George Wimpey

22 February 2005

George Wimpey Plc
Preliminary Results for the year ended 31 December 2004

Headlines

▪ Group profit before tax £450.7 million	+ 19%
▪ Group operating profit £500.7 million	+ 16%
▪ George Wimpey £365.8 million	+ 11%
▪ Laing Homes £43.1 million	+ 3%
▪ Morrison Homes $188.0 million	+ 59%
▪ Excellent progress on operating margins	
▪ George Wimpey up from 17.1% to 18.5%	
▪ Laing Homes up from 12.4% to 13.3%	
▪ Morrison Homes up from 11.9% to 14.6%	
▪ Full year dividend per share 16p	+ 31%
▪ Year end gearing 36%, with interest cover at 10 times	

Commenting on the results, John Robinson, Chairman, said
"We achieved significant further financial progress in 2004, despite the slowing market conditions in the UK. We propose a 31% increase in our full year dividend to 16p as an indication of our confidence in the underlying strength of our business. This would result in a doubling of our dividend over the past four years. "

Peter Johnson, Chief Executive, said
"George Wimpey has entered 2005 in far better shape than we have ever been in before. In the UK, our focus on controlling costs, selective land purchase, and opening more outlets, will support our performance in all market conditions. In the US, our strong market positions and landbank will enable us to continue to achieve significant further growth."

Enquiries
George Wimpey Plc

Peter Johnson, Group Chief Executive	0207 802 9888
Andrew Carr-Locke, Group Finance Director	0207 802 9888

Maitland

Liz Morley	07798 683108
Charlotte Barker	07813 889660

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- high resolution photographs for media use
- a full copy of the presentation to analysts available from 10.30 am on 22 February 2005
- a webcast of the presentation will be available in the afternoon of 22 February 2005

2004 Group Summary

George Wimpey is pleased to announce record results for another year. The past four years have been years of remarkable growth for the Company as well as a period in which important management decisions have been taken to secure the long term success of our business.

The Group made further significant progress in financial performance, with improvements being achieved in all businesses, despite the slower market conditions experienced in the UK during the second half of the year. Group turnover increased by 4% to £3,005.7 million (2003: £2,878.5 million). Operating profit increased by 16% to £500.7 million (2003: £429.8 million) and profit before tax rose by 19% to £450.7 million (2003: £378.2 million).

Morrison Homes delivered an exceptionally strong performance even after the effect of the weak dollar, which had an adverse impact on profit before tax of £10.2 million. The average exchange rate for the year was £1/$1.83 compared with £1/$1.64 in 2003.

The interest charge at £49.7 million was slightly down on 2003 (£51.6 million). Despite higher short term market rates and higher average debt, a competitive banking market together with a strengthening balance sheet enabled the Group to moderate the increase in its effective cost of borrowing.

As anticipated, the Group tax rate for the period remained unchanged at 31%.

Earnings per share increased to 80.8 pence, a rise of 18% on 2003.

Return on average shareholders' equity after interest and tax for the year was 23.9% (2003: 24.7%) and return on average capital employed for the same period was 27.4% (2003: 28.5%).

Total assets employed rose by £262.4 million to £1,960.0 million. Net debt reduced slightly in the year to £520.9 million (2003: £529.2 million). The increase in assets employed is, in the main, due to further investment in land, with the total value of our land assets up £211.9 million to £1,940.5 million.

Shareholders' funds grew 23% to £1,439.1 million (2003 restated: £1,168.4 million) or 21% to £3.68 per share. With the reduction in net debt, gearing at 31 December 2004 fell to 36% (2003: 45%).

Dividend

In July 2003, the Board stated that it believed shareholders should benefit more fully from the improvement that has been achieved in the Company's performance and that it therefore proposed increasing the dividend ahead of growth in earnings per share for a period of time. Although the strong market we have seen in the UK over the past few years is unlikely to continue in 2005, the Board believes the underlying strength of the business gives it the confidence to continue this policy. It is therefore proposing an increase of 28% in the final dividend to 10.8 pence per share. This follows a 37% increase in the interim dividend announced in July. If approved this would bring the total dividend for the year to 16 pence per share, a rise of 31% on 2003, and dividend cover would remain secure at 5.1 times based on 2004 earnings per share. The Board's proposal, if approved, would mean dividends per share would have more than doubled in the past four years.

