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PERSIMMON PLC

REPORT
AND
FINANCIAL STATEMENTS

31ST DECEMBER 1986

PERSIMMON PLC

CONTENTS

PERSIMMON PLC

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31st December 1986.

ACTIVITIES

The principal activity of the group is that of residential building and development.

REVIEW OF THE BUSINESS

The Rights Issue of 3,142,940 new ordinary shares of 10p each in September 1986 at a price of 215p per share raised a net amount of £6,505,500. The issued share capital increased to £1,571,481. At an extraordinary general meeting on 2nd October 1986, the authorised share capital was increased from £1,600,000 to £2,100,000.

On 5th June 1986, Armcett Homes Limited changed its name to Persimmon Homes (Scotland) Limited and on 27th October 1986, a new company, Persimmon Homes (South East) Limited, was established.

RESULTS AND DIVIDENDS

The group profit for the year after taxation is £3.84m. An interim dividend of 2.1p per share was paid in October 1986 and it is now proposed to pay a final dividend of 4.2p per share on 27th April 1987 to shareholders on the register at the close of business on 3rd April 1987. The dividends paid and proposed amount to £0.92m leaving retained profits of £2.92m.

DIRECTORS

The directors of the company during the year and their beneficial interests in the ordinary shares of 10p each were as follows:

	31st December 1986 (Fully paid)	1st January 1986 (Fully Paid)	Share Options
D. Davidson	3,000,000	2,818,750	-
A. Fawcett	2,556,420	2,301,420	-
M.J. Allen	250	200	66,000
G. Grewer	750	600	56,000
B.D. Taylor	1,250	1,000	40,000
J. White (appointed 31st August 1986)	625	500	40,000
J.C.L. Keswick	25,125	20,100	-
S.K. Davidson	3,000,000	2,681,250	-
A.J. Castleton (resigned 31st August 1986)	-	-	-

In September 1985 options to subscribe for a total of 142,000 shares were granted and are exercisable at a price of 110p per share from September 1988 to September 1995. In March 1986, options to subscribe for a total of 10,000 shares were granted and these are exercisable at a price of 143p per share from March 1989 to March 1996. Options to subscribe for a further 50,000 shares were granted in September 1986, and are exercisable at a price of 215p per share from September 1989 to September 1996.

No notification has been received of any change in the above interests during the period from 31st December 1986 to the date of this report.

SERVICE AGREEMENTS

Those directors who have entered into service agreements are as noted below along with the date of expiry in each instance:-

	Expiry date
D. Davidson	June 1988
A. Fawcett	June 1988
M.J. Allen	June 1988
G. Grewer	June 1988
B.D. Taylor	June 1988
J. White	July 1989

DIRECTORS' INTERESTS

With the exception of those mentioned in note 21 to the finanical statements no other director was materially interested, either at the year end or during the year, in any contract of significance in relation to the business of the company or its subsidiaries.

CHARITABLE AND POLITICAL DONATIONS

During the year donations of £15,800 were made for charitable purposes, and £5,600 was donated to the Conservative Party.

TAXATION STATUS

The company is not a close company under the provisions of the Income and Corporation Taxes Act 1970.

SHARE CAPITAL

The Companies Act 1985 provides that when shares are being issued for cash, such shares must first be offered to existing ordinary shareholders unless the Board is given the power to allot them without regard to that requirement. The Directors existing authority to allot shares for cash up to an aggregate nominal value of £105,000 expires at the conclusion of the Annual General Meeting. Accordingly, a Special Resolution will be proposed at the Annual General Meeting renewing the Board's authority to allot shares for cash up to an aggregate nominal value of £105,000 being 5% of the nominal value of the company's authorised share capital without first offering such shares to ordinary shareholders. This authority will expire at the conclusion of the next Annual General Meeting of the company when it is intended that the company will seek to renew the authority.

SUBSTANTIAL SHAREHOLDERS

Scottish Amicable Investment Managers Limited have notified the company of their holding of 850,000 ordinary shares, representing 5.4% of the ordinary share capital. No other person, except the directors, has reported to the company a holding of 5% or more.

AUDITORS

In accordance with S384 of the Companies Act 1985 a resolution proposing the reappointment of Baker Rooke as auditors to the company will be put to the annual general meeting.

