Persimmon plc
Report & financial statements
for the year ended 31 December 1996

Persimmon plc

Annual report
for the year ended 31 December 1996

	Pages
Directors and advisers	1
Directors' report	2 - 3
Remuneration committee report	4 - 6
Corporate governance	7 - 8
Statement of directors' responsibilities	8
Report of the auditors	9
Report of the auditors to Persimmon plc on corporate governance matters	10
Consolidated profit & loss account	11
Consolidated balance sheet	12
Company balance sheet	13
Consolidated cash flow statement	14
Notes to the financial statements	15 - 35

Persimmon plc

Directors and advisers

Directors

Duncan Davidson	Group Chairman
Michael Allen ARICS	Group Deputy Chairman
John White	Group Chief Executive
Brian Taylor FCA FInstD	Group Finance Director
Geoffrey Grewer	Group Company Secretary
Michael Farley BSc (Hons) MCIOB	Regional Chairman
David Bryant	Regional Chairman
John Millar FRICS	Regional Chairman
Sir Chips Keswick *	Non Executive
Harry Littlefair *	Non Executive
Hamish Leslie Melville *	Non Executive

* Members of the Remuneration Committee and Audit Committee

Secretary and registered office

Geoffrey Grewer
Persimmon House
Fulford
York YO1 4RE

Company number
1818486

Registrars

The Royal Bank of Scotland plc
P.O. Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Auditors

KPMG Audit plc

Bankers

The Royal Bank of Scotland plc
Lloyds Bank Plc
Yorkshire Bank PLC
Barclays Bank PLC
Societe Generale
Bank of Scotland

Merchant bankers

Hambros Bank Limited

Stockbrokers

Credit Lyonnais Laing
de Zoete & Bevan Ltd

Solicitors

Rowe & Maw

Directors' report

The directors have pleasure in presenting to the members their report and the financial statements for the year ended 31 December 1996.

Principal activities and business review

The principal activity of the group is unchanged from last year and is that of housebuilding. On 26 February 1996 the group completed the acquisition of Ideal Homes Holdings Limited for a cash consideration of £177,572,000. Further details of the acquisition are given in note 15 on page 25.

The group's turnover and profit before taxation arising from ordinary activities were £451,176,000 and £33,081,000 respectively.

An interim dividend of 3.0p per share was paid on 21 October 1996. It is now proposed to pay a final dividend of 6.5p per share on 28 April 1997 to shareholders on the register at the close of business on 3 April 1997 making a total for the year of 9.5p (1995: 9.5p). The dividends paid and proposed amount to £16,665,000 (1995: £11,104,000).

Directors and directors' interests

The directors of the company at 31 December 1996, all of whom have been directors for the whole of the year ended on that date, are listed on page 1.

In accordance with Article 102 of the Articles of Association, Mr Allen, Sir Chips Keswick and Mr Taylor retire by rotation, and being eligible, offer themselves for re-election.

Details of contracts of significance with directors are included in note 30 to the financial statements.

The interests of directors in the shares of the company at 31 December 1996, which have not changed as at the date of this report, are disclosed in the Remuneration Committee Report on page 6.

Substantial shareholdings

In addition to the interests of Mr Davidson and his wife who have a holding of 19,687,180 ordinary shares, the company has been notified or is aware that the following are interested in three per cent. or more of the issued ordinary share capital of the company as at 3 March 1997.

	Number of ordinary shares	Percentage of issued share capital
Mercury Asset Management Plc	7,989,244	4.55%
Prudential Assurance Company Limited	7,230,393	4.12%
Barclays Global Investors	6,805,959	3.88%
Friends Provident Life Office	5,705,000	3.25%
Standard Life Assurance Company	5,374,009	3.06%

Charitable and political donations

During the year the group donated £72,000 to charitable organisations and made a political donation of £5,000 to the Conservative Party.

Employees

The importance of good communications with employees is recognised by the directors. Each operating company maintains employee relations appropriate to its own particular needs and a group staff magazine is published at periodic intervals. New employees are encouraged to join the Group Pension and Life Assurance Scheme. The group also operates a Savings Related Share Option Scheme, a Profit Sharing Share Scheme and a Profit Related Pay Scheme. These schemes are an important benefit for the group's employees and they also encourage the involvement of all employees in the group's performance.

Equal opportunities for training, career development and promotion are available to all employees regardless of disability, sex, religion, colour or nationality.

Disabled employees

Applications for employment by disabled persons are always fully and fairly considered with proper regard to the aptitudes and abilities of the applicant concerned. In the event of persons becoming disabled during their employment the company will endeavour to continue their employment and arrange appropriate training.

Health and safety

It is the group's intention that its work will be carried out in accordance with the relevant statutory provisions and all reasonable practicable measures are taken to avoid risk to its employees, sub-contractors and visitors to its sites and premises.

All directors, managers and employees have the responsibility for implementing this policy throughout the group and for ensuring that health and safety considerations are always given priority in planning and in day to day supervision of work.

All employees and sub-contractors are expected to co-operate in carrying out this policy and must ensure that their own work, so far as is reasonably practicable, is carried out without risk to themselves or others.

Environment

The company endeavours to care for the environment and has a group policy committed to protecting and improving the local environment. The group aims to practice and encourage the careful and sensible use of resources, to raise awareness on environmental issues and to take an active part in conserving the natural environment. Environmental concerns are considered when planning and building our residential developments.

Creditor payment policy

The group's policy for the payment of most of its trade creditors is to follow the CBI's prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU). For other suppliers, payment terms are agreed when goods and services are ordered and payment is made according to those terms.

CREST

CREST became operational in July 1996 and the company's ordinary shares successfully joined the system on 13 January 1997. Shareholders can now hold and transfer their shareholdings in electronic form if they so wish. This is a voluntary system and any shareholder wishing to retain their holding in certificated form may do so.

Auditors

A resolution is to be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the company.

By order of the Board

G Grewer
Group Company Secretary
10 March 1997

Remuneration committee report

During the period 1 January 1996 to 31 December 1996, the Remuneration Committee comprised all of the non-executive directors, and were as follows:-

Sir J C L Keswick - Chairman
H G Littlefair
I H Leslie Melville

The Remuneration Committee is responsible for determining the company's policy on executive directors' remuneration. The remuneration of the non-executive directors is determined by the Board.

The committee confirms that throughout the accounting period the company complied with the best practice provisions in Section A of the Annex to the Listing Rules of the London Stock Exchange (the 'Listing Rules').

The company's policy is to provide the remuneration package required to attract, retain and motivate its executive directors. In determining this policy the committee has given full consideration to the provisions of Section B of the Annex to the Listing Rules.