Strategy
George Wimpey benefits greatly from having businesses in both the UK and the US, enabling us to balance our investments into each business as market conditions change. During 2004, whilst the business environment in the UK became more difficult, the US markets in which Morrison Homes operates continued to strengthen.

In the UK, we took action to ensure our businesses remain focused on performance improvement and were prepared for more challenging market conditions. As the housing market slowed the land market did not respond immediately. We increased our hurdle rates for land purchases, made more cautious assumptions about selling prices and costs, and were particularly selective during the last quarter. Our priorities for 2005 are to continue to maintain tight control over costs and the increased investment in work in progress that is driven by the Government's policies on brownfield land and planning densities.

We remain committed to achieving significant organic growth in the UK housing activities and have the plans in place to do so. However, we will only make the investment into land to support such growth where we are confident we can do so on terms that will create shareholder value.

In the US, the major markets in which Morrison Homes operates are generally pro-development, and are expected to show continued strength. Without the planning restrictions our UK business faces, Morrison Homes has been able to turn its assets more than twice each year, enabling growth to be financed efficiently.

George Wimpey will, therefore, support the continued growth of Morrison Homes through the organic growth of its existing divisions and by continuing its successful policy of establishing and developing satellite operations into neighbouring markets, especially in Central Florida and Northern California.

Outlook
In the UK, after only seven weeks trading, it is premature to draw firm conclusions on the market outlook, especially with a general election expected in the spring. However, visitor levels and interest in this period have been encouraging and reservations have been at the stronger end of our expectations. We are currently operating from 12% more outlets than at the same time last year. Pricing has been broadly stable, with the use of incentives generally below the levels seen last autumn.

The outlook in the US remains strong. Visitor levels and selling rates are both ahead of the same period last year. We have the land in place to support continuing strong volume growth in 2005.

Overall, the Group remains well placed through the actions of recent years to respond to the needs of its markets in 2005.

Operating Review

UK Housing
Despite a more challenging market, 2004 has been another year of excellent progress for our UK housing business. Management was very focused on the basics of the business – selective land acquisition, cost control, sales presentation and customer satisfaction. As a result, operating margins improved further in both George Wimpey and Laing Homes and the business was strengthened as it entered a period which is likely to be marked by more subdued pricing.

Market Conditions
The UK housing market remained generally strong during early 2004, though the weakness in the higher priced market, identified during 2003, continued. This affected Laing Homes and some of the southern regions of George Wimpey. By late summer the market in general had slowed sharply across the country and showed no real improvement during the autumn. Customers took longer to commit to their purchase and found it increasingly difficult to achieve their asking price for second hand properties.

Sales and Prices

Total UK Housing	**2004**	**2003**	**% +/-**
Turnover	£2,301 m	£2,270 m	+1%
Total completions	12,232	12,909	- 5%
Private	11,274	12,203	- 8%
Affordable	958	706	+ 36%

The reduction in total completions came from a lower average number of outlets open through the year and selling rates in the second half that were below the exceptionally strong performance in 2003. In addition, we rejected a significant number of investor reservations at the year end rather than renegotiate the terms of sale. In the weaker market conditions we experienced, our focus was to maintain our improvement in operating margins rather than deliver maximum volumes.

The average number of outlets open during the year was 295 (2003:309), which was depressed due to continuing delays in processing new sites through the planning system. A particular issue has been local authorities rejecting planning applications even when they have officer recommendation. However, going into 2005, due to increased land buying during 2003 and early 2004, we had 309 outlets open, a 5% increase on the beginning of 2004. Currently, we are operating from 325 outlets, 12% more outlets than in the same week in 2004.

The use of incentives increased during the second half of 2004 to support selling rates in the slower markets we experienced. These were focussed on specific plots which were more difficult to sell and on particular customer groups, such as first time buyers. The use of part exchange was tightly controlled and accounted for less than 3% of sales. The book value of part exchange properties owned at the year end was £25.6 million (2003: £28.4 million). The use of part exchange has been further reduced in the first weeks of 2005 and this book value of unsold properties now stands at just £9 million.

