locke Finance Director

The Company continues to refine its approach to environmental management

Environmental Management
The Company seeks to ensure that all Group companies conduct their business in a manner that, as far as is practicable, will minimise adverse effects upon the environment.

Environmental Management System and Training
The Company continues to lead the industry through the implementation of its site based Environmental Management System in the UK which was introduced in 2000 and which ensures that the sensitivities and the necessary controls of each development are considered prior to the commencement of construction. This results in a site specific environmental action plan which assists the site management in maintaining high standards of environmental management on site.

Successful environmental management can only be achieved if there is a clear understanding of the issues involved. Comprehensive awareness training takes place throughout the Group and is designed to ensure that there is at all levels within the organisation, an understanding of roles and responsibilities as well as a working knowledge of environmental management systems and procedures.

Restoring Value
The importance of concentrating on the restoration of value to previously used land is very firmly recognised by the Company. Procedures have been developed in-house and are comprehensively documented for the assessment, remediation and validation of land. In the UK the resultant document provides a format for a "Land Quality Statement" to be prepared for each site which communicates key information to interested parties including potential house buyers. The success of this work is demonstrated by the National House Building Council's purchase of the rights to develop Wimpey's written procedures into their Standards Chapter on Land Quality.

The Group continues to seek and implement improvements and refinements in its processes and, through its review groups consisting of management and external specialists, will promote best practice and achieve compliance with regulatory obligations. Looking forward, a programme of targeted objectives is planned by George Wimpey for 2002 focusing on the most significant issues that can occur on site such as the areas of waste management, fuel storage, the prevention of silt run-off and incident reporting and remediation. Each area will be supported by detailed campaign briefs which will be used so as to involve all relevant parties, including contractors. Also looking forward, George Wimpey will, in 2002, standardise waste management systems including the segregation of waste and recycling.

Health and Safety Report
Management procedures are designed to promote health and safety as a business issue, which is fully integrated into our culture, rather than purely a compliance issue.

We believe that better managed companies view safety as a line-management responsibility and, accordingly, local management teams headed by their Managing Director are responsible for health and safety matters. Health and safety meetings are held regularly throughout the Group to review performance levels and identify areas for continued performance. The appointment of Production Directors as health and safety co-ordinators is designed to further enhance the integration of health and safety into the general management function of the business units.

In the US, Morrison Homes continues to be at the forefront of health and safety in the housing sector with its health and safety programme implemented by Divisional Safety Directors.

The introduction of a Hazard Categorisation System in the UK which prioritises improvements or hazards allows problems to be identified quickly and time scales imposed for the carrying out of identified remedial action. This is followed up by stringent close out procedures where the relevant business is required to confirm that the remedial action has been taken.

Training remains an essential ingredient in achieving a safe system of work and it is integrated into all staff development programmes throughout the Group. In line with the UK Government's Revitalising Health and Safety initiative, training programmes will be developed to enhance the health and safety aspects of our contractor base.

Looking forward, we will continue to refine our approach to site safety and develop ideas into "Best Practice" so as to minimise the number of accidents and working days lost through injury or ill health. During 2002 George Wimpey will introduce a new definitive health and safety procedures manual providing clear guidance on what is expected in all operating businesses – the introduction of the manual will be supported by a rigorous training programme. The intranet will be used extensively to share best practice to maximise effect.

1 John H Robinson # *

Chairman

John, 61, has been Chairman since 1999, originally joining George Wimpey as a Non Executive Director in 1998. During 2001 he was appointed Chairman of Railtrack and previously has been Chairman and Chief Executive of Smith & Nephew PLC and Chairman of Low & Bonar plc. He is currently Chairman of UK Coal PLC.

2 Peter M Johnson #

Chief Executive

Peter, 54, joined George Wimpey in 2000, having previously been Chief Executive of The Rugby Group PLC and, prior to that, a Director of Redland PLC. He is a Non Executive Director of D S Smith PLC.

3 Andrew Carr-Locke

Finance Director

Andrew, 48, joined George Wimpey in May 2001. Previously he was Group Finance Director of Courtaulds Textiles Plc and prior to this European Finance Director of United Distillers.

4 Stewart M Cline

President, Morrison Homes

Stewart Cline, 56, joined Morrison Homes in 1994 as President and was appointed to the Board in December 2000. Prior to joining Morrison he was 22 years with the Ryland Group, concluding as President of their South West Region.

5 Keith M Cushen

Managing Director

George Wimpey

Keith, 54, joined George Wimpey in 1984, as a private development manager. After two years as Managing Director of Wimpey Homes, he became Managing Director of McLean Homes in 1996. In December 2000 he became responsible for all UK housing and joined the Board.

6 J Michael Blackburn # * +

Senior Independent

Non Executive Director

Michael, 60, was appointed a Non Executive Director in 1999 and is Chairman of the Remuneration Committee. Previously Chief Executive of Halifax plc, he is a Non Executive Director of DFS Furniture Company plc.

7 O Charles Darby * +

Independent Non

Executive Director

Charles, 67, was appointed a Non Executive Director in 1994 and is Chairman of the Audit Committee. He was formerly a Director of Bass PLC.

8 Christopher J Bartram * +

Independent Non

Executive Director

Christopher, 52, joined George Wimpey in May 2001 and is currently Chief Executive of Haslemere NV. Chris holds Non Executive positions with The Railway Pensions Trust as Property Investment Advisor and is a Trustee of Cambridge University Estate Management Development Fund. Until May 2001 he was President of the British Property Federation.

9 David Williams * +

Independent Non

Executive Director

David, 56, was appointed Non Executive Director in May 2001. He is currently Finance Director of Bunzl plc a position he has held since 1991. David also held the position of Non Executive Director of Dewhirst Group PLC until 2001 and was a Non Executive Director of Medeva PLC until 2000.

* Audit Committee, + Remuneration Committee, # Nomination Committee

Corporate Governance

The Board is committed to high standards of Corporate Governance. This statement describes how the relevant principles of governance are applied to the Company's activities.

Directors

The Board met 13 times during the year and, in addition to routine both financial and operational matters, it reviewed each of its trading businesses in detail. Twice yearly the Board spends time within a business unit, visiting sites and local offices. The Board operates under agreed terms of reference, which delegates certain powers to the Board Committees and to the Chief Executive. The terms of reference are periodically reviewed by the Company Secretary, who is responsible to the Board for ensuring that procedures are followed and for bringing the Board's attention to areas that require updating.

Through the offices of the Company Secretary, all Directors may take independent professional advice, if they so wish, at the Company's expense.

In addition to the Chairman, at the year end, the Board had four Executive Directors and four Non Executive Directors, all of the latter being considered as independent. Their biographies, given on page 21, indicate the calibre and breadth of experience available to the Company from its Non Executive Directors to complement the experience of the industry held by the Executive Directors.

Michael Blackburn was elected Senior Non Executive Director following Peter Curry's retirement at the last AGM.

An agenda and Board papers are provided to each Director in the week prior to the Board meeting, enabling them to consider the topics for discussion, and to request clarification or additional information. The Board periodically reviews the type and amount of information provided.

Board members are appointed by the Board on the recommendation of the Nomination Committee, which is chaired by John Robinson and also consists of the Chief Executive and the Senior Non Executive Director.

All Directors submit themselves for re-election every three years, and all Non Executive Directors are appointed initially for a three year term.

The Remuneration Committee consists of four Non Executive Directors Michael Blackburn, Christopher Bartram, Charles Darby and David Williams, and operates within its agreed terms of reference. When making its decisions, the views of the both the Chairman and the Chief Executive are considered and appropriate professional advice is sought where needed. Non Executive Directors' fees are considered annually by the Board.

The Remuneration Committee aims to ensure that individuals' rewards and incentives are related to the Group's performance and shareholders' interests. Executive Directors' salary levels are set having reviewed salaries of both competitors and comparable businesses in other industries. Annual bonus payments were based on the Group achieving a significant improvement in profit before tax.

The Company has appointed Towers Perrin as advisors to the Remuneration Committee on Directors' salary levels and remuneration packages.

The Remuneration Report for 2001 is on page 24.

Relations with Shareholders

The Company has an active investor relations programme, with the Chief Executive and Executive Directors meeting with key institutions in the period after a results announcement. Peter Johnson, Andrew Carr-Locke and Keith Cushen met with major shareholders many times following the announcement of the purchase of McAlpine Homes.

The Company is pleased to welcome private and institutional shareholders to its Annual General Meeting and to discuss with them any topic they may wish to raise. The Board will be present at the Meeting to answer any questions.

Accountability and Audit

The Board believes that the financial statements and reviews contained within this document present a balanced and understandable assessment of the Company's performance and prospects. The sound system of internal control within the Company enables the Board to make this statement. The Board has an Audit Committee, the membership of which includes the Chairman and other Non Executive Directors. The Committee has written terms of reference and works with management to ensure that the external audit is conducted in a cost effective, yet objective, manner. The work undertaken by the Audit Committee on behalf of the Board in reviewing all published statements is supported by the internal audit function and external auditors. This allows the Directors to be able to make the statement on page 29 relating to their responsibilities to prepare financial statements and to attest that the business is a going concern.

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The system can only manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Board has reviewed in detail the areas of major risk that the Group faces in its operations. It has noted and is satisfied with the current control mechanisms and reporting lines that have been in place throughout the year.

In order to ensure that the system of internal control becomes embedded in the operations of the Company and forms part of its culture, each Division of the Group has identified major risks to its activities and introduced effective controls. These procedures are reviewed by Internal Audit which discusses its findings with the Audit Committee. Any issues raised are subsequently discussed by the Board.

In addition to the major risk review process, the Group operates under an established internal control framework, which can be described under three headings:-

Financial and Operating Reporting – there is a comprehensive budgeting system with an annual budget approved by the Board. Forecasts are prepared three times a year and reviewed regularly. Monthly actual performance of each business unit is reviewed by Divisional and Group management and subsequently reported to the Board against both budget and forecast. Particular emphasis is placed on the cash flow as well as profit and loss and balance sheet reporting, and on key operating issues.

Business Unit Controls – controls and procedures, including information systems controls, are detailed in procedure manuals and other written instructions. Compliance with these procedures is reviewed by the Company's internal auditors and management at divisional level.

Land Purchase and Investment Appraisal – the Group has clearly defined guidelines for purchase of land and for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements. In addition to financial aspects, a detailed environmental appraisal of land due to be acquired is carried out before purchase.

The principal Treasury risks, decisions and control processes are documented in the Financial and Treasury Policies section of the Operational and Financial Review.

Compliance with the Combined Code

The Board has considered the Combined Code on Corporate Governance as defined in the Listing Rules of the UK Listing Authority and considers that, during the year under review, it has complied with all the provisions of the Code.

Going Concern

The Directors are required under the Combined Code on Corporate Governance to have satisfied themselves as to the Group's ability to continue in existence for the foreseeable future. A review has been carried out and the Directors have concluded that the Group has adequate resources and is justified in using the going concern basis in preparing the financial statements.

Remuneration Report

The following is the Board's report to shareholders on Directors' remuneration, in accordance with Schedule B of the Combined Code on Corporate Governance.

Policy
The Company's policy on remuneration is determined by its Remuneration Committee, which is comprised of four independent Non Executive Directors and is chaired by Michael Blackburn.

The Company is committed to fostering a performance culture to achieve growing shareholder value and establishing George Wimpey as a leading home builder in its competitive markets. In line with these aims, the Committee sets the remuneration packages of the Directors at a level designed to attract, motivate and retain high calibre executives, and to deliver high rewards on delivery of superior performance. The objective continues to be to reward at the appropriate level with respect to the home building sector and general industry practices; so as to provide a package designed to deliver high rewards only on attainment of demonstrably sustained superior performance. This is achieved through a combination of basic salary, cash bonus and share-based long term incentives.

In the course of 2001, the Company reviewed its remuneration practices and, in particular, its long term incentives to ensure the Committee's objectives described above are met and a new scheme, the George Wimpey Long Term Incentive Plan has therefore been developed which more closely aligns the Company's business strategy and the delivery of performance by key executives. This scheme is described in the separate Share Scheme Circular (the "Share Scheme Circular").

Both the level and the structure of Executive Directors' pay are decided by the Remuneration Committee. Non Executive Directors' remuneration is set by the Board as a whole within limits defined by shareholders. The Committee seeks advice and information from external consultants when deciding on remuneration packages, and has appointed Towers Perrin as advisors on Directors' remuneration. The remuneration paid to Directors in 2001 is shown on page 25 and described in further detail below.

Base Salary
In setting the base salary of each Director, the Remuneration Committee takes into account market competitiveness and the performance of each individual Director. To ascertain market competitive levels for each position, external consultants annually review and provide data about market salary levels and advise the Committee accordingly. Salaries are reviewed annually.

Annual Incentive Scheme
The Remuneration Committee has considered Schedule A of the Combined Code on Corporate Governance covering performance related remuneration.

The Group operates a short term cash-based incentive scheme to reward current performance. Executive Directors, together with approximately 150 senior managers, are eligible for an annual incentive based on annual performance. In respect of Peter Johnson, Andrew Carr-Locke and Keith Cushen, this is a maximum 50% of basic salary. Annual incentive targets are set each year to take account of current business plans, market conditions and personal performance. The targets for 2001 required the Group to achieve £150m profit before tax to pay a bonus. This would need to rise to £160m before the maximum bonus could be paid. The Remuneration Committee believed that this was a challenging target, which clearly enhanced the value of the business. The 2002 bonus targets will again be based on a demanding uplift in profit before tax.

Stewart Cline is a member of a different annual incentive scheme, which is tailored to the performance of the US business.

The Remuneration Committee has decided to award enhanced bonuses to Peter Johnson, Andrew Carr-Locke and Keith Cushen to reflect their exceptional performance in the course of the restructuring of the business in 2001.

No bonus payments are pensionable.

Long Term Incentives
As noted above, in the course of 2001, the Company reviewed its remuneration practice and, in particular, long term incentives. It is proposed that the George Wimpey Long Term Incentive Plan, as described in the enclosed Share Scheme Circular, be introduced for 2002 and onwards.

Details of the Company's existing long term incentive schemes are set out below.

Executive Share Option Scheme
The Company operates an Executive Share Option Scheme ("Executive Scheme"). Options granted under the Executive Scheme are not normally exercisable until three years after the date of grant and will lapse on the tenth anniversary of the date of grant. When granting options, the Remuneration Committee sets performance conditions to be satisfied before the options may be exercised. For grants in 2001, the condition was that total shareholder return ("TSR") for the Company over the three-year performance period, subject to retesting, must exceed the equivalent median of the TSR of the 12 largest UK listed house builders. During 2001, option grants to the value of one times salary were awarded to UK based Executive Directors.