The remuneration package for each executive director is set out at the end of this report and comprises basic salaries, performance related pay, benefits in kind and pension contributions.

Basic salaries

The company pays competitive salaries to its directors and employees. In calculating the level of basic salary for executive directors, the committee gives full consideration to market data available concerning similar jobs in comparable organisations. In order to maintain their independence, non-executive directors are paid a fee which is non-pensionable and they do not qualify for performance related bonuses. Their fees are determined by the Board as a whole. Basic salary levels were increased by 3% when reviewed on 1 July 1996.

Profit related pay scheme

All executive directors participate in the Group Profit Related Pay Scheme which is available to all group employees.

Performance related pay

The executive directors receive further payments based on the group's performance. Payments to Messrs. Davidson, Allen, White, Taylor and Grewer are linked to group profits. Messrs. Farley, Bryant and Millar receive performance related pay linked to the profits of the regional companies for which they are responsible. Performance related payments are capped. The committee considers that the performance criteria applying to the annual performance related pay schemes enhance the business operations and that this results - focused approach is in the interests of shareholders.

Benefits in kind

These cover membership of the group private medical scheme, a Funded Unapproved Retirement Benefit Scheme Trust ("FURB"), motor vehicles, subscriptions and some telephone costs. These benefits are not pensionable.

Pension arrangements

All executive directors, with the exception of Mr Davidson, are full members of the Group Pension and Life Assurance Scheme. This is a defined benefit scheme which is open to all eligible group employees. Mr Davidson is a member of the Scheme for life assurance purposes only. For pension purposes Mr Davidson is a member of the Friends Provident Life Scheme into which the company contributes £14,000 per annum. A FURB has also been set up for each executive director. Performance related pay has always been an integral part of pensionable remuneration, and after due consideration the committee has determined that this should continue to be the case.

Share options

The grant of options under the Executive Share Option Scheme is considered annually by way of encouragement and motivation.

In April 1996 options to acquire 875,000 shares were granted to executive directors and senior employees throughout the group and in October 1996 a further 240,000 were granted. The option entitlements of Board directors are set out under the heading "Directors interests in share options" at the end of this report.

The 1988 Scheme is now exhausted and the directors are proposing to establish a new company share option plan ("the plan") and a new executive share option scheme ("the scheme") at the forthcoming AGM. Both the plan and the scheme are to be consistent with guidelines published by institutional shareholders and will be open to all executive directors and employees throughout the group. All options granted under the plan and the scheme will be subject to performance conditions approved by the committee which link the exercise of options to sustained improvement in the underlying financial performance of the group, relative to the performance of other comparable companies which constitute the FT-SE Building & Construction sector. Inland Revenue approval is to be sought for the plan to enable executives to benefit from tax relief on exercising options. No further options would be granted under the plan if it would result in the executive holding options with an aggregate value (calculated at the relevant date of grant) in excess of £30,000, whereas the scheme will allow the committee to grant options to a value of up to four times the executive's annual remuneration. Resolutions concerning both the plan and the scheme will be proposed as part of the special business of the forthcoming AGM. Full details are set out in the explanatory circular which accompanies the AGM Notice.

Service contracts

All executive directors are employed on rolling contracts subject to two years notice at any time. Contracts expire at the normal retirement age of 65. The committee has resolved that it would be costly and demotivating to reduce these contracts to one year. There are no specific compensation commitments for early termination.

Messrs. Allen and Taylor, who retire by rotation at the AGM and are offering themselves for re-election therefore have notice periods of two years. Sir Chips Keswick who also retires by rotation, does not have a service contract.

Non-executive directorships

None of the company's executive directors currently have any non-executive directorships. The committee would consider allowing an executive director to accept such a position if in their view, the company could benefit from the extra experience the director would gain from the appointment.

Schedule of directors' emoluments

	1996					1995	
	Salaries and Fees	Performance Related	Benefits	Pension Contributions	Total	Total*	Pension Contributions
Executive							
D H Davidson	64,070	165,000	29,021	19,000	277,091	270,352	19,362
M J Allen	64,070	247,500	30,671	21,998	364,239	273,663	21,881
J White	64,070	330,000	32,215	23,226	449,511	277,711	23,435
B D Taylor	55,500	160,000	27,736	15,808	259,044	198,894	15,964
G Grewer	54,450	73,000	23,380	11,442	162,272	142,019	12,611
M P Farley	55,500	165,525	24,203	15,611	260,839	150,956	14,998
D G Bryant	55,500	183,595	21,846	13,680	274,621	177,946	13,723
J Millar	55,500	232,000	25,979	22,297	335,776	240,999	22,127
Non-executive							
J C L Keswick	18,000	-	-	-	18,000	18,000	-
H G Littlefair	18,000	-	-	-	18,000	18,000	-
I H Leslie Melville	18,000	-	-	-	18,000	10,500	-
	522,660	1,556,620	215,051	143,062	2,437,393	1,779,040	144,101

* The 1995 total column includes pensions contributions

During the year no director waived his entitlement to any emoluments. There were no payments made to former directors.

Directors' interests in shares

The interests of directors and their families in the ordinary share capital of the company at 31 December 1996 are as shown below:-

	31 December	1 January
D H Davidson	**19,687,180**	19,058,120
M J Allen	**328,926**	209,463
J White	**242,571**	161,714
B D Taylor	**160,188**	140,599
G Grewer	**247,857**	220,526
M P Farley	**163,221**	163,221
D G Bryant	**141,883**	94,590
J Millar	**221,707**	150,431
Sir J C L Keswick	**185,416**	176,278
H G Littlefair	**20,949**	13,966
I H Leslie Melville	**56,250**	7,500

The interests of Messrs. Davidson, Allen, Taylor, Grewer, Bryant, Millar and Sir Chips Keswick include non-beneficial interests of 10,154,060; 171,702; 46,438; 119,609; 10,805; 111,118 and 24,626 ordinary shares respectively (1995: 9,525,000; 115,895; 36,438; 110,250; 5,356; 75,422 and 23,751 respectively). Otherwise all interests of the directors are beneficial.

There has been no change in the interests set out above between 31 December 1996 and 10 March 1997.