George Wimpey	**2004**	**2003**	**% +/-**
Turnover	£1,976 m	£1,933 m	+ 2%
Total completions	11,122	11,813	- 6%
Private	10,345	11,228	- 8%
Affordable	777	585	+ 33%
Private average selling price	£182,000	£168,000	+ 8%

For George Wimpey, average selling prices for the year were up 8% to £182,000, with the whole of this price increase gained during the first half. Average selling prices during the second half remained broadly flat on the first half.

George Wimpey remains evenly split across the North (including Scotland), the Midlands and the South of Great Britain. As market conditions permit, we will continue to grow this business through the establishment of additional satellite operations in Sussex, the East Midlands and Scotland.

Over the past three years, we have developed an expertise in inner-city developments. However, in light of very competitive market conditions in a number of city centres we have limited our exposure to this market. At the end of the year we entered into a joint venture agreement with a subsidiary of Barclays PLC for the development of The Great Northern Tower, our high-rise apartment building in central Manchester. Sales on this development are proceeding well. We will continue to develop such sites through joint ventures when appropriate opportunities arise.

Laing Homes	**2004**	**2003**	**% +/-**
Turnover	£324.7 m	£336.8 m	- 4%
Total completions	1,110	1,096	+ 1%
Private	929	975	- 5%
Affordable	181	121	+ 50%
Private average selling price	£320,000	£315,000	+ 2%

Laing Homes average selling prices rose 2% to £320,000 as planned reductions in the sales of higher priced homes were balanced by reductions in the volume of smaller apartments.

The Laing Homes regional businesses were restructured at the beginning of the year to improve overhead recovery. Each is still below ideal scale and hence they provide significant potential for future volume growth. We have identified target markets in the East and Southwest of England as well as in Scotland that will be developed as market conditions allow.

Profits, Margins and Costs

Total UK Housing	**2004**	**2003**	**% +/-**
Operating profit	£408.9 m	£371.8 m	+ 10%
Return on average capital employed	25.8%	27.0%	

George Wimpey	**2004**	**2003**	**% +/-**
Operating profit	£365.8 m	£330.1 m	+ 11%
Operating margin	18.5 %	17.1 %	

Laing Homes	**2004**	**2003**	**% +/-**
Operating profit	£43.1 m	£41.7 m	+ 3%
Operating margin	13.3%	12.4%	

Cost inflation was contained as labour cost increases slowed, benefiting from the supply of skilled and good quality labour from the European Union and Eastern Europe. Costs were also helped by the continued development of the use of prefabricated components wherever these provide an economic solution to our construction needs. Material costs rose broadly in line with inflation with increases in steel and other commodity prices having limited impact. However, increases in landfill tax and aggregates tax, together with changes to building regulations and in the rules controlling the disposal of waste materials from brownfield sites continued to impact overall costs, as did the number of bespoke designs required by local planning conditions. Our own drive to increase the efficiencies of new house types to meet current planning requirements gives us an opportunity to counteract some of these costs in 2005 and beyond.

Product Mix
The mix of products built across our businesses continues to be influenced by the requirements of PPG3, Central Government's guidance on housing policy. However, we continue to strive to maintain a product range that meets the needs and preferences of our customers and provides good affordability in the market.

The proportion of sales accounted for by 4 and 5 bedroom detached houses fell during the year to 37% (2003: 42%), with the proportion of apartments rising to 31% (2003: 26%). For 2004 the average size of our products was 1,033 sq ft (2003: 1,067 sq ft). We continue to limit our exposure to higher priced properties, with 36% of our homes priced at less than £150,000 and more than 85% priced below £250,000.

Landbank
Improving both the quality and length of our landbank on the right terms remains one of our top priorities. However, in a weakening market we have been careful to secure our future land needs without overpaying. We raised our land purchase hurdle rates in the year and increased the premium we seek on higher risk developments, such as apartments, bespoke developments, or unconditional land purchases, to ensure we sustain the margin improvements we have achieved over the past few years. During the last quarter of the year we were particularly selective, as the land market in places was slow to adjust to the changed market for housing.

During the year, the short term owned and controlled landbank for the total UK business increased by 5% to 51,119 plots compared to 48,608 plots at the end of 2003 and 50,901 plots at the end of June 2004. Planning permission was achieved on almost 15,000 plots during the year.