For 2002, the Committee intends to make grants only to executives below the top team. Furthermore, the option performance condition will be to allow an exercise only if the Company's TSR is at or above median of selected house builders and other construction companies over three or four years. TSR will be assessed over six months before the start and end of each measurement period for the Company and each company in the comparator group.

Details of the Executive Directors' holdings under the Executive Scheme are shown on page 27.

Executive Incentive Scheme
Under this Scheme, UK-based Executive Directors were required to invest at least 10% of the cash bonus paid to them in March 2000 in the Executive Incentive Scheme Share Plan. The only Director with shares remaining under this Scheme is Keith Cushen. The shares were acquired at the mid-market price shortly following the announcement of the preliminary results and are held in trust.

If the shares are held in trust for three years the Company will match the amount of shares held in trust with a number of shares equivalent to 50% of the original shares allocated, provided the Executive Director is still employed by the Company. If the shares are held in trust for a further two years, the matching entitlement will then be a total of 75% of the original shares.

All entitlements to matching shares are released at the discretion of the Remuneration Committee. The matching share entitlement as at

31 December 2001 of Keith Cushen is shown in the table in the Directors' Report on page 27. Executive Directors are not entitled to invest further in this Scheme.

US Scheme

Stewart Cline does not currently participate in any UK-based share scheme. In common with the senior US-based management, he participates in an Executive Long term Compensation Plan. Units are granted annually, at the beginning of the year, to participants and are valued at the end of that first year. Payments to the participants commence one year after valuation of the units and conclude four years after the first payment. No equity is involved in the scheme, which was established on 1 January 1998. Mr Cline's current interest in the scheme amounts to $2,816,084. This includes an award for the 2001 performance period valued at $1,047,200 (£727,222).

Sharesave Scheme

The Group operates a Savings Related Share Option Scheme which all staff, including Executive Directors, with over 6 months' service are eligible to join.

Pensions

The UK-based Executive Directors and other designated managers are eligible to join the Executive section of the Wimpey Staff Pension Scheme. The Scheme is a funded, Inland Revenue approved, final salary occupational pension scheme and all members contribute 5% of salary. Executive members cease to contribute once they have achieved thirty years' pensionable service. Pensions in payment are guaranteed to increase by the increase in the Retail Price Index to a maximum of 5% per annum.

The Scheme provides Executive members with a pension of up to two-thirds of pensionable salary on retirement at age 62, subject to the member having completed 30 years' pensionable service. In addition, life assurance of four times basic salary and a pension of two-thirds of the member's entitlement for spouses on their death in service, or in retirement, are provided, together with a children's allowance of up to 100% of the dependant's pension for three or more children. Pensionable salary excludes all bonuses, benefits in kind and incentive payments. Executive members may retire early after the age of 60 with no reduction in their accrued pension entitlement. Prior to age 60 and after age 50, pensions will be reduced by an appropriate actuarial factor.

The Company provides Peter Johnson with a pension allowance by additional payments to him, amounting to 40% of his basic salary. A payment of £159,996 was made in 2001. Andrew Carr-Locke similarly receives a pension allowance amounting to 35% of his basic salary and £56,000 has been accrued in respect of his entitlement for 2001. A payment of £22,979 was paid into the pension arrangement for US staff on behalf of Stewart Cline. Other than these payments no other contributions have been made on behalf of the Directors to any money purchase schemes.

The Directors' accrued pensions in 2001 are shown on page 26.

Service Contracts

Peter Johnson, Keith Cushen and Andrew Carr-Locke have service contracts with a one-year notice period, save that in the event of a change of control of the Group, the notice period is extended to two years.

Stewart Cline has a service contract that is not determinable until 31 December 2003. This was agreed several years before his appointment to the Board and put in place to secure his services to provide continuity during a period of rapid growth for Morrison Homes Inc.

Non Executive Directors

The remuneration of the Non Executive Directors is determined by the Board as a whole. The remuneration is set within limits defined by shareholders whilst taking into account the results of surveys published by independent consultants. Their remuneration is paid in the form of fixed fees, which are reviewed annually.

Non Executive Directors do not participate in any incentive or share schemes and do not have service contracts.

The Remuneration paid to the Directors in 2001 was:

	Salary £	Performance Bonus £	Deferred Bonus £	Termination Payments £	Other Benefits* £	**Total 2001 £**	Total 2000 £
Chairman							
J H Robinson	138,110					**138,110**	112,200
Executive Directors							
P M Johnson (appointed 17/10/2000)	400,000	275,000			187,245	**862,245**	127,829
S M Cline (appointed 11/12/2000)	301,180	367,389	727,222		65,207	**1,460,998**	33,729
K M Cushen (appointed 11/12/2000)	225,000	162,500			11,889	**399,389**	18,307
A C P Carr-Locke (appointed 14/05/2001)	157,931	98,965			67,203	**324,099**	
Non Executive Directors							
C J Bartram (appointed 01/05/2001)	16,833					**16,833**	
J M Blackburn	30,899					**30,899**	28,641
O C Darby	27,000					**27,000**	26,000
D M Williams (appointed 01/05/2001)	16,833					**16,833**	
Former Directors							
R C C Saville (resigned 14/05/2001)	81,613	82,500		390,903	5,833	**560,849**	332,591
P A M Curry (retired 26/04/2001)	7,411					**7,411**	23,000
D G Brant (resigned 16/10/2000)				234,396		**234,396**	852,769
	1,402,810	986,354	727,222	625,299	337,377	**4,079,062**	1,555,066

NOTE:
Termination payments of £234,396 payable to Mr D G Brant relate to contractual payments agreed at the time of the departure based on bonus levels and share incentives awarded to Directors in 2001. This payment will be made in 2002.
Termination payment for R C C Saville includes £71,325 paid to the pension scheme.
* Other Benefits include the provision of a company car (or car allowance in lieu of a car), private health insurance, and in the case of Mr P M Johnson and Mr A C P Carr-Locke, a pension allowance of £159,996 and £56,000 respectively. The pension allowance for Mr A C P Carr-Locke has been accrued and will be paid in 2002. In the 2001 Annual Report and Accounts, Other Benefits of £3,635 paid to Mr P M Johnson for the period from 17 October 2000 to 31 December 2000, was exclusive of a pension allowance of, £26,666 paid in respect of that period. Mr S M Cline's Other Benefits, include the pension allowance of £22,979 referred to above.

Remuneration Report continued

Details of Directors' Accrued Pensions are as follows:

	Age at year end	Years Service	Directors' Contribution £'000	Company Contribution £'000	Total pension accrued as at 31/12/00 £'000	Pension pa accruing during 2001 £'000	Total pension accrued as at 31/12/01 £'000
A C P Carr-Locke ~	48	0	8	0	0	1	1
K M Cushen	54	17	11	27	75	25	100
P M Johnson ~	54	1	14	0	0	2	2
R C C Saville*	53	13	4	10	86	4	90

* Figure shown is the deferred pension accrued to 14/05/01. The pension payable at 31/05/01 was £70,999 pa, £71,325 was paid into the pension scheme by the Company on 27/07/01 to enhance his pension by £4,567 pa in line with contractual obligations.

~ No Company contributions are made to this pension scheme but a pension allowance is paid to the Director as shown on page 25.

Directors' Interest in Options over shares as at 31st December 2001:

Name	Options at 01/01/01	Granted 2001	Lapsed 2001	Exercised 2001	Options at 31/12/01	Exercise Price (p)	Option exercise period From	Option exercise period To	Net* worth
P M Johnson	295,748				295,748	135.25	16/10/2003	16/10/2010	247,688.95
Executive Scheme		107,962			107,962	185.3	14/03/2004	14/03/2011	36,383.19
		98,522			98,522	203	15/08/2004	15/08/2011	15,763.52
Savings Related		10,817			10,817	156	01/12/2006	31/05/2007	6,814.71
Total	**295,748**	**217,301**	**–**	**–**	**513,049**				**306,650.37**
S M Cline	55,840				55,840	117	05/03/1998	05/03/2005	56,956.80
	52,009				52,009	141	25/03/1999	14/03/2006	40,567.02
	52,195				52,195	140.5	26/02/2000	26/02/2007	40,973.08
Total	**160,044**	**–**	**–**	**–**	**160,044**				**138,496.90**
K M Cushen									
Executive Scheme	39,473			39,473	–	133	26/03/1995	26/03/2002	–
	24,720				24,720	209	17/10/1997	17/03/2004	2,472.00
	55,840				55,840	117	05/03/1998	05/03/2005	56,956.80
	52,009				52,009	141	25/03/1999	25/03/2006	40,567.02
	44,642				44,642	98	14/03/2003	14/03/2010	54,016.82
	36,008				36,008	121.5	14/09/2003	14/09/2010	35,107.80
		60,728			60,728	185.3	14/03/2004	14/03/2011	20,465.34
		55,418			55,418	203	15/08/2004	15/08/2001	8,866.88
Savings Related	3,590				3,590	98	01/12/2002	31/05/2003	4,343.90
	8,032				8,032	77	01/12/2004	31/05/2005	11,405.44
Total	**264,314**	**116,146**	**–**	**39,473**	**340,987**				**234,202.00**
Mr A Carr-Locke									
Executive Scheme		123,152			123,152	203	15/08/2004	15/08/2011	17,339.84
Total	–	**123,152**	–	–	**123,152**				**19,704.32**

The market price as at 31st December 2001 was 219p and the range during 2001 was 153p to 226.5p. During 2001 the only Director to exercise a share option was Mr K M Cushen who exercised 39,473 share options under the Executive Share Option Scheme. The market price achieved for this was 205.114p and the gain made was £28,465.56.

*Based on the market price of 219p as at 31st December 2001.

The Directors present their report and accounts for the year ended 31 December 2001.

Principal Activities and Business Review
During 2001 the Group's principal activities were in housing and land development. A summary of the results of these activities is set out in note 1 of page 34. Further details of the Company's activities and future developments are described on pages 3 to 20.

Profit and Dividends
The profit attributable to shareholders of £118.6 million is reported in the Group profit and loss account on page 30. An interim dividend of 2.90p per share, amounting to £10.8 million in aggregate, was paid on 29 October 2001 and the directors recommend a final dividend at the rate of 5.35p per share amounting to 20.0 million. This, when added to the interim dividend, will make a total of 8.25p per share or £30.8 million attributable to the year and leaves a surplus of £87.8 million which has been transferred to reserves.

Directors
The Board of Directors is shown on page 21.

In accordance with the Articles of Association, one third of the Directors are required to retire by rotation at the Annual General Meeting. Accordingly John Robinson, Michael Blackburn and Charles Darby, being the longest serving members, will retire and offer themselves for re-election.

In accordance with the Articles of Association, Directors who have been appointed to the Board since the last Annual General Meeting must be reappointed at the subsequent Annual General Meeting, accordingly, Andrew Carr-Locke, who was appointed as a director of the Company on 14 May 2001, will retire and offers himself for re-appointment. To give him a reasonable degree of security, Andrew Carr-Locke has a service contract, which can be terminated after 12 months, unless there is a change of control in which case the notice period is extended to 24 months.

Christopher Bartram and David Williams, who were appointed Directors on 1 May 2001, will also retire and offer themselves for re-appointment. Neither Christopher Bartram nor David Williams has a service contract.

Peter Curry retired as a Director on the 26 April 2001, and Richard Saville resigned on 14 May 2001.

The beneficial and non-beneficial interests of the Directors in shares of the Company, disclosed to the Company under the Companies Act 1985 as at 1 January 2001 and 31 December 2001 were as follows:

	Shares at 01/01/01	Shares at 31/12/01
J H Robinson	29,770	29,770
P M Johnson	79,568	99,586
S M Cline	0	10,000
K M Cushen	18,859	20,783
A C P Carr-Locke	0*	10,000
J M Blackburn	4,000	4,000
D M Williams	0*	5,000
C Bartram	0*	10,259
O C Darby	1,000	1,000

* On appointment

Included in the figures for Keith Cushen are the shares held in the George Wimpey PLC Employee Benefit Trust on his behalf. The table below details his holding and their matching amount under the EIS Scheme.

	K M Cushen
1 January 2001	13,022
31 December 2001	9,174
Entitlement in	
2002	1,364
2003	3,222
2004	682
2005	1,611

This scheme is now closed to Executive Directors.

Interests of the Directors in options over the shares of the Company are shown on page 26.

There has been no change in the interests of the Directors between 31 December 2001 and the date of signing of the accounts, 27 February 2002.

Share Capital
At the 2001 Annual General Meeting the shareholders gave the Company authority to purchase up to a maximum of 10% of its own shares. This authority expires at the conclusion of the forthcoming Annual General Meeting at which a special resolution will be proposed to renew the authority for a further year.

The Board has no immediate intention of exercising this authority but will keep the matter under review. Moreover, purchases will only be made if they would result in an increased earnings per share and will take into account other available investment opportunities and will be in the best interests of shareholders generally. Any shares purchased in accordance with this authority will subsequently be cancelled.

Options were outstanding as at 20 February 2002 to subscribe for a total number of 10,351,357 ordinary shares, or 2.77% of issued share capital. If the authority to purchase shares is ever used in full, the proportion of issued share capital represented by this figure would be 3.08%.

An ordinary resolution will be proposed at the forthcoming Annual General Meeting to authorise the Directors, in accordance with section 80 of the Companies Act 1985, to allot shares in the Company up to an aggregate nominal amount of £31,115,501 for a period that shall expire five years after the date of passing of this resolution.

Conditional upon the passing of this resolution, a special resolution will be proposed which will enable the Directors to allot shares for cash by way of rights or scrip dividend or in an amount equal to not more than £4,666,468 in aggregate of the nominal value of the Company's issued share capital, without first offering the shares to existing shareholders.

Employee Share Schemes
The Company operates a Savings Related Share Option Scheme and an Executive Share Option Scheme. The limit that may be issued under each scheme is the lower of 20,000,000 and 5% of the issued ordinary share capital of the Company.

Directors' Report continued

During the year options were exercised in respect of 75,109 shares under the Savings Related Share Option Scheme and 1,256,736 shares under the Executive Share Option Scheme. In addition, 1,845,529 shares were allotted during the year to George Wimpey Quest Trustees Limited to cover exercises of savings related share options in accordance with the scheme rules. Options were granted during the year over 2,208,408 shares at 156p under the Savings Related Share Option Scheme.