Directors interests in share options

	1 January	1 January (restated)	Granted during the year	Exercised during the year	31 December	Exec. scheme average exercise price	SAYE average
D H Davidson	12,410	13,097	-	-	**13,097**	-	131.7p
M J Allen	194,116	204,894	-	-	**204,894**	210.0p	130.0p
J White	301,239	317,966	160,000*	-	**477,966**	202.0p	170.0p
B D Taylor	191,138	201,747	-	21,713*	**180,034**	213.0p	-
G Grewer	153,864	162,409	-	-	**162,409**	208.0p	130.0p
M P Farley	201,138	212,302	30,000*	-	**242,302**	203.0p	-
D G Bryant	255,950	270,157	30,000*	-	**300,157**	208.0p	206.0p
J Millar	211,050	222,771	30,000*	-	**252,771**	203.0p	170.0p

*Persimmon plc 1988 Executive Share Option Scheme.

Notes: The figures at 1 January 1996 are restated for the effects of the February 1996 Rights Issue.
The market price of the option exercised during the year was 212.0p (exercise price: 141.5p). Details of the cost of options and the dates when the options may be exercised are given in note 22. No options lapsed during the year.

Sir Chips Keswick
Chairman of the Remuneration Committee
10 March 1997

Corporate governance

The Board supports the highest standard in corporate governance and is pleased to confirm that the company has complied throughout the financial year with the Cadbury Committee's Code of Best Practice.

Board composition

The Board consists of eight executive directors and three independent non-executive directors. The Board meets at least six times a year and has a formal schedule of matters reserved for its consideration and decision. This includes approval of monetary strategy, reviewing performance, ensuring adequate financial resources are available and reporting to shareholders. All directors have access to the advice and services of the Group Company Secretary. Each director may also seek independent professional advice, at the company's expense, if so required to carry out his duties.

Board committees

The non-executive directors make up both the Audit Committee and Remuneration Committee. Mr Littlefair is Chairman of the Audit Committee, which meets regularly throughout the year. Sir Chips Keswick is Chairman of the Remuneration Committee which meets as required. The whole Board acts as the Nomination Committee with regard to the appointment of non-executive directors.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Internal financial control

The directors are responsible for the group's system of internal financial control. It should be recognised that any such system can provide only reasonable and not absolute assurance against material misstatement or loss.

Control environment

The group's control environment is the responsibility of the group's directors and managers at all levels. Each operating subsidiary is a separate limited company with its own board of directors. Operating and financial responsibility for subsidiaries is delegated to the local boards. The managing director of each subsidiary reports to a regional chairman who is a main board director. A Code of Ethics has been established.

Identification of business risks

All subsidiaries are required to assess key risks and these are addressed initially by the Board. Control and monitoring processes are then delegated to a sub-committee.

Major corporate information systems

Annual revenue and cash flow budgets are prepared twice each year and are updated monthly. Results are monitored on a weekly, monthly and bi-monthly basis and revised forecasts are produced. Full use is made of the group's centralised computer system and of personal computers to produce sales reports, margin reports and detailed management accounts which include comparisons to budget.

Monitoring systems used by the board

The Board reviews and approves budgets and monitors the group's performance against those budgets. The group's cash flow is also monitored monthly and compared to forecast. Variances from expected outcome are investigated fully. Systems are monitored by the internal audit function, and where lapses are detected, action is taken to prevent further breaches of the group's procedures. The Board has reviewed the effectiveness of the system of internal financial control for the period.

Statement of directors' responsibilities

Company law requires the directors 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 or loss of the group for that period. In preparing those financial statements, the directors confirm that:

a. suitable accounting policies have been selected and then applied consistently;
b. judgements and estimates have been made that are reasonable and prudent;
c. applicable accounting standards have been followed; and
d. the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking such steps as are reasonably open to them to safeguard the assets of the company and the group, and the prevention and detection of fraud and other irregularities.

By order of the Board

G Grewer
Group Company Secretary
10 March 1997

Review report by KPMG Audit plc
to Persimmon plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on pages 7 and 8 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the Listing Rules and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform any additional work necessary to, and we do not express, a separate opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures, or on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statement on internal financial control and going concern on page 7, in our opinion the directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 8 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by the Listing Rules.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants

10 March 1997

Consolidated profit and loss account for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Turnover			
Continuing operations		**287,047**	249,429
Acquisitions		**164,129**	-
Total turnover	2,3	**451,176**	249,429
Cost of sales	3	**(386,594)**	(212,753)
Gross profit	3	**64,582**	36,676
Net operating expenses	3	**(17,341)**	(10,979)
Exceptional operating expenses	3	**(3,216)**	-
Total operating expenses		**(20,557)**	(10,979)
Operating profit			
Continuing operations		**28,024**	25,697
Acquisitions		**16,001**	-
Total operating profit		**44,025**	25,697
Profit on sale of non-trading subsidiaries	4	**5**	4,243
Profit on ordinary activities before interest		**44,030**	29,940
Net interest payable and similar charges	7	**(10,949)**	(7,188)
Profit on ordinary activities before taxation	8	**33,081**	22,752
Tax on ordinary activities	9	**(8,265)**	(6,359)
Profit on ordinary activities after taxation	10	**24,816**	16,393
Dividends	11	**(16,665)**	(11,104)
Retained profit for the year	23	**8,151**	5,289
Earnings per ordinary share	12	**15.2p**	13.5p
Earnings per ordinary share before exceptional costs and non-operating profit	12	**16.6p**	10.0p

The group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historic cost equivalents.

Persimmon plc

Consolidated balance sheet at 31 December 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	13	**7,516**	7,229
Investments	14	**8,546**	-
		16,062	7,229
Current assets			
Stocks and work in progress	16	**429,467**	299,308
BES assets		**27,383**	31,498
Debtors due after one year	17	**13,694**	1,686
Debtors due within one year	17	**26,741**	23,226
Cash at bank and in hand		**45,882**	4,238
		543,167	359,956
Creditors due within one year			
Borrowings	18	**(1,656)**	(40,945)
BES advances		**(4,805)**	(4,588)
Other creditors	19	**(122,302)**	(62,216)
		(128,763)	(107,749)
Net current assets		**414,404**	252,207
Total assets less current liabilities		**430,466**	259,436
Creditors due after more than one year			
Borrowings	18	**(121,740)**	(17,500)
BES advances		**(28,302)**	(31,827)
Other creditors	19	**(10,874)**	(8,387)
		(160,916)	(57,714)
Net assets		**269,550**	201,722
Capital and reserves			
Called up share capital	21	**17,541**	11,689
Share premium account	23	**196,528**	114,808
Revaluation reserve	23	**1,242**	1,242
Profit and loss account	23	**54,239**	73,983
Equity shareholders' funds	24	**269,550**	201,722
Net assets per share	12	**153.7p**	172.6p