The strategic landbank continues to provide an increasing flow of plots into the short term landbank with 1,079 plots transferred during the year. The strategic landbank now totals 17,571 acres (2003: 18,621) and includes around 13,500 plots allocated in local plans for future development.

Quality and Customers
Across our UK businesses we aim to provide levels of customer satisfaction that set us apart from our major competitors. During 2004, 86% of our customers said they would recommend us to their friends or family. We welcome the Government's increased focus on this area and are happy to publish the key results of our own surveys.

We pride ourselves on the quality and design of our new homes and on building communities that meet our customers' requirements. In the NHBC Pride in the Job Awards, 62 of our site managers received Quality Awards, 17 of these received Top 100 Seals of Excellence, and Tommy Flynn from George Wimpey West Scotland was the Regional Award winner for Scotland. For yet another year we achieved a better overall performance than any of our competitors.

A key part of ensuring our customers receive excellent service is to provide them with a range of optional extras to help them customise their new homes. Four regional businesses now handle the selection and sale of optional extras for all their homes through central selection centres. The total revenue from the sale of optional extras is about £60 million, an average of £5,296 per customer, representing 2.7% of the average sales price. There remains particular scope within the Laing Homes brand to grow this further.

Current Market Conditions
Slower selling rates in the second half of the year impacted the year end order book, which at £559 million was slightly higher than expected at the time of our December trading statement. This represents about 25% of the year's volume target and is at prices and gross margins similar to those achieved in the second half of 2004.

Selling rates in the first seven weeks of the current year have recovered from the rates achieved during the autumn, although as expected, they are below the very high rates achieved in the strong first quarter of 2004. To combat the expected slower selling rates, we have currently 12% more outlets open than at the same time last year. Visitor levels and interest have been encouraging. Prices have been broadly stable and our use of incentives has been below the level we experienced in the autumn.

Going Forward
In the longer term, the fundamentals supporting the UK housing market remain good: interest rates are likely to stay low by historic standards, employment is healthy and the housing market continues to be undersupplied. Our experience in the opening weeks of 2005 reinforces these conclusions. Whilst external cost pressures remain, labour cost increases have moderated significantly. The business focus continues to be on cost management and plans are in place to achieve cost savings of £20 million during 2005.

US Housing

Market Conditions
Throughout 2004 the US economy strengthened and it continues to grow at a moderate rate. The housing market continues to be at historically high levels, supported by good employment growth, demographics and affordability and 2004 was another record year for Single Family Home Starts at 1.600 million and New Home Sales at 1.186 million. The first half of the year was particularly strong with the second half returning to a more sustainable and healthy market.

A major challenge for homebuilders came from shortages of labour and materials, particularly in markets with very high levels of housing demand. Central Florida was significantly affected by the impact of four hurricanes in the late summer, which resulted in shortages of both materials and labour throughout the last quarter.

Morrison Homes' markets in Central Florida and Phoenix remained particularly robust throughout 2004. The Northern California markets in Sacramento and the Central Valley started the year very strongly but moderated to a more normal level in the second half of the year. In Denver and Texas, with the exception of Houston, the economy and housing markets remained slower than elsewhere throughout 2004.

Sales and Prices

Morrison Homes	**2004**	**2003**	**% +/-**
Turnover £	£705.0 m	£608.4 m	+ 16%
Turnover $	$1,290.2 m	$997.8 m	+ 29%
Total completions	4,422	3,661	+21%
Average selling price $	$289,000	$270,000	+ 7%

Morrison Homes once again delivered an excellent performance based solely on organic growth.

The final number of completions was affected by extensive construction delays in Florida following the hurricanes, which caused at least 150 to be delayed into the new year Despite this, the number of homes completed grew by 21%.

Average selling prices rose by 7% to $289,000 during the year with Northern California, Central Florida and Phoenix seeing price increases above 10%. Price increases in Denver, Atlanta and most of Texas were comparatively subdued. The average size of a Morrison home was broadly unchanged at 2,386 sq ft (2003: 2,430 sq ft).