Options were granted over 672,844 shares at 185.3p and 657,393 shares at 203p under the Executive Share Option Scheme.

The current number of options outstanding under the Savings Related Share Scheme was 6,593,729 exercisable between 2002 and 2007 at between 77p and 156p per share and, for the Executive Share Scheme, 3,865,442 shares exercisable between 98p and 209p per share. The current number of options outstanding under both schemes was 10,459,171 of which 10.8% are for the account of the Executive Directors.

The George Wimpey PLC Executive Incentive Scheme up to 2000 required participants to invest part of their annual cash bonus in shares of the company. These shares are then held in trust for three years, whereupon they are released to the executive with an additional 50% in matching shares. For bonus payments after 1999 should the executive keep the shares in Trust for a further 2 years then they are released with a 75% matching. From 2001 onwards, this scheme was no longer compulsory and certain designated management now have the choice if they wish to invest. This scheme is now closed to Executive Directors. In March 2001, 22,968 shares were allotted to the Trustees of the George Wimpey PLC Employee Benefit Trust.

As at 31 December 2001, the trust held 516,035 shares, with a market value of £1,130,116.65 on behalf of the employees in the Executive Incentive Scheme share plan.

Substantial Shareholdings

As at 14 February 2002 the Company had been notified of the following interests in accordance with sections 198 to 208 of the Companies Act 1985.

	Number of shares	% Issued Share Capital
Prudential PLC	40,923,549	10.97
FMR Corp & Fidelity International Ltd	29,977,890	8.07
Sandford C Bernstein and Co, Inc	27,061,784	7.43
Barclays Bank PLC	18,508,586	4.97

Creditor Payment Policy

The Group's policy and practice is for operating Divisions to agree the terms and conditions for business transactions with their suppliers and sub-contractors. Payment is generally made on this basis, subject to terms and conditions being met by the suppliers and sub-contractors. The number of creditor days as at 31 December 2001 was 32 days.

The parent Company had no trade creditors at 31 December 2001.

Research and Development

The sharing of innovations in both the choice of materials and systems of construction has continued to evolve through the use of the company intranet.

The utilisation of off-site manufacturing to provide homes on two developments has now been completed and an analysis of the lessons learned has been undertaken.

The newly appointed Research and Development Manager will be concentrating on researching the many aspects of the processes needed in current house building practice and identifying where they can be improved.

Employee Involvement and Communication

The more open culture that has developed throughout the business during the year has resulted in the introduction of a series of new initiatives to improve employee involvement and internal communications. A new intranet has been developed and greater use is being made of internal email facilities and email bulletin boards to enable greater ease of communication throughout the businesses. Information on key issues affecting the business is cascaded throughout the organisation and is supported by management presentations.

Twice yearly the Board spends time within a local business unit, visiting sites and local officers to meet staff at all levels of the operation. The Directors carry out regular visits to all parts of the business, holding informal discussions with staff, enabling them to understand the Group's objectives and generating feedback.

In the UK, representatives have recently been elected in all locations to meet regularly with the Group Human Resources Director to discuss issues directly affecting staff.

A quarterly magazine is produced called "In House", which keeps staff informed of all new developments, staff issues and social events across the Group.

The nineteenth issue of the Company's Savings Related Share Option Scheme, open to all staff with over six months service, was made during the year and taken up by 1,128 employees. It is intended to make a further issue in 2002.

Equal Opportunities
George Wimpey PLC is an equal opportunities employer. Its objectives are to ensure that the talents and resources of all employees are utilised to the full and that no job applicant or employee receives less favourable treatment on the grounds of sex, age, race, nationality, creed, disability, sexual orientation, marital status, or by conditions or requirements which cannot be shown to be justifiable.

Employment of Disabled Persons
Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Guidance notes have been issued to managers and recruiters. Efforts are made to enable any employees who become disabled during employment to continue their careers with the Group. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees who are not disabled.

Charitable Contributions
Contributions for charitable purposes were made during the year amounting to £66,288. A new Board Committee under the Chairmanship of Andrew Carr-Locke has been set up to approve and monitor charitable contributions.

Directors' Responsibilities
The Directors are required by UK Company Law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit of the Group for that period. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in accordance with relevant applicable accounting standards. The Directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities. A copy of the financial statement of the Company is placed on the website of George Wimpey PLC. Executive management is responsible for the maintenance and integrity of the Company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors
A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting in accordance with section 384 of the Companies Act 1985.

By Order of the Board

James J. Jordan Company Secretary
27 February 2002

Group Profit and Loss Account

For the year ended 31 December 2001

	Note	Before Exceptional Items 2001 £m	Exceptional Items 2001 £m	2001 £m	2000 £m
Turnover	1				
Continuing Operations		**1,770.5**		**1,770.5**	1,702.0
Acquisitions		**125.4**		**125.4**	–
		1,895.9		**1,895.9**	1,702.0
Cost of Sales		**(1,578.5)**		**(1,578.5)**	(1,425.0)
Gross Profit		**317.4**		**317.4**	277.0
Administrative expenses	3	**(104.3)**	(28.9)	**(133.2)**	(106.8)
Profit on ordinary activities before interest	1, 2				
Continuing Operations		**196.9**	(14.2)	**182.7**	170.2
Acquisitions		**16.2**	(14.7)	**1.5**	–
		213.1	(28.9)	**184.2**	170.2
Interest – net payable	4	**(32.2)**	–	**(32.2)**	(24.1)
Profit on ordinary activities before taxation		**180.9**	(28.9)	**152.0**	146.1
Tax on profit on ordinary activities	5	**(44.0)**	10.6	**(33.4)**	(35.1)
Profit attributable to ordinary shareholders		**136.9**	(18.3)	**118.6**	111.0
Dividends	6			**(30.8)**	(27.7)
Retained profit for the year	27			**87.8**	83.3
Earnings per ordinary share – basic	7			**31.90p**	30.04p
Earnings per ordinary share – diluted	7			**31.66p**	29.90p
Earnings per ordinary share before exceptional items – basic	7			**36.81p**	30.04p
Earnings per ordinary share before exceptional items – diluted	7			**36.53p**	29.90p
Dividends per ordinary share	6			**8.25p**	7.50p

Statement of Group Total Recognised Gains and Losses

For the year ended 31 December 2001

	Note	Group 2001 £m	Group 2000 £m
Profit attributable to ordinary shareholders		**118.6**	111.0
Currency translation differences on foreign currency net investments	27	**–**	5.1
Total recognised gains for the year		**118.6**	116.1

Balance Sheet

At 31 December 2001

	Note	Group		Parent	
		2001 £m	2000 £m	**2001 £m**	2000 £m
Fixed assets					
Intangible assets	32	**2.8**	–	**–**	–
Tangible assets	11	**22.4**	17.4	**–**	–
Investments	12	**–**	–	**1,019.7**	553.1
		25.2	17.4	**1,019.7**	553.1
Current assets					
Stock	13	**1,829.1**	1,204.0	**–**	–
Debtors	14	**80.2**	71.0	**780.3**	313.0
Cash at bank and in hand		**17.0**	16.5	**0.2**	0.9
		1,926.3	1,291.5	**780.5**	313.9
Creditors falling due within one year	15	**(764.2)**	(396.1)	**(648.5)**	(118.7)
Net current assets		**1,162.1**	895.4	**132.0**	195.2
Total assets less current liabilities		**1,187.3**	912.8	**1,151.7**	748.3
Creditors falling due after more than one year	16	**(406.7)**	(230.9)	**(537.9)**	(224.9)
Provisions for liabilities and charges	25	**(16.6)**	(9.3)	**(3.2)**	(3.3)
Total equity shareholders' funds		**764.0**	672.6	**610.6**	520.1
Represented by:					
Capital and reserves					
Called-up share capital	26	**93.3**	92.5	**93.3**	92.5
Share premium account	27	**104.2**	99.8	**104.2**	99.8
Profit and loss account	27	**566.5**	480.3	**413.1**	327.8
		764.0	672.6	**610.6**	520.1
Shareholders' funds per ordinary share	7	**205p**	182p	**–**	–
Gearing	17	**50%**	33%	**–**	–

The accounts appearing on pages 30 to 47 were approved by the Board on 27 February 2002 and are signed on their behalf by:

John Robinson Chairman

Andrew Carr-Locke Finance Director

Group Cash Flow Statement

For the year ended 31 December 2001

	Note	2001 £m	2000 £m
Net cash inflow from operating activities before land expenditure	28	**572.9**	535.1
Land expenditure (net of increase in land creditors)	28	**(420.0)**	(473.4)
Cash inflow from operating activities	28	**152.9**	61.7
Returns on investments and servicing of finance	29	**(26.8)**	(25.5)
Taxation		**(35.2)**	(23.2)
Capital expenditure and financial investment	29	**(2.9)**	(1.9)
Acquisitions and disposals	29	**(222.9)**	(21.9)
Equity dividends paid		**(28.8)**	(25.6)
Cash outflow before use of liquid resources and financing		**(163.7)**	(36.4)
Management of liquid resources	30	**2.6**	(5.9)
Financing	29	**163.4**	30.7
Increase/(decrease) in cash in the year		**2.3**	(11.6)

Reconciliation of net cash flow to movement in net debt	30		
Increase/(decrease) in cash in the year		**2.3**	(11.6)
Cash inflow from increase in debt		**(159.8)**	(29.1)
Cash (inflow)/outflow from increase in liquid resources		**(2.6)**	5.9
Exchange adjustments		**(2.7)**	(6.3)
Movement in net debt in the year		**(162.8)**	(41.1)
Net debt at 1 January		**(220.2)**	(179.1)
Net debt at 31 December		**(383.0)**	(220.2)

Reconciliation of Movements in Group Shareholders' Funds

For the year ended 31 December 2001

		Group	
	Note	**2001 £m**	2000 £m
Profit attributable to ordinary shareholders		**118.6**	111.0
Dividends	6	**(30.8)**	(27.7)
		87.8	83.3
Currency translation differences on foreign currency net investments		**–**	5.1
Shares allotted under employees share schemes	26, 27	**5.2**	1.6
Contribution to Quest	27	**(1.6)**	(0.3)
Net increase in shareholders' funds		**91.4**	89.7
1 January – shareholders funds		**672.6**	582.9
31 December – shareholders' funds		**764.0**	672.6

Accounting Policies

Basis of Preparation
The Group Accounts are prepared on the historical cost basis of accounting. They have been drawn up in accordance with applicable accounting standards in the United Kingdom.

Basis of Consolidation
The Group Accounts consolidate the accounts of George Wimpey PLC and all its subsidiary undertakings drawn up to 31 December each year. Undertakings, other than subsidiary undertakings, over which the Group exerts significant influence, are treated as associated undertakings. The Group Accounts include the appropriate share of these undertakings' results and reserves based on audited accounts to 31 December 2001.

Turnover
Housing turnover comprises the value of new houses and land sales legally completed during the year. Other turnover is based on the invoiced value of goods and services supplied during the year and includes trading property sales completed and rental income. Turnover excludes value added tax and intra-group turnover.

Profit
Operating profit comprises new houses, land sales, property development and investment. Housing profit is taken only when legal completion has taken place.

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

Offices Occupied by the Group:
- Freehold buildings and long leaseholds in excess of 50 years
  – Over 50 years
- Short leaseholds
  – Over the period of the lease

Plant and Equipment
Over the expected useful life of the assets ranging mainly from 3 to 5 years

Goodwill
Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Historical goodwill has been written off to reserves in the year in which it arose. Goodwill now arising on acquisitions is capitalised, and amortised through the profit and loss account over its useful economic life.

Taxation
Provision is made for tax on taxable profit and for deferred tax where there is a reasonable probability that a liability will crystallise in the foreseeable future. Financial Reporting Standard 19 on Deferred Tax will be adopted in 2002.

Stock
Land held for development and construction work in progress are valued at the lower of cost and net realisable value. Other Stock comprises materials, equipment and goods for resale valued at the lower of cost and net realisable value. Cost includes appropriate overheads.

Retirement Benefits
Pension costs are charged to the profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over the expected working lives of members. The Group has adopted the transitional arrangement of Financial Reporting Standard 17 on Retirement Benefits.

Operating Leases
Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

Provisions
Provisions are made when a obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Where liabilities are expected to be discharged over a number of years, the provisions have been discounted using an appropriate risk free rate.

Foreign Currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at closing rates of exchange or the relevant forward rate where applicable. All differences are taken to the profit and loss account. On consolidation, the trading results of overseas subsidiary and associated undertakings are translated at the average rate for the year and the balance sheets at the closing rate. Exchange differences arising on the retranslation of opening balance sheets, together with the difference between profit and loss accounts translated at average rates and closing rates, are dealt with through reserves.

Translation differences on intra-group currency loans and foreign currency borrowings, to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. All other translation differences are taken to the profit and loss account.

Financial Instruments
Derivative foreign exchange instruments that are deemed hedges of specific foreign currency assets/liabilities are matched against the underlying asset or liability. Derivative interest rate instruments are matched within interest payable or receivable over the life of the instrument or relevant interest period. Interest rate instruments are not recognised in the balance sheet. Changes in fair value of financial instruments are not recognised in the profit and loss account or balance sheet.

Notes on the Accounts

1 Analysis by Class of Business

	Turnover		Operating Profit/(Loss) before exceptional items		Assets Employed	
	2001 £m	2000 £m	**2001 £m**	2000 £m	**2001 £m**	2000 £m
UK Housing – continuing	**1,293.6**	1,254.0	**158.9**	142.5	**757.9**	737.7
– acquisitions	**112.5**	–	**14.7**	–	**189.3**	–
	1,406.1	1,254.0	**173.6**	142.5	**947.2**	737.7
US Housing – continuing	**468.2**	404.5	**44.6**	34.9	**217.0**	179.1
– acquisitions	**12.9**	–	**1.5**	–	**19.6**	–
	481.1	404.5	**46.1**	34.9	**236.6**	179.1
Corporate	**8.7**	43.5	**(6.6)**	(7.2)	**(16.8)**	(6.0)
	1,895.9	1,702.0	**213.1**	170.2	**1,167.0**	910.8
Dividends					**(20.0)**	(18.0)
Net debt					**(383.0)**	(220.2)
Minority interests					**–**	–
Total equity shareholders' funds					**764.0**	672.6

No breakdown by geographical area is shown because the analysis by class of business already follows geographical area in material respects. Turnover under the Corporate heading primarily relates to North America and the UK. Turnover by origin is not materially different from turnover by destination. The acquisition in the UK relates to Alfred McAlpine Homes Holdings Ltd (note 31). The assets employed shown are net of the deferred consideration (note 15). The acquisition in the US is Richardson Homes of Denver (note 32).