The financial statements on pages 11 to 35 were approved by the board of directors on 10 March 1997 and were signed on its behalf by:

D H Davidson
Director

B D Taylor
Director

Persimmon plc

Company balance sheet at 31 December 1996

	Notes	1996 £'000	1995 Restated £'000
Fixed Assets			
Tangible assets	13	**2,065**	1,848
Investments	14	**72,374**	6,153
		74,439	8,001
Current assets			
Stocks and work in progress	16	**147**	147
BES assets		**2,312**	2,888
Debtors due after one year	17	**6**	2,052
Debtors due within one year	17	**301,358**	212,361
Cash at bank and in hand		**38,467**	31,419
		342,290	248,867
Creditors due within one year			
Borrowings	18	**-**	(39,500)
BES advances		**(2,772)**	(723)
Other creditors	19	**(18,731)**	(10,295)
		(21,503)	(50,518)
Net current assets		**320,787**	198,349
Total assets less current liabilities		**395,226**	206,350
Creditors due after more than one year			
Borrowings	18	**(121,740)**	(17,500)
BES advances		**-**	(2,772)
Other creditors	19	**(1,874)**	(2,230)
		(123,614)	(22,502)
Net assets		**271,612**	183,848
Capital and reserves			
Called up share capital	21	**17,541**	11,689
Share premium account	23	**196,528**	114,808
Revaluation reserve	23	**907**	907
Profit and loss account	23	**56,636**	56,444
Equity shareholders' funds		**271,612**	183,848

The financial statements on pages 11 to 35 were approved by the board of directors on 10 March 1997 and were signed on its behalf by:

D H Davidson
Director

B D Taylor
Director

Consolidated cash flow statement for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Net cash inflow from operating activities		**98,765**	2,076
Return on investments and servicing of finance			
Interest received		**753**	64
Interest paid		**(9,420)**	(5,446)
Interest paid on finance leases		**(222)**	(219)
Dividends paid		**(12,861)**	(11,100)
Net cash outflow from returns on investments and servicing of finance		**(21,750)**	(16,701)
Taxation			
UK corporation tax paid		**(7,932)**	(5,125)
Investing activities			
Purchase of tangible fixed assets		**(1,069)**	(419)
Acquisition of subsidiaries	15	**(179,945)**	(5,282)
Sale of tangible fixed assets		**384**	117
Sale of non-trading subsidiaries		**1,430**	2,818
Net cash outflow from investing activities		**(179,200)**	(2,766)
Net cash outflow before financing		**(110,117)**	(22,516)
Financing			
Bank loans advanced (incl. US Senior Loan Notes)		**171,740**	34,500
Repayment of bank loans		**(107,000)**	-
Issue of shares		**90,591**	-
Exercise of share options		**122**	75
Expenses of share issue		**(3,141)**	-
Repayment of principal under finance leases		**(762)**	(1,038)
Net cash inflow from financing		**151,550**	33,537
Increase in cash and cash equivalents	25	**41,433**	11,021

Reconciliation of operating profit to net cash inflow from operating activities

	1996 £'000	1995 £'000
Operating profit	**44,025**	25,697
Depreciation charge	**1,437**	1,283
Profit on sale of fixed assets	**(35)**	-
Decrease/(increase) in stocks and work in progress and BES assets	**39,982**	(25,126)
Decrease in debtors	**1,508**	7,356
Increase/(decrease) in creditors	**11,848**	(7,134)
Net cash inflow from operating activities	**98,765**	2,076

Notes to the financial statements for the year ended 31 December 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The group's financial statements consolidate the financial statements of the company and its subsidiary undertakings up to 31 December 1996. The results of any subsidiaries sold or acquired are included in the group profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Associated undertakings

The group's share of profits and losses in associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets and liabilities is included in the investment in associated undertakings in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the undertakings concerned.

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. Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

Purchased goodwill is written off immediately on acquisition against reserves.

Depreciation

Depreciation on tangible fixed assets is provided using the straight line method to write off the cost, less estimated residual value, over the following number of years

Plant, fixtures and fittings - 3 to 5 years

Depreciation of the leasehold premises is provided over the remaining period of the lease. No depreciation has been provided on freehold buildings. It is the group's practice to maintain these assets in a continual state of sound repair and accordingly the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are so high that their depreciation is insignificant. Any permanent diminution in the value of these properties is charged to the profit and loss account as appropriate.

Investments

Investments are valued at cost less provision for any permanent diminution in value. This represents a change from the previous accounting policy and is explained in note 14.

Leases

Assets financed by means of a finance lease are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on such assets is charged to the profit and loss account in accordance with the accounting policy above over the lease term.

The interest element of payments to leasing companies is calculated on a straight line basis over the lease term and charged to the profit and loss account.

Amounts payable under operating leases are charged to work in progress or net operating expenses on a straight line basis over the lease term.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value, after deducting deposits received. Land includes undeveloped land and land under development but excludes land being developed under licence agreements and land option payments. Work in progress and Business Expansion Scheme ("BES") assets comprise direct materials, labour costs, site overheads, associated professional charges and other attributable overheads.

Turnover

Turnover represents the total sales value of legally completed properties, excluding land sales and part exchange properties. Turnover and profit on sales are recognised upon legal completion. Turnover does not include properties sold to BES companies until the schemes mature. The properties are held in the balance sheet at their original cost with the associated sale proceeds treated as advances.

Interest

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

Taxation

Provision is made for tax on taxable profit and for deferred tax which is likely to crystallise in the foreseeable future.

Pension costs

Pension costs are accounted for on the basis of charging the expected costs of providing pensions over the period during which the group benefits from the employees' services.

2 Turnover

The group has only one class of business which is housebuilding and it is wholly undertaken in the United Kingdom.

3 Cost of sales and net operating expenses

	1996 Continuing operations £'000	1996 Acquisitions £'000	1996 Total operations before exceptional items £'000	1996 Exceptional items £'000	1996 Total £'000	1995 Total £'000
Turnover	287,047	164,129	451,176	-	451,176	249,429
Cost of sales	(249,360)	(137,234)	(386,594)	-	(386,594)	(212,753)
Gross profit	37,687	26,895	64,582	-	64,582	36,676
Net operating expenses	(9,663)	(7,678)	(17,341)	(3,216)	(20,557)	(10,979)
Operating profit						
Continuing operations	28,024	-	28,024	-	28,024	25,697
Acquisitions	-	19,217	19,217	(3,216)	16,001	-
Total operating profit	28,024	19,217	47,241	(3,216)	44,025	25,697

The exceptional operating expenses relate solely to costs incurred to integrate the activities of Ideal Homes Holdings Limited and its subsidiaries into the group.