Average outlets at 100 were slightly below the previous year but with very strong markets in Northern California, Central Florida and Phoenix some outlets sold out faster than anticipated. Visitor levels were particularly high, with the average number of visitors per outlet up 25% on 2003. Very good conversion rates resulted in a 29% increase in the average sales rate to 0.93 sales per outlet per week.

To support Morrison's growth within its existing geographic markets, new ranges of slightly smaller, more affordable products have been introduced across all markets during 2004. The introduction of the new attached, higher density townhome product into the Orlando and Tampa markets has been particularly successful and this product will play an increasing part in the growth of the Southeast Region.

Profits, Margins and Costs

Morrison Homes	**2004**	**2003**	**% +/-**
Operating profit £	£102.7 m	£72.3 m	+ 42%
Operating profit $	$188.0 m	$118.6 m	+ 59%
Return on average capital employed	33.8%	25.9%	
Operating margin	14.6%	11.9%	

Controlling costs has been a major focus for Morrison Homes' management teams during the year, particularly as material producers have tried to push through price increases in the face of strong worldwide demand for products such as steel and cement, whilst lumber prices also increased significantly. A constant programme of value engineering, careful management of construction programmes and the introduction of regional purchasing councils ensure that Morrison takes advantage of all opportunities for procurement savings.

Over the last two years, Morrison has reduced its investment into its Atlanta division whilst undertaking a strategic review to establish whether it could earn adequate returns in the long term in the Atlanta housing market. Following this review, plans are in hand to exit this business during 2005.

Landbank

Morrison Homes has been able to sustain a rapid rate of organic growth because of the strength of the markets in which it operates and its growing landbank. During 2004 we continued to add to the short term landbank at a rate to support the continuing growth plans over the coming years. The number of owned and controlled plots increased by 27% to 21,579 (2003: 16,967 plots). With the exception of Atlanta, this increase has been spread across all markets and gives Morrison all the land it requires to deliver its growth target for 2005 and most of what it needs for 2006.

Customer Service

Morrison Homes continues to focus on maintaining competitive advantage though its approach to customer satisfaction. During the year Morrison Homes' 'would you recommend' customer satisfaction score averaged 86%, with 5 of its divisions achieving their internal goal of over 90%.

The centralised Signature Selection Centers available across all divisions continue to add value for our customers. On average customers spent $28,000 per sale (2003: $27,400), which represents approximately 10% of turnover. We have researched further opportunities to develop options and during 2005 we will be introducing new products and packages, along with making improvements to our Signature Selection Centers and our procedures, to increase sales and margins.

Morrison Financial Services and Morrison Title continued to be a valuable part of our business with 61% of customers arranging their mortgages through us and in Texas and Florida, Morrison Title provided title services for 90% of customers.

Current Market Conditions

Strong selling rates throughout 2004 resulted in an excellent year end order book which was 40% higher by value than at the end of 2003, and slightly above the level expected at the time of our December trading statement. This equates to over 30% of our 2005 sales target at prices and gross margins above those achieved in the second half of 2004.

Visitor levels and selling rates in the first seven weeks of the current year have been above those rates achieved in the strong first quarter of 2004.

Going Forward

Although short term interest rates are expected to rise, much of this is already reflected in longer term rates. The US housing market is forecast to remain strong throughout 2005 supported by positive demographic trends, employment and economic growth. Morrison is well positioned in the markets that will benefit most from this.

Morrison Homes has achieved a rapid rate of growth in recent years and is well placed with a strong landbank, healthy market conditions and a tight control of costs to ensure this continues over the coming years.

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004	2003
		£m	£m
Turnover	5	3,005.7	2,878.5
Cost of sales		(2,341.1)	(2,284.8)
Gross profit		664.6	593.7
Administrative expenses		(163.9)	(163.9)
Group operating profit		500.7	429.8
Share of operating loss of joint ventures		(0.3)	-
Profit on ordinary activities before interest	5	500.4	429.8
Interest – net payable		(49.7)	(51.6)
Profit on ordinary activities before taxation		450.7	378.2
Tax on profit on ordinary activities	6	(139.7)	(117.3)
Profit for the financial year		311.0	260.9
Dividends	2	(62.4)	(46.7)
Retained profit for the year		248.6	214.2
Earnings per ordinary share - basic	1	80.8p	68.5p
Earnings per ordinary share - diluted	1	79.7p	67.1p
Dividends per ordinary share	2	16.0p	12.25p

