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PERSIMMON PLC
ANNUAL REPORT
DECEMBER 2003

+12%

AVERAGE SELLING PRICE £154,810

+27%

OPERATING PROFIT £381.7m*

+32%

PROFIT BEFORE TAX £352.5m*

+30%

BASIC EARNINGS 86.8p*

+21%

DIVIDEND PER SHARE 18.3p

* Before goodwill amortisation.

Chairman's Statement

During 2003 Persimmon continued the organic growth of the business, with net pre-tax profits increased by 32% to £352.5 million (2002: £267.6 million). Earnings per share rose by 30% to 86.8p, from 67.0p in 2002. (All figures are stated before goodwill amortisation).

Our profits for the second half of 2003 were in excess of £200 million. This is the first occasion on which we have achieved this level of profitability in any six month period. Persimmon's profits have risen in every consecutive half-year period for the last nine years. During the same period our annual profits have increased from £22.8 million in 1995 to £352.5 million in 2003.

Turnover in 2003 was £1.88 billion, (2002: £1.71 billion), from the legal completion of 12,163 homes (2002: 12,352 homes), a slightly lower level than the prior year, as we anticipated. The average selling price of £154,810 (2002: £138,530) represents a 12% rise over 2002. The higher level of profitability has been achieved as a result of further improvement in operating margins, which reached 20.3% (2002: 17.5%). At the same time our Return On Average Capital Employed increased to 25.5% (2002: 22.0%).

Looking ahead, the Group is in a very strong position to achieve further growth, both organically and, where appropriate, by acquisition. Currently, our number of sales outlets has increased by circa 10% since this time last year. Our sales for 2004 are already at a record level of over 6,000 homes as at 27 February 2004, with a value of circa £976 million. This is an increase in value of 32% over our sales at the same date in 2003. This is the result of volume growth of over 1,000 units combined with further price improvements, which will continue to deliver good margins.

We continue to invest in a large number of excellent land opportunities. These include smaller regional acquisitions like Merewood Homes acquired in June 2003, and large tracts of land such as the recent 90 acre brownfield land purchase of the former Massey Ferguson plant in Coventry. Our land bank with planning consent has been extended and now totals 57,222 plots, together with over 20,000 acres of strategic development land being taken through the planning system. We have been successful in progressing these potential development opportunities through our strategic land portfolio, from which our land and planning teams have achieved consents for a further circa 3,500 plots during 2003.

Despite these significant investments we have achieved a further reduction in our gearing to 28%, with borrowings of £314 million at 31 December 2003. This is our lowest level of debt since before the acquisition of the Beazer Group three years ago. This low level of gearing gives Persimmon great flexibility to invest in new opportunities as these occur. We believe that continuing to invest in the business is a sound strategy for Persimmon's future, and whilst we have no current intention of doing so, we retain the option of buying back our shares.

In my interim report on 26 August 2003 I referred to our policy on payment of dividends to shareholders. At that time we committed to pay a total dividend for 2003 of not less than 17.4p per share, a 15% uplift over 2002. Since that date, Persimmon's business has advanced ahead of expectations, and we are therefore proposing to increase the full year dividend for 2003 by 21% to 18.3p per share (2002: 15.15p per share), which is covered 4.5 times. We paid an interim dividend of 7.0p per share in October 2003, and will recommend a final dividend of 11.3p, which will be payable on 23 April 2004 to shareholders on the Register at 12 March 2004.

Persimmon has a very strong platform for further growth in sales volumes at good margins in 2004 and beyond. As a larger house builder we will continue to benefit from the many advantages of the size and scope of our business, including the ability to tackle the highly complicated planning process, and our strength in the procurement of materials for building operations.

Whilst interest rates may increase again this year, they are likely to remain at historically low levels. For the majority of our purchasers, secure employment is one of the most important factors when deciding to buy a new house, along with the desire to live in a home which satisfies their requirements. Current visitor levels demonstrate this continuing demand, reflected in a very strong period of sales activity for Persimmon in the first eight weeks of 2004.

The continuing excellent progress of the Group is being achieved as a result of the efforts and hard work of all of Persimmon's staff. I congratulate them upon their continuing success. The future holds exciting prospects for Persimmon as one of the largest house builders in the United Kingdom.

Duncan Davidson Chairman
27 February 2004

Duncan Davidson
Chairman

Financial Highlights

* Comparatives 1998 – 2000 exclude BES resales.
Δ Before goodwill amortisation and exceptional integration costs.
† Comparatives 1998 – 2000 as restated for FRS19 (Accounting for Deferred Taxation).

The Hanbury Staircase at our
Ledborough Gate development.

QUALITY

We are committed to building quality homes. We incorporate high levels of design and construction to provide good value for money for our customers.

Executive homes at The Shires, Towcester.

An imaginative use of vernacular style at
Strawberry Fields, Witney, Oxfordshire.

A mews style development at Much Wenlock, Shropshire.

Chief Executive's Review

c.3,500

Plots from strategic land

+10%

Increase in outlets

Overview

2003 has been an excellent year for Persimmon; our business is performing extremely well both operationally and financially, as is amply demonstrated by the record results we have announced.