4 Profit on sale of non trading subsidiaries

On 12 March 1993 the company sold two non trading subsidiaries with net assets of £133,100 for an initial consideration of £403,100 and a contingent consideration finally determined in 1996, at £4,248,000. The company has received all monies due.

The capital gain arising on the sale has been covered by allowable tax losses.

5 Directors

Detailed disclosures of directors' individual remuneration and share options are given in the Remuneration Committee Report on pages 5 and 6.

	1996 £'000	1995 £'000
Fees	**54**	47
Emoluments (including salaries, benefits in kind & annual incentive payments)	**2,240**	1,588
Pension contributions	**143**	144
	2,437	1,779

Fees and other emoluments (excluding pension contributions) payable to the chairman and the highest paid director are as follows:

	Chairman		Highest paid director	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Fees and other emoluments	**258**	251	**426**	254

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£1 - £5,000	-	1
£10,001 - £15,000	-	1
£15,001 - £20,000	3	2
£125,001 - £130,000	-	1
£135,001 - £140,000	-	1
£150,001 - £155,000	1	-
£160,001 - £165,000	-	1
£180,001 - £185,000	-	1
£215,001 - £220,000	-	1
£240,001 - £245,000	1	-
£245,001 - £250,000	1	-
£250,001 - £255,000	-	3
£255,001 - £260,000	1	-
£260,001 - £265,000	1	-
£310,001 - £315,000	1	-
£340,001 - £345,000	1	-
£425,001 - £430,000	1	-

6 Employees

The average monthly number of persons (including executive directors) employed by the group during the year was 1,628 (1995: 908). In addition the group employed a substantial number of labour only site operatives.

	1996 £'000	1995 £'000
Staff costs (for the above persons)		
Wages and salaries	**27,480**	14,755
Social security costs	**2,176**	1,185
Pension contributions	**1,667**	1,065
	31,323	17,005

7 Net interest payable and similar charges

	1996 £'000	1995 £'000
Bank loans and overdrafts (including US Senior Loan Notes)	**9,723**	5,676
BES finance cost	**1,400**	1,373
Finance leases	**222**	219
Other	**59**	33
	11,404	7,301
Less: receivable	**(455)**	(113)
	10,949	7,188

The BES finance cost represents the anticipated cost of the guarantee accrued over the period of the scheme.

8 Profit on ordinary activities before taxation

	1996 £'000	1995 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on sale of fixed assets	35	-
Profit on sale of land	1,436	953
Rent receivable		
BES	585	506
Other	562	211
And after charging:		
Depreciation		
Owned assets	412	245
Assets held under finance leases	1,025	1,038
Auditors' remuneration for:		
Audit (company £15,000;1995:£3,000)	130	87
Other services to the company and its subsidiaries	127	26
Operating leases - plant hire	5,157	2,951
- other	926	130

In addition to the above, remuneration of £365,000 has been paid to the auditors and is included within the cost of investment in subsidiary undertakings.

9 Taxation on profit on ordinary activities

	1996 £'000	1995 £'000
Corporation tax at 33% (1995: 33%)		
Current	7,312	7,874
Deferred	953	(1,126)
Over provision in respect of prior years		
Current	-	(389)
	8,265	6,359

The taxation charge for the year has been reduced by the utilisation of tax losses acquired with the Ideal Homes group (see note 15).

10 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £16,857,000 (1995: £15,587,000).

11 Dividends

	1996 £'000	1995 £'000
On equity shares		
Ordinary - Interim paid of 3.0p per share (1995: 3.0p)	**5,263**	3,506
Ordinary - Final proposed of 6.5p per share (1995: 6.5p)	**11,402**	7,598
	16,665	11,104

12 Earnings and net assets per share

The calculation of earnings per share is based on earnings after taxation of £24,816,000 (1995: £16,393,000) and 163,567,132 ordinary shares (1995: 121,028,076 ordinary shares), being the weighted average of those in issue during the year. The calculation of earnings per share before exceptional costs and non-operating profit is based on earnings after taxation but before exceptional costs (net of the related tax credit) and non-operating profit of £27,223,000 (1995: £12,150,000) and 163,567,132 ordinary shares (1995: 121,028,076 ordinary shares).

The adjusted earnings per share is shown as the directors believe it will assist shareholders to understand the underlying core trading performance. The reconciliation to basic earnings per share is as follows:

	1996 pence	1995 pence
Earnings per share excluding exceptional costs and non-operating profit	**16.6**	10.0
(Loss)/earnings per share on exceptional costs and non-operating profit	**(1.4)**	3.5
Earnings per share	**15.2**	13.5

The earnings per share for 1995 has been restated to reflect the bonus element in the 1996 rights issue.

The dilutive effect of unexercised options on these calculations is immaterial.

The net assets per share calculation is based on net assets of £269,550,000 (1995: £201,722,000) and 175,409,541 ordinary shares (1995: 116,891,367 ordinary shares), being the number in issue at 31 December 1996.

13 Tangible assets

Group

	Land and buildings £'000	Plant £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 1996	3,790	6,219	2,266	12,275
In respect of new subsidiaries	415	127	269	811
Additions	272	731	260	1,263
Disposals	(45)	(647)	(168)	(860)
At 31 December 1996	**4,432**	**6,430**	**2,627**	**13,489**
Depreciation				
At 1 January 1996	170	3,269	1,607	5,046
Charge for the year	24	1,090	323	1,437
Disposals	-	(456)	(54)	(510)
At 31 December 1996	**194**	**3,903**	**1,876**	**5,973**
Net book value				
At 31 December 1996	**4,238**	**2,527**	**751**	**7,516**
Net book value				
At 31 December 1995	3,620	2,950	659	7,229
Cost or valuation at 31 December 1996 is represented by				
External surveyors valuation 1988	2,266	-	-	2,266
Cost	2,166	6,430	2,627	11,223
	4,432	**6,430**	**2,627**	**13,489**

The group's net book value of tangible fixed assets of £7,516,000 includes an amount of £2,606,000 (1995: £3,172,000) in respect of assets held under finance leases.

The net book value of the group's land and buildings includes £3,804,000 of freehold and £434,000 of short leasehold (1995: £3,390,000 and £230,000). The group's land and buildings have an original cost of £3,294,000.