GROUP BALANCE SHEET
AT 31 DECEMBER 2004

	Note	2004 £m	2003 Restated (note 9) £m
Fixed assets		35.9	26.4
Current assets			
Stock	7	2,655.4	2,365.8
Debtors		133.5	118.8
Cash at bank and in hand		19.5	23.6
		2,808.4	2,508.2
Creditors: amounts falling due within one year		(770.4)	(735.6)
Net current assets		2,038.0	1,772.6
Total assets less current liabilities		2,073.9	1,799.0
Creditors: amounts falling due after more than one year		(608.3)	(603.0)
Provisions for liabilities and charges		(26.5)	(27.6)
Assets employed		1,439.1	1,168.4
Represented by:			
Capital and reserves			
Called-up share capital		97.9	96.0
Share premium account		111.8	109.2
Profit and loss account		1,229.4	963.2
Equity shareholders' funds		1,439.1	1,168.4
Shareholders' funds per ordinary share		368p	304p
Gearing		36%	45%

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £m	2003 £m
Profit for the financial year	311.0	260.9
Currency translation differences on foreign currency net investments	(1.7)	(1.6)
Total recognised gains for the year	309.3	259.3

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £m	2003 Restated (note 9) £m
Profit for the financial year	311.0	260.9
Dividends	(62.4)	(46.7)
	248.6	214.2
Currency translation differences on foreign currency net investments	(1.7)	(1.6)
Shares allotted	4.5	3.4
Shares purchased in respect of employee share schemes	-	(8.5)
Credit in respect of employee share schemes	0.7	5.3
Scrip dividend	18.6	11.3
Contribution to Quest	-	(0.3)
Net increase in shareholders' funds	270.7	223.8
1 January – shareholders' funds as previously stated	1,170.0	943.0
Prior year adjustment (note 9)	(1.6)	1.6
1 January shareholders' funds as restated	1,168.4	944.6
31 December – shareholders' funds	1,439.1	1,168.4

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £m	2003 Restated (note 9) £m
Group operating profit	500.7	429.8
Depreciation and amortisation	8.2	7.8
Change in provisions	(1.5)	(0.8)
Working capital before land expenditure	603.9	647.5
Cash inflow from operating activities before land expenditure	1,111.3	1,084.3
Land expenditure (net of land creditors)	(935.1)	(853.5)
Cash inflow from operating activities	176.2	230.8
Net interest paid	(49.2)	(43.2)
Taxation	(91.3)	(118.1)
Capital expenditure	(13.4)	(8.5)
Sale of fixed assets	1.8	2.2
Loans to joint ventures	(7.4)	-
Acquisitions and disposals	-	(214.7)
Equity dividends paid	(33.7)	(25.4)
Cash outflow before financing	(17.0)	(176.9)
Issue of ordinary share capital	4.5	3.4
Purchase of own shares (note 9)	-	(8.5)
Exchange adjustments	20.8	28.4
Movement in net debt in the period	8.3	(153.6)
Opening net borrowings	(529.2)	(375.6)
Closing net borrowings	(520.9)	(529.2)

ADDITIONAL INFORMATION

Notes on the Preliminary Statements

1 Earnings per Ordinary Share

Basic earnings per ordinary share is 80.8p (2003: 68.5p). The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of £311.0 million (2003: £260.9 million) divided by the average number of shares in issue during the year of 384.8 million (2003: 380.6 million).

Diluted earnings per ordinary share is 79.7p (2003: 67.1p). 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 5.6 million (2003: 8.4 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 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 391.5 million (2003: 384.1 million).

2 Dividend

The Directors are recommending a final dividend of 10.8p per share (2003: 8.45p) which, together with the interim dividend of 5.2p per share (2003: 3.8p), brings the total dividend in respect of 2004 to 16.0p per share (2003: 12.25p).

If the proposed final dividend is approved at the Annual General Meeting on 14 April 2005, it will be paid on 13 May 2005 to all shareholders who are on the register at 4 March 2005.

The cost of the final dividend will be £42.3 million (2003: £32.2 million) which, together with the interim dividend, will give a total cost of £62.4 million (2003: £46.7 million).

