27 February 2002

Preliminary Results for the year ended 31 December 2001

Headlines

- Profit before tax and exceptionals up 24% to £181m
- UK operating margin up from 11.4% to 12.4%
- Pre-exceptional earnings per share up 23% to 36.8p
- Full year dividend per share up 10% to 8.25p
- Gearing at 50%, underlying interest cover 8 x as forecast
- Cost savings following acquisition of McAlpine Homes increased to £25m

Financial Highlights	**2001**	**2000**
Turnover	£1,896m	£1,702m
Operating profit before exceptionals	£213m	£170m
Profit before tax and exceptionals	£181m	£146m
Earnings per share before exceptionals	36.8p	30.0p
Earnings per share	31.9p	30.0p
Dividends per share	8.25p	7.5p

Chairman, John Robinson, said

"2001 was a year of major progress for George Wimpey. These excellent results demonstrate we are on course to deliver substantially better performance for our shareholders."

Chief Executive, Peter Johnson, said

"During 2001, the restructuring of the UK businesses and the integration of Alfred McAlpine Homes have been successfully completed. Cost reductions are being delivered as promised. With these changes firmly in place, George Wimpey has started the new year well positioned to sustain further progress."

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The Board is pleased to announce its results for 2001. These show the strong commitment to delivering improvements in financial performance and operating margins across all parts of the Group as promised at the beginning of the year. 2001 was a year of fundamental and significant change for George Wimpey PLC, one in which the Company built on its established strengths and qualities.

2001 Summary

Profits before tax and exceptional items increased by more than 24% to £180.9 million on a total Group turnover of £1,896 million, up 11% on 2000. Operating margins increased from 11.4% to 12.4% in the UK and from 8.6% to 9.6% in the US. Exceptional costs of £28.9 million are split equally between the merger of Wimpey Homes and McLean Homes and the integration of McAlpine Homes. Pre-exceptional earnings per share were up 23% to 36.8 p.

The final proposed dividend is increased by 10% to 5.35p per share, resulting in a total dividend for the year up 10% to 8.25 pence per share. The dividend is covered 3.9 times. In addition, for the first time, shareholders will be offered the choice of a Scrip Dividend.

The balance sheet remains strong with the year end debt/equity ratio standing at 50%, in line with the target announced in August 2001. Net borrowings now stand at £383 million, an increase of £163 million over last year, due to the £223 million spent in the year on the McAlpine and Denver acquisitions. For the year, underlying interest cover, excluding exceptionals and the imputed interest on the McAlpine deferred consideration, was almost eight times.

In the UK 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. Operating margins increased by one percentage point to 12.4%. Sales proceeding at the beginning of 2002 at 3,054 units were up more than 30% on the position at the beginning of 2001. The long term landbank stands at 15,903 acres with short term land of 40,567 plots, comfortably in excess of three years supply at current expected volume output.

In the US completions for the year were 2,900 compared to 2,638 in 2000. Average selling prices rose by 4.7% to $237,648. Operating margins were also up one percentage point to 9.6%. Sales proceeding at the beginning of 2002 at 898 units were up 15% on the position at the beginning of 2001. At the end of the year the total owned and controlled landbank had risen to 12,235 plots.

UK Restructuring Programme

The major events of the year concerned the restructuring of the UK business. This started with the merger of Wimpey Homes and McLean Homes at the beginning of the year to form a single UK housing operation. Following the closure of nine regional offices at the end of March, the new structure comprised 20 regional businesses and a newly formed business focussing on the specialised market of central London.

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 regional office in Chandlers Ford and the inner-city activities of both George Wimpey and McAlpine 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 announced at the time of the acquisition, the McAlpine business in Cumbria will not be retained. Negotiations on the sale of this business are at an advanced stage.

The actions taken in restructuring the UK business throughout the year have led to reduced costs, a strengthened landbank and the potential to continue to improve long-term performance. This had some beneficial impact in the current year and provides a firm basis for continuing improvements in profitability. Together they have transformed the shape and potential of George Wimpey.