Exchange rates used in respect of the United States $ are shown below:

	2001		2000	
	Average	**Year end**	Average	Year end
United States $	**1.44**	**1.46**	1.52	1.49

2 Results

	Group	
	2001 £m	2000 £m
Operating profit is stated after:		
crediting		
– government grants receivable	**1.6**	5.0
charging		
– rentals under leases for land and buildings	**(4.1)**	(4.6)
– hire of plant and equipment	**(15.0)**	(14.1)
– auditors' remuneration – audit services (parent company £nil (2000 £nil))	**(0.3)**	(0.3)
– auditors' remuneration – other services*	**(0.8)**	(0.1)
– depreciation	**(5.7)**	(6.8)
– amortisation of goodwill	**(0.1)**	–

* Remuneration for other services includes £0.6 million in respect of the acquisition of Alfred McAlpine Homes Holdings Ltd.

3 Exceptional operating items

Exceptional operating items relate to the merger of the UK businesses of Wimpey Homes and McLean Homes and the restructuring following the acquisition of Alfred McAlpine Homes Holdings Ltd. There were no exceptional operating items in the year 2000. The cash outflow in the year for exceptional operating items was £17.2 million. The make-up of the costs,which totalled £28.9m in 2001 is set out below:

	Wimpey Homes/ McLean merger £m	**Restructuring of Alfred McAlpine Homes £m**	**Total £m**
Redundancy costs	**6.0**	**6.6**	**12.6**
Relocation costs and provision for surplus properties	**4.3**	**5.0**	**9.3**
IT restructuring and asset write-offs	**2.6**	**2.5**	**5.1**
Other reorganisation costs	**1.3**	**0.6**	**1.9**
	14.2	**14.7**	**28.9**

4 Interest – Net Payable

	Group 2001 £m	Group 2000 £m
Interest receivable	**2.6**	3.6
Interest payable and similar charges		
Bank loans and overdrafts	**(20.2)**	(16.7)
Other loans	**(9.0)**	(11.3)
Interest charged to provisions	**(0.1)**	(0.1)
	(29.3)	(28.1)
	(26.7)	(24.5)
Interest on discounted deferred consideration (note 31)	**(5.5)**	–
Utilisation of interest swap reversal provisions	**–**	0.4
	(32.2)	(24.1)

5 Tax on Profit on Ordinary Activities

	Group 2001 £m	Group 2000 £m
United Kingdom		
Corporation tax	**(36.9)**	(34.5)
Overseas		
Corporate tax	**(1.6)**	(0.6)
	(38.5)	(35.1)
Prior years' adjustment		
Overseas-corporate tax	**5.1**	–
	(33.4)	(35.1)

United Kingdom corporation tax is provided at 30% (2000 30%) on taxable profit. United Kingdom deferred tax is provided at 30% (2000 30%) where the liability is likely to crystallise in the foreseeable future. The effective rate of tax is lower than 30% due to the US profits being offset by tax losses from prior years and the prior year adjustment. The prior year adjustment relates to the resolution of tax issues, and is included as an exceptional tax item in the Group Profit and Loss Account.

6 Dividends

	2001 Pence per share	2001 £m	2000 Pence per share	2000 £m
The following have been paid or proposed				
Interim paid	**2.90**	**10.8**	2.65	9.7
Final proposed (note 15)	**5.35**	**20.0**	4.85	18.0
	8.25	**30.8**	7.50	27.7

7 Earnings per Ordinary Share

The calculation of the basic earnings per ordinary share is based on the profit attributable to ordinary shareholders divided by the average number of shares in issue during the year of 371.8 million (2000 369.6 million).

Diluted earnings per ordinary share is 31.66p (2000 29.90p). The calculation is based on the profit attributable to ordinary shareholders divided by the average number of shares in issue plus the dilutive potential ordinary shares amounting to 2.8 million (2000 1.7 million) shares. The dilutive potential ordinary shares relate to shares allotted under employee share schemes where the fair value price exceeds the option price.

The 2001 basic earnings per share before exceptional items is calculated on the profit attributable to ordinary shareholders, excluding an adjustment for exceptional operating items of £28.9 million, net of taxation, and also the prior year tax adjustment of £5.1 million, divided by the average number of shares in issue during the year of 371.8 million. There were no exceptional items in 2000. Diluted earnings per ordinary share before exceptional items in 2001 is similarly adjusted. The 2001 adjusted earnings per share excludes operating exceptional items and the prior year tax adjustment as they do not relate to the profitability of the Group on an ongoing basis.

The calculation of shareholders' funds per ordinary share is based on shareholders' funds for the Group at the end of the year divided by the number of shares in issue at the end of the year of 373.3 million (2000 370.2 million).

8 Employee Information

	Group 2001 £m	2000 £m
Staff costs (including Directors) comprise:		
Salaries and wages	**127.0**	119.5
Social security costs	**10.1**	9.6
Pension contributions	**4.7**	5.0
	141.8	134.1

Average number of persons (including Directors) employed by the Group during the year was:

	Number of Employees	
United Kingdom	**3,957**	4,101
Overseas	**678**	556
	4,635	4,657

9 Pension Arrangements

The Group operates one UK pension scheme and two overseas schemes. The assets of the schemes are held in separate Trustee administered funds. The largest, which is in the UK, is the Wimpey Staff Pension Scheme (the Wimpey Scheme), and is of the funded, defined benefit type. The Trustees are Wimpey Pension Trustees Limited and the Law Debenture Trust Corporation PLC. The Wimpey Scheme is subject to triennial valuation by independent actuaries, the last such valuation being carried out as at 6 April 1999, using the projected unit method. Details of this valuation are described below.

The actuarial assumptions which have the most significant effect are those relating to return on investment, the rate of increase in salaries and the assumed rate of pension increases. In the 6 April 1999 valuation it was assumed that the investment return prior to retirement would exceed price inflation by 4.0% per annum, and post retirement by 3.0% per annum. Salary increases were assumed to exceed price inflation by 2.0% per annum. Pension increases were assumed to be in line with price inflation. The market value of assets was £578 million, and this figure was 9% above the amount required to cover the benefits that had accrued to the members after allowing for expected future increases in earnings. This surplus is allocated to operating profit over the average remaining service life of current employees. The group has paid contributions at the rate of 12% of pensionable payroll from 1 January 1998.

The total pension costs for the Group were £4.7 million (2000 £5.0 million) of which £nil (2000 £nil) related to members of the Wimpey Scheme who were based overseas and £0.6 million (2000 £0.2 million) related to overseas schemes. The element of the total pension cost relating to overseas schemes has been determined in accordance with local best practice. The prepayment in the balance sheet resulting from the difference in the amounts charged to the profit and loss account and the amounts paid to the Scheme was £8.3 million (2000 £6.0 million).

Financial Reporting Standard (FRS) 17 on Retirement Benefits was issued in November 2000 and will be mandatory for the Company for the year ending 31 December 2003 and subsequent years. Prior to this, phased additional disclosures are required. The required disclosures for 2001 are set out below.

The valuation position of the Wimpey Staff Pension Scheme was updated from the most recent actuarial valuation to 31 December 2001 by a qualified independent actuary.

The major assumptions used in the calculations required under FRS 17 were:

	At 31/12/2001
Discount rate	6.00%
Rate of increase in salaries	4.50%
Rate of increase of deferred pensions	2.50%
Rate of increase of pensions in payment	2.50%
Inflation	2.50%

9 Pension Arrangements continued

The assets in the Plan and the expected long term rates of return are set out below:

	Expected long term rate of return At 31/12/2001	Value at 31/12/2001 £m
Equities	8.00%	232
Fixed Interest Government Bonds	5.00%	93
Index linked Government Bonds	4.50%	52
Non-government Bonds	6.00%	113
Insurance Policies	6.00%	13
Cash	4.00%	25
Total market value of assets		528
Actuarial value of defined benefit liabilities		598
Recoverable surplus/(deficit) in the Plan		(70)
Related deferred tax asset/(liability)		21
Net pension asset/(liability)		(49)

If the above amounts had been recognised in the financial statements, the Group's net assets and reserves at 31 December 2001 would be as follows:

	£m
Net assets	
Net assets excluding SSAP 24 pension asset	1138.7
FRS 17 pension liability	(49.0)
Net assets including FRS 17 pension liability	1089.7
Reserves	
Reserves excluding SSAP 24 pension asset	558.2
FRS 17 pension liability	(49.0)
Reserves including FRS 17 pension liability	509.2

10 Directors' Remuneration

Details of Directors' emoluments are contained within the Remuneration Report on pages 24 and 25 commencing with the paragraph entitled Pensions.

11 Tangible Assets – Group

	2001			
	Property Freehold £m	Property Leasehold £m	Plant and Equipment £m	Total £m
Cost				
1 January	3.0	0.2	37.7	40.9
Exchange adjustments	–	–	0.1	0.1
Capital expenditure	–	–	8.7	8.7
Disposals	–	–	(13.1)	(13.1)
Purchase of business	0.9	–	11.6	12.5
31 December	3.9	0.2	45.0	49.1
Accumulated depreciation				
1 January	1.3	0.1	22.1	23.5
Exchange adjustments	–	–	–	–
Disposals	–	–	(7.3)	(7.3)
Charge for the year	0.1	–	5.6	5.7
Purchase of business	–	–	4.8	4.8
31 December	1.4	0.1	25.2	26.7
Net book value				
31 December	2.5	0.1	19.8	22.4
1 January	1.7	0.1	15.6	17.4

All leasehold properties had terms of over fifty years at the balance sheet date.

Notes on the Accounts continued

12 Investments

	Parent
	2001 **£m**
Investments in subsidiary undertakings	
Opening balances	
1 January – net book value	
Cost	**845.1**
Provisions	**(292.0)**
	553.1
Movements	
Exchange adjustments	
Cost	**14.2**
Provisions	**(6.7)**
	7.5
Additions at cost	**549.8**
Disposals	**(188.5)**
Provisions	**97.8**
Closing balances	
31 December – net book value	
Cost	**1,220.6**
Provisions	**(200.9)**
	1,019.7

In the opinion of the Directors the value of the Company's investments in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet. The Company's principal investments in subsidiary undertakings are shown in note 35.

13 Stock

	Group	
	2001 **£m**	2000 £m
Land held for development	**1,263.0**	821.0
Construction work in progress	**520.4**	346.8
Part exchange properties	**25.5**	18.9
Other stock	**20.2**	17.3
	1,829.1	1,204.0

14 Debtors

	Group		Parent	
	2001 **£m**	2000 £m	**2001** **£m**	2000 £m
Receivable within one year:				
– trade debtors	**26.1**	21.3	**–**	–
– amounts owed by subsidiary undertakings	**–**	–	**576.5**	283.9
– other	**41.7**	36.5	**0.4**	3.9
– prepayments and accrued income	**5.1**	4.5	**0.5**	0.2
	72.9	62.3	**577.4**	288.0
Receivable after more than one year:				
– trade debtors	**2.5**	2.5	**–**	–
– amounts owed by subsidiary undertakings	**–**	–	**202.9**	25.0
– other	**4.8**	6.2	**–**	–
	7.3	8.7	**202.9**	25.0
	80.2	71.0	**780.3**	313.0

15 Creditors Falling Due Within One Year

	Group		Parent	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Finance debt (note 17)	**45.9**	28.6	**34.9**	16.8
Trade creditors	**116.5**	79.6	**–**	–
Land creditors	**107.1**	100.2	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**326.4**	78.1
Accruals and deferred income	**142.4**	105.1	**5.4**	5.8
Corporate taxation	**41.9**	41.6	**4.7**	–
Other taxation and social security	**6.4**	4.5	**–**	–
Deferred consideration on acquisition (note 31)	**255.0**	–	**255.0**	–
Other	**29.0**	18.5	**2.1**	–
Proposed dividend (note 6)	**20.0**	18.0	**20.0**	18.0
	764.2	396.1	**648.5**	118.7

16 Creditors Falling Due After More Than One Year

	Group		Parent	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Finance debt (note 17)	**354.1**	208.1	**352.9**	206.6
Land creditors	**47.3**	19.8	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**185.0**	18.3
Other	**5.3**	3.0	**–**	–
	406.7	230.9	**537.9**	224.9

17 Finance Debt

	Group		Parent	
	2001 £m	2000 £m	**2001 £m**	2000 £m
Secured finance debt				
Other loans	**2.7**	1.5	**–**	–
Unsecured finance debt				
US$ private placement ($83 million)	**56.8**	72.3	**56.8**	72.3
US$ private placement ($40 million)	**25.8**	25.8	**25.8**	25.8
Bank loans and overdrafts	**314.7**	137.1	**305.2**	125.3
	397.3	235.2	**387.8**	223.4
Total finance debt	**400.0**	236.7	**387.8**	223.4
Maturity of borrowings				
Under one year	**45.9**	28.6	**34.9**	16.8
Over one year and up to two years	**18.9**	32.2	**18.9**	32.2
Over two years and up to five years	**257.9**	89.0	**256.7**	87.5
Over five years	**77.3**	86.9	**77.3**	86.9
	400.0	236.7	**387.8**	223.4
Repayable over five years				
Repayable in full on maturity after five years	**53.3**	57.1	**53.3**	57.1
Repayable by instalments after five years	**24.0**	29.8	**24.0**	29.8
	77.3	86.9	**77.3**	86.9
Committed undrawn facilities				
Over one year and up to two years	**17.7**	–	**17.7**	–
Over two years and up to five years	**195.6**	51.8	**195.6**	51.8
Over five years	**176.7**	255.4	**176.7**	255.4
	390.0	307.2	**390.0**	307.2

17 Finance Debt continued

Security – The loans of £2.7 million (2000 £1.5 million) are secured on current assets.

