PERSIMMON

Annual Report December 2000

REGISTERED NO: 1818486

Persimmon is one of the UK's leading homebuilders. By building on its traditional values Persimmon pledges to deliver customer satisfaction based upon excellent product quality, prime locations, a wide choice of properties and first-class service. Our developments range, from social housing to luxury penthouses, throughout England, Scotland and Wales. Over half of which are built on 'brownfield' land, mostly replacing derelict industrial sites.

+9%
Turnover £740.8m*

+10%
Average selling price £105,307*

+18%
Operating margin 15.6%

+26%
Operating profit £115.7m

+28%
Profit before tax £104.0m

+29%
Profit per unit £14,785

+26%
Basic earnings 40.6p

+12%
Dividend per share 12.4p

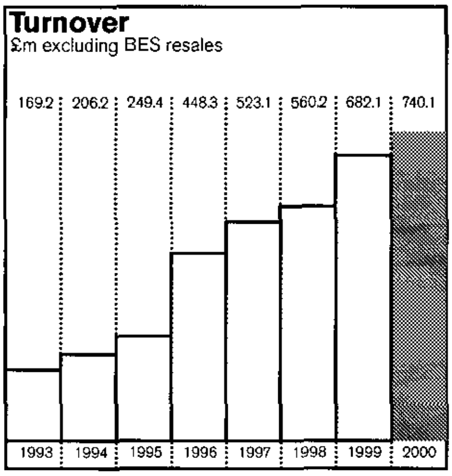
+14%
Dividend cover 3.3x

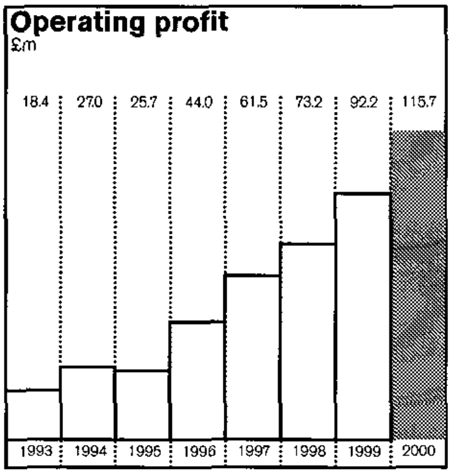
+14%
Net assets per share 228.8p

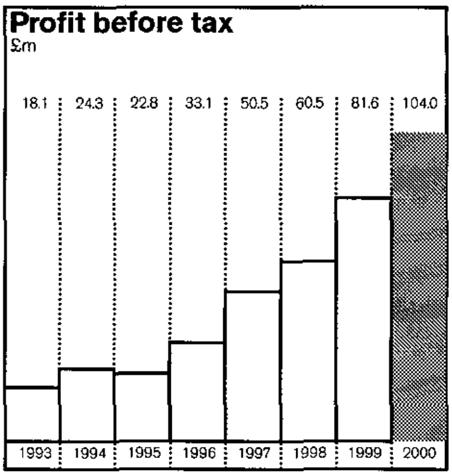
+15%
Equity shareholders' funds £418.4m

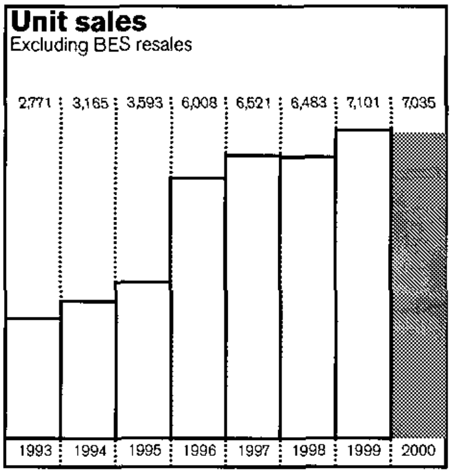
+11%
Return on capital employed 21.7%

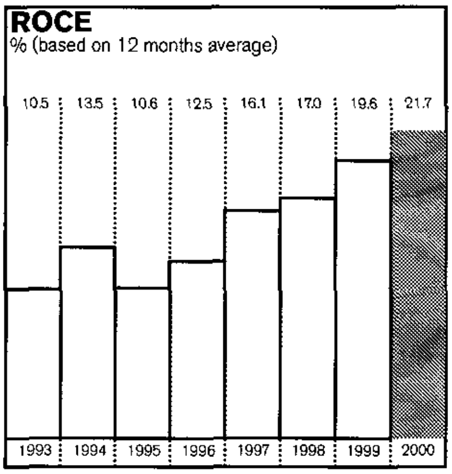
*Excluding BES resales

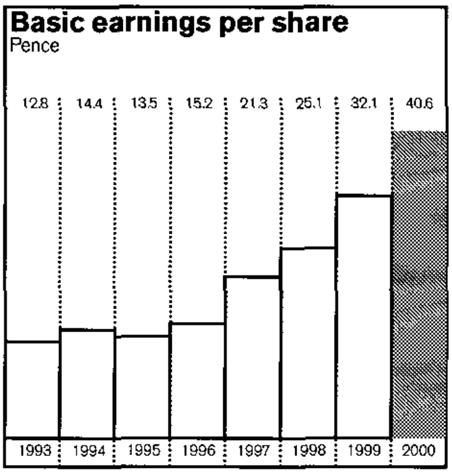












Eight year record	2000	1999	1998	1997	1996	1995	1994 Restated[3]	1993 Restated[3]
Unit sales	7,035[1]	7,101[1]	6,483[1]	6,521[1]	6,008[1]	3,593	3,165	2,771
Turnover	£740.8m[1]	£682.1m[1]	£560.2m[1]	£523.1m[1]	£448.3m[1]	£249.4m	£206.2m	£169.2m
Average selling price	£105,307[1]	£96,055[1]	£86,414[1]	£80,224[1]	£74,617[1]	£69,421	£65,159	£61,078
Operating profit	£115.7m	£92.2m	£73.2m	£61.5m	£44.0m	£25.7m	£27.0m	£18.4m
Profit before tax	£104.0m	£81.6m	£60.5m	£50.5m	£33.1m	£22.8m	£24.3m	£18.1m
Basic earnings per share[2]	40.6p	32.1p	25.1p	21.3p	15.2p	13.5p	14.4p	12.8p
Diluted earnings per share[2]	40.4p	31.8p	25.1p	21.2p	15.1p	13.5p	14.3p	12.7p
Dividend per share	12.4p	11.1p	10.4p	10.0p	9.5p	9.5p	9.5p	9.0p
Net assets per share	228.8p	200.6p	179.5p	164.9p	153.7p	172.6p	168.1p	146.5p
Equity shareholders' funds	£418.4m	£363.7m	£320.7m	£293.4m	£269.6m	£201.7m	£196.4m	£144.2m
Return on capital employed	21.7%	19.6%	17.0%	16.1%	12.5%	10.6%	13.5%	10.5%

(1) Excluding BES resales of 18 units in 2000, 251 units in 1999, 223 units in 1998, 44 units in 1997 and 64 units in 1996.
(2) Restated for the bonus element in the 1996 and 1994 rights issues.
(3) Restated at 31 December 1995 on adoption of new policy for accounting for BES Assured Tenancy Schemes.

Chairman's statement

In the 12 months to 31 December 2000 Persimmon achieved another record year with earnings per share increased by 26% to 40.6p (1999: 32.1p). In the same period our net pre-tax profits rose by 28% to £104.0 million (1999: £81.6 million).

We legally completed marginally fewer homes than in the previous year, at 7,035 against 7,101 in 1999. However, profit per unit increased by 29% to £14,785 (1999: £11,486). Operating margins in the second half of 2000 were 16.2%, and 15.6% for the full year (1999: 13.2%). Average selling price per unit was £105,307 (1999: £96,055).

Return on average capital employed rose to 21.7% (1999: 19.6%). Net debt at the year end was £116.2 million, giving a gearing level of 28% on shareholders' funds of £418.4 million. Interest cover was ten times.

We are proposing to increase our dividend by 12% to 12.4p per share (1999: 11.1p per share), which is covered 3.3 times. We paid an interim dividend of 3.9p per share in October 2000 and, as already forecast, will recommend a final dividend of 8.5p, which will be payable on 27 April 2001 to shareholders on the register as at 9 March 2001.

Our new divisional structure has now been in place for a year and is working extremely well. Both the North team led by John Millar and the South team led by Mike Farley are ready to respond to additional responsibilities.

Since January 2001 Persimmon has been working hard to achieve the acquisition of Beazer. The only material outstanding condition to our offer for Beazer is now the approval by the Office of Fair Trading which we are confident of securing. The acquisition is a tremendous opportunity for our Group and we are looking forward to a successful integration of Beazer into Persimmon. We are confident that we can make rapid improvements to Beazer's operations. Persimmon will motivate Beazer's strong middle management to adopt our own well-proven methods.

We expect the acquisition to add significant value for shareholders in the short term, and the longer term prospects are very exciting.

continued overleaf

Wide product range →

From flats for first time buyers to detached family homes, we build an ever growing range of property types and designs created specifically to suit the local environment. This reduces our exposure to volatility in individual market sectors.

The cash paid for Beazer, plus their debt, will take Persimmon's gearing to about 100% initially. Interest cover will be comfortable at circa six times. We are confident of reducing gearing to about 70% within 12 months. As described in the offer documents, this will be achieved partly by managing the reduction of the combined land bank of about 58,000 plots to some 50,000 plots, by replacing less plots over the next 12 months. The enlarged Persimmon will also have over 20,000 acres of strategic land throughout the UK, which we will be taking through the planning system over the next few years.

New sales of Persimmon homes have gone very well since the New Year, and we are confident of another good result in 2001. Prior to the Beazer acquisition, the value of Persimmon's current year sales up to 26th February is over 20% higher than at the same date in 2000.

At the end of 2000 Mike Allen, Brian Taylor and Harry Littlefair all retired from our Main Board. Between them they have given 52 years of service to our Group. We all thank them most sincerely for the great contribution each of them has made to Persimmon.

I would like to thank all our staff for their considerable efforts which have achieved such success. We welcome many members of the staff of Beazer to the Persimmon team, a combination which will ensure the strong and profitable future growth of the enlarged Persimmon.

Duncan Davidson
Chairman
28 February 2001

Chief Executive's review

This has been an excellent year for Persimmon. I am particularly pleased that our continued commitment to maximising profit per plot and operating margins has been so effective and has ensured yet another record result for shareholders. The split of the business into North and South divisions has been highly effective and I am confident that Persimmon has the right structure in place to quickly and profitably integrate Beazer into our business.

Current Trading and Outlook

Sales volumes for the first two months of 2001 are very encouraging, and current forward sales revenues are well ahead of last year. We expect market conditions to remain positive for the remainder of the year with trading characterised by modest house price inflation and continued strong demand for our homes.