3 Rates of Exchange

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date and trading results at the average rate for the year.

4 Statutory Accounts

These accounts do not constitute statutory accounts. The Preliminary Statement for 2004 has been extracted from the statutory accounts of George Wimpey Plc for 2004, which have not yet been filed with the Registrar of Companies, on which the auditors have given an unqualified report.

5 Analysis by Class of Business

	Turnover		Profit on ordinary activities before interest		Assets Employed	
	2004 £m	**2003 £m**	**2004 £m**	**2003 £m**	**2004 £m**	**2003 £m Restated**
UK Housing						
- George Wimpey	1,975.9	1,933.2	365.5	330.1	1,384.2	1,132.7
- Laing Homes	324.7	336.8	43.1	41.7	324.7	323.1
Total UK	2,300.6	2,270.0	408.6	371.8	1,708.9	1,455.8
Total US	705.0	608.4	102.7	72.3	320.5	277.7
Corporate	0.1	0.1	(10.9)	(14.3)	(27.1)	(3.7)
	3,005.7	2,878.5	500.4	429.8	2,002.3	1,729.8
Dividends					(42.3)	(32.2)
Net debt					(520.9)	(529.2)
Assets employed					1,439.1	1,168.4

No breakdown by geographical area is shown because the analysis by class of business already follows geographical area in material respects. Turnover by origin is not materially different from turnover by destination.

UK housing includes, in respect of share of joint ventures, turnover of £nil (2003: £nil), loss on ordinary activities before interest of £0.3 million (2003: £nil) and assets employed of £0.4 million (liabilities) (2003: £nil).

6 Tax on Profit on Ordinary Activities

	2004 £m	**2003 £m**
United Kingdom		
Corporation tax	(100.9)	(94.2)
Share of joint ventures' – corporation tax	0.2	-
Overseas		
Corporate tax	(42.3)	(27.8)
	(143.0)	(122.0)
Prior years' adjustment – UK corporation tax	4.6	9.2
	(138.4)	(112.8)
Deferred taxation: origination and reversal of timing differences	(1.3)	(4.5)
Tax on profit on ordinary activities	(139.7)	(117.3)

United Kingdom Corporation tax is provided at 30% (2003: 30%) on taxable profit. Provision has been made for deferred taxation. The effective rate of 31% (2003: 31%) reflects the net effect of the UK rate at 30% (2003: 30%) and the combined federal and state taxes in the US of up to 40% (2003 40%). Based on current tax rates and a similar proportion of UK and US profits, the future tax rate is likely to be at a broadly similar level to this year.

7 Stock

	2004 £m	2003 £m
Land held for development	1,940.5	1,728.6
Construction work in progress	654.4	577.8
Part exchange properties	25.6	28.4
Other stock	34.9	31.0
	2,655.4	2,365.8

8 Reconciliation of Group Operating Profit to Cash Inflow from Operating Activities

	2004 £m	2003 £m
Group operating profit	500.7	429.8
Depreciation	7.8	7.3
Amortisation of goodwill	0.4	0.5
Land held for development realised from land and house sales	702.1	665.3
Increase in stock (excluding land held for development)	(88.5)	(90.7)
(Increase)/decrease in debtors	(16.8)	4.7
Increase in creditors	7.1	68.2
Decrease in provisions for liabilities and charges	(1.5)	(0.8)
Net cash inflow from operating activities before land expenditure	1,111.3	1,084.3
Expenditure on land held for development	(926.7)	(892.6)
(Decrease)/increase in land creditors	(8.4)	39.1
Cash inflow from operating activities	176.2	230.8

9 Restatement of prior year statement

Following the adoption of UITF 38 ‘Accounting for ESOP trusts’, investments in the Company’s shares of £9.5 million (31 December 2003: £10.3 million) have been transferred to the profit and loss account reserve. The shares are held in order to provide shares to certain employees under the long term incentive plan. The amounts charged to the profit and loss account in respect of the shares awarded under long term incentive plan are credited to reserves and the provision offset against the cost of shares. At 31 December 2004 the provision for the cost of shares awarded under the long term incentive plan was £8.6 million (2003: £8.7 million).