Terms of loans – The US$ 83 million (£56.8 million) private placement is divided into 2 separate tranches, US$48 million is repayable in 5 equal annual instalments commencing between 0 and 1 years and US$35 million is repayable in full on maturity between 7 and 8 years. Derivative transactions were entered into on arrangement of the private placement which effectively converted US$33 million into floating rate debt. The US$ private placement of US$40 million was arranged in 1996 and swapped into sterling (£25.8 million) at an exchange rate of US$1.55 = £1. The maturity for this private placement is between 0 and 1 years at 31 December 2001 and it is repayable in full on maturity. £1.4 million of other loans are repayable within one year. The remaining £1.3 million other loan is effectively repayable when certain houses are sold. The unsecured bank loans and overdrafts are all repayable in full on maturity, £12.2 million (2000 £11.8 million) within 1 year, £12.3 million (2000 £0) between one and two years, £236.9 million (2000 £68.2 million) over two years and up to five years, and £53.3 million (2000 £57.1 million) over 5 years.

The Group maintains central committed bank borrowing facilities (both drawn and undrawn) which total £692.5 million at December 2001 (2000 £432.5 million) and on which borrowings may be repaid and subsequently redrawn. £230.0 million of these facilities fall due for renewal in excess of five years, £432.5 million falls due between 2 and 5 years and the remaining £30 million falls due between one and two years.

Gearing – Gearing is calculated by expressing finance debt less cash at bank and in hand as a percentage of shareholders' funds.

18 Finance Debt Interest Rate and Currency Profile

The financial and treasury policy is described in the Finance Review on page 19. After taking into account the various interest rate and cross currency interest rate swaps entered into by the Group, the currency and interest rate exposures of the finance debt of the Group were:

	2001			2000		
	Fixed Rate £m	**Floating Rate £m**	**Total £m**	Fixed Rate £m	Floating Rate £m	Total £m
Sterling	**190.0**	**9.6**	**199.6**	40.0	31.2	71.2
US $	**35.5**	**164.5**	**200.0**	35.0	129.8	164.8
Other	**–**	**0.4**	**0.4**	–	0.7	0.7
	225.5	**174.5**	**400.0**	75.0	161.7	236.7

	2001		2000	
	Weighted Average Fixed Rate	**Weighted Average Years to Maturity of Fixed Rate**	Weighted Average Fixed Rate	Weighted Average Years to Maturity of Fixed Rate
US $ Fixed Rate Borrowings	**8.07%**	**2.8 years**	8.11%	3.8 years
£ Fixed Rate Borrowings	**5.85%**	**8.4 years**	5.58%	3.2 years

Interest rates – The US$40 million private placement has been swapped into a sterling borrowing with floating rates of interest calculated on the basis of a margin over 6 months LIBOR. As also detailed in note 17 US$33 million of the US$83 million private placement has effectively been swapped into floating US$ interest rates based on a margin over 6 months US$ LIBOR. The remaining US$50 million is at a fixed coupon averaging 8.28%. £190 million of floating rate bank borrowings have been fixed at a rate of 5.14% before margin.

Bank borrowings under 1 year (£12.3 million) are borrowings on short-term facilities in the different currencies in which the Group has activities. These are at floating rates of interest based on margins over Base Rate or the equivalent short-term measure in the currencies concerned. Bank borrowings in excess of 1 year (£290.2 million) are on floating rate borrowing based on a margin over LIBOR in the currencies concerned.

The average interest rate in 2001, calculated by dividing the net interest payable in the year before discounted interest on the deferred consideration by the average daily net borrowings, was 6.0% (2000 6.8%).

Caps – At 31 December 2001 the Group had effectively US$50 million of embedded interest rate caps which gives protection if US$ interest rates exceed 7% in the period between 2001 and 2004.

19 Financial Asset Interest Rate and Currency Profile

	2001		2000	
Cash deposits	**Floating Rate £m**	**Total £m**	Floating Rate £m	Total £m
Sterling	**2.5**	**2.5**	0.1	0.1
US $	**13.8**	**13.8**	16.2	16.2
Other	**0.7**	**0.7**	0.2	0.2
	17.0	**17.0**	16.5	16.5

The cash deposits are at floating rates of interest, based on current short-term money market rates.

20 Other Financial Assets/Liabilities

Other financial assets	2001 Fixed Rate £m	2001 Non-Interest Bearing £m	2001 Total £m	2000 Fixed Rate £m	2000 Non-Interest Bearing £m	2000 Total £m
Sterling	**–**	**5.5**	**5.5**	–	7.5	7.5
US $	**–**	**1.0**	**1.0**	–	1.1	1.1
Other	**0.8**	**–**	**0.8**	0.1	–	0.1
	0.8	**6.5**	**7.3**	0.1	8.6	8.7

The weighted average interest rate on fixed rate other financial assets is 7.0% (2000 7.0%).

The average maturity of fixed rate other financial assets is between 3 and 7 years (2000 between 1 and 2 years), and the maturity of non-interest bearing financial assets is on average 3 years (2000 3 years).

Other financial liabilities	2001 £m	2000 £m
Sterling	**(52.6)**	(22.8)

£52.6 million (2000 £19.6 million) falls due within 1 and 2 years. The balance in 2000 was due over 2 years and up to 4 years.

All other financial liabilities are non-interest bearing. Balances in 2001 have an average maturity of between 1 and 2 years (2000 1 and 3 years).

In addition to the above, the Group had rental guarantee provisions of £6.2 million (2000 £1.7 million) in respect of leasehold property meeting the definition of financial liabilities. These financial liabilities are considered to be floating rate financial liabilities as in establishing the provisions the cash flows have been discounted.

All short-term debtors and creditors have been excluded from the disclosures shown in notes 20, 21 and 23, as allowed under Financial Reporting Standard 13.

21 Interest Rate and Currency Hedges

As explained in the Finance Review on page 19, the Group's policy is to hedge part of the interest rate risk and transactional currency exposure. Gains and losses on interest rate and currency hedges are not recognised until the exposure that is being hedged is itself recorded. As stated in note 17 a US$ private placement of US$40 million was arranged in 1996 and immediately swapped into sterling at a rate of US$1.55 = £1. The purpose of this financing was to arrange £25.8 million of sterling debt and hence the debt has been recorded in the accounts at this sterling value. The deferred gain is the difference between this amount and US$40 million translated at year end exchange rates. Unrecognised and deferred gains and losses on interest and currency instruments used for hedging, and the movements therein, are as follows:

	Unrecognised Gains £m	Unrecognised Losses £m	Unrecognised Net £m	Deferred Gains £m	Deferred Losses £m	Deferred Net £m
Gains/Losses on hedges at 31 December 2000	**4.3**	**(0.8)**	**3.5**	**1.0**	**–**	**1.0**
Gains/Losses arising in previous years included in 2001 income	**(1.5)**	**0.3**	**(1.2)**	**–**	**–**	**–**
Gains/Losses arising before 31 December 2000 not included in 2001 income	**2.8**	**(0.5)**	**2.3**	**1.0**	**–**	**1.0**
Gains/Losses arising in 2001 not included in 2001 income	**5.8**	**(0.2)**	**5.6**	**0.6**	**–**	**0.6**
Gains/Losses on hedges at 31 December 2001	**8.6**	**(0.7)**	**7.9**	**1.6**	**–**	**1.6**
of which:						
Gains/Losses to be recognised in 2002	**1.2**	**(0.3)**	**0.9**	**1.6**	**–**	**1.6**
Gains/Losses to be recognised in 2003 or later	**7.4**	**(0.4)**	**7.0**	**–**	**–**	**–**

Notes on the Accounts continued

22 Currency Exposure and Analysis of Net Assets

The Group's principal subsidiaries have little transactional currency exposure as they neither export goods nor import any material amount of products nor have any significant level of intra-group trading or provision of services. Consequently, none of the principal subsidiaries has any material net foreign currency monetary assets/liabilities by reference to their local currencies and hence the amount of foreign exchange differences included in the Group profit and loss account for 2000 and 2001 was not material.

The table below provides a currency analysis of the net assets of the Group:

	2001			2000		
	Net Operating Assets £m	**Net Borrowings £m**	**Net Assets £m**	Net Operating Assets £m	Net Borrowings £m	Net Assets £m
Sterling	**906.3**	**(197.1)**	**709.2**	707.8	(71.1)	636.7
US $	**240.2**	**(186.2)**	**54.0**	184.2	(148.6)	35.6
Other	**0.5**	**0.3**	**0.8**	0.8	(0.5)	0.3
Total Net Assets	**1,147.0**	**(383.0)**	**764.0**	892.8	(220.2)	672.6 `

23 Fair Values

The fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, excluding accrued interest, and is calculated by reference to market rates discounted to current value. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates. All debt and financial instruments used to manage the interest rate and currency of borrowings with a maturity of less than three months after the balance sheet date are assumed to have a fair value equal to the book value. The book values are the amounts recorded in the balance sheet. Financial liability provisions relate to rental guarantees and reversal of interest swaps, as set out in note 25. Under the Group's accounting policy, foreign currency assets and liabilities that are hedged using currency swaps are translated at the forward rate inherent in the contracts. Consequently, the book value of the relevant asset or liability effectively includes the fair value of the hedging instrument. For the purpose of the table below, the book value of the relevant asset or liability is shown gross of the effect of the hedging instrument.

	2001		**2000**	
	Book Value £m	**Fair Value £m**	Book Value £m	Fair Value £m
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings	**(45.9)**	**(47.4)**	(28.6)	(28.7)
Long term borrowings	**(354.1)**	**(359.0)**	(208.1)	(211.7)
Cash deposits	**17.0**	**17.0**	16.5	16.5
Other financial assets	**7.3**	**6.0**	8.7	7.4
Other financial liabilities	**(52.6)**	**(46.8)**	(22.8)	(20.3)
Financial liability provisions	**(6.2)**	**(6.2)**	(1.7)	(1.7)
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	**–**	**7.9**	–	3.5
Currency swaps	**1.6**	**1.6**	1.0	1.0

24 Deferred Taxation

	Group	
	2001 £m	2000 £m
There is no provision required for deferred taxation. The potential asset is as follows:		
Shortfall of capital allowances over depreciation	**2.4**	2.3
Other timing differences	**6.6**	10.4
Potential asset	**9.0**	12.7

25 Provisions for Liabilities and Charges

	2001		
	Remedial Work £m	**Rental Guarantees £m**	**Total £m**
Group			
1 January	**7.6**	**1.7**	**9.3**
Movements			
Exchange adjustments	**–**	**–**	**–**
Interest discounted	**–**	**0.1**	**0.1**
Provided	**3.2**	**5.6**	**8.8**
Utilised	**(0.4)**	**(1.2)**	**(1.6)**
	2.8	**4.5**	**7.3**
31 December	**10.4**	**6.2**	**16.6**
Parent			
1 January	**3.3**	**–**	**3.3**
Movements			
Utilised	**(0.1)**	**–**	**(0.1)**
31 December	**3.2**	**–**	**3.2**

Remedial work – The provision covers various obligations across the Group, including aftercare and restoration at Wimpey Disposal Limited, which are of a long term nature, provisions for losses on construction contracts, for which responsibility was retained by the Group following the asset swap with Tarmac PLC in 1996, and warranty provisions in the US which should be utilised over the next two years.

Rental guarantees – The provision covers shortfalls anticipated under leasehold commitments. An estimate has been made of the level of income and expenditure anticipated for each property, and the timing of the utilisation of the provision chiefly covers the next two years. Net outgoings have been discounted on a pre-tax basis using the short-term cost of borrowing.

26 Share Capital

	Number of Shares (000)		£m	
Ordinary shares of 25p each	**2001**	2000	**2001**	2000
Authorised	**500,000**	500,000	**125.0**	125.0
Allotted, called-up and fully paid				
– 1 January	**370,195**	368,957	**92.5**	92.2
– Allotted under employee share schemes	**3,122**	1,238	**0.8**	0.3
– 31 December	**373,317**	370,195	**93.3**	92.5

Details of employee share schemes and of outstanding share options are shown in the paragraph entitled Employee Share Schemes on page 27.

27 Reserves

	2001	
	Share Premium £m	Profit and Loss £m
Group		
1 January	**99.8**	**480.3**
Movements		
Retained profit for the year	–	**87.8**
Exchange adjustments	–	–
Shares allotted under employee share schemes	**4.4**	–
Contribution to QUEST	–	**(1.6)**
	104.2	**566.5**

The cumulative amount of goodwill written off since 1 January 1986, net of goodwill relating to subsidiary undertakings disposed of, is £45.7 million (2000 £45.7 million).

During the year, the Group's QUEST subscribed for new shares in George Wimpey PLC in order to meet exercises of share options under the SAYE scheme. A subsidiary transferred £3.4 million to George Wimpey QUEST Trustees Limited, of which £1.8 million was by way of loan and £1.6 million by way of gift. The substantial part of the shares subscribed for had been transferred to employees exercising share options under the SAYE scheme by 31 December 2001.

	Share Premium £m	Profit and Loss £m
Parent		
1 January	**99.8**	**327.8**
Movements		
Retained profit for the year	–	**84.4**
Exchange adjustments	–	**0.9**
Shares allotted under employee share schemes	**4.4**	–
	104.2	**413.1**

In accordance with the provisions of Section 230 of the Companies Act 1985, a separate profit and loss account for the parent company is not presented. The Company's profit attributable to ordinary shareholders is £115.2 million (2000 £81.4 million).