The strength of the core Persimmon business and the opportunities that the Beazer acquisition offers encourages us to be confident for the future.

Strategy

The enlarged Persimmon group will be reshaped to maximise margins and profitability from between 13,000 and 14,000 homes throughout the UK. By operating our North and South divisions with flexibility and a high degree of autonomy the increased volumes will be smoothly integrated into our business. Each Division is capable of successfully managing a business of 6,000 to 7,000 homes per annum broadly within the existing management structure. We are, therefore, confident that the synergies we can realise will achieve cost savings in excess of £20m per annum.

Considering our environment →

Preserving our environment is very important to us. When building any new developments care is taken in every aspect of the design. Local details in building materials and plant life are always considered ensuring that our new home developments enhance the local environment.

Picture: Farleigh Green, Flax Bourton, Bristol.

The core Persimmon housing division will provide the bulk of the volumes across all markets with an emphasis on good value homes. In addition, we believe that the Charles Church brand has yet to realise its full potential and we will increase activity under this upmarket brand without compromising on its premium value, thereby improving margins over the medium term.

Land and Planning

At 1st January 2001 Persimmon had a total of 30,888 consented plots owned and under control at an average cost of £23,181 per plot, a cost to revenue percentage of 19.9% (2000: £21,325 – 20%). The enlarged Group will control a combined land bank of circa 58,000 plots. We are, therefore, in a very strong position to manage our business through the various planning and technical challenges effectively. We are well able to work within PPG3, although we would, of course, welcome a more reliable and predictable planning system. The enlarged Group will be supported by a strategic land bank of over 20,000 acres.

Customers

During the year we have continued to invest in improving our customer care service. As standards rise in the industry, so do customer expectations. We will continue to invest in this part of our business whilst reinforcing and extending training programmes.

We continue to monitor customer feedback through independent surveys and our IT systems, to enable us to take any appropriate action to improve our service further.

← Quality homes

We take pride in the quality of our product. One of our most recent innovations is the introduction of our Finishing Touches scheme, which enables the customer to personalise their new home to their own taste.
Picture: The Grove, West Haddon, Northampton.

↓ **North Division Board** From left:
Steve Watt, MD of City Developments, who sits on both boards; Corinne Gill, Divisional Finance Director; Chris Johnson, MD of the West Yorkshire division; David Broadbent, MD of the North West and Mercia divisions and John Millar, Divisional Chief Executive.

↓↓ **South Division Board** From left:
Richard Wright, MD of the Midlands division; David Bryant, Regional Chairman; Mike Farley, Divisional Chief Executive; Steve Watt; David Thornton, MD of the Wessex division and Chris Turpin, Divisional Finance Director.

Staff

Our success over the years has been due to the efforts of our staff at all levels. We have attained our position in the industry by the decisions and contributions that they have made.

I am sure that the swift integration of Beazer staff into the enlarged Group will ensure that Persimmon moves forward again with further success over the next few years.

John White
Chief Executive
28 February 2001

Revitalising our towns and cities →

Maintaining a strong supply of land, including significant strategic interests, gives us flexibility to respond to home buyers' ever changing needs. Through our City Developments business we have extended our involvement in the regeneration of inner cities. Picture: Tyne Views, Windmill Hills, Gateshead (before and after).

← **Satisfying customers**

Through our customer care arrangements and in particular the Persimmon Pledge we provide a high quality service to all our customers.
Picture: Holmesdale Park, Nutfield.

Financial review

Trading

Group turnover of £742.2m was 7% higher than that achieved in the prior year. This growth was generated from a 10% increase in average selling price of new homes sold to £105,307, new home legal completion volumes remaining at similar levels at 7,035. The increase in selling prices was achieved through continued improvement in product specification, further enhancement of the value of our offer to our customers, and an element of price inflation. The mix of sales across our regional markets in both the North and South Divisions remained relatively consistent.

In addition to the sale of new homes we sold 18 BES units generating further revenue of £1.4m. At the year end the value of remaining BES units was reduced to just £2.5m.

An increase of 26% in operating profits to £116.0m (before amortisation of goodwill arising on the acquisition of Tilbury Douglas Homes Limited on 22 February 2000) delivered operating margins for the year of 15.6%, up from 13.2% last year. Further improvement in gross margins to 19.8% (1999: 17.0%) was largely as a result of management's continued focus on maximising margins. Indeed, the second half of 2000 provided further growth with gross margins of 20.0% and operating margins of 16.2%.

The interest charge of £11.7m (1999: £10.6m) was covered 9.9 times (1999: 8.7 times) and was generated from average debt levels for the year of approximately £165m (1999: £150m).

The 28% increase in pre-tax profit to £104.0m represents another record performance for Persimmon and the first year in which pre-tax profits in excess of £100m have been achieved. The 29% increase in pre-tax profit per plot to £14,785 (1999: £11,486) demonstrates management's continued focus on improving profitability. An effective tax rate of 29% is in line with that of the prior year.

Earnings per share of 40.6p were 26% ahead of the prior year (1999: 32.1p) further extending Persimmon's robust record of earnings growth. The proposed final dividend of 8.5p delivers a full year rate of 12.4p representing an increase of 12% over last year (1999: 11.1p) and is covered 3.3 times.

Balance sheet

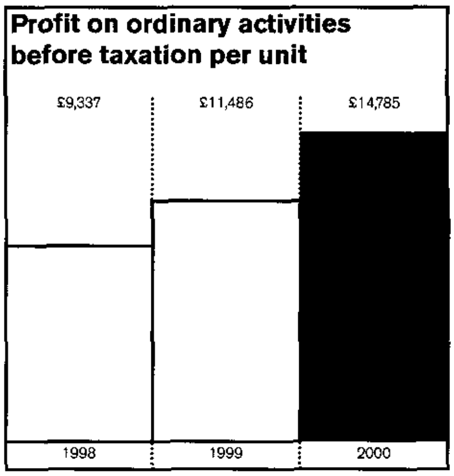
Net assets per share of 228.8p grew by 14% on the prior year with net assets increasing by £54.7m to £418.4m. The major movements on the prior year were within stocks and work in progress, land creditors and borrowings.

At £477.6m land held for development (including licence monies prepaid) increased by £84.9m but was part funded by the £44.3m increase in land creditors to £86.1m (1999: £41.8m). Management continue to employ the policy of acquiring land assets in as capital efficient manner as possible, agreeing deferred terms where circumstances allow. The group owned and controlled approximately 31,000 plots at the year end with a further 4,500 plots proceeding to contract, which in total represented just over 5 times our new home sales last year. At 31 December 2000 the average plot cost of land owned and under control represented 19.9% (1999: 20.0%) of anticipated average sales revenue reflecting management's continued success in acquiring land at keen price levels. Over 7,000 acres of additional strategic land assets are held by the group. These holdings are either owned, held under option or under conditional contracts.

Work in progress of £199.6m was £23.4m higher than last year. This investment was made in support of the 17% increase in forward order value at the year end. Part exchange stocks of £22.2m increased £10.9m over the prior year level reflecting a return to a more normal level of demand for this facility by our customers, the ageing of the stock held having improved upon that of last year.

At 21.7%, the return on average capital employed (pre-tax) increased by 11% on last year's levels of 19.6%. This continued improvement reflects the strong operating margin performance together with management's focus on capital efficiency. Average capital employed for 2000 was £533.3m (1999: £465.8m).

The increase in shareholders' funds of £54.7m results from retained profits of £51.2m, take-up of the scrip dividend and employee share incentives.



← Modern living

Through the various urban regeneration schemes carried out by our City Developments business, the Company now provides a wide range of modern apartments, thus satisfying the needs of those customers who prefer to live in towns and cities.
Picture: Morrison Street, Glasgow.

Today's technology →

Our web site has been created to promote our products and to provide information on the Group. Users can access the home finder facility to view our wide range of developments.

Borrowing and cashflow

At £116.2m, year end borrowings net of cash balances represented gearing of 28% (1999: 26% on net borrowings of £94.8m).

Net cash inflow from operating activities of £61.1m was generated after further investment in land and work in progress. This net cash inflow fully funded the payment of interest, tax and dividends. The net consideration for the acquisition of Tilbury Douglas Homes Limited of £19.0m was funded from debt.

Treasury

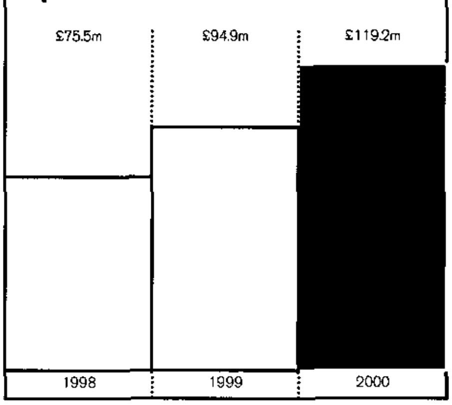
The group finances its operations through a combination of shareholder's funds, bank loans, overdrafts, cash in hand, and long term loans. In addition, the group consistently applies a policy of seeking to secure deferred terms on the acquisition of land assets.

Each operating subsidiary has its own bank account. These are managed within overall facility limits by head office and may be subject to offset arrangements. All borrowing facilities are arranged by head office and are allocated across the subsidiaries on commercial terms. Short term cash deposits are invested by head office at competitive rates.

Strategy for the management of risks associated with liquidity, interest rates and foreign currency is reserved for the Main Board. A policy of maintaining secure, flexible facilities with an overall extended maturity profile to accommodate medium term forecast funding requirements is consistently applied to address liquidity risk.

With regard to interest rates, prevailing and forecast monetary conditions are consistently monitored and determine the approach to interest rate risk management. The group may enter into derivative transactions to manage this risk by way of interest rate swaps. A pre-defined balance between fixed interest rate, and floating interest rate, debt is not used. No new fixed rate agreements have been entered into during the period under review.

Earnings before interest, taxation, depreciation and amortisation



← Developing people

Persimmon is committed to developing and training staff to the highest levels. We have a positive approach to recruiting and training apprentices who will become the craftsmen of the future. Picture: Tyne Views, Windmill Hills, Gateshead.

The business operates wholly within the UK. Debt may be raised from capital markets outside the UK. The group eliminates all foreign currency risk on entering into such transactions by way of foreign currency swaps.

Details of the group's borrowings and financial instruments are disclosed in note 16 and note 18 to the financial statements.