Company

	Land and buildings £'000	Plant £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 1996	1,480	549	614	2,643
Additions	233	118	94	445
Disposals	-	(74)	(3)	(77)
At 31 December 1996	**1,713**	**593**	**705**	**3,011**
Depreciation				
At 1 January 1996	170	143	482	795
Charge for the year	24	111	57	192
Disposals	-	(38)	(3)	(41)
At 31 December 1996	**194**	**216**	**536**	**946**
Net book value				
At 31 December 1996	**1,519**	**377**	**169**	**2,065**
Net book value				
At 31 December 1995	1,310	406	132	1,848
Cost or valuation at 31 December 1996 is represented by				
External surveyors valuation 1988	1,480	-	-	1,480
Cost	233	593	705	1,531
	1,713	**593**	**705**	**3,011**

The company's net book value of tangible fixed assets of £2,065,000 includes an amount of £463,000 (1995: £492,000) in respect of assets held under finance leases.

The net book value of the company's land and buildings includes £1,085,000 of freehold and £434,000 of short leasehold (1995: £1,080,000 and £230,000). The company's land and buildings have an original cost of £806,000.

Group and company land and buildings were valued on an open market existing use basis.

14 Investments

Group

Interests in associated undertakings

	Equity £'000	Loans £'000	Total £'000
Cost and net book value			
At 1 January 1996	-	-	-
Acquisitions	649	7,897	8,546
At 31 December 1996	649	7,897	**8,546**

The investments above primarily represent the acquired interest in Locking Castle Limited, a residential joint venture with two other housebuilders.

Company

Interests in subsidiary undertakings

	£'000
At 1 January 1996 (as previously reported)	16,970
Prior year adjustment	(10,817)
At 1 January 1996 (as restated)	6,153
Acquisitions	66,221
At 31 December 1996	**72,374**

The company has reviewed its accounting policy in respect of accounting for interests in subsidiary undertakings. The accounting treatment under the previous policy was to value investments at directors' valuation on a net asset basis. These investments are now valued at cost less any provision for permanent diminution in value which, in the opinion of the directors provides a fairer presentation of the financial position of the company.

Comparative figures as at 31 December 1995 have been restated in accordance with this policy. The effect on the company's balance sheet at 31 December 1995 is to reduce the carrying value of investments by £10,817,000 and reduce the revaluation reserve by £10,817,000. There is no effect on the company's profit and loss account for the year ended 31 December 1995. Had the accounting policy remained unchanged there would have been no effect on the company's profit and loss account for the year ended 31 December 1996. However, a reduction in value of £19,604,000 would have been taken to revaluation reserve.

Details of the group undertakings are set out in note 32.

15 Acquisitions

On 26 February 1996 the company acquired the whole of the issued share capital of Ideal Homes Holdings Limited for a total consideration of £177,572,000. The consideration was satisfied by cash and the acquisition expenses amounted to £2,373,000. The acquisition has been accounted for by the acquisition method of accounting.

The consolidated profit and loss account of Ideal Homes Holdings Limited for the period from 1 October 1995, the beginning of the acquired group's financial year, to the date of acquisition included turnover of £48,739,000 and a loss after taxation of £3,061,000. The consolidated profit on ordinary activities after taxation for the year ended 30 September 1995 was £19,115,000.

The consolidated assets and liabilities of Ideal Homes Holdings Limited acquired are set out below:

	Book value £'000	Revaluations £'000	Other adjustments £'000	Accounting policy alignment £'000	Fair value £'000
Tangible fixed assets	1,627	(480)	(336)	-	811
Investments	9,546	-	(1,000)	-	8,546
Stock	173,380	-	(3,917)	(3,437)	166,026
Debtors	13,217	-	(510)	-	12,707
Deferred tax	-	-	7,000	-	7,000
Total assets	**197,770**	**(480)**	**1,237**	**(3,437)**	**195,090**
Creditors	(41,733)	-	(1,307)	-	(43,040)
Net assets	**156,037**	**(480)**	**(70)**	**(3,437)**	**152,050**
Goodwill					27,895
Total cost of assets acquired					**179,945**

The book value of the assets and liabilities shown above have been taken from the management accounts of the acquired business at the date of acquisition.

The fair value adjustments above principally arise for the following reasons:

a. Revaluations, representing the restatement of certain of the long leasehold properties acquired to their estimated market values.

b. Other adjustments, principally representing the;

- write down of fixed assets following a physical verification exercise and assessment of the realisable value of certain assets.
- write down of investments following a review of the underlying net assets and assessment of their realisable value.
- write down of stock following an assessment of the realisable value of work in progress and strategic land.
- write down of debtors following an assessment of the estimated recoverable value.
- recognition of unprovided amounts in respect of onerous contracts and other liabilities.
- recognition of a deferred tax asset in respect of trading losses acquired.

c. Accounting policy realignments, which align the accounting policies of the acquired group with those adopted by Persimmon, being principally the write- off of capitalised selling costs and ground rents which were both carried in stocks.

Impact on cash flows

The net outflow of cash in respect of the acquisition was £179,945,000 comprising the cash consideration of £66,221,000 for the shares of Ideal Homes Holdings Limited including acquisition expenses and £113,724,000 in respect of intra group indebtedness.

Goodwill

The cumulative amount of goodwill resulting from acquisitions which has been written off to reserves is set out below:

	£'000
At 1 January 1996	3,348
Written off to profit and loss reserve in year	27,895
At 31 December 1996	**31,243**

In addition to the acquisition of Ideal Homes Holdings Limited, on 26 February 1996 the company acquired the whole of the issued share capital of Comben Group Limited for a nominal sum of £1 being the net assets of the Comben group at that date. Comben Group Limited and its subsidiaries have not traded in the current and prior period. The acquisition has been accounted for by the acquisition method of accounting.

16 Stocks and work in progress

	Group		Company	
	1996 £'000	1995 £'000	**1996 £'000**	1995 £'000
Land	**257,772**	165,531	**-**	-
Work in progress	**115,688**	90,404	**147**	147
Part exchange properties	**26,588**	22,231	**-**	-
Deposits received	**(955)**	(303)	**-**	-
Showhouses	**30,374**	21,445	**-**	-
	429,467	299,308	**147**	147

17 Debtors

	Group		Company	
	1996 £'000	1995 £'000	**1996 £'000**	1995 £'000
Amounts due after more than one year				
Secured loans	**7,966**	975	**6**	-
Prepayments and accrued income	**-**	209	**-**	152
Other debtors	**5,728**	502	**-**	1,900
	13,694	1,686	**6**	2,052
Amounts due within one year				
Secured loans	**2,670**	3,025	**3**	-
Trade debtors	**6,115**	6,040	**345**	86
Other debtors	**4,906**	2,731	**2,993**	2,563
Amounts owed by group undertakings	**-**	-	**297,457**	209,255
Licensed land prepayments	**11,364**	10,434	**184**	184
Other prepayments and accrued income	**1,686**	996	**376**	273
	26,741	23,226	**301,358**	212,361
Total debtors	**40,435**	24,912	**301,364**	214,413

18 Borrowings

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Amounts due within one year				
Bank loans and overdrafts	**1,656**	40,945	**-**	39,500
Amounts due after more than one year				
Bank loans	**79,090**	17,500	**79,090**	17,500
US Senior Loan Notes	**42,650**	-	**42,650**	-
	121,740	17,500	**121,740**	17,500

The bank loans are unsecured borrowings.