28 Reconciliation of Operating Profit to Cash Inflow from Operating Activities

	Group	
	2001 £m	2000 £m
Operating profit	**184.2**	170.2
Depreciation	**5.8**	6.8
Land held for development realised from land and house sales	**393.4**	352.7
Increase in stock (excluding land held for development)	**(54.1)**	(22.1)
Decrease/(increase) in debtors	**14.7**	(3.5)
Increase in creditors	**21.7**	32.1
Increase/(decrease) in provisions for liabilities and charges	**7.2**	(1.1)
Net cash inflow from operating activities before land expenditure	**572.9**	535.1
Expenditure on land held for development	**(392.1)**	(514.5)
(Decrease)/increase in land creditors	**(27.9)**	41.1
Cash inflow from operating activities	**152.9**	61.7

29 Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

	Group 2001 £m	2000 £m
Returns on investments and servicing of finance		
Interest received	**2.6**	3.6
Interest paid	**(29.4)**	(29.1)
Net cash outflow for returns on investments and servicing of finance	**(26.8)**	(25.5)
Purchase of tangible assets	**(8.7)**	(6.0)
Sale of tangible assets	**5.8**	4.1
Net cash outflow for capital expenditure and financial investment	**(2.9)**	(1.9)
Acquisitions and disposals		
Acquisition of SouthLife	**–**	(21.9)
Acquisition of Alfred McAlpine Homes Holdings Ltd	**(208.0)**	–
Acquisition of Richardson Homes	**(14.9)**	–
Net cash outflow for acquisitions and disposals	**(222.9)**	(21.9)
Financing		
Shares allotted under employee share schemes	**3.6**	1.6
Debt due within a year	**16.8**	16.5
Debt due beyond a year	**143.0**	12.6
Net cash inflow from financing	**163.4**	30.7

30 Analysis of Net Debt

	1 January 2001 £m	Cash Flow £m	Exchange Movement £m	31 December 2001 £m
Net Cash				
Cash at bank and in hand	**16.5**	**0.2**	**0.3**	**17.0**
Less deposits treated as liquid resources	**(15.5)**	**2.6**	**–**	**(12.9)**
	1.0	**2.8**	**0.3**	**4.1**
Bank overdrafts	**(11.8)**	**(0.5)**	**–**	**(12.3)**
	(10.8)	**2.3**	**0.3**	**(8.2)**
Liquid resources				
Deposits included in cash treated as liquid resources	**15.5**	**(2.6)**	**–**	**12.9**
Debt due within one year	**(16.8)**	**(16.8)**	**–**	**(33.6)**
Debt due after one year	**(208.1)**	**(143.0)**	**(3.0)**	**(354.1)**
Total	**(220.2)**	**(160.1)**	**(2.7)**	**(383.0)**

31 Acquisition of Alfred McAlpine Homes Holdings Limited

On 1 October 2001, George Wimpey PLC acquired the shares of Alfred McAlpine Homes Holdings Limited and its subsidiaries. The Group has used acquisition accounting to account for the acquisition. There was no goodwill arising on consolidation. The impact of the acquisition on the consolidated net assets of the group was as follows:

Net assets acquired	Book value of assets acquired £m	Reassessment of fair values £m	Fair value of assets acquired £m
Tangible assets	**11.7**	**(4.0)**	**7.7**
Stock	**507.7**	**48.8**	**556.5**
Debtors	**22.9**	**–**	**22.9**
Creditors falling due within one year	**(129.8)**	**0.2**	**(129.6)**
Cash at bank	**(0.2)**		**(0.2)**
Total net assets	**412.3**	**45.0**	**457.3**
Total consideration			
Payable to Alfred McAlpine PLC in cash			**462.6**
Transaction costs			**7.8**
Discount on deferred consideration			**(13.1)**
Total consideration			**457.3**

The adjustment to the value of stock mainly results from an assessment of the fair value of land based on estimated market prices at the date of acquisition. The change in value of Tangible Assets reflects the estimated recoverable amount on computer software and hardware.

The purchase consideration payable to Alfred McAlpine PLC of £462.6 million includes £364.1 million for the shares and repayment of inter-company debt of £98.5 million. The consideration is payable in instalments. An amount of £200 million was paid in 2001, along with transaction costs of £7.8 million. Further instalments due to Alfred McAlpine PLC in 2002 are as follows:

Due in January 2002	£50 million
Due in March 2002	£50 million
Due in July 2002	£52.6 million
Due in August 2002	£110 million
Total outstanding	£262.6 million

The deferred consideration has been discounted at the estimated rate for a similar borrowing. This equates to £13.1 million, of which £5.5 million has been expensed as interest (note 4) in 2001. The balance of discounted interest of £7.6 million will be expensed as interest in 2002. The deferred consideration included in creditors under one year (note 15) is £255.0 million.

The profit and loss account of Alfred McAlpine Homes Holdings Limited from 1 January 2001 to the date of acquisition was as below.

	£m
Turnover	303.5
Profit on ordinary activities before taxation	10.9
Taxation on ordinary activities	5.5
Profit on ordinary activities after taxation	5.4

For the year to 31 December 2000, Alfred McAlpine Homes Holdings Limited made a consolidated profit after taxation of £26.2 million

There were no recognised gains and losses for the year to 31 December 2000 or for the nine months to 30 September 2001 other than as shown in the profit and loss account.

Alfred McAlpine Homes Holdings Limited has contributed £15.2 million to the Group's cash inflow from operating activities and contributed £0.6 million to the Group's tax payments. Included within the Group Profit and Loss Account are cost of sales of £93.6 million, gross profit of £18.9 million and administrative expenses of £4.2 million relating to Alfred McAlpine Homes Holdings Limited since acquisition.

32 Acquisition of Richardson Homes

Morrison Homes acquired the assets of Richardson Homes Inc on 4 June 2001 for cash consideration of $21.7 million (£14.9 million). The Group has used acquisition accounting to account for the acquisition. There was $4.3 million (£2.9 million) of goodwill arising on consolidation. Goodwill will be written off over its estimated useful life of 10 years. The change to the value of stock relates to a reassessment of the value of land. The impact of the acquisition on the consolidated net assets of the group was as follows:

Net assets acquired	Book value of assets acquired £m	Reassess-ment of fair values £m	Fair value of assets acquired £m
Stock	**12.0**	**1.2**	**13.2**
Creditors falling due within one year	**(1.2)**	–	**(1.2)**
Total net assets	**10.8**	**1.2**	**12.0**
Goodwill			**2.9**
Total consideration			**14.9**

The goodwill is included in the Group Balance Sheet as an intangible asset. The net book value at 31 December 2001, after £0.1 million depreciation, was £2.8 million.

33 Contingent Liabilities

	Parent	
	2001 £m	2000 £m
Amounts outstanding in respect of borrowings under guarantees given on behalf of Subsidiary undertakings	**9.5**	10.4

34 Commitments

	Group	
	2001 £m	2000 £m
Operating leases		
Annual commitments under operating leases expiring:		
– within one year	**0.2**	0.5
– within two to five years	**3.6**	2.7
– after five years	**3.7**	2.8
	7.5	6.0
Of which:		
– land and buildings	**6.9**	5.8
– other	**0.6**	0.2

35 Subsidiary Undertakings

Principal Subsidiary Undertakings	Country of Operation/Registration	Activities
George Wimpey UK Ltd	UK/England	Homes
Alfred McAlpine Homes Holdings Ltd	UK/England	Homes
Morrison Homes Inc	USA	Homes
Wimpey Corporate Services Ltd	UK/England	Corporate

Notes
1. The subsidiary undertakings listed are those held at 31 December 2001 which significantly affect the amount of the profit or the assets of the Group.
2. In all cases the Group's interest is in the equity share capital.
3. All subsidiary undertakings listed above are wholly-owned and held directly by the parent company at 31 December 2001, except for Morrison Homes Inc. which is a wholly owned subsidiary of Wimpey Overseas Holdings Ltd, a directly held and wholly owned subsidiary of George Wimpey PLC.
4. George Wimpey UK Ltd was formerly named Wimpey Homes Holdings Ltd. Following the merger of Wimpey Homes and McLean Homes, the business of McLean Homes Holdings Ltd was transferred to Wimpey Homes Holdings Ltd.

36 Disclosure of Related Party Transactions

The following disclosure is required under Financial Reporting Standard 8. George Wimpey PLC funds the Wimpey Staff Personal Accident Scheme which provides discretionary personal accident benefits to the members of the Wimpey Staff Pension Scheme. There is an interest free loan from The Scheme to the Group which is repayable at one month's notice. The balance owed by the Group to The Scheme was £0.5 million throughout the year.

Independent Auditors' Report

To the members of George Wimpey PLC

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the statement of Group total recognised gains and losses, the reconciliation of movements in Group shareholders' funds, accounting policies and the related notes on the accounts.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the Financial Statements. The other information comprises only the Chairman's Statement, Chief Executive's Report, Operating and Financial Review, Environmental, Health and Safety Report, Board of Directors, Corporate Governance,Remuneration Report and the Directors' Report.

We review whether the Corporate Governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
London
27 February 2002

Five Year Review

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Profit and Loss Account					
Turnover	**1,895.9**	1,702.0	1,526.9	1,401.8	1,223.4
Operating profit before exceptional operating items	**213.1**	170.2	118.8	106.9	81.4
Exceptional operating items	**(28.9)**	–	–	–	–
Operating profit	**184.2**	170.2	118.8	106.9	81.4
Exceptional non-operating items	**–**	–	10.6	–	–
Profit on ordinary activities before interest	**184.2**	170.2	129.4	106.9	81.4
Interest – net payable	**(32.2)**	(24.1)	(16.6)	(21.8)	(18.3)
Profit on ordinary activities before taxation	**152.0**	146.1	112.8	85.1	63.1
Tax on profit on ordinary activities	**(33.4)**	(35.1)	(22.4)	(20.1)	(18.6)
Equity minority interests	**–**	–	(0.2)	(0.7)	(0.5)
Profit attributable to ordinary shareholders	**118.6**	111.0	90.2	64.3	44.0
Dividends	**(30.8)**	(27.7)	(24.4)	(22.0)	(20.8)
Retained profit	**87.8**	83.3	65.8	42.3	23.2
Balance Sheet					
Fixed assets	**25.2**	17.4	22.1	37.1	52.5
Stock	**1,829.1**	1,204.0	985.4	921.0	854.2
Other working capital	**(690.7)**	(319.3)	(234.9)	(247.7)	(248.9)
Provisions for liabilities and charges	**(16.6)**	(9.3)	(10.5)	(25.2)	(36.5)
Net assets	**1,147.0**	892.8	762.1	685.2	621.3
Shareholders' funds	**764.0**	672.6	582.9	511.6	470.7
Equity minority interests	**–**	–	0.1	1.2	1.1
Net finance debt	**383.0**	220.2	179.1	172.4	149.5
Assets employed	**1,147.0**	892.8	762.1	685.2	621.3
Statistics					
Return on average shareholders' funds (after tax and minority interests)	**19.0%**	17.7%	16.5%	13.1%	9.5%
Earnings per ordinary share – basic	**31.9p**	30.0p	24.5p	17.6p	12.1p
Earnings per ordinary share – diluted	**31.7p**	29.9p	24.4p	17.5p	11.8p
Earnings per ordinary share before exceptional items – basic	**36.8p**	30.0p	21.6p	17.6p	12.1p
Earnings per ordinary share before exceptional items – diluted	**36.5p**	29.9p	21.5p	17.5p	11.8p
Dividends per ordinary share	**8.25p**	7.5p	6.60p	6.00p	5.70p
Shareholders' funds per ordinary share	**205p**	182p	158p	140p	129p
Ratios					
Dividend cover (times)	**3.9**	4.0	3.7	2.9	2.1
Interest cover before exceptional items and interest on deferred consideration (times)	**8.0**	7.1	7.2	4.9	4.4
Gearing	**50%**	33%	31%	34%	32%

Notice of Meeting

Notice is hereby given that the twenty fourth Annual General Meeting of George Wimpey PLC will be held on 4 April 2002 at 11 am at The Royal Aeronautical Society, No 4 Hamilton Place, London, W1V 0BQ, for the following purposes:

Ordinary Business

1) To receive and consider the report of the Directors and Accounts for the year ended 31 December 2001.

2) That a final dividend in respect of the year ended 31 December 2001 be and is hereby declared due and payable on 14 May 2002 to shareholders on the register at close of business on 15 March 2002, such final dividend to be payable only in respect of such of the shares in respect of which the relevant holder of the shares has not exercised any entitlement to receive new shares instead of a dividend in cash pursuant to the proposed scrip dividend scheme.

To re-elect the following Directors who retire by rotation:

3) Mr J H Robinson

4) Mr J M Blackburn

5) Mr O C Darby

and to reappoint:

6) Mr A C P Carr-Locke

7) Mr C Bartram

8) Mr D M Williams

as Directors in accordance with the Company's Articles of Association.

9) To reappoint PricewaterhouseCoopers as auditors of the Company and to authorise the Directors to fix their remuneration.

To consider and if thought fit, to pass the following resolutions which are to be proposed, in the case of resolutions 10,13,15,16 and 17, as ordinary resolutions and, in the case of resolutions 11, 12 and 14, as special resolutions of the Company:

10) That the Directors be and they are hereby generally and unconditionally authorised in substitution for all previous authorities conferred upon them to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 (2) of the Companies Act 1985) up to an aggregate nominal value of £31,115,501, provided that this authority shall expire five years after the date of passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

11) That subject to the passing of the resolution numbered 10 above, the Directors be and they are empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by the resolution numbered 10 above as if sub-section (1) of section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited:

a) to the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer or a scrip dividend alternative in each case in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate as nearly as may be to the respective number of ordinary shares held or deemed to be held by them, and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £4,667,325;

and shall expire five years after the date of passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

12) That the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 (3) of the Companies Act 1985) of not more than 37,338,601 ordinary shares of 25p each in its share capital at not less than 25p per share and not more than 5% above the average of the middle market quotations for the ordinary shares in the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such shares are contracted to be purchased (in each case exclusive of any expenses) provided that the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the date hereof (except that the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of any such contract).

Special Business

13) To give the Directors authority to offer Scrip Dividends

That the Directors be and they are hereby authorised:

(a) to exercise the power contained in Article 136 of the Articles of Association of the Company (as such Article may be amended pursuant to Resolution 14) so that to the extent determined by the Directors the holders of ordinary shares in the Company be permitted to receive:

(i) the final dividend declared by the Directors for the year ended 31 December 2001; and

(ii) any dividend declared by the Directors on or after the date hereof and before the fifth anniversary of the date of passing of this resolution

in whole or in part in the form of new ordinary shares of 25p each in the capital of the Company credited as fully paid instead of in cash alone; and

(b) to capitalise out of the amount standing to the credit of any of the Company's reserves or funds or to the credit of the profit and loss account or otherwise whether or not made available for distribution, as the Directors may determine, a sum equal to the aggregate nominal amount of the new ordinary shares to be received by holders of ordinary shares as aforesaid and apply it in paying up in full the appropriate number of unissued ordinary shares and to allot such ordinary shares to holders of ordinary shares who have validly exercised their right to receive such dividends in the form of such ordinary shares.

14) To amend the Articles of Association

That the Articles of Association of the Company be amended as follows:

(a) by deleting the second sentence of Article 136.3 and replacing it with the following:

"For this purpose, the "value" of an ordinary share shall be deemed to be whichever is the greater of its nominal value and the average of the middle market quotations for the Company's ordinary shares on the London Stock Exchange as derived from the Daily Official List over five consecutive dealing days selected by the Board (the first day of such period to be, or to be after, the day on which the shares are first quoted "ex" the relevant dividend and no later than the day falling sixteen dealing days before the allotment of any new ordinary shares) or in such other manner as may be determined by or in accordance with the ordinary resolution;".