Beazer Acquisition

On Wednesday 24 January 2001 Persimmon announced its offer to acquire the entire issued share capital of Beazer Group plc. The Board of Beazer Group plc subsequently recommended our final offer ("the Offer" as announced on Tuesday 30 January 2001), the Offer documents being mailed to the shareholders of Beazer Group plc on Monday 5 February 2001. On the same day a Circular was posted to all shareholders of Persimmon plc giving notice of an Extraordinary General Meeting ("EGM") at which a resolution in support of the acquisition was to be considered. This EGM was duly held on Wednesday 21 February 2001 at which Persimmon shareholders overwhelmingly approved the resolution. On Tuesday 27 February 2001 the board announced that by the first closing date of the Offer (26 February 2001) valid acceptances had been received in respect of approximately 88.5% of the issued ordinary share capital of Beazer. As at 28 February 2001, the only material outstanding condition to completion is the clearance of the acquisition by the Office of Fair Trading. The Board are confident that, on successful completion of the acquisition, it will generate significant value for Persimmon shareholders.

The consideration within the Offer comprises £312m in cash plus approximately 88.4m new Persimmon plc shares. In addition, the holders of the new shares will have the right to receive the final Persimmon dividend of 8.5p per share proposed by the Board in respect of the year ended 31 December 2000.

In support of the Offer the company has arranged new UK bank facilities totalling £800m, which will replace existing facilities upon completion of the acquisition.

Mike Killoran
Group Finance Director
28 February 2001

Board of directors From the left:

Duncan Davidson, Group Chairman (59)

Duncan Davidson founded the group in 1972 and led its development from a small local housebuilder to the large and successful group it is today. He has been involved in the housing industry for 38 years.

John White, Group Chief Executive (49)

John White was appointed to his present position in 1993 having previously been Chairman of the group subsidiaries in Midlands, Anglia and the South East. He joined Persimmon in 1979, and was appointed to the board in 1986. He is a member of the Risk Committee.

Michael Killoran BA (HONS.) ACA,
Group Finance Director (39)

Michael Killoran qualified as a chartered accountant whilst with Arthur Andersen in Leeds. He was appointed to the board in January 1999 and took over his present role in April 1999. He is a member of the Risk Committee.

Geoffrey Grewer, Group Company Secretary (58)

Geoff Grewer has spent the whole of his working life in the construction industry. He joined the group in 1972 and was appointed to the board in 1975.

Michael Farley BSC (HONS.) MCIOB,
Divisional Chief Executive (47)

Michael Farley joined Persimmon in 1983 and was appointed to the board in 1989. He was appointed Divisional Chief Executive of the South Division in 2000. He continues as Chairman of the group subsidiaries in Midlands, North Midlands, Wessex and Wales.

John Millar FRICS, Divisional Chief Executive (57)

John Millar joined Persimmon in 1986 and was appointed to the board in 1993. He was appointed Divisional Chief Executive of the North Division in 2000. He continues as Chairman of the group subsidiaries in North East, North West, East Scotland and West Scotland.

David Bryant, Regional Chairman (48)

David Bryant is Chairman of the group subsidiaries in Anglia, Thames Valley, South East, South Coast and East Midlands. He was appointed to the board in 1991.

Sir Chips Keswick, Non-Executive Director (61)

Sir Chips Keswick is a director of the Bank of England, De Beers Consolidated Mines Limited, The Edinburgh Investment Trust plc, IMI plc, Investec Bank (U.K.) Limited and Anglo American plc. He was appointed to the board in 1984 and is chairman of the Nomination and Remuneration Committee and member of the Audit Committee.

Hamish Leslie Melville, Non-Executive Director (56)

Hamish Leslie Melville is a Managing Director/Senior Advisor of Credit Suisse First Boston (Europe). He is Chairman of Northern Recruitment Group plc and Old Mutual South Africa Trust and is a director of other public companies. He is a former Chairman of the National Trust for Scotland. He is a member of both the Nomination and Remuneration Committee and the Audit Committee of Persimmon. He was appointed to the board in 1995.

David Thompson, Non-Executive Director (46)

David Thompson is Managing Director of the Wolverhampton and Dudley Breweries plc. He is also non-executive director of The Income and Growth Trust plc. Appointed to the board in August 1999, he is a member of the Nomination and Remuneration Committee and Chairman of the Audit Committee.

Secretary and registered office
Geoffrey Grewer
Persimmon House
Fulford
York YO19 4FE

Company number
1818486

Advisors

Auditors
KPMG Audit Plc

Registrars
Computershare Services PLC
P.O. Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Bankers
The Royal Bank of Scotland plc
Lloyds Bank Plc
Yorkshire Bank PLC
Barclays Bank PLC
Société Générale
Bank of Scotland

Financial advisors/stockbrokers
Hoare Govett Ltd
(a member of ABN Amro Group)

Solicitors
Rowe & Maw

Directors' report

For the year ended
31 December 2000

The directors have pleasure in presenting to shareholders their report and the financial statements for the year ended 31 December 2000.

Principal activity and business review

The principal activity of the group is housebuilding, all of which is carried out within the United Kingdom and is unchanged from last year. A review of the group's activities during the year and future prospects is contained within the Chairman's Statement, Chief Executive's Review and the Financial Review.

The group's turnover and profit before taxation arising from ordinary activities were £742,164,000 and £104,016,000 respectively.

An interim dividend of 3.9p per share was paid to shareholders on 27 October 2000 and it is now proposed to pay a final dividend of 8.5p per share on 27 April 2001 to shareholders on the register at the close of business on 9 March 2001, making a total for the year of 12.4p per share (1999: 11.1p). The dividends paid and proposed amount to £22,635,000 (1999: £20,079,000). The directors are again offering shares in lieu of cash for the final dividend, as this enables shareholders to increase their holdings in a simple and cost effective manner.

Directors and directors' interests

The directors of the company at 31 December 2000 are shown on pages 20 and 21, except for Michael Allen, Harry Littlefair and Brian Taylor who resigned at the end of the year. All of the directors served for the whole of the year. In accordance with Article 102, John White, Michael Farley and David Bryant will retire at the annual general meeting and, being eligible, each offers themselves for re-election.

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

The interests of the directors in the shares of the company at 31 December 2000 and as at the date of this report are disclosed in the Remuneration Report on page 28. Details of the interests of the directors in share options and awards of shares may be found on pages 29 and 30 within the same report.

Substantial shareholdings

In addition to the interests of Mr Davidson and his family, who have holdings of 18,033,164 ordinary shares (9.9% of the issued share capital) the company has been notified that the following are interested in 3% or more of the issued ordinary share capital of the company as at 28 February 2001.

	Number of ordinary shares	Percentage of issued share capital
Fidelity Investment Services	22,624,309	12.32%
M&G Investment Management	15,678,357	8.57%
Jupiter Asset Management	8,376,648	4.58%
SG Asset Management	6,388,408	3.50%
Merrill Lynch Investment Managers	6,267,638	3.42%
Standard Life Investment Managers	5,765,818	3.15%

Charitable and political donations

Charitable donations of £52,000 were made by the group during the year. No political donations were made during the year.

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 an internal magazine is published twice a year. Various benefit schemes are available to employees, all of whom are encouraged to participate, subject to eligibility. Equal opportunities for training, career development and promotion are available to all employees regardless of disability, age, sex, race, religion, colour, nationality or sexual orientation.

Applications for employment by disabled persons are always fully and fairly considered with appropriate regard to the aptitudes and abilities of the applicant concerned. In the event of a person 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 the group health and safety policy. All reasonable practicable measures are taken to avoid risk to its employees, subcontractors and visitors to its sites and premises.

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

All employees and subcontractors 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

As a leading UK housebuilder we recognise that we have a responsibility to minimise the impact of our business activities on the environment.

Concerns of an environmental nature are fully considered when planning and building our developments. Environmental issues are addressed at an early stage in order that appropriate measures can be taken to protect and, if possible, enhance the local environment.

The group builds around 60% of its homes on land which has had a former use, which is in line with the Government's national target of having 60% of new houses built on recycled land.

Each year throughout the UK the group carries out substantial landscaping and tree planting as well as retaining, wherever possible, natural features such as mature trees.

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. The company's average creditor payment period at 31 December 2000 was 42 days (1999: 37 days).

Authority to purchase own shares

At the annual general meeting held in April 2000 shareholders granted the company authority to purchase up to an aggregate of 18,135,191 of its own shares. No shares have been purchased to date under this authority, which expires at the conclusion of the forthcoming annual general meeting. A resolution to renew this authority will be put to shareholders at the meeting.

Post balance sheet event

On 24 January 2001, the company announced the terms of a final offer for the entire issued share capital of Beazer Group Plc. Further details are included in note 32 to the financial statements.

Annual general meeting

The annual general meeting will commence at 12 noon on Thursday 26 April 2001 at The Royal York Hotel, Station Road, York. There are two items of special business to be proposed at the meeting this year, as well as the routine business.

The notice of the meeting and an explanation of the special business is given in the accompanying circular.

Auditors

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

By order of the board

G Grewer
Group Company Secretary
28 February 2001

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 and of the profit or loss 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group, and to prevent and detect fraud and other irregularities.

Remuneration report

For the year ended
31 December 2000

The board of directors presents its remuneration report for the year ended 31 December 2000.

The company's policy is to provide the remuneration package required to attract, retain and motivate its executive directors.

The Nomination and Remuneration Committee is responsible for advising and making recommendations to the board on all aspects of executive directors' remuneration. Throughout the year the committee comprised Sir Chips Keswick – Chairman, Harry Littlefair, Hamish Leslie Melville and David Thompson. Harry Littlefair resigned from the committee on 31 December 2000 and David Thompson was appointed Chairman with effect from 1 January 2001. The board considers each member of the committee to be independent.

The remuneration package for each executive director who served during the year is set out later in this report and comprises the following elements:

Basic salary

The company pays competitive salaries to its directors. In calculating the level of basic salary for executive directors, the committee gives full consideration to market data available concerning similar roles in comparable organisations. Basic salaries are reviewed at 1 July each year and no increase was awarded at 1 July 2000.

Performance related bonus

All executive directors receive further payments based on the group's performance. Payments to Messrs Davidson, White, Killoran and Grewer are linked to group profits. In addition to the amount shown on page 27 Mr White is entitled to further performance related remuneration of £364,320 which is held to his credit and payable upon cessation of his employment with the company.

Messrs Farley, Millar and Bryant receive performance related pay linked to the profits of the divisional companies for which they are responsible. Performance related payments are calculated in accordance with criteria recommended by the Nomination and Remuneration Committee and approved by the board. The committee considers that the performance criteria applying to the annual performance related bonus arrangements enhance the business operations and that this results focused approach is in the best interests of shareholders.

Benefits in kind

These cover membership of the group private medical scheme, the group long term disability scheme, motor vehicles, subscriptions and some telephone costs. These benefits are not pensionable.

Pension and life assurance

All executive directors, with the exception of Duncan Davidson, are full members of the Persimmon plc Pension and Life Assurance Scheme. This is a defined benefit scheme, which is open to all permanent group employees who satisfy the eligibility criteria. Mr Davidson is a member of the scheme for life assurance purposes only. For pension purposes Mr Davidson is a member of a Friends Provident Life Scheme. A Funded Unapproved Retirement Benefit Trust ("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. The basis of the committee's remuneration policy is to reward directors when the company performs well. The committee considers that the directors are further motivated by allowing performance related pay to make up a part of pensionable remuneration. This policy is extended to all scheme members throughout the group. Details of each executive director's pension benefits are listed under the heading "Directors' pension entitlements" later in this report.