Dated this 9th day of March 1987

By order of the board

~~G. GREWER~~
Secretary

Persimmon House,
Fulford,
York. YO1 4RE

AUDITORS' REPORT TO THE MEMBERS OF

PERSIMMON PLC

We have audited the financial statements on pages 6 to 20 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31st December 1986 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

99 Aldwych,
London, WC2B 4JY

9th March 1987

BAKER ROOKE
Chartered Accountants

PERSIMMON PLC

ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the historical cost basis of accounting as modified by the revaluation of certain fixed assets.

Consolidation

The group financial statements consolidate the financial statements of the holding company and its subsidiaries.

Turnover

Turnover represents the total sales value of legally completed properties, excluding part exchange houses and any inter group transactions.

Interest Payable

Interest is written off to the profit and loss account when incurred.

Tangible Fixed Assets

Depreciation is provided using the straight-line method to reduce their value to nil over the following number of years:

Plant	– 3 years
Fixtures and fittings	– 3 to 5 years

No depreciation has been provided on the freehold buildings.

Amortisation of the leasehold premises is provided over the remaining period of the lease.

Leases

Amounts payable under finance and operating leases are charged to development expenditure or administrative expenses on a straight line basis over the lease term.

Developments in Progress

Developments in progress are stated at the lower of cost and net realisable value, after deducting deposits received. Cost comprises land, direct materials and labour costs, site overheads and the associated professional charges. Houses taken in part exchange against unit sales, which remained unsold at the year end, are included at cost.

Deferred Taxation

Deferred taxation is provided using the liability method only to the extent that a liability to corporation tax is expected to arise in the foreseeable future.

Pension Contributions

Benefits to eligible employees under the group pension and life assurance scheme are funded by contributions from the group and employees to an independent pension trust. There are no outstanding liabilities in relation to the accounting period as far as the pension fund is concerned. Contributions are charged to profit and loss account when incurred.

PERSIMMON PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 1986

	Note	1986 £000	1985 £000
TURNOVER		46,410	31,903
OPERATING PROFIT	1	7,240	4,617
Interest payable	2	1,153	1,201
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	6,087	3,416
Taxation	4	2,245	1,461
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,842	1,955
Dividends	5	924	660
PROFIT RETAINED	6/16	2,918	1,295
EARNINGS PER SHARE	7	28.2p	17.1p

PERSIMMON PLC

CONSOLIDATED BALANCE SHEET

31ST DECEMBER 1986

	Note	1986 £000	1985 £000
FIXED ASSETS			
Tangible assets	9	1,235	1,217
CURRENT ASSETS			
Developments in progress	10	39,945	22,665
Debtors	11	1,252	917
Cash in hand		4	3
		41,201	23,585
CURRENT LIABILITIES			
Creditors due within one year	12	20,931	14,602
NET CURRENT ASSETS		20,270	8,983
TOTAL ASSETS LESS CURRENT LIABILITIES		21,505	10,200
CREDITORS DUE AFTER MORE THAN ONE YEAR	13	3,200	1,194
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	43	82
NET ASSETS		18,262	8,924
CAPITAL AND RESERVES			
Called up share capital	15	1,571	1,257
Share premium	16	9,950	3,765
Revaluation reserve	16	203	203
Other reserves	16	-	4
Profit and loss account	16	6,538	3,695
		18,262	8,924
NET ASSETS PER SHARE	7	116.2p	71.0p

These financial statements were approved by the board of directors on 9th March 1987

D. DAVIDSON)
) Directors
B.D. TAYLOR)

PERSIMMON PLC

~~CONSOLIDATED~~ STATEMENT OF SOURCE AND APPLICATION OF FUNDS

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YEAR ENDED 31ST DECEMBER 1986

	1986 £000	1985 £000
SOURCE		
Profit on ordinary activities before taxation	6,087	3,416
Item not involving the movement of funds:		
Depreciation of fixed assets	310	593
GENERATED FROM OPERATIONS	6,397	4,009
FUNDS FROM OTHER SOURCES		
Shares issued	6,757	4,910
Disposal of fixed assets	54	566
TOTAL SOURCE OF FUNDS	13,208	9,485
APPLICATION		
Consideration for shares in subsidiaries	150	504
Share issue costs	258	587
Purchase of fixed assets	382	841
Taxation	777	808
Dividends	704	220
	2,271	2,960
INCREASE/(DECREASE) IN WORKING CAPITAL		
Developments in progress	17,280	8,015
Debtors	254	189
Investment	–	(147)
Creditors	(4,677)	(4,652)
TOTAL APPLICATION OF FUNDS	15,128	6,365
(INCREASE)/DECREASE IN BORROWINGS	(1,920)	3,120