(b) by deleting the words "having determined the basis of allotment," in Article 136.6; and

(c) by renumbering Article 136.8 as Article 136.9 and inserting the following immediately before it:

"136.8 At any time before the additional ordinary shares are allotted instead of cash in respect of any part of a dividend, the Board may determine that such additional ordinary shares will not be allotted. Any such determination may be made before or after any election has been made by holders of ordinary shares in respect of the relevant dividend;".

15) To establish new rules for the Save As You Earn Scheme

That:

(a) subject to the approval of the Board of Inland Revenue, the Directors be and are hereby authorised to adopt the George Wimpey PLC 2002 Savings Related Share Option Scheme ("the 2002 SAYE Scheme") the main features of which are summarised in the Share Scheme Circular dated 27 February 2002 and the Rules of which, initialled by the Chairman for the purposes of identification, are produced to the Meeting, and the Directors be and are hereby authorised to do all acts and things which they consider necessary or desirable to carry the 2002 SAYE Scheme into effect including such modifications to the Rules, if any, which are necessary to ensure the approval of the associated savings scheme by the Board of Inland Revenue; and

(b) on any extension of participation to local employees of overseas Group companies, the Directors be and are hereby authorised to make such modification as may be necessary or desirable (if appropriate under a separate country specific section of the 2002 SAYE Scheme) to take account of local statutory, fiscal, securities or other applicable regulations and to permit the use of local currency equivalent savings contracts, provided that any ordinary shares issued or issuable in respect of overseas participants are treated as counting against any limits applicable to the 2002 SAYE Scheme.

16) To establish new rules for the Executive Share Option Scheme

That the Directors be and are hereby authorised to adopt the George Wimpey PLC 2002 Executive Share Option Plan ("the 2002 ESOP"), the main features of which are summarised in the Share Scheme Circular dated 27 February 2002 and the Rules of which, initialled by the Chairman for the purposes of identification, are produced to the Meeting and the Directors be and are hereby authorised to do all acts and things which they consider necessary or desirable to carry the same into effect, including making any modifications to the Rules as may be necessary to take account of such local statutory, fiscal, securities or other regulations as may apply to the 2002 ESOP or any participant therein, whether in the United Kingdom or elsewhere, provided that any ordinary shares issued or issuable in respect of overseas participants are treated as counting against any limits applicable to the 2002 ESOP.

17) To establish the new George Wimpey Long Term Incentive Plan

That the Directors be and are hereby authorised to adopt the George Wimpey Long Term Incentive Plan ("the LTIP"), the main features of which are summarised in the Share Scheme Circular dated 27 February 2002 and the Rules of which, initialled by the Chairman for the purposes of identification, are produced to the Meeting and the Directors be and are hereby authorised to do all acts and things which they consider necessary or desirable to carry the same into effect, including making such modifications to the Rules as may be necessary to take account of such local statutory, fiscal, securities or other regulations as may apply to the 2002 LTIP or any participant therein, whether in the United Kingdom or elsewhere, provided that any ordinary shares issued or issuable in respect of overseas participants are treated as counting against any limits applicable to the LTIP.

Explanation of Resolutions

Resolution 1: To Receive the Directors' Report and Accounts
The Directors are required to present to the meeting the Directors' and Auditors' reports and the accounts for the year ended 31 December 2001.

Resolution 2: To Approve a Dividend
The proposed 2001 final dividend of 5.35 pence per share will be paid on 14 May 2001 to shareholders who are on the register on 15 March 2002. The final dividend will be paid in cash to all shareholders other than those who exercise their right, subject to the passing of Resolution 13, to receive shares instead of their cash dividend.

Resolution 3: To Re-elect Mr J H Robinson
Article 103 of the Company's Articles of Association states that one third of the Directors must retire annually, those doing so being the longest serving since last being re-elected. Mr J H Robinson offers himself for re-election.

Resolution 4: To Re-elect Mr J M Blackburn
Mr J M Blackburn offers himself for re-election in accordance with Article 103 of the Company's Articles of Association.

Resolution 5: To Re-elect Mr O C Darby
Mr O C Darby offers himself for re-election in accordance with Article 103 of the Company's Articles of Association.

Resolution 6: To Re-appoint Mr A C P Carr-Locke
Article 108 allows the Board to appoint a person to the Board during the year, subject to them being re-appointed at the subsequent Annual General Meeting. Mr A C P Carr-Locke was appointed on 14 May 2001 and offers himself for re-appointment.

Resolution 7: To Re-appoint Mr C Bartram
Mr C Bartram was appointed on 1 May 2001 and offers himself for re-appointment.

Resolution 8: To Re-appoint Mr D M Williams
Mr D M Williams was appointed on 1 May 2001 and offers himself for re-appointment.

Directors' biographical details are shown on p21.

Resolution 9: To Re-appoint PricewaterhouseCoopers as auditors
This resolution proposes the re-appointment of PricewaterhouseCoopers as auditors, and permits the Directors to fix their remuneration.

Resolutions 10/11: To Allot Shares and disapply Pre-emption Rights
Under section 80 of the Companies Act 1985, the Directors cannot generally allot shares in the Company unless they are authorised to do so by the Company in general meeting. Resolution 10 will authorise the Directors to issue new shares up to one third of the amount of the nominal value of the issued share capital of the Company as at the date of this Notice – ie. up to a value of £31,115,501. The authority will expire five years after the date of passing of this resolution. The Directors have no present intention of issuing shares, except as needed to satisfy the exercise of options under the Company's Employee Share Scheme and the allotment of shares pursuant to such elections made by shareholders of the Company as are referred to in Resolution 13.

Under Resolution 11, the Directors will remain subject to constraints on the issue of shares for cash. They will be able to issue such shares for cash only:

- in connection with a rights issue, open offer or other pre-emptive offer or a scrip dividend alternative, or:
- up to five per cent of the nominal value of the Company's issued share capital as at 31 December 2001, i.e. £4,666,468.

Resolution 12: To Empower the Company to Make Market Purchases of its Shares
This resolution is intended to renew the authority of the Directors to make market purchases of shares within a 10% limit, and in accordance with Article 53 of the Company's Article of Association. The Board has no immediate intention of exercising this authority. Moreover, purchases will only be made if they would result in an expected increase in earnings per share, will take into account other available investment opportunities and will be in the best interests of shareholders generally. Any shares purchased in accordance with this authority will subsequently be cancelled.

Options were outstanding as at 20 February 2002 to subscribe for a total number of 10,390,653 ordinary shares, or 2.78% of the Company's issued share capital. If the authority to purchase shares is ever used in full, the proportion of issued share capital represented by this figure would be 3.09%.

Resolution 13: Scrip Dividend

This resolution is intended to give the Directors the authority to offer shares instead of cash for any dividend (whether interim or final) which is declared for five years from the date of passing of this resolution. Further information about this resolution and the operation of the scrip dividend scheme which it will enable is available in the separate Scrip Dividend Circular enclosed with this annual report. If you vote in favour of this resolution, you may still choose to receive your dividends in cash.

Resolution 14: To Amend the Articles of Association

Resolution 14 amends the Articles of Association to introduce changes and clarifications in relation to scrip dividends. The main change is that the timing for the calculation of the price of the shares to be issued has been altered to give the Directors flexibility to calculate the price nearer to the time of the allotment of the shares. This is intended to ensure that in view of recent market volatility, the value of the shares does not vary significantly from the cash dividend. To cater for unforeseen developments after a scrip dividend has been posted, the Articles (as amended) will also allow the Board to determine not to allot shares pursuant to a scrip dividend alternative.

Resolution 15: To Establish the New Rules for the Save as you Earn Scheme

This resolution is intended to renew the rules for the Save as you Earn scheme in the form shown in the Share Scheme Circular accompanying this document. This resolution also enables the Directors to modify the scheme rule pursuant to local taxation laws in other countries should this become necessary or desirable.

Resolution 16: To Establish New Rules for the Executive Share Option Scheme

Resolution 16 is intended to authorise the adoption of the George Wimpey 2002 Executive Share Option Plan in the form shown in the Share Scheme Circular accompanying this document. The Resolution also empowers the Directors to modify the Plan Rules to take account of local regulations in other countries should this become necessary or desirable.

Resolution 17: To Establish the George Wimpey Long Term Incentive Plan

Resolution 17 is intended to authorise the adoption of the George Wimpey Long Term Incentive Plan in the form shown in the Share Scheme Circular accompanying this document. This Resolution also empowers the Directors to modify the Plan Rules to take account of local regulations in other countries should this become necessary or desirable.

By Order of the Board

James J. Jordan Company Secretary
27 February 2002

Action to be taken

Whether or not you intend to attend the Annual General Meeting, you are requested to complete the enclosed Form of Proxy and return it to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA as soon as possible and in any event so as to be received no later than 48 hours before the time appointed for the Annual General Meeting. The completion and submission of a Form of Proxy will not prevent you from attending and voting in person if you so wish.

Recommendation

Your Directors are of the opinion that the resolutions to be proposed at the Annual General Meeting are in the best interests of shareholders as a whole and recommend you to vote in favour of them. They will be doing so in respect of their own beneficial shareholdings.

Attendance and Voting

As a shareholder of George Wimpey PLC, you have the right to attend and vote at the Annual General Meeting.

Please bring with you the accompanying Form of Proxy/Admission Card. It will authenticate your right to attend, speak and vote, and will speed your admission. Please keep it until the end of the meeting. The meeting will commence at 11am and refreshments will be available from 10:30am.

You may also find it helpful to bring your Annual Report with you so that you can refer to it at the meeting.

If you do not wish, or are unable, to attend, you may appoint either the Chairman of the meeting or someone else of your choice to act on your behalf and to vote in the event of a poll. That person is known as a "proxy". You can use the enclosed Form of Proxy to appoint a proxy.

A proxy need not be a shareholder and may attend and vote on behalf of the shareholder who appointed him or her.

At the meeting, the proxy can act for the member he or she represents. This includes the right to join in or demand a poll, but it does not include the right to vote on a show of hands. The proxy is valid for any adjournment of the meeting.

Please tick the appropriate box alongside each resolution to indicate whether you wish your votes to be cast "for", or "against", or whether you wish to "abstain" from, that resolution. Unless you give specific instructions on how to vote on a particular resolution, your proxy will be able, at his or her discretion, either to vote "for" or "against" that resolution or to abstain from voting.

Before posting the form to the registrar, please check that you have signed it. In the case of joint holders, either of you may sign it.

The Forms of Proxy must be received in the offices of the Company's registrars no later than 11am on 2 April 2002. Any Form of Proxy received after this time will be declared void.

NOTES

i. A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him or her. The proxy need not be a member of the Company.

ii. Instruments appointing proxies must be received by the Company's registrars not less than 48 hours before the time fixed for the meeting.

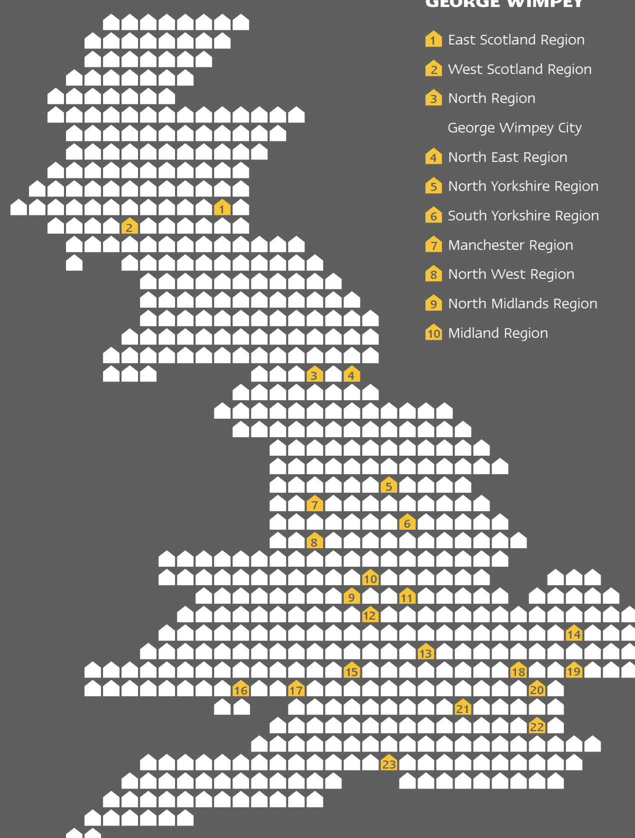
iii. Contracts of service with Directors' and the register of Directors' Interests will be available for inspection at the registered office of the Company during usual business hours and at the venue of the Annual General Meeting for 15 minutes prior to the commencement of the meeting and for the duration of the meeting.

iv. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders who are registered on the Company's share register at 6pm on 2 April 2002 shall be entitled to attend the Annual General Meeting and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 6pm on 2 April 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

George Wimpey PLC
Business Directory UK and US

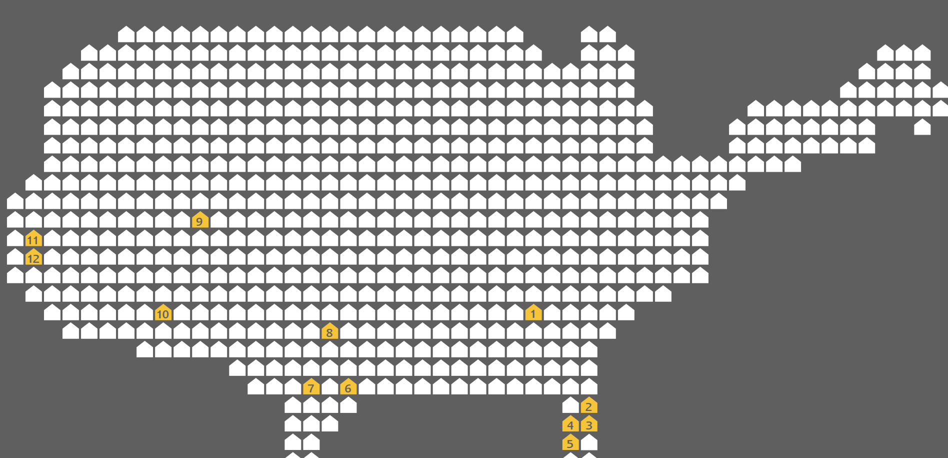
GEORGE WIMPEY

1 East Scotland Region
2 West Scotland Region
3 North Region
George Wimpey City
4 North East Region
5 North Yorkshire Region
6 South Yorkshire Region
7 Manchester Region
8 North West Region
9 North Midlands Region
10 Midland Region
11 East Midlands Region
12 West Midlands Region
13 South Midlands Region
14 East Anglia Region
15 South West Region
16 Cardiff sub-office
17 Bristol Region
George Wimpey Strategic Land
18 North London Region
19 East London Region
20 Central London Region
21 West London Region
22 South London Region
23 Southern Region



MORRISON HOMES

1 Atlanta Division
2 Jacksonville Operation
3 Orlando Division
4 Tampa Division
5 Sarasota Operation
6 Houston Division
7 Dallas Division
8 Austin/San Antonio Division
9 Denver Division
10 Phoenix Division
11 Sacramento Division
12 Central Valley Operation



Maidenbower Village – Crawley, West Sussex

Part of a consortium redevelopment of over 400 acres of land, creating a brand new community of 3600 new homes, complete with shops, schools and leisure facilities.