Share options and awards

The grant of options and awards under the executive share schemes is considered annually by way of encouragement and motivation.

The Persimmon plc Company Share Option Plan (the "Plan") and the Persimmon plc Executive Share Option Scheme (the "Scheme") were approved by shareholders at the annual general meeting held in 1997. A further scheme, the Persimmon plc Long Term Incentive Plan 1998 (the "LTIP"), was approved by shareholders at the annual general meeting held in 1998. In normal circumstances, options are not exercisable and shares awarded will not vest, in less than three years from the date of grant.

During 2000 awards of 407,000 shares were granted to executive directors in respect of the LTIP and 610,000 share options were granted to other directors and senior employees throughout the group in respect of the Scheme and the Plan. The option and award entitlements of executive directors are set out under the heading "Directors' interests in share options and awards" at the end of this report.

The rules of the Scheme, Plan and LTIP are all consistent with guidelines published by institutional shareholders and are open to all executive directors and employees throughout the group. All options and awards granted under the Scheme, Plan and LTIP are subject to performance conditions set by the committee. The conditions link the exercise of options and vesting of awards to sustained improvement in the underlying financial performance of the group, through growth in earnings per share. The growth in the group's earnings per share is measured against the performance of other comparable companies' growth in earnings per share.

Inland Revenue approval has been granted for the Plan to enable executives to benefit from tax relief on exercising options. Options would not be granted to an executive or employee under the Plan, if it would result in that person holding Plan options with an aggregate value in excess of £30,000. The Scheme rules allow the committee to grant a total number of options to each executive or employee, of up to a maximum value of four times their annual remuneration. The value of options is calculated by multiplying the number of shares held under each option by the exercise price of those options.

Awards of shares in respect of the LTIP may be granted up to a maximum value of one year's salary in any financial year. The value of an award is calculated by multiplying the number of shares by their market value at the date of grant. The committee will not grant to any executive or employee both share options under the Scheme and the Plan, and awards of shares under the LTIP in the same year.

Service contracts

All executive directors, with the exception of Michael Killoran, are employed on rolling contracts subject to two years' notice at any time. Mr Killoran is employed on a one year rolling contract in accordance with current best practice. Contracts expire at the normal retirement age of 65. The committee has resolved that it would be costly and demotivating to reduce the two year contracts to one year. There are no specific compensation commitments for early termination.

John White, Michael Farley and David Bryant who retire under the Articles of Association at the annual general meeting and are offering themselves for re-election, all have a notice period of two years.

Non-executive directors

Non-executive directors do not have service contracts and are paid a fee which is non-pensionable and they do not qualify for performance related bonuses. The board as a whole determines the fees of the non-executive directors, subject to the Company's Articles of Association.

External appointments

None of the executive directors have external appointments.

Schedule of directors' emoluments

	Salaries and fees £	Performance related £	Benefits £	2000 Total £	1999 Total £	Gains on exercise of share options 2000 £
Group Chairman						
D H Davidson	121,560	472,080	24,331	617,971	498,543	12,088
Executive						
M J Allen*	121,560	278,440	23,735	423,735	371,717	16,703
J White	146,160	603,840	28,368	778,368	673,736	–
M H Killoran	93,600	206,400	14,965	314,965	210,240	–
G Grewer	92,270	82,730	23,551	198,551	196,933	7,253
M P Farley	111,930	416,262	22,359	550,551	531,729	7,274
J Millar	111,930	340,532	19,905	472,367	395,229	1,789
D G Bryant	111,930	318,526	21,386	451,842	430,895	–
Non-executive						
B D Taylor*	51,704	52,463	34,781	138,948	242,074	–
Sir Chips Keswick	25,000	–	–	25,000	22,083	–
H G Littlefair*	25,000	–	–	25,000	25,000	–
I H Leslie Melville	25,000	–	–	25,000	22,083	–
D G F Thompson	25,000	–	–	25,000	9,812	–
	1,062,644	2,771,273	213,381	4,047,298	3,630,074	45,107

During the year Mr Farley and Mr Taylor sacrificed emoluments of £120,000 and £18,333 respectively, and the company made additional contributions equal to these amounts into their respective FURB trust (see below).

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

Directors' pension entitlements

	Increase in accrued pension (net of deferred pension revaluation) £ pa	Total accrued pension at 31 December 2000 £ pa	Transfer value of increase (net of member contributions) £	FURB contribution £
M J Allen*	16,264	139,799	187,450	–
J White	36,497	174,203	325,050	57,241
M H Killoran	1,433	6,503	4,470	22,366
G Grewer	7,281	71,422	90,560	–
M P Farley	26,181	99,872	205,200	161,934
J Millar	13,065	81,226	152,180	36,677
D G Bryant	18,925	83,989	155,940	36,143
B D Taylor*	77	53,380	(3,720)	30,537

A contribution of £42,808 was made by the company to Mr Davidson's personal pension scheme with Friends Provident and a contribution of £38,084 to his FURB.

Contributions of £38,272 and £17,323 were made by the company into Mr Allen's and Mr Grewer's respective other pension arrangements with Friends Provident.

*Resigned 31 December 2000.

Directors' interests in shares

The interests of directors serving at the end of the year, and their families, in the ordinary share capital of the company are as shown below:

	31 December 2000	1 January 2000
D H Davidson	18,033,164	18,001,880
M J Allen*	415,786	354,550
J White	300,706	261,496
M H Killoran	7,932	7,454
G Grewer	303,763	285,285
M P Farley	194,934	173,221
J Millar	337,159	319,965
D G Bryant	236,396	228,054
B D Taylor*	95,881	95,620
Sir Chips Keswick	185,416	185,416
H G Littlefair*	20,949	20,949
I H Leslie Melville	171,250	171,250
D G F Thompson	26,700	19,000

*Resigned 31 December 2000.

The interests of Messrs Davidson, Allen, White, Grewer, Farley, Millar, Bryant, Taylor, Keswick and Thompson include non-beneficial interests of 10,154,060; 232,480; 142,923; 146,109; 21,713; 190,714; 23,893; 26,438; 24,626 and 16,700 ordinary shares respectively (1999: 10,154,060; 257,817; 3,886; 142,609; nil; 183,104; 19,476; 26,438; 24,626 and 9,000 ordinary shares respectively). Otherwise all interests of the directors are beneficial.

There has been no change in the interests set out above between 31 December 2000 and 28 February 2001.

Directors' interests in share options and awards

	1 January 2000 or date of appointment	Granted in year	Exercised in year	Lapsed in year	31 December 2000	Exercise price	Market price at date of exercise	Exercisable from	Expiry date
D H Davidson	13,097[2]	–	13,097	–	–	131.7p	224.0p	Nov 2000	Apr 2001
	40,000[3]	–	–	–	40,000[3]	–	–	Mar 2002	Sep 2002
	30,000[3]	–	–	–	30,000[3]	–	–	Mar 2002	Sep 2002
	–	30,000[3]	–	–	30,000[3]	–	–	Mar 2003	Sep 2003
	–	5,711[2]	–	–	5,711[2]	169.6p	–	Dec 2003	May 2004
	83,097	35,711	13,097	–	105,711				
M J Allen	21,713	–	21,713	–	–	141.5p	177.0p	Mar 1993	Mar 2000
	42,486	–	–	–	42,486	227.0p	–	Apr 1995	Apr 2002
	63,729	–	–	–	63,729	214.0p	–	Apr 1996	Apr 2003
	31,665	–	–	–	31,665	269.0p	–	Apr 1997	Apr 2004
	31,665	–	31,665	–	–	171.5p	177.0p	Apr 1998	Apr 2005
	7,858[2]	–	7,858	–	–	131.7p	224.0p	Nov 2000	Apr 2001
	100,000[1]	–	–	–	100,000[1]	233.0p	–	May 2000	May 2004
	40,000[3]	–	–	–	40,000[3]	–	–	Mar 2002	Sep 2002
	3,095[2]	–	–	–	3,095[2]	126.0p	–	Dec 2001	May 2002
	30,000[3]	–	–	–	30,000[3]	–	–	Mar 2002	Sep 2002
	–	30,000[3]	–	–	30,000[3]	–	–	Mar 2003	Sep 2003
	–	3,427[2]	–	–	3,427[2]	169.6p	–	Dec 2003	May 2004
	372,211	33,427	61,236	–	344,402				
J White	53,108	–	–	–	53,108	227.0p	–	Apr 1995	Apr 2002
	74,351	–	–	–	74,351	214.0p	–	Apr 1996	Apr 2003
	52,775	–	–	–	52,775	269.0p	–	Apr 1997	Apr 2004
	105,550	–	–	–	105,550	171.5p	–	Apr 1998	Apr 2005
	160,000	–	–	–	160,000	196.0p	–	Apr 1999	Apr 2006
	150,000[1]	–	–	–	150,000[1]	233.0p	–	May 2000	May 2004
	47,000[3]	–	–	–	47,000[3]	–	–	Mar 2002	Sep 2002
	6,190[2]	–	–	–	6,190[2]	126.0p	–	Dec 2001	May 2002
	55,000[3]	–	–	–	55,000[3]	–	–	Mar 2002	Sep 2002
	–	70,000[3]	–	–	70,000[3]	–	–	Mar 2003	Sep 2003
	–	1,142[2]	–	–	1,142[2]	169.6p	–	Dec 2003	May 2004
	703,974	71,142	–	–	775,116				
M H Killoran	40,000	–	–	–	40,000	208.5p	–	Oct 1999	Oct 2006
	20,000[1]	–	–	–	20,000[1]	233.0p	–	May 2000	May 2004
	20,000[1]	–	–	–	20,000[1]	158.0p	–	Oct 2001	Oct 2005
	7,738[2]	–	–	–	7,738[2]	126.0p	–	Dec 2001	May 2002
	30,000[3]	–	–	–	30,000[3]	–	–	Mar 2002	Sep 2002
	–	37,000[3]	–	–	37,000[3]	–	–	Mar 2003	Sep 2003
	117,738	37,000	–	–	154,738				
G Grewer	31,665	–	–	–	31,665	269.0p	–	Apr 1997	Apr 2004
	7,858[2]	–	7,858	–	–	131.7p	224.0p	Nov 2000	Apr 2001
	50,000[1]	–	–	–	50,000[1]	233.0p	–	May 2000	May 2004
	20,000[3]	–	–	–	20,000[3]	–	–	Mar 2002	Sep 2002
	3,095[2]	–	–	–	3,095[2]	126.0p	–	Dec 2001	May 2002
	20,000[3]	–	–	–	20,000[3]	–	–	Mar 2002	Sep 2002
	–	20,000[3]	–	–	20,000[3]	–	–	Mar 2003	Sep 2003
	–	3,427[2]	–	–	3,427[2]	169.6p	–	Dec 2003	May 2004
	132,618	23,427	7,858	–	148,187				