PERSIMMON PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 1986

1. OPERATING PROFIT

	1986 £000	1985 £000
Turnover	46,410	31,903
Cost of sales	36,130	25,020
Gross profit	10,280	6,883
Administrative expenses	3,040	2,266
Operating profit	7,240	4,617

2. INTEREST PAYABLE

	1986 £000	1985 £000
Payable on bank loans and overdrafts:		
Repayable within 5 years not by instalments	1,045	867
Repayable within 5 years by instalments	90	156
Repayable after 5 years by instalments	14	29
Hire purchase	13	77
Other loans	2	92
Less: Receivable	(11)	(20)
	1,153	1,201

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED

	1986 £000	1985 £000
After charging:		
Depreciation	310	593
Auditors' remuneration	45	38
Plant hire:-		
Operating leases	822	214
Finance leases	75	–
Other operating lease rentals	35	28

4. TAXATION

	1986 £000	1985 £000
United Kingdom corporation tax at 36.25% (1985 41.25%)		
Based on profits for the year	2,279	1,558
Prior years	(66)	28
	2,213	1,586
Payments to former group companies for the surrender of taxation losses prior to the group reorganisation:		
Prior years	–	1
Deferred taxation	32	(126)
	2,245	1,461

The taxation charge for the year has been reduced by £204,000 (1985: £381,000) in respect of capital allowances.

8. DIRECTORS AND EMPLOYEES

The average number of persons employed by the group was 341 (1985:242). In addition the group employed a substantial number of labour only site operatives.

	1986 £000	1985 £000
Employee costs (including directors):		
Wages and salaries	3,176	2,240
Social security	326	174
Pension contributions	205	159
	3,707	2,573

Employee costs include the following remuneration in respect of the directors of the company.

	1986 £000	1985 £000
Fees	5	5
Emoluments	425	356
Pension contributions	80	68
	510	429
Emoluments of the chairman	64	62
Emoluments of the highest paid director	113	93

Emoluments of other directors and senior employees:

£	Number of Directors 1986	Number of Directors 1985
0 – 5,000	2	2
20,001 – 25,000	1	–
25,001 – 30,000	1	–
30,001 – 35,000	–	1
35,001 – 40,000	–	1
45,001 – 50,000	–	1
55,001 – 60,000	2	–
75,001 – 80,000	–	1
80,001 – 85,000	1	–

£	Number of Employees 1986	Number of Employees 1985
30,001 – 35,000	2	1
35,001 – 40,000	–	2
45,001 – 50,000	3	1
50,001 – 55,000	2	–
70,001 – 75,000	–	1
85,001 – 90,000	1	–

The group operates a contributory pension and life assurance scheme, which provides benefits for eligible employees who may join on a voluntary basis. The scheme is designed to supplement the contracted in benefits of the state scheme.

9. FIXED ASSETS

THE GROUP

	Land and Buildings £000	Plant £000	Fixtures and Fittings £000	Total £000
Cost or valuation				
1st January 1986	683	1,134	548	2,365
Additions	122	187	73	382
Disposals	–	(102)	(109)	(211)
31st December 1986	805	1,219	512	2,536
At cost	219	1,219	512	1,950
At valuation 1984	586	–	–	586
	805	1,219	512	2,536
Depreciation				
1st January 1986	36	818	294	1,148
Charge for the year	10	205	95	310
Disposals	–	(67)	(90)	(157)
31st December 1986	46	956	299	1,301
Net book value at 31st December 1986	759	263	213	1,235
Net book value at 31st December 1985	647	316	254	1,217

THE COMPANY

	Land and Buildings £000	Plant £000	Fixtures and Fittings £000	Total £000
Cost or valuation				
1st January 1986	608	34	197	839
Additions	3	2	10	15
Disposals	–	(33)	(17)	(50)
31st December 1986	611	3	190	804
At cost	25	3	190	218
At valuation 1984	586	–	–	586
	611	3	190	804
Depreciation				
1st January 1986	36	11	70	117
Charge for the year	10	5	38	53
Disposals	–	(15)	(12)	(27)
31st December 1986	46	1	96	143
Net book value at 31st December 1986	565	2	94	661
Net book value at 31st December 1985	572	23	127	722

Land and buildings include £567,000 freehold and £192,000 short leasehold (1985:£444,000 and £203,000).