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 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.
- Sites capable of development from 2002 onwards identified and prioritised following a review of the strategic landbank. 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. 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 have been achieved following the integration of McAlpine Homes, which was 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, which also symbolise the cultural changes that have taken place across the Company.

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.

UK Housing

The UK market remained strong for most of the year, although Central London, where George Wimpey has limited presence, softened in the second half. The tragic events of 11 September had only a very limited effect.

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 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, the Company is 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 a 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 landbank now stands at 15,903 acres, a strong position from which to control future aspirations. The short-term landbank now stands at 40,567 plots – well in excess of three years supply at expected volume output.

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 12% of completions and 58% of homes completed in the year were detached.

Revenue from options selected by 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 is exchanged between George Wimpey and Morrison Homes.

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.

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 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 three Regional awards were presented, a significantly better performance than any of our competitors.

In common with many companies, George Wimpey is facing an increase in the cost of its UK defined benefit pension scheme. This increase arises from changed actuarial assumptions, in particular increased life expectancy, and reduced investment returns. In 2002, the additional costs are expected to be of the order of £9 million. The existing defined benefit scheme has been closed to new members with effect from 1 January 2002 and a defined contribution scheme introduced in its place. Existing fund members are not affected by this change.

A separate issue is the planned adoption of FRS17 in 2003. Under the provisions of this standard, any surplus or deficit in the pension fund will be incorporated as an asset or liability in the Company's balance sheet. Using the more onerous calculation of liabilities required under FRS17, a liability net of tax of £49 million would have been included in the 2001 balance sheet.

US Housing

Morrison Homes has continued to build on its outstanding performance of the past five years achieving further substantial improvements in results for 2001. These results have been achieved at a time when the US economy entered into a period of recession. The events of 11 September impacted the economy further by reducing consumer confidence and increasing unemployment. However, the US housing industry has remained healthy during this recession driven primarily by mortgage rates at a 40 year low and continued consumer demand. Morrison operates in markets all with historic above average employment growth, which continues to create 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 a 21.7% level and turnover grew 12.7% on 2000 to $692.8 million. Completions for the year were 2,900 compared to 2,638 in 2000. The average selling price of a Morrison home increased by 4.7% to $237,648.

Morrison began the year with 85 outlets open and finished the year 18.8% ahead with 101 outlets open. Completions for the year 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 sales proceeding position at the end of 2001 stood at 898 an increase of 15.4% over the end of 2000.

Continued strengthening of the landbank was achieved throughout the year. At the end of the year the total owned and controlled landbank had risen to 12,235 plots, a strong position from which to grow and meet future demand.

The acquisition of Richardson Homes in June 2001 provided a platform for Morrison to participate in the Denver, Colorado market. This area had previously been identified as a primary expansion market, with well above average job growth. The acquisition of Richardson Homes provides Morrison with both an established landbank and a proven management team, whilst its relatively small scale limited initial investment and risk.

Richardson Homes has now become 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 five 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. Four outlets are now open with three additional outlets coming on stream in 2002.

Over the past few years Morrison Homes has made significant improvements in operating margin by focussing on the sale of optional upgrades to customers. Following the success of the prototype centralised Selection Center opened in Orlando in mid-2000 further centres were opened in 2001 in Tampa, Florida and

Sacramento, California. In 2001, sales of upgrades averaged $23,111 per property, 9.7% of revenues were attributed to options, an increase of 0.5% over 9.2% in 2000.

During 2001, Morrison entered into two 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 customers and employees better through a seamless process and benefit from the profits of the US legal completion process.

The Board

Peter Curry retired as a Non Executive Director at the AGM in 2001 and was succeeded as Senior Non Executive Director by Mike Blackburn. Chris Bartram and David Williams took up their positions as Non Executive Directors on 1 May 2001.

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 Finance Director. James Jordan succeeded Stefan Bort as Company Secretary in February 2002.