Directors' interests in share options and awards continued

	1 January 2000 or date of appointment	Granted in year	Exercised in year	Lapsed in year	31 December 2000	Exercise price	Market price at date of exercise	Exercisable from	Expiry date
M P Farley	21,713	–	21,713	–	–	141.5p	175.0p	Mar 1993	Mar 2000
	31,865	–	–	–	31,865	227.0p	–	Apr 1995	Apr 2002
	63,729	–	–	–	63,729	214.0p	–	Apr 1996	Apr 2003
	31,665	–	–	–	31,665	269.0p	–	Apr 1997	Apr 2004
	63,330	–	–	–	63,330	171.5p	–	Apr 1998	Apr 2005
	30,000	–	–	–	30,000	196.0p	–	Apr 1999	Apr 2006
	100,000[1]	–	–	–	100,000[1]	233.0p	–	May 2000	May 2004
	38,000[3]	–	–	–	38,000[3]	–	–	Mar 2002	Sep 2002
	30,000[3]	–	–	–	30,000[3]	–	–	Mar 2002	Sep 2002
	–	40,000[3]	–	–	40,000[3]	–	–	Mar 2003	Sep 2003
	410,302	40,000	21,713	–	428,589				
J Millar	63,729	–	–	–	63,729	214.0p	–	Apr 1996	Apr 2003
	31,665	–	–	–	31,665	269.0p	–	Apr 1997	Apr 2004
	63,330	–	–	–	63,330	171.5p	–	Apr 1998	Apr 2005
	30,000	–	–	–	30,000	196.0p	–	Apr 1999	Apr 2006
	100,000[1]	–	–	–	100,000[1]	233.0p	–	May 2000	May 2004
	4,020[2]	–	4,020	–	–	194.0p	238.5p	Dec 2000	May 2001
	38,000[3]	–	–	–	38,000[3]	–	–	Mar 2002	Sep 2002
	30,000[3]	–	–	–	30,000[3]	–	–	Mar 2002	Sep 2002
	888[2]	–	–	888	–	218.0p	–	Dec 2002	May 2003
	–	40,000[3]	–	–	40,000[3]	–	–	Mar 2003	Sep 2003
	–	5,711[2]	–	–	5,711[2]	169.6p	–	Dec 2003	May 2004
	361,632	45,711	4,020	888	402,435				
D G Bryant	31,665	–	–	–	31,665	269.0p	–	Apr 1997	Apr 2004
	100,000[1]	–	–	–	100,000[1]	233.0p	–	May 2000	May 2004
	38,000[3]	–	–	–	38,000[3]	–	–	Mar 2002	Sep 2002
	7,738[2]	–	–	–	7,738[2]	126.0p	–	Dec 2001	May 2002
	30,000[3]	–	–	–	30,000[3]	–	–	Mar 2002	Sep 2002
	–	30,000[3]	–	–	30,000[3]	–	–	Mar 2003	Sep 2003
	207,403	30,000	–	–	237,403				
B D Taylor	31,865	–	–	–	31,865	227.0p	–	Apr 1995	Apr 2002
	63,729	–	–	–	63,729	214.0p	–	Apr 1996	Apr 2003
	31,665	–	–	–	31,665	269.0p	–	Apr 1997	Apr 2004
	52,775	–	–	–	52,775	171.5p	–	Apr 1998	Apr 2005
	50,000[1]	–	–	–	50,000[1]	233.0p	–	May 2000	May 2004
	230,034	–	–	–	230,034				

[1] Persimmon plc Executive Share Option Scheme 1997.
[2] Persimmon plc Save As You Earn Schemes.
[3] Persimmon plc Long Term Incentive Plan 1998.

Unless otherwise indicated, all options were granted under the 1988 Executive Share Option Scheme.

All options were granted for nil consideration.

Details of the market value of the company's shares during the year are given on page 55.

By order of the board

G Grewer
Group Company Secretary
28 February 2001

Corporate governance

The board supports the highest standards in corporate governance and has reviewed the group's procedures following the publication of the Combined Code (the "Code") in June 1998.
The principles of the Code are set out under four main headings and the company has applied them as follows:

Directors

The board consists of seven executive directors and three non-executive directors. Two of the executive directors are Divisional Chief Executives and one is a Regional Chairman, which ensures a direct line of control between the parent company and its divisions. 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 financial strategy, reviewing performance, ensuring adequate financial resources are available and reporting to shareholders. This schedule is reviewed on a systematic basis. All directors have access to the advice and services of the Group Company Secretary and may also seek independent professional advice, at the company's expense, if so required to carry out their duties.

Except for Michael Killoran, who has a one year rolling contract, all executive directors have two year rolling contracts. It is the board's objective that all newly appointed executive directors be given service contracts of no more than 12 months' duration. The board considers that to reduce existing notice periods from two years to one year will be costly and demotivating.

There are also two committees which have been established for several years. They are the Nomination and Remuneration Committee and the Audit Committee. In order to ensure these committees remain objective, membership of both consists of the three non-executive directors. In addition, a Risk Committee, comprising John White, John Millar, Michael Farley and Michael Killoran, has been established to further enhance the group's management of internal control and business risk. Each committee has specific terms of reference set by the board as a whole and they meet as required.

Directors' remuneration

Details of the remuneration for each director serving during the year are set out in the remuneration report. The Nomination and Remuneration Committee is responsible for recommending the level of remuneration for each executive director and aims to align the interests of executive directors with those of the shareholders. Consequently, a large proportion of the company's executive directors' pay is performance based. The committee considers that it is in the interests of the shareholders that directors benefit when the company performs well. As stated in the remuneration report, non-executive directors receive a fee and they do not qualify for performance related bonuses.

The board of directors has considered putting the remuneration report to shareholders at the forthcoming annual general meeting. As there has been no change to remuneration policy they decided against doing so.

Relations with shareholders

The board has always sought good relations with the company's shareholders and believes it is very important that shareholders receive timely information on their company's progress.

They understand it is important for both private and institutional shareholders to have the opportunity to raise concerns or discuss matters with directors. Messrs Davidson, White and Killoran have responsibility for maintaining appropriate communications with institutional investors. All of the directors attend the company's annual general meeting and are available to answer questions at the meeting or privately.

Accountability and audit

The company has an established Audit Committee to whom the external auditors, KPMG Audit Plc report. The Audit Committee is wholly comprised of non-executive directors.

In addition, the company has an internal audit function whose terms of reference are recommended by the Audit Committee and are approved by the board.

Internal control

The company has complied with the Code provisions on internal control having established and operated the procedures necessary to implement the guidance issued in September 1999 (the Turnbull committee report) throughout the year.

The board has overall responsibility for the company's system of internal control and for the review of its effectiveness. It is the role of management to implement the board's policies on risk and control through the design and operation of internal control systems. Collectively all employees have some responsibility for internal control as part of their accountability for achieving objectives.

The Risk Committee is a subcommittee of the main board and has the delegated task of overseeing the board's responsibilities with respect to risk and internal control. Specifically this includes determining appropriate control policies and the review of the effectiveness of internal control.

The processes that the Risk Committee has applied in reviewing the effectiveness of the system of internal control include the following:

- review of representations on risk and control from all subsidiary managing directors and key head office and divisional management;
- review of reports produced by internal and external audit on internal control and management of risk;
- ongoing review of company performance in comparison to operational forecast and financial budget;
- oversight of and involvement in individual subsidiary company board discussion, specifically operational board meetings and the bi-monthly business review meetings where detailed financial performance is analysed.

The Risk Committee has met on a regular basis throughout the year ensuring that there has been an ongoing process for the identification, evaluation and management of the significant risks that are faced by the company. The company system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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.

By order of the board

G Grewer
Group Company Secretary
28 February 2001

Report of the auditors KPMG Audit Plc to the members of Persimmon plc

We have audited the financial statements on pages 34 to 54.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 24 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority ("FSA"), and by our profession's ethical guidance.

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

We review whether the statement on pages 31 and 32 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the FSA, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
28 February 2001

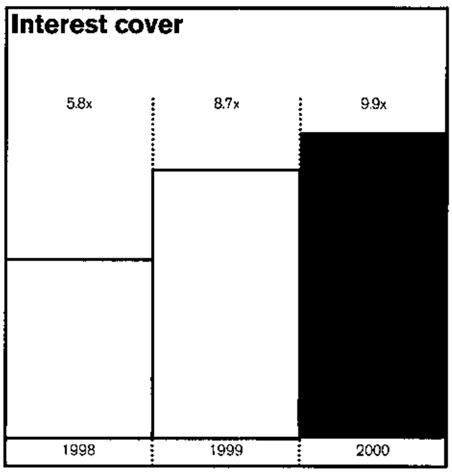
1 The Embankment
Neville Street
Leeds
LS1 4DW

Consolidated profit and loss account
For the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Turnover			
Continuing operations	2	742,164	695,854
Cost of sales		(595,163)	(577,474)
Gross profit		147,001	118,380
Net operating expenses		(31,289)	(26,216)
Operating profit before amortisation of goodwill		116,011	92,164
Amortisation of goodwill		(299)	–
Operating profit			
Continuing operations		115,712	92,164
Net interest payable and similar charges	5	(11,696)	(10,600)
Profit on ordinary activities before taxation	6	104,016	81,564
Tax on profit on ordinary activities	7	(30,190)	(23,928)
Profit for the financial year	8	73,826	57,636
Dividends	9	(22,635)	(20,079)
Retained profit for the year	22, 23	51,191	37,557
Basic earnings per share	10	40.6p	32.1p
Diluted earnings per share	10	40.4p	31.8p
Dividend per share	9	12.4p	11.1p

The group has no recognised gains or 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.