10. DEVELOPMENTS IN PROGRESS

	Group 1986 £000	Group 1985 £000	Company 1986 £000	Company 1985 £000
Land	24,835	12,536	184	184
Work in progress	14,800	9,413	23	20
Part exchange houses	734	855	–	–
Deposits received	(424)	(139)	–	–
	39,945	22,665	207	204

11. DEBTORS

	Group 1986 £000	Group 1985 £000	Company 1986 £000	Company 1985 £000
Trade debtors	450	205	–	–
Other debtors	408	456	377	443
Prepayments and accrued income	124	67	46	17
Advance corporation tax on proposed dividend	270	189	270	189
Amounts owed by subsidiary companies	–	–	5,988	2,184
	1,252	917	6,681	2,833

12. CREDITORS DUE WITHIN ONE YEAR

	Group 1986 £000	Group 1985 £000	Company 1986 £000	Company 1985 £000
Bank loans and overdrafts	6,466	4,519	25	319
Trade creditors	4,117	2,490	34	20
Land creditors	4,624	4,033	–	–
Hire purchase contracts	10	65	10	34
Payroll taxation and social security	350	196	93	67
Corporation tax	2,840	1,418	–	–
Advance corporation tax	378	283	378	283
Proposed dividend	660	440	660	440
Other creditors	936	736	321	373
Accruals and deferred income	550	422	9	28
Amounts owed to subsidiary companies	–	–	570	2,619
	20,931	14,602	2,100	4,183

13. CREDITORS DUE AFTER MORE THAN ONE YEAR

	Group 1986 £000	Group 1985 £000	Company 1986 £000	Company 1985 £000
Bank loans	129	155	129	155
Land creditors	3,055	1,007	–	–
Hire purchase contracts	16	32	16	27
	3,200	1,194	145	182

The following amounts are repayable by instalments:-

	Group 1986 £000	Group 1985 £000	Company 1986 £000	Company 1985 £000
BANK				
1 to 2 years	25	26	25	26
2 to 5 years	70	76	70	76
After 5 years	34	53	34	53
LAND				
1 to 2 years	1,285	1,007	–	–
2 to 5 years	1,770	–	–	–
HIRE PURCHASE				
1 to 2 years	10	16	10	11
2 to 5 years	6	16	6	16

Interest relating to the above figures is linked to normal bank base rates. The land creditors are repayable with no interest accruing.

The bank loans and overdrafts are secured on the assets of the group.

14. DEFERRED TAXATION

	Group £000	Company £000
Balance at 1st January 1986	82	23
Re acquisition of subsidiary company in prior year	(71)	–
	11	23
Transfer from/(to) profit and loss account	32	(5)
Balance at 31st December 1986	43	18

The deferred tax balance is in respect of capital allowances and represents the full potential liability.

15. SHARE CAPITAL

	Number 000's	1986 £000	1985 £000
Authorised:			
21,000,000 ordinary shares of 10p each (1985:16,000,000 ordinary shares of 10p each)		2,100	1,600
Allotted and fully paid:			
Balance at 1st January 1986	12,572	1,257	
Rights Issue	3,143	314	
Balance at 31st December 1986	15,715	1,571	

The company has granted the following share options:-

Number of Ordinary Shares	Exercisable Period	Price Per Share
253,000	September 1988 - September 1995	110p
35,000	March 1989 - March 1996	143p
166,500	September 1989 - September 1996	215p

16. RESERVES

GROUP	Share Premium £000	Revaluation Reserve £000	Other Reserves £000	Profit and loss account £000
Balance 1st January 1986	3,765	203	4	3,695
Premium on rights issue	6,443	-	-	-
Flotation costs	(6)	-	-	-
Rights issue costs	(252)	-	-	-
On acquisition of subsidiary companies	-	-	(4)	(75)
Retained profit	-	-	-	2,918
Balance at 31st December 1986	9,950	203	-	6,538

COMPANY	Share Premium £000	Revaluation Reserve £000	Other Reserves £000	Profit and loss account £000
Balance at 1st January 1986	3,765	3,882	-	20
Premium on rights issue	6,443	-	-	-
Flotation costs	(6)	-	-	-
Rights issue costs	(252)	-	-	-
Surplus on revaluation of investment in subsidiary companies	-	2,858	-	-
Loss for the year	-	-	-	(19)
Balance at 31st December 1986	9,950	6,740	-	1

17. INVESTMENT IN SUBSIDIARY COMPANIES

	1986 £000	1985 £000
Balance at 1st January 1986	9,553	7,580
Acquisitions	150	844
Surplus on revaluation of investment in subsidiary companies	2,857	1,129
Balance at 31st December 1986	12,560	9,553

The investment in the subsidiary companies is shown at directors' valuation on a net asset basis at 31st December 1986.