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 well. As a result we entered 2002 with a record forward sales position. The new year has started equally positively. Visitor levels, sales registrations and pricing have remained healthy across the UK and in almost all the markets in the US in which we operate.

Continued benefits arising from the cost reduction programmes initiated in 2001 together with the acquisition of McAlpine Homes, along with continued market share growth in Morrison Homes, should more than offset higher pension costs and enable the Company to continue to sustain growth in the coming year.

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					
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		(104.3)	(28.9)	(133.2)	(106.8)
Profit on ordinary activities before interest					
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		(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	6	(44.0)	10.6	(33.4)	(35.1)
Profit attributable to ordinary shareholders		136.9	(18.3)	118.6	111.0
Dividends				(30.8)	(27.7)
Retained profit for the year				87.8	83.3
Earnings per ordinary share – basic	1			31.90p	30.04p
Earnings per ordinary share – diluted	1			31.66p	29.90p
Earnings per ordinary share before exceptional items – basic	1			36.81p	30.04p
Earnings per ordinary share before exceptional items – diluted	1			36.53p	29.90p
Dividends per ordinary share	2			8.25p	7.50p

GROUP BALANCE SHEET
AT 31 DECEMBER 2001

	Note	2001 £m	2000 £m
Fixed assets		25.2	17.4
Current assets			
Stock	7	1,829.1	1,204.0
Debtors		80.2	71.0
Cash at bank and in hand		17.0	16.5
		1,926.3	1,291.5
Creditors falling due within one year		(764.2)	(396.1)
Net current assets		1,162.1	895.4
Total assets less current liabilities		1,187.3	912.8
Creditors falling due after more than one year		(406.7)	(230.9)
Provisions for liabilities and charges		(16.6)	(9.3)
Total equity shareholders' funds		764.0	672.6
Shareholders' funds per ordinary share		205p	182p
Gearing		50%	33%

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2001

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

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £m	2000 £m
Profit attributable to ordinary shareholders	118.6	111.0
Dividends	(30.8)	(27.7)
	87.8	83.3
Currency translation differences on foreign currency net investments	-	5.1
Shares allotted under employee share schemes	5.2	1.6
Contribution to Quest	(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

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		572.9	535.1
Land expenditure (net of increase in land creditors)		(420.0)	(473.4)
Cash inflow from operating activities	8	152.9	61.7
Returns on investments and servicing of finance		(26.8)	(25.5)
Taxation		(35.2)	(23.2)
Capital expenditure and financial investment		(2.9)	(1.9)
Acquisitions and disposals		(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		2.6	(5.9)
Financing		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

	2001 £m	2000 £m
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)

ADDITIONAL INFORMATION

Notes on the Preliminary Statements

1. **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).

2. **Dividend**

The directors are recommending a **final dividend** of 5.35p per share (2000 4.85p) which, together with the **interim dividend** of 2.90p per share (2000 2.65p), brings the **total dividend** in respect of 2001 to 8.25p per share (2000 7.50p).

If the proposed final dividend is approved at the Annual General Meeting on 4 April 2002, it will be paid on 14 May 2002 to all shareholders who are on the register at 15 March 2002.

The cost of the final dividend will be £20.0 million (2000 £18.0 million) which, together with the interim dividend, will give a total cost of £30.8 million (2000 £27.7 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 2001 has been extracted from the statutory accounts of George Wimpey PLC for 2001, 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		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	-
Total UK	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	-
Total US	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)
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 Limited. The acquisition in the US is Richardson Homes of Denver.

6. Tax on Profit on Ordinary Activities

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

7. **Stock**

	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

8. **Reconciliation of Operating Profit to Cash Inflow from Operating Activities**

	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

9. **Retirement Benefits**

Financial Reporting Standard 17 on Retirement Benefits requires certain disclosures this year under the transition arrangements. 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, there is a deficit of £70 million, which is partially offset by a deferred tax asset of £21 million, giving a net deficit of £49 million. For the current year, the balance sheet includes an asset of £8.3 million in respect of the UK pension scheme, calculated in accordance with SSAP 24.