Consolidated balance sheet
At 31 December 2000

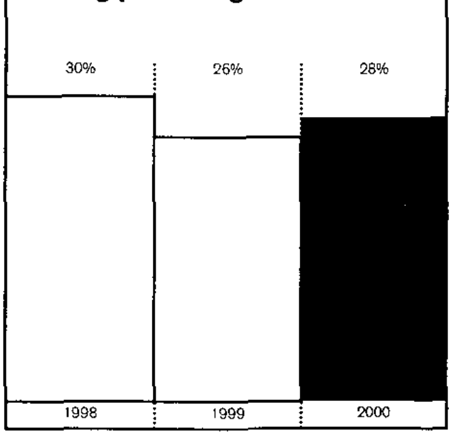
	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	12,135	11,105
Intangible assets	12	3,277	–
		15,412	11,105
Current assets			
Stocks and work in progress	14	693,932	584,694
Debtors due after one year	15	805	1,158
Debtors due within one year	15	65,564	45,426
Cash at bank and in hand	25	11,654	51,762
		771,955	683,040
Creditors due within one year			
Borrowings	16	(11,699)	(22,605)
Other creditors	17	(206,152)	(164,963)
		(217,851)	(187,568)
Net current assets		554,104	495,472
Total assets less current liabilities		569,516	506,577
Creditors due after more than one year			
Borrowings	16	(116,105)	(123,998)
Other creditors	17	(35,005)	(18,904)
		(151,110)	(142,902)
Net assets		418,406	363,675
Capital and reserves			
Called up share capital	20	18,288	18,133
Share premium account	22	201,304	200,801
Merger reserve	22	3,123	3,123
Revaluation reserve	22	1,242	1,242
Profit and loss account	22	194,449	140,376
Equity shareholders' funds	23	418,406	363,675
Net assets per share	10	228.8p	200.6p

The financial statements on pages 3[illegible] to 54 were approved by the board of directors on 28 February 2001 and were signed on its behalf by:

D H Davidson
Director

M H Killoran
Director

Gearing percentage



Company balance sheet
At 31 December 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	3,051	3,254
Investments	13	281,618	78,339
		284,669	81,593
Current assets			
Stocks and work in progress	14	431	440
Debtors	15	318,456	378,787
Cash at bank and in hand		52,947	79,009
		371,834	458,236
Creditors due within one year			
Borrowings	16	(7,893)	(7,893)
Other creditors	17	(183,491)	(163,652)
		(191,384)	(171,545)
Net current assets		180,450	286,691
Total assets less current liabilities		465,119	368,284
Creditors due after more than one year			
Borrowings	16	(116,105)	(123,998)
Other creditors	17	(441)	(429)
		(116,546)	(124,427)
Net assets		348,573	243,857
Capital and reserves			
Called up share capital	20	18,288	18,133
Share premium account	22	201,304	200,801
Merger reserve	22	4,609	4,609
Revaluation reserve	22	907	907
Profit and loss account	22	123,465	19,407
Equity shareholders' funds		348,573	243,857

The financial statements on pages 34 to 54 were approved by the board of directors on 28 February 2001 and were signed on its behalf by:

D H Davidson
Director

M H Killoran
Director

Consolidated cash flow statement

For the year ended
31 December 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities (see below)		61,149	56,954
Return on investments and servicing of finance			
Interest received		36	161
Interest paid		(11,536)	(7,185)
Interest paid on finance leases		(334)	(384)
		(11,834)	(7,408)
Taxation			
UK corporation tax paid		(28,189)	(16,744)
Capital expenditure			
Purchase of tangible fixed assets		(3,818)	(3,010)
Sale of tangible fixed assets		693	490
		(3,125)	(2,520)
Acquisitions and disposals			
Acquisition of businesses and subsidiaries	12	(19,078)	(12,030)
Equity dividends paid		(18,735)	(16,621)
Net cash (outflow)/inflow before financing		(19,812)	1,631
Financing			
Bank loans advanced		120,000	280,621
Repayment of bank loans		(127,893)	(236,300)
Exercise of share options		658	2,641
Repayment of principal under finance leases		(2,155)	(2,218)
Net cash (outflow)/inflow from financing		(9,390)	44,744
(Decrease)/increase in cash	24	(29,202)	46,375

Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		115,712	92,164
Depreciation charge		3,236	2,720
Amortisation of goodwill		299	–
Loss/(profit) on sale of tangible fixed assets		26	(3)
LTIP charge		765	350
Increase in stocks and work in progress and BES assets		(92,141)	(14,996)
Increase in debtors		(16,184)	(5,673)
Increase/(decrease) in creditors		49,436	(17,608)
Net cash inflow from operating activities		61,149	56,954

Notes to the financial statements
For the year ended
31 December 2000

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The group has adopted Financial Reporting Standard ("FRS") 15 (Tangible Fixed Assets) this year, with no material effect on the group's results. 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 2000. 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 existing 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.

Joint arrangements

The group's share of profits and losses from its investments in joint arrangements is accounted for on a direct basis and is included in the consolidated profit and loss account. The group's share of its investments' assets and liabilities is accounted for on a direct basis in the consolidated balance sheet.

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 acquisition of subsidiaries and businesses will be capitalised as an asset and amortised over its useful economic life. Goodwill arising prior to 31 December 1997, of £32,729,000 and previously written off against reserves, has not been reinstated.

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.
Freehold buildings – 50 years.

No depreciation is provided on freehold land.

Investments

Investments are valued at cost less provision for any impairment in value.

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.

1 Principal accounting policies continued

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, sales proceeds being held on the balance sheet as BES advances until that date. The properties are held on the balance sheet as BES assets until the sale is recognised.

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.

Treasury instruments

The group uses currency swaps and interest rate swaps to manage financial risk. Interest charges and financial liabilities are stated after taking account of these swaps.

2 Turnover

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

3 Directors

Detailed disclosures of directors' individual remuneration, pension entitlements and share options, for those directors who served during the year, are given in the remuneration report on pages 25 to 30.

	2000 £'000	1999 £'000
Fees	113	79
Emoluments (including salaries, benefits in kind and annual incentive payments)	4,299	3,551
Gains made on exercise of share options	45	336
	4,344	3,966

Fees, other emoluments (excluding pension contributions) and gains on exercise of share options payable to the highest paid director are as follows:

	2000 £'000	1999 £'000
Fees, other emoluments and gains on exercise of share options	778	694

4 Employees

The average monthly number of persons (including executive directors) employed by the group during the year was 2,219 (1999: 2,027).

	2000 £'000	1999 £'000
Staff costs (for the above persons)		
Wages and salaries	51,660	44,240
Social security costs	4,515	3,842
Pension contributions	4,315	3,210
	60,490	51,292

In addition, the group used the services of a substantial number of self employed labour only site operatives.

5 Net Interest payable and similar charges

	2000 £'000	1999 £'000
Bank loans and overdrafts	11,302	10,209
BES finance cost	–	80
Finance leases	334	382
Other	96	90
	11,732	10,761
Less: receivable	(36)	(161)
	11,696	10,600

The BES finance cost represents the anticipated cost of the guarantee accrued over the period of the schemes (see note 28).

6 Profit on ordinary activities before taxation

	2000 £'000	1999 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on sale of land	5,212	4,115
Rent receivable:		
– BES	122	20
– other	972	1,069
And after charging:		
Depreciation:		
– owned assets	1,623	947
– assets held under finance leases	1,613	1,773
(Loss)/profit on sale of fixed assets	(26)	3
Remuneration of auditor and its associates for:		
– audit (company £nil; 1999: £7,000)	130	143
– other services to the company and its subsidiaries	67	105
Operating leases:		
– plant hire	8,478	6,376
– other	843	742

7 Tax on ordinary activities

	2000 £'000	1999 £'000
Current year:		
– corporation tax at 30% (1999: 30.25%)	29,681	24,476
– deferred tax	529	(171)
Adjustments in respect of prior years:		
– corporation tax	–	(1,028)
– deferred tax	(20)	651
	30,190	23,928

8 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 £123,811,000 (1999: loss £674,000).

9 Dividends

	2000 £'000	1999 £'000
On equity shares		
Ordinary – Interim paid of 3.9p per share (1999: 3.5p)	7,108	6,335
Ordinary – Final proposed of 8.5p per share (1999: 7.6p)	15,527	13,744
	22,635	20,079

Under the scrip dividend scheme, £1,955,000 of the 1999 final dividend (1998 final: £2,264,000), and £162,000 of the 2000 interim dividend (1999 interim: £117,000) were paid by way of shares. These amounts have been credited to the profit and loss account reserve (see note 22).

10 Earnings and net assets per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the Employee Share Ownership Trust and the Employee Benefit Trust (see note 20), which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares from the start of the accounting period. The company has only one category of dilutive potential ordinary shares: those share options and awards granted to directors and employees where the exercise price is less than the average market price of the company's ordinary shares during the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings 2000 £'000	Weighted average number of ordinary shares 2000	Earnings 1999 £'000	Weighted average number of ordinary shares 1999
For basic earnings per share	73,826	181,732,010	57,636	179,796,076
Options and awards	–	1,087,342	–	1,267,634
For diluted earnings per share	73,826	182,819,352	57,636	181,063,710

The net assets per share calculation is based on net assets of £418,406,000 (1999: £363,675,000) and 182,877,576 ordinary shares (1999: 181,330,414 ordinary shares), being the number in issue, at 31 December 2000.

11 Tangible assets

Group	Land and buildings £'000	Plant £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 2000	4,693	11,166	3,495	19,354
Additions	722	3,470	793	4,985
Disposals	(50)	(1,279)	(112)	(1,441)
At 31 December 2000	5,365	13,357	4,176	22,898
Depreciation				
At 1 January 2000	338	6,091	1,820	8,249
Charge for the year	92	2,314	830	3,236
Disposals	–	(620)	(102)	(722)
At 31 December 2000	430	7,785	2,548	10,763
Net book value				
At 31 December 2000	4,935	5,572	1,628	12,135
Net book value				
At 31 December 1999	4,355	5,075	1,675	11,105
Cost or valuation at 31 December 2000 is represented by:				
External surveyors valuation 1988	2,266	–	–	2,266
Cost	3,099	13,357	4,176	20,632
	5,365	13,357	4,176	22,898

The group's net book value of tangible fixed assets of £12,135,000 includes an amount of £3,308,000 (1999: £4,328,000) in respect of assets held under finance leases.

The net book value of the group's land and buildings includes £4,575,000 of freehold and £360,000 of short leasehold (1999: £3,968,000 and £387,000).

The group's land and buildings have an original cost of £4,227,000.

11 **Tangible assets** continued

Company	Land and buildings £'000	Plant £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 2000	2,031	926	1,557	4,514
Additions	–	398	125	523
Disposals	–	(395)	(60)	(455)
At 31 December 2000	2,031	929	1,622	4,582
Depreciation				
At 1 January 2000	271	324	665	1,260
Charge for the year	49	187	346	582
Disposals	–	(251)	(60)	(311)
At 31 December 2000	320	260	951	1,531
Net book value At 31 December 2000				
Net book value	1,711	669	671	3,051
At 31 December 1999	1,760	602	892	3,254
Cost or valuation at 31 December 2000 is represented by:				
External surveyors valuation 1988	1,480	–	–	1,480
Cost	551	929	1,622	3,102
	2,031	929	1,622	4,582

The company's net book value of tangible fixed assets of £3,051,000 includes an amount of £746,000 (1999: £744,000) in respect of assets held under finance leases.

The net book value of the company's land and buildings includes £1,351,000 of freehold and £360,000 of short leasehold (1999: £1,373,000 and £387,000).