All the subsidiary companies are wholly owned and are registered in England.

Persimmon Homes (Anglia) Limited
Persimmon Homes (Fulford) Limited
Persimmon Homes (Midlands) Limited
Persimmon Homes (North East) Limited
Persimmon Homes (South West) Limited
Persimmon Homes (Wessex) Limited
Persimmon Homes (Yorkshire) Limited
Persimmon Homes (Scotland) Limited
Persimmon Homes (South East) Limited

18. CAPITAL COMMITMENTS

At 31st December 1986 there were no capital commitments (1985:£78,000).

19. LEASE COMMITMENTS

The group has the following net obligations arising under finance leases and hire purchase contracts:-

	Group 1986 £000	Group 1985 £000	Company 1986 £000	Company 1985 £000
Amounts payable:-				
Within 1 year	155	55	31	30
In 2 to 5 years	362	59	83	38
	517	114	114	68

Additionally, the group has the following outstanding commitments which are payable within the next year, arising from operating leases in respect of:-

	Group 1986 £000	Group 1985 £000	Company 1986 £000	Company 1985 £000
Land and buildings which expire:-				
In 2 to 5 years	8	5	-	-
In over 5 years	34	18	-	-
	42	23	-	-
Other operating leases which expire:-				
Within 1 year	81	57	13	16
In 2 to 5 years	249	164	77	37
	330	221	90	53

20. CONTINGENT LIABILITIES

The company has an interest in freehold land, the final cost of which is dependent upon planning permission being obtained. At 31st December 1986 the planning permission had not been granted and therefore it was not possible to quantify the outstanding amount, which is limited to £1,250,000 (see Note 21).

The company has given guarantees in respect of the bank loans and overdrafts made to certain of its subsidiary companies amounting to £1,896,000 (1985: £3,718,000).

The company has given a guarantee in respect of finance leases made by its subsidiary companies.

In the normal course of business the group has sold a number of show houses whilst retaining the use of them. In consideration of this a licence fee is payable. The company has guaranteed, under certain circumstances , to repurchase the show houses for the original sale price.

The group has given counter-indemnities in respect of performance bonds to its bankers and insurers in the normal course of business.

21. TRANSACTIONS INVOLVING DIRECTORS

The company acquired from D. Davidson an interest in land in 1984 for £180,000. In the event of planning permission being granted a further payment will be made to him by reference to the then current market value. The maximum further amount payable to D. Davidson is £1,250,000.

An amount of £150,000 is payable to a former director, A.J. Castleton, pursuant to an agreement dated 12th April 1985 acquiring his 15% interest in a subsidiary. £38,000 was paid in January 1987 and the balance is payable in July 1987.

Persimmon Homes (Anglia) Limited had an agreement with A.J. Castleton to build, at cost, two residential houses on land owned by him. The houses were completed during the year and the costs were reimbursed to the company in full.

PERSIMMON PLC

COMPANY BALANCE SHEET

31ST DECEMBER 1986

	Note	1986 £000	1985 £000
FIXED ASSETS			
Tangible assets	9	661	722
Investment in subsidiaries	17	12,560	9,553
		13,221	10,275
CURRENT ASSETS			
Developments in progress	10	207	204
Debtors	11	6,681	2,833
Cash at bank		416	-
		7,304	3,037
CURRENT LIABILITIES			
Creditors due within one year	12	2,100	4,183
NET CURRENT ASSETS/(LIABILITIES)		5,204	(1,146)
TOTAL ASSETS LESS CURRENT LIABILITIES		18,425	9,129
CREDITORS DUE AFTER MORE THAN ONE YEAR	13	145	182
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	18	23
NET ASSETS		18,262	8,924
CAPITAL AND RESERVES			
Called up share capital	15	1,571	1,257
Share premium	16	9,950	3,765
Revaluation reserve	16	6,740	3,882
Profit and loss account	16	1	20
		18,262	8,924

Approved by the board of directors on 9th March 1987

D. DAVIDSON)
) Directors
B.D. TAYLOR)