Syndicated loan

The group has a syndicated loan facility of £120 million of which £79 million was drawn down at 31 December 1996. The facility limit amortises from January 1996 and is reviewable by January 1999.

US private placement of senior loan notes

The group issued US$ 65 million of unsecured 7% fixed interest loan notes on 16 May 1996. The notes are repayable in bi-annual instalments from May 1999. The notes have been swapped into £42.7 million of floating rate debt linked to LIBOR with the same maturity profile.

19 Other creditors

	Group		Company	
	1996	1995	**1996**	1995
	£'000	£'000	**£'000**	£'000
Amounts due within one year				
Obligations under finance leases	**1,074**	1,160	**189**	162
Trade creditors	**45,309**	20,626	**695**	60
Land creditors	**34,248**	17,094	**-**	-
Licensed land agreements	**882**	1,017	**-**	-
Amounts owed to group undertakings	**-**	-	**3,295**	803
Amounts owed to associated undertakings	**552**	-	**-**	-
Corporation tax	**1,910**	4,439	**601**	600
Advance corporation tax	**4,166**	2,722	**-**	-
Other taxation and social security	**1,208**	637	**192**	71
Other creditors	**3,865**	1,686	**1,120**	651
Accruals and deferred income	**17,686**	5,237	**1,237**	350
Dividends payable	**11,402**	7,598	**11,402**	7,598
	122,302	62,216	**18,731**	10,295
Amounts due after more than one year				
Obligations under finance leases	**1,532**	2,014	**274**	330
Land creditors	**7,474**	4,440	**-**	-
Licensed land agreements	**28**	32	**-**	-
Accruals and deferred income	**1,840**	1,901	**1,600**	1,900
	10,874	8,387	**1,874**	2,230

Certain of the land creditors are secured upon land but there is no interest accruing thereon.

The following amounts are repayable by instalments:

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Bank loans and overdrafts				
Between one and two years	-	-	-	-
Between two and five years	**101,190**	17,500	**101,190**	17,500
In five years or more	**20,550**	-	**20,550**	-
	121,740	17,500	**121,740**	17,500
Land creditors				
Between one and two years	**7,474**	4,440	-	-
Finance leases				
Between one and two years	**853**	969	**168**	162
Between two and five years	**679**	1,045	**106**	168
	1,532	2,014	**274**	330

Creditors repayable in five years or more

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Bank loans and overdrafts				
7% US Senior Loans Notes repayable by bi-annual instalments commencing in May 1999	**20,550**	-	**20,550**	-

20 Deferred tax

There is no potential liability in the group for deferred tax (company - £nil). The following deferred tax assets have been recognised in other debtors as at 31 December 1996 (company - £nil).

	Group £'000
Short term timing differences	215
Losses	6,890
	7,105

The movement is as follows:

	Group £'000	Company £'000
At 1 January 1996	1,058	1,900
On acquisition	7,000	-
Profit & loss account	(953)	-
Transferred to subsidiary undertaking	-	(1,900)
At 31 December 1996	**7,105**	-

There is a potential liability to capital gains tax of approximately £160,000 (1995:£216,000), which would arise if the group disposed of its freehold and leasehold properties at their revalued amounts. No provision has been made as the group has no intention of disposing of these assets in the foreseeable future.

21 Called up share capital

	1996 £'000	1995 £'000
Authorised		
220,000,000 (1995: 160,000,000) ordinary shares of 10p each	**22,000**	16,000
Allotted, called up and fully paid		
175,409,541 (1995: 116,891,367) ordinary shares of 10p each	**17,541**	11,689

At an Extraordinary General Meeting held on 16 February 1996 shareholders granted approval for the authorised share capital to be increased to 220,000,000 ordinary shares of 10p each.

Following the Rights Issue announced on 29 January 1996, to assist in the funding of the acquisition of the Ideal Homes group, the issued share capital of the company increased to £17,533,705 being 175,337,050 ordinary shares of 10p each. The consideration received was £90,591,000. Additional share capital with a nominal value of £7,000 was issued in the year on exercise of share options.

22 Options in shares of Persimmon plc

Under the 1988 Executive Share Option Scheme, options to subscribe for a total of 4,881,791 ordinary shares have been granted to employees (including full-time directors of the company) and were outstanding on 3 March 1997 (the latest practicable date prior to the publication of this document) as follows:

Date of Grant	Number of Ordinary Shares	Option Exercise Price
March 1989	9,392	167.0p
March 1990	205,666	141.5p
March 1991	195,416	210.0p
September 1991	42,486	262.0p
April 1992	594,821	227.0p
September 1992	42,017	139.5p
April 1993	828,489	214.0p
September 1993	42,486	266.5p
April 1994	707,185	269.0p
April 1995	1,066,057	171.5p
October 1995	52,776	158.5p
April 1996	855,000	196.0p
October 1996	240,000	208.5p

The options are exercisable in normal circumstances between three and ten years from their date of grant. The consideration payable on the grant of an Executive Scheme option is £1.

Under the SAYE Scheme, options to subscribe for a total of 876,276 ordinary shares have been granted to employees (including full-time directors of the company) and were outstanding on 3 March 1997 (the latest practicable date prior to the publication of this document) as follows:

Date of Grant	Number of Ordinary Shares	Option Exercise Price
September 1992	189,783	129.8p
September 1993	64,869	241.9p
September 1994	96,528	187.6p
September 1995	272,382	131.7p
September 1996	252,714	168.0p

The options are exercisable in normal circumstances for a six month period after five years from their date of grant except for those granted in September 1996, which are exercisable for a six month period after three years from their date of grant. There is no consideration payable on the grant of options under the SAYE Scheme.