The company's land and buildings have an original cost of £1,124,000.

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

12 Acquisition

On 22 February 2000, the group acquired the entire issued share capital of Tilbury Douglas Homes Limited for a cash consideration of £19,503,000, including £16,076,000 in settlement of outstanding balances with the former parent company, and acquisition costs. This acquisition has been accounted for using the acquisition method of accounting.

The assets and liabilities of Tilbury Douglas Homes Limited acquired are set out below:

	Book value £'000	Accounting policy alignment £'000	Fair value to the group £'000
Tangible fixed assets	32	–	32
Stock	15,894	1,203	17,097
Debtors	6,979	(3,336)	3,643
Cash at bank	500	–	500
Total assets	23,405	(2,133)	21,272
Creditors: amounts falling due within one year	(6,578)	1,233	(5,345)
Net assets	16,827	(900)	15,927
Goodwill			3,576
Total cost of assets acquired			19,503

The fair value adjustments above principally relate to the alignment of accounting policies with respect to income and cost recognition.

Impact on cash flows

The outflow of cash in respect of the acquisition was £19,503,000, comprising the cash consideration of £3,427,000 for the shares of Tilbury Douglas Homes Limited including acquisition expenses, and £16,076,000 in respect of intra group indebtedness.

Intangible assets

The goodwill of £3,576,000 arising on the acquisition has been capitalised in the consolidated balance sheet in accordance with FRS 10 ("Goodwill and Intangible Assets") and is being amortised on a straight line basis over a period of 10 years, as set out below:

	Goodwill £'000
At 1 January 2000	–
Additions in the year	3,576
Amortisation	(299)
At 31 December 2000	3,277

13 Investments

Company	£'000
Interests in subsidiary undertakings	
Cost	
At 1 January 2000	78,339
Acquisition and net additions	203,279
At 31 December 2000	281,618

Details of group undertakings are set out in note 33.

On 22 February 2000, the group acquired the entire issued share capital of Tilbury Douglas Homes Limited, further details of which are set out in note 12.

During the year, the company established two new directly held, wholly owned subsidiary companies, Persimmon Holdings Limited and Persimmon Finance Limited, to effect the reorganisation of the group's operating businesses. The company subscribed for 100 million ordinary shares of £1 each in the capital of each of these companies.

On 22 December 2000, as part of the group reorganisation, the company transferred its investment in certain of its principal operating subsidiaries to Persimmon Holdings Limited, for a cash consideration of £148,000, equal to the book value of these investments.

Group

On 16 March 1998 the group entered into a conditional agreement to purchase a group of companies with an interest in land. The acquisition is conditional upon planning permission being granted at which point the consideration will be determined. Until planning permission is obtained the group has no control over the companies. Consequently, the acquired companies have been excluded from the consolidated group balance sheet in accordance with FRS 2 "Accounting for Subsidiary Undertakings".

During 2000 deferred consideration of £75,000 was paid for the business assets of Laing Homes, acquired in 1998.

14 Stocks and work in progress

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Land	448,703	377,528	–	–
Work in progress	199,592	176,218	431	440
Part exchange properties	22,187	11,302	–	–
Deposits received	(6,119)	(6,852)	–	–
Showhouses	29,569	26,498	–	–
	693,932	584,694	431	440

15 Debtors

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Amounts due after more than one year				
Secured loans	805	1,057	–	–
Other debtors	–	101	–	–
	805	1,158	–	–
Amounts due within one year				
Secured loans	842	3,235	–	–
Trade debtors	21,163	15,347	44	20
Other debtors	6,100	8,912	5,913	8,014
Amounts owed by group undertakings	–	–	307,276	369,521
Licensed land prepayments	28,916	15,200	184	184
Other prepayments and accrued income	8,543	2,732	5,039	1,048
	65,564	45,426	318,456	378,787
Total debtors	66,369	46,584	318,456	378,787

16 Borrowings

In addition to the bank overdrafts, the group's, and company's, borrowings consist of:

Syndicated loan

The group has a syndicated loan facility of £150 million. The facility is reviewable by June 2005. Amounts drawn down are unsecured with a floating rate of interest linked to LIBOR.

US private placements of senior loan notes

On 16 May 1996 the group issued US$65 million of unsecured 7.3% fixed interest loan notes. The notes are repayable in annual instalments from May 1999 to May 2006. On issue the notes were swapped into £42.7 million of floating rate debt linked to LIBOR with the same maturity profile.

On 20 July 1999 the group raised a further US$150 million of unsecured 7.7% fixed interest loan notes. The notes are repayable in annual instalments from July 2005 to July 2011. On issue the notes were swapped into £95.5 million of floating rate debt linked to LIBOR with the same maturity profile.

The maturity profile of the group's, and company's, borrowings is as follows:

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Within one year or on demand				
Bank overdrafts	3,806	14,712	–	–
US senior loan notes	7,893	7,893	7,893	7,893
	11,699	22,605	7,893	7,893
Between one and two years				
US senior loan notes	7,893	7,893	7,893	7,893
Between two and five years				
US senior loan notes	25,856	17,379	25,856	17,379
In more than five years				
US senior loan notes	82,356	98,726	82,356	98,726
Total amounts due after more than one year	116,105	123,998	116,105	123,998

17 Other creditors

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Amounts due within one year				
Obligations under finance leases	1,622	1,979	310	307
Trade creditors	73,263	65,097	436	459
Land creditors	55,635	25,224	–	–
Licensed land agreements	1,168	410	–	–
Amounts owed to group undertakings	–	–	156,903	138,793
Corporation tax	19,213	17,721	2,811	2,320
Other taxation and social security	1,772	1,771	120	123
Other creditors	11,565	6,592	2,515	2,024
Accruals and deferred income	26,387	32,425	4,869	5,882
Dividends payable	15,527	13,744	15,527	13,744
	206,152	164,963	183,491	163,652
Amounts due after more than one year				
Obligations under finance leases	1,686	2,349	441	429
Land creditors	30,439	16,555	–	–
Accruals and deferred income	2,880	–	–	–
	35,005	18,904	441	429

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

Of the above, £3,848,000 of land creditors is repayable in instalments and falls due after more than five years.

Obligations under finance leases due after more than one year fall due as follows:

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Finance leases				
Between one and two years	1,028	1,339	251	243
Between two and five years	658	1,010	190	186
	1,686	2,349	441	429

18 Financial instruments

Financial assets and liabilities

Details of the group's use of financial instruments is included in the financial review on pages 13 to 19. The group's financial assets and liabilities are as disclosed below. However, as permitted by FRS 13, short term debtors and creditors, and comparative figures have been excluded.

The group's financial assets comprise long term debtors, and cash at bank and in hand. Interest on bank balances is calculated on a daily basis, at a rate linked to base rate. Long term debtor balances are non-interest bearing.

The group's financial liabilities comprise bank and other borrowings, finance lease creditors and other creditors due after more than one year.

Interest rate profile of financial liabilities

After taking into account interest rate swaps and currency swaps, the interest rate profile of the group's financial liabilities at 31 December 2000, which are all denominated in sterling, is as follows:

	2000 £'000	1999 £'000
Financial liabilities on which no interest is paid	30,439	16,555
Floating rate financial liabilities	107,804	96,603
Fixed rate financial liabilities	23,308	54,328
	161,551	167,486

For financial liabilities on which no interest is paid, the weighted average period until maturity is 32 months (1999: 26 months).

Floating rate financial liabilities are at a rate linked to base rate for bank overdrafts and six months LIBOR for other loans.

The interest rate on £20 million of the financial liabilities has been fixed by way of an interest rate swap agreement. The interest rate of this swap is 7.5% and the period for which the interest rate is fixed is 17 months.

Maturity profile of financial liabilities

The maturity profile of the group's financial liabilities at 31 December 2000 is as follows:

	2000 £'000	1999 £'000
Within one year or on demand	13,321	24,584
Between one and two years	20,042	18,464
Between two and five years	41,984	25,612
In more than five years	86,204	98,826
	161,551	167,486

At 31 December 2000 the group has undrawn committed borrowing facilities of £150 million expiring between two and five years (1999: £120 million expiring between one and two years).

Currency exposures

After taking account of currency swaps the group had no currency exposures as at 31 December 2000 (1999: nil). All US senior loan notes were swapped into sterling on issue.

Fair values

In aggregate there is no material difference between the book value and the fair value of the group's financial assets, financial liabilities and swap agreements as at 31 December 2000. Market values have been used for the fair value of the currency and interest rate swaps. The fair values of other financial assets and liabilities have been calculated by discounting cash flows at prevailing interest rates and exchange rates.

19 Deferred tax

The liability in the group for deferred tax is £467,000 (company: £750,000). This liability has been recognised in other creditors as at 31 December 2000 (company: £750,000).

	Group £'000
Short term timing differences	1,198
Losses	(731)
	467
The movement is as follows:	
At 1 January 2000	(42)
Profit and loss account	509
At 31 December 2000	467

20 Called up share capital

	2000 £'000	1999 £'000
Authorised		
220,000,000 (1999: 220,000,000) ordinary shares of 10p each	22,000	22,000
Allotted, called up and fully paid		
182,877,576 (1999: 181,330,414) ordinary shares of 10p each	18,288	18,133

During the year 1,215,139 ordinary shares were issued in lieu of ordinary dividends and a total of 223,861 ordinary shares were allotted, for a cash consideration of £407,987, in respect of the exercise of share options (excluding those SAYE options noted below).

An Employee Share Ownership Trust (ESOT) was established on 9 October 1997 to acquire shares to be distributed to participating employees as they exercise SAYE scheme contracts.

The ESOT acquired 63,500 ordinary shares by a market purchase and subscribed for 108,162 ordinary shares at market value. It distributed 272,350 shares to employees during the year. At 31 December 2000 the trust held 291,283 ordinary shares on which dividends have been waived. The market value of these shares at 31 December 2000 was £709,274.

On 1 June 1998 the Persimmon 1999 Employee Benefit Trust (EBT) was established to hold shares under the terms of the trust deed until required to satisfy awards under the LTIP (see page 26). No shares were acquired or distributed by the EBT during the year. At 31 December 2000 the trust held 100,000 shares. Dividends on these shares have been waived. The market value of these shares at 31 December 2000 was £243,500.

The authorised share capital was increased to £36,500,000 at the extraordinary general meeting held on 21 February 2001.