The Rookeries – Long Stratton, Norfolk

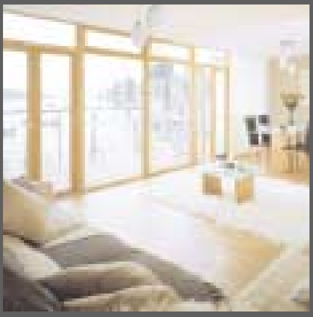
A spacious development offering a range of three and four – bedroom houses, set in a peaceful Norfolk village, yet just ten miles from the city of Norwich.

Larkspur Chase – Bracknell, Berkshire

A selection of two and three-bedroom homes on the outskirts of this conveniently located Berkshire town.

Millers Brae – Thorpe, St Andrew Norwich

A development of 21 detached three and four-bedroom homes situated opposite the Lion Wood Nature Reserve yet only one mile from Norwich city centre.



Western Beach – London Docklands

Part of the highly successful Britannia Village development, these luxury apartments feature stunning views of the Royal Victoria Dock, the Millennium Dome and Canary Wharf. They offer ideal living accommodation for people who enjoy waterside living.

Britannia Village – London Docklands

The first phase of a new urban village community of 350 acres of land surrounding 240 acres of water, the west end of which is only four miles from the Bank of England.

The Orchards – Gunthorpe, Nottinghamshire

Set in the village of Gunthorpe amid the beautiful South Nottinghamshire countryside, the development features just five exclusive four and five-bedroom homes accessed from a private cul de sac.

Linhays – Ivybridge, Devon

A development of luxury four and five-bedroom country style properties set in the ancient town of Ivybridge.

Quebec Quay – Liverpool

Quebec Quay offers luxury one and two-bedroom waterside apartments designed and built to the highest specification, in a regenerated area beside the Albert Dock that is fast becoming the hub of Liverpool life.

Brookmans – Billericay, Essex

A development of four-bedroom properties situated on the northern outskirts of the historic town of Billericay, overlooking woodland and a large recreation ground.

GEORGE WIMPEY PLC

Manning House
22 Carlisle Place
London SW1P 1JA
www.wimpey.co.uk

GEORGE WIMPEY UK LTD

Head Office
Managing Director: Keith Cushen
'Gate House'
Turnpike Road, High Wycombe
Buckinghamshire HP12 3NR
Tel: +44 (0)1494 558323

1 **East Scotland Region**
Managing Director: Andrew Wyles
Barnton Grove,
Edinburgh EH4 6BT
Tel: +44 (0)131 338 4000

2 **West Scotland Region**
Managing Director: Fergus McConnell
Trident House, Renfrew Road
Paisley, Renfrewshire PA3 4EF
Tel: +44 (0)141 849 5500

3 **North Region**
Managing Director: Brian Blair
George Wimpey City
Managing Director: Ronald Baird
Cargo Fleet Lane
Middlesbrough,
Cleveland TS3 8DE
Tel: +44 (0)1642 773500

4 **North East Region**
Managing Director: Timothy Nixon
Bowesfield Lane
Stockton on Tees,
Cleveland TS18 3HG
Tel: +44 (0)1642 626200

5 **North Yorkshire Region**
Managing Director: Michael Steele
Wellcroft House,
Worsborough Village Near Barnsley,
Yorkshire S70 5LW
Tel: +44 (0)1226 705800

6 **South Yorkshire Region**
Managing Director: Terrence McGuire
Hesley House, Upper Wortley Road
Rotherham, South Yorkshire S61 2RE
Tel: +44 (0)1709 565700

7 **Manchester Region**
Managing Director: Peter Truscott
629 Eccles New Road
Salford, Manchester M5 2BD
Tel: +44 (0)161 743 4900

8 **North West Region**
Managing Director: Philomena Ware
Lichfield House, Gadbrook Park
Northwich, Cheshire CW9 7RF
Tel: +44 (0)1606 815300

9 **North Midlands Region**
Managing Director: Philip Lloyd
Fairfax House
Pendeford Business Park
Wobaston Road, Wolverhampton,
West Midlands WV9 5HA
Tel: +44 (0)1902 623700

10 **Midlands Region**
Managing Director: John Gainham
Chenet House, Watling Street
Cannock, Staffordshire
WS11 3LW
Tel: +44 (0)1543 438100

11 **East Midlands Region**
Managing Director: Michael Diffin
Beechcroft House, Ervington Court
Meridian Business Park,
Leicester LE3 2WL
Tel: +44 (0)116 281 6400

12 **West Midlands Region**
Managing Director: Geoffrey Boxall
39 Dominion Court, Station Road
Solihull, West Midlands B91 3RT
Tel: +44 (0)121 703 3300

13 **South Midlands Region**
Managing Director:
David Livingstone
Beech House
551 Avebury Boulevard
Milton Keynes
Buckinghamshire MK9 3DR
Tel: +44 (0)1908 544800

14 **East Anglia Region**
Managing Director: Frances Hill
Tartan House, Etna Road
Bury St Edmunds,
Suffolk IP33 1JF
Tel: +44 (0)1284 773800

15 **South West Region**
Managing Director: Philip Towl
Omicron, Windmill Hill Business Park
Swindon,
Wiltshire SN5 6PA
Tel: +44 (0)1793 898200

16 **Cardiff sub-office**
Managing Director: Philip Towl
Copse Walk
Cardiff Gate Business Park
Pontprennau, Cardiff
CF23 8WH
Tel: +44 (0)29 2054 5000

17 **Bristol Region**
Managing Director: Michael Hoey
Tel: +44 (0)1454 628400
George Wimpey Strategic Land
Managing Director: Roger Say
Tel: +44 (0)1454 628483
600 Park Avenue, Aztec West
Almondsbury, Bristol BS32 4SD

18 **North London Region**
Managing Director: Lorenzo Fraquelli
McLean House, Bluecoats Avenue
Hertford,
Hertfordshire SG14 1PB
Tel: +44 (0)1992 516100

19 **East London Region**
Managing Director: William Gosling
1 Crittall Road
Witham, Essex CM8 3AF
Tel: +44 (0)1376 51272120

20 **Central London Region**
Managing Director: Graeme Dodds
Suite 5.04
Exchange Tower
1 Harbour Exchange Square
Limeharbour, London E14 9GE
Tel: +44 (0)20 7987 0500

21 **West London Region**
Managing Director: Stephen Hinson
Stratfield House, Station Road
Hook, Hants RG27 9PQ
Tel: +44 (0)1256 760606

22 **South London Region**
Managing Director: David Huggett
Weald Court
103 Tonbridge Road
Hildenbridge
Tonbridge, Kent TN11 9HL
Tel: +44 (0)1732 836000

23 **Southern Region**
Managing Director: Timothy Hill
Templars House
Lulworth Close, Chandlers Ford
Eastleigh, Hampshire SO53 3TJ
Tel: +44 (0)23 8025 5288

MORRISON HOMES INC

Head Office
President: Stewart Cline
3700 Mansell Road
Suite 300
Alpharetta, Georgia 30022
Tel: 001 770 998 9044
www.morrisonhomes.com

1 **Atlanta Division**
Division President:
David Schmit (acting)
450 Franklin Road, Suite 160
Marietta, Georgia 30067
Tel: 001 770 794 5800
Senior Vice President,
South East Region: David Schmit

2 **Jacksonville Operation**
Vice President, Operations:
Jeffrey Agar
101 East Town Place, Suite 600
St Augustine, Florida 32092
Tel: 001 407 904 940 0004

3 **Orlando Division**
Division President: Steven Parker
151 Southhall Lane, Suite 200
Maitland, Florida 32751
Tel: 001 407 629 0077
Senior Vice President, Florida Region:
Steven Parker

4 **Tampa Division**
Division President: Michael Storey
100 Tampa Oaks Boulevard
Suite 100, Temple Terrace
Florida 33637
Tel: 001 810 910 7044

5 **Sarasota Operation**
Vice President, Operations:
Tammy Lynch-Palka
399 Interstate Blvd
Sarasota, Florida 34240
Tel: 001 941 371 3008

6 **Houston Division**
Division President: William Ulrich
9807 Whithorn Drive
Houston, Texas 77095-5024
Tel: 001 281 855 8041

7 **Dallas Division**
Division President: Joe Weathersby
4324 North Beltline Road
Suite C-105 Irving, Texas 75038
Tel: 001 972 649 0000

8 **Austin/San Antonio Division**
Division President: Stephen Pate
1101 Capital of Texas Hwy South
Building F, Suite 250
Austin, Texas 78746
Tel: 001 512 328 8866
Senior Vice President, South West
Region: Douglas Moss

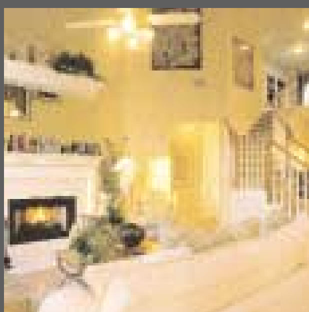
9 **Denver Division**
Division President:
Douglas Champion
5734 South Prince Street
Suite 200
Littleton, Colorado 80120
Tel: 001 303 798 3500

10 **Phoenix Division**
Division President:
Susan Jacobson-Kulak
6991 East Camelback
Suite C-158
Scottsdale, Arizona 85251
Tel: 001 480 941 0818
Senior Vice President, West Region:
John Napolitan

11 **Sacramento Division**
Division President: Robert Walter
1130 Iron Point Road, Suite 120
Folsom, California 95630
Tel: 001 916 355 8900

12 **Central Valley Operation**
Vice President, Operations:
Philip Bodem
4713 Enterprise Way
Modesto, California 95356
Tel: 001 916 355 8111

Morrison Homes



Tuscany – Houston, Texas

Morrison offers a series of homes featuring classic old-world design elements at Tuscany, a heavily wooded enclave located in northwest Houston.

Keene's Pointe – Florida

An extraordinary residential setting featuring an Exclusive Gated Community in Windemere, on Lake Tibet Butler, and an 18 Hole Jack Nicklaus Signature Masterpiece Golf Course.

Bogan's Bridge Crossing – Atlanta, Georgia

Bogan's Bridge Crossing is a gorgeous swim/tennis located only 2 miles north of the Mall of Georgia, and less than a 1/2 mile from Bogan Park.

Lake Forest – Orlando, Florida

Morrison Homes is currently building in the award winning master planned community of Lake Forest. Lake Forest is custom home living raised to a level of perfection. Where nature has graced every home with glorious surroundings.

Tuscany – Houston, Texas

Tuscany is located in northwest Houston. It is in the acclaimed Cy-Fair School District. The community offers convenience to the areas best restaurants, shopping and recreation.

Colony Glen – Denver, Colorado

Located at 106th Avenue and Colorado Boulevard, Colony Glen residents enjoy easy access to 120th Avenue, a direct artery to DIA, 104th Avenue with its many shopping and entertainment venues and quick trips to Denver, and mountain recreation.

The Oaks of Windermere – Orlando, Florida

Luxurious gated community in prestigous Windermere area. Close to all major roadways, shopping and entertainment. Just minutes to Orlando and area attractions.

Quail Creek – Denver, Colorado

The Estates at Quail Creek in Parker is an intimate community located near Canterberry Golf Course. The community's superb location is enhanced by a neighbourhood park with a tot-lot, walking trails and the small-town atmosphere.

Kensington at Windermere – Atlanta Georgia

Kensington is centrally located in the Golf Village of Windermere, north Atlanta's premiere amenity community. In the hilly, scenic setting of south Forsyth County.

Celebration – Orlando, Florida

Classic downtown living. Like yesterday's small towns, downtown Celebration is the center of activity. Imagine a cluster of downtown shops, vital and vibrant. As a resident, you're within walking distance of a cinema, stores, post office, and banks.

Shareholder Information

Annual General Meeting
4 April 2002 at 11am at The Royal Aeronautical Society, No 4 Hamilton Place, London, W1V 0BQ.

Results
2001 year end results – 27 February 2002
2002 half year results – 4 September 2002

Dividends
Final Dividend – subject to approval at the Annual General Meeting a final dividend will be payable on 14 May 2002 to ordinary shareholders whose names appear in the register of members at the close of business on 15 March 2002.

Interim dividend – to be announced in September 2002

Shareholders' services
The Company continues to encourage private shareholders. On the Company's behalf, Cazenove & Co operates a low cost share dealing service in George Wimpey PLC shares. Details are available from the Secretary at the Registered Office or by telephone on 020 7802 9888.

A Corporate Individual Savings Account (ISA) is available to George Wimpey shareholders. ISAs offer a tax free route to holding shares. Dividends received on shares held in the ISA are free from income tax and any gains made on the value of the shares held in the George Wimpey Corporate ISA are free of Capital Gains Tax when sold.

For further information contact the Share Centre on 01296 414 144 or visit their website on www.share.co.uk

Private Shareholders
If you have a query about your holding of George Wimpey PLC shares or need to change your details, for example address or payment of dividend requirements, please contact the Registrars at the address shown.

Website
Further details of the Group's activities and products can be seen on its website at www.wimpey.co.uk

Registered Office
Manning House
22 Carlisle Place
London
SW1P 1JA

Registered Number
1397926

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

Tel: 0870 600 3970

You can see more details of your shareholding on Lloyds TSB Registrars website on www.shareview.co.uk

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This Annual Report is printed on Galerie Art Silk paper produced from totally chlorine free (TCF) pulp and from fully sustainable forests. Galerie Art Silk is the world's first paper to be awarded the Nordic Swan Environmental Label for low emissions during production.

GEORGE WIMPEY PLC

Manning House
22 Carlisle Place
London
SW1P 1JA
Tel 020 7802 9888
www.wimpey.co.uk