23 Share premium account and reserves

Group

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 1996	114,808	1,242	73,983
New shares issued	84,746	-	-
Exercise of share options	115	-	-
Expenses of share issue	(3,141)	-	-
Goodwill written off (see note 15)	-	-	(27,895)
Retained profit for the year	-	-	8,151
At 31 December 1996	**196,528**	**1,242**	**54,239**

Company

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 1996 (as previously reported)	114,808	11,724	56,444
Prior year adjustment	-	(10,817)	-
At 1 January 1996 (as restated)	114,808	907	56,444
New shares issued	84,746	-	-
Exercise of share options	115	-	-
Expenses of share issue	(3,141)	-	-
Retained profit for the year	-	-	192
At 31 December 1996	**196,528**	**907**	**56,636**

24 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year	**24,816**	16,393
Dividends	**(16,665)**	(11,104)
	8,151	5,289
New share capital issued	**90,713**	75
Expenses of share issue	**(3,141)**	-
Goodwill acquired during the year	**(27,895)**	-
Net increase to shareholders' funds	**67,828**	5,364
Opening shareholders' funds	**201,722**	196,358
Closing shareholders' funds	**269,550**	201,722

25 Cash

	1996 £'000	1995 £'000
Changes during the year		
At 1 January	**2,793**	(8,228)
Net cash inflow	**41,433**	11,021
At 31 December	**44,226**	2,793

	1996 £'000	1996 Change in year £'000	1995 £'000	1995 Change in year £'000	1994 £'000
Analysis of balances					
Cash at bank and in hand	**45,882**	**41,644**	4,238	4,231	7
Bank overdrafts	**(1,656)**	**(211)**	(1,445)	6,790	(8,235)
At 31 December	44,226	41,433	2,793	11,021	(8,228)

26 Analysis of changes in financing during the year

	1996 Share capital (including premium) £'000	1996 Loans and finance lease obligations £'000	1995 Share capital (including premium) £'000	1995 Loans and finance lease obligations £'000
At 1 January	**126,497**	**60,174**	126,422	24,633
Net cash flows from financing	**87,572**	**63,978**	75	33,462
Inception of finance lease contracts	-	**194**	-	2,079
At 31 December	**214,069**	**124,346**	126,497	60,174

27 Capital commitments

At 31 December 1996 there were capital commitments contracted for amounting to £199,000 (1995: £27,000) in the group and capital commitments contracted for in the company of £162,000 (1995: £Nil).

28 Contingent liabilities

In the normal course of business the group has given counter indemnities in respect of performance bonds and financial guarantees and in respect of the overdrafts of its subsidiary undertakings.

The company has guaranteed the ultimate resale values of certain properties sold to companies formed under the Business Expansion Scheme and has indemnified the company's bankers in support of these obligations.

The group has entered into a number of licence agreements with third parties, which give it the right to build and sell houses on land owned by the third party. Upon legal completion the house purchaser makes a land payment to the third party and the balance of the sales proceeds is paid to the group. In many instances, the group has guaranteed minimum aggregate land payments at appropriate dates. If it becomes necessary to make advance payments to the licensor, amounts paid are included as prepayments in the balance sheet and are subsequently recovered on the sale of the properties.

29 Financial commitments

At 31 December 1996, annual commitments under non-cancellable operating leases, were as follows:

Group

	1996		1995	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Expiring within one year	**22**	**510**	-	125
Expiring between 2 and 5 years inclusive	**-**	**925**	47	839
Expiring in over 5 years	**1,037**	**-**	44	-
	1,059	**1,435**	91	964

Company

	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Expiring within 1 year	-	**38**	-	20
Expiring between 2 and 5 years inclusive	-	**58**	-	81
	-	**96**	-	101

30 Related party disclosures

The company acquired from the Chairman, Mr 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 Mr Davidson is £1,250,000.

31 Pension and life assurance scheme

The group operates a contracted out defined benefit pension scheme, the assets of which are held in a separate trustee administered fund. The fund is valued at least every three years by a professionally qualified independent actuary. The rates of contribution payable being recommended by the actuary and agreed with the company. In the intervening years the actuary reviews the continuing appropriateness of the rates. The effects of variations from regular costs are spread over the expected average remaining service lives of members of the scheme.

The total pension cost for the group was £1,667,000 (1995: £1,065,000). The most recent valuation of the scheme was undertaken as at 1 July 1996 and used the projected unit method. The main long term actuarial assumptions used were that the investment return would be 9% per annum, salaries would increase by 6% per annum, pensions would increase at 3% per annum and dividends would increase at 4.5% per annum.

The market value of the scheme's assets on 1 July 1996 was £11,743,000. The actuarial value of these assets represents 100% of the value of the benefits for past years' service to the date of the valuation allowing for future salary increases.

Following the acquisition of Ideal Homes a further 325 employees became members of the scheme on 1 September 1996. The actuary has advised that no change in the company's contribution rate is required as a result of this change in the membership.

The group provides no other post retirement benefits.

32 Details of group undertakings

The directors set out below information relating to the major trading subsidiary undertakings and associated undertakings. All of these companies operate and are incorporated in Great Britain. The subsidiary undertakings are wholly owned. The interests in associates are held by Ideal Homes Holdings Limited.

Subsidiary undertakings

Name of undertaking	Nominal value of ordinary shares held
Persimmon Homes (Yorkshire) Limited	£1.00
Persimmon Homes (West Yorkshire) Limited	£1.00
Persimmon Homes (East Yorkshire) Limited	£1.00
Persimmon Homes (East Midlands) Limited	£1.00
Persimmon Homes (Wessex) Limited	£1.00
Persimmon Homes (Midlands) Limited	£1.00
Persimmon Homes (North Midlands) Limited	£1.00
Persimmon Homes (Wales) Limited	10p
Persimmon Homes (Anglia) Limited	£1.00
Persimmon Homes (South East) Limited	£1.00
Persimmon Homes (Thames Valley) Limited	£1.00
Persimmon Homes (South West) Limited	£1.00
Persimmon Homes (Scotland) Limited	£1.00
Persimmon Homes (North East) Limited	£1.00
Persimmon Homes (North West) Limited	£1.00
Persimmon Homes Limited	£1.00
Persimmon Developments Limited	£1.00
Ideal Homes Holdings Limited	25p*
Ideal Homes Limited	£1.00
E.F.G.H. Limited	10p

*The shares of Ideal Homes Holdings Limited are deferred ordinary shares.

Associated undertakings

Name of undertaking	Description of shares held	Proportion of nominal value of ordinary shares held %	Accounting year end
Locking Castle Limited	'B' Ordinary shares of £1 each	33.33	30 September
Rothley Temple Estates Limited	Ordinary shares of £10 each	22.50	31 March
Trafalgar Metropolitan Estates Limited	'A' Ordinary shares of £1 each	50.00	30 September