21 Options in shares of Persimmon plc

Under the various schemes' options to subscribe for a total of 7,709,171 ordinary shares have been granted to employees (including full time directors of the company) and were outstanding on 28 February 2001 (the latest practicable date prior to the publication of this document) as follows:

(a) Persimmon plc 1988 Executive Share Option Scheme

Number of shares	Price per share	Dates of exercise
43,426	210.0p	March 1994 to March 2001
42,486	262.0p	Sept 1994 to Sept 2001
355,829	227.0p	April 1995 to April 2002
18,543	139.5p	Sept 1995 to Sept 2002
536,391	214.0p	April 1996 to April 2003
21,243	266.5p	Sept 1996 to Sept 2003
538,305	269.0p	April 1997 to April 2004
480,253	171.5p	April 1998 to April 2005
580,000	196.0p	April 1999 to April 2006
125,620	208.5p	Oct 1999 to Oct 2006
2,742,096		

(b) Persimmon plc 1997 Executive Share Option Scheme

Number of shares	Price per share	Dates of exercise
1,255,590	233.0p	May 2000 to May 2004
474,500	158.0p	Oct 2001 to Oct 2005
661,556	235.0p	Apr 2002 to Apr 2006
308,600	165.0p	March 2003 to March 2007
21,000	205.0p	Sept 2003 to Sept 2007
2,721,246		

(c) Persimmon plc 1997 Executive Share Option Plan

Number of shares	Price per share	Dates of exercise
119,910	233.0p	May 2000 to May 2007
124,000	158.0p	Oct 2001 to Oct 2008
101,750	235.0p	Apr 2002 to Apr 2009
176,400	165.0p	March 2003 to March 2010
79,000	205.0p	Sept 2003 to Sept 2010
601,060		

21 Options in shares of Persimmon plc continued

(d) Persimmon plc 1987 Savings Related Share Option Scheme

Number of shares	Price per share	Dates of exercise
1,571	131.7p	Nov 2000 to April 2001
25,773	194.0p	Dec 2000 to May 2001
27,344		

(e) Persimmon plc 1998 Savings Related Share Option Scheme

Number of shares	Price per share	Dates of exercise
754,374	126.0p	Dec 2001 to May 2002
250,791	218.0p	Dec 2002 to May 2003
612,260	169.6p	Dec 2003 to May 2004
1,617,425		

In addition 646,000 shares may be awarded under the terms of the LTIP (as described on page 26) during the period March 2002 to September 2002 and 392,000 shares may be awarded during the period March 2003 to September 2003. £765,000 has been charged in the profit and loss account reflecting management's best estimate of the cost of this award in the current year.

22 Share premium account and reserves

	Share premium account £'000	Merger reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
Group				
At 1 January 2000	200,801	3,123	1,242	140,376
Exercise of share options	625	–	–	–
Scrip dividends	(122)	–	–	2,117
LTIP	–	–	–	765
Retained profit for the year	–	–	–	51,191
At 31 December 2000	201,304	3,123	1,242	194,449
Company				
At 1 January 2000	200,801	4,609	907	19,407
Exercise of share options	625	–	–	–
Scrip dividends	(122)	–	–	2,117
LTIP	–	–	–	765
Retained profit for the year	–	–	–	101,176
At 31 December 2000	201,304	4,609	907	123,465

23 Reconciliation of movements in shareholders' funds

Group	2000 £'000	1999 £'000
Profit for the financial year	73,826	57,636
Dividends	(22,635)	(20,079)
	51,191	37,557
New share capital issued (excluding scrip issue)	658	3,141
Scrip dividends	2,117	2,381
ESOT capitalisation issue	–	(500)
LTIP	765	350
Net increase to shareholders' funds	54,731	42,929
Opening shareholders' funds	363,675	320,746
Closing shareholders' funds	418,406	363,675

24 Reconciliation of net cash flow to net debt

	2000 £'000	1999 £'000
(Decrease)/increase in cash in the year	(29,202)	46,375
Decrease/(increase) in debt and lease finance	10,048	(42,103)
(Increase)/decrease in net debt from cash flows	(19,154)	4,272
New finance leases	(1,135)	(731)
(Increase)/decrease in net debt in the year	(20,289)	3,541
Net debt at 1 January	(99,169)	(102,710)
Net debt at 31 December	(119,458)	(99,169)

25 Analysis of net debt

	2000 £'000	Cash flow and lease financing £'000	1999 £'000
Net cash:			
Cash at bank and in hand	11,654	(40,108)	51,762
Bank overdrafts (see note 16)	(3,806)	10,906	(14,712)
Net cash per cash flow statement	7,848	(29,202)	37,050
Debt and lease financing:			
US senior loan notes (see note 16)	(123,998)	7,893	(131,891)
Finance leases (see note 17)	(3,308)	1,020	(4,328)
Debt and lease financing	(127,306)	8,913	(136,219)
Net debt	(119,458)	(20,289)	(99,169)

26 Capital commitments

At 31 December 2000 there were capital commitments contracted for amounting to £324,000 (1999: £784,000) in the group and capital commitments contracted for in the company of £138,000 (1999: £459,000).

27 Contingent liabilities

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

The company has given an unlimited cross guarantee in respect of the bank overdrafts of its subsidiary undertakings. At 31 December 2000 the bank overdrafts amounted to £45,653,000 (1999: £28,958,000).

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 some 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.

28 Properties in Business Expansion Scheme (BES) companies

The group sold properties into BES companies set up under BES assured tenancy schemes from 1989 to 1993.

Persimmon plc guaranteed the return to investors in the companies formed under the BES, therefore the proceeds received for the properties were treated as loans under BES advances on the balance sheet. The finance cost implicit in the BES arrangements, calculated by reference to the difference between the sales proceeds received and the guaranteed distribution to investors, was charged in the profit and loss account over the appropriate term. In addition, the net rental income arising in the BES companies was recognised in the profit and loss account in the appropriate period.

Turnover does not include properties sold to BES companies. During the life of the scheme the properties were held at cost on the balance sheet as BES assets.

On 31 January 1999, the final scheme matured and the company exercised its option to repurchase the properties that remained unsold at maturity in fulfilling its obligations under the guarantees. Repurchased properties are held on the balance sheet at cost, under work in progress, until the sale to a third party is recognised.

29 Financial commitments

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

Group	2000 Land and buildings £'000	2000 Other £'000	1999 Land and buildings £'000	1999 Other £'000
Expiring within one year	13	546	–	585
Expiring between two and five years inclusive	218	1,272	134	1,378
Expiring in over five years	543	–	970	–
	774	1,818	1,104	1,963
Company				
Expiring within one year	–	26	–	9
Expiring between two and five years inclusive	–	61	–	81
Expiring in over five years	25	–	25	–
	25	87	25	90

30 Related party disclosures

The company acquired from the Chairman, Duncan 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.

During the year John White, the Chief Executive, purchased a new property from Persimmon Homes (South Coast) Limited for a total consideration of £297,000, being the property's normal selling price, less a discount calculated on terms made available to all group employees.

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.

Although, by law, actuarial valuations only need to be carried out every three years, it is the group's practice to have these valuations carried out every two years. The most recent valuation was carried out as at 1 July 2000 by a professionally qualified actuary and adopted the projected unit method.

The main long term actuarial assumptions used were as follows:

	% pa
Investment return in service	6.8
Investment return after leaving service	5.8
General pay increases	3.8
Pension increases – service before April 1997	3.0
Pension increases – Limited Price Indexation	2.7

The market value of the scheme's assets at 1 July 2000 was £42 million and was sufficient to cover 82% of the scheme's liabilities allowing for future salary increases.

To achieve adequate funding for the scheme, the company has paid a special contribution of £6 million into the scheme and the joint contribution rate was increased from 18% to 18.5% of pensionable salaries from January 2001. The company's cost will be amortised over the expected average remaining services lives of the members in accordance with SSAP 24 ("Accounting for pension costs").

The next actuarial valuation will be carried out as at 1 July 2002.

The total pension cost for the group for the year was £4,315,000 (1999: £3,210,000).

Other than the defined benefit scheme and the directors pension entitlements on page 27, the group provides no other post retirement benefits.

32 Post balance sheet event

On 24 January 2001, the company announced the terms of a final offer for the entire issued share capital of Beazer Group Plc, the consideration for which comprises £312 million in cash plus approximately 88.4 million new Persimmon plc shares. In addition, the holders of the new shares will have the right to receive the final dividend of 8.5p per share declared by Persimmon plc in respect of the year ended 31 December 2000.

As at 28 February 2001, the only material outstanding condition is the clearance of the acquisition by the Office of Fair Trading.

As part of the offer for Beazer Group Plc, the Group has arranged UK bank facilities totalling £800 million, which will replace the existing facilities upon completion of the acquisition.

33 Details of group undertakings

The directors set out below information relating to the major trading subsidiary undertakings. All of these companies operate and are incorporated in Great Britain. A full list of subsidiary undertakings and joint arrangements will be annexed to the company's next annual return.

Subsidiary undertakings

Persimmon Homes Limited	Persimmon Homes (Midlands) Limited
Persimmon Holdings Limited*	Persimmon Homes (North Midlands) Limited
Persimmon Finance Limited*	Persimmon Homes (East Midlands) Limited
Persimmon Homes (Yorkshire) Limited	Persimmon Homes (Anglia) Limited
Persimmon Homes (West Yorkshire) Limited	Persimmon Homes (South East) Limited
Persimmon Homes (East Yorkshire) Limited	Persimmon Homes (South Coast) Limited
Persimmon Homes (South Yorkshire) Limited	Persimmon Homes (Thames Valley) Limited
Persimmon Homes (West Scotland) LimitedΔ	Persimmon Homes (Wessex) Limitedø
Persimmon Homes (East Scotland) Limited	Persimmon Homes (Wales) Limited†
Persimmon Homes (North West) Limited	Persimmon Homes (South West) Limited
Persimmon Homes (Mercia) Limited	Persimmon (City Developments) Limited
Persimmon Homes (North East) Limited	

*The shares of these companies are directly held by Persimmon plc. Unless otherwise indicated all other subsidiaries listed are held by Persimmon Holdings Limited.
ΔThe shares of this company are held by Persimmon Homes (South West) Limited.
øThe shares of this company are held by Persimmon Homes (Thames Valley) Limited.
†The shares of this company are held by Persimmon Homes (South East) Limited.

Shareholder information

Analysis of shareholding at 31 December 2000

Size of shareholding	Number of shareholders	%	Number of ordinary shares	%
1 – 5,000	4,629	82.15	6,303,127	3.45
5,001 – 50,000	768	13.63	10,558,422	5.77
50,001 – 250,000	142	2.52	15,916,960	8.71
250,001 and over	96	1.70	150,042,215	82.07
	5,635	100.0	182,820,724	100.0

Share price – year ended 31 December 2000

Price at 31 December 2000	243.5p
Lowest for year	165p
Highest for year	251p

Information on the internet www.persimmonhomes.com

Our website contains financial and corporate information as well as a home finder facility for prospective home buyers.

Computershare Services PLC, our Registrar, has introduced an internet facility whereby shareholders in Persimmon plc are able to access details of their shareholding subject to passing an identity check. You can access this service on their website at www.computershare.com. The site also includes information on recent trends in our share price.

Group directory

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Designed and produced by **Radley Yeldar** (London)

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