Since the acquisition of the Beazer Group three years ago we have transformed the business into one of the UK's leading house builders with significantly increased margins and sustained volumes. We are particularly pleased that during 2003 we increased Charles Church completions to circa 1,000 per year thereby achieving another key objective we set ourselves at the time of acquisition.

We now have 32 operating businesses, 13 in the South Division, 12 in the North Division and 7 at Charles Church. These Charles Church operations have been fully integrated into our Group Divisional structure yielding further benefits.

The Divisions continue to be managed under the stewardship of Mike Farley in the South and by John Millar in the North with the support of the regional directors.

Despite being one of the largest house builders in the UK, the management structure we have in place ensures that we are quick to respond to changes in regional market conditions and land opportunities.

The benefits of scale are increasingly important as development of larger more complex schemes, with their associated planning and technical problems become a more regular source of development opportunities. In addition, we continue to reap the rewards of our larger business in respect of procurement of building materials.

These factors give us confidence in our ability to grow the business organically and to sustain good margin levels.

We plan to move the business further forward by growing all of our existing housing businesses to optimum size of operation whilst continuing to roll out the Charles Church businesses into other regional markets in the UK.

North Division

During the year we completed 5,295 homes, a 3% increase on 2002 (5,138). Average selling prices moved forward to £129,328 (2002: £109,445), an 18% increase, which reflects both good price growth in the region and the changing product mix. The North division land bank has been increased further to 24,251 plots (2002: 23,108 plots), representing a 4½ year supply at current levels.

Due to a strong volume performance in our North East business and the success of the Newcastle Great Park development we opened a new Teesside business on 1 January 2004 to facilitate further growth in the region.

South Division

The South division completed 5,878 units during 2003, which as anticipated, was a decline on the prior year's output of 6,395 units. The reduction was a direct result of planning delays, which restricted our ability to open new outlets. Sales rates per site remained at excellent levels. In the second half of the year we opened a good mix of new outlets and we are currently operating on 12% more sites in the South than at the same time last year and we anticipate reporting good volume growth for 2004. Average selling prices rose by 12% to £164,531 (2002: £146,379).

We have been successful in replacing our land bank at competitive prices and currently have 28,863 plots (2002: 27,765 plots) owned and under control. In addition we have circa 14,000 acres of high quality strategic land, including significant holdings in areas of known housing shortages.

Charles Church

Charles Church is now operating from seven offices throughout England and we have two further office openings planned, one in the North West of England and one in Scotland. The rollout of Charles Church in the North has been highly successful; the brand recognition is strong and the demand for the high quality homes for which Charles Church is famous, has been very pleasing.

Legal completions for the year were 990 (2002: 819), a significant increase on the prior year with great scope for further growth in the current year and beyond. As we introduced new Charles Church apartments to the range and sold more homes in the north of the country, the average selling price reduced, as anticipated, by 10% to £233,381 (2002: £259,711). This change of mix will be less pronounced in the future. The current average selling price for Charles Church is £247,000. The Charles Church land bank has grown during the year to 4,108 plots owned and under control (2002: 2,316 plots) in line with our growth plans for this business.

One of the additional benefits of Charles Church is that we have been able to introduce this product on large sites to provide a complete range of choice for our customers. This also enables the Group to develop these larger sites more quickly as well as adding value by increasing revenues. We plan an increase of this concept over future years as we move forward.

Land Bank

Whilst we have continued to buy land throughout 2003 at keen prices, we were more active in the land market during the first six months of 2003 when we identified some excellent opportunities.

At 31 December 2003 our land bank stood at 57,222 plots owned and under control representing a 4.7 year supply and an overall increase in plot count of 4,033 plots (2002: 53,189).

John White
Group Chief Executive

The plot cost to selling price ratio is circa 20% of current selling price, demonstrating once again our ability to replace our land at good prices.

In addition our strategic land bank has increased to circa 20,500 acres in good locations across all areas of the UK. We continue to be successful at achieving planning permission from this strategic land portfolio. During the year, we brought forward a further circa 3,500 plots to the owned and controlled land bank with particular successes in the South at Stansted and at Cannock, and at Gateshead in the North.

Current Trading Outlook
The market remains buoyant and the demand for good product in the right locations is robust. There are no signs of any slowdown in this demand.

Average selling prices of our total sales for the current year as at 27 February 2004 are ahead by circa 4% over the full year of 2003. There are, as always, regional variations in demand and pricing patterns with some markets stronger than others. Our profits and earnings have increased every year since 1995 and I attribute this consistency partly to our broad geographic spread which means that we are never over-exposed to one region. We also benefit from our long land bank, which provides us with great visibility and flexibility and enables our management to ensure that we replace our land at acceptable prices.

We are currently selling from circa 10% more outlets than at the same time last year and we expect to be able to maintain this momentum throughout the remainder of the year.

Environment and Innovation
Whilst we are steadfast in our determination to focus on our core business of house building, and the good basic disciplines involved, we recognise the benefits to be gained by employing new techniques in the industry. We are increasing our usage of off-site manufacturing where appropriate, and during the year completed over 1,600 steel or timber frame homes. We have also trialled the increased use of factory finished products, a trend which we expect to continue.

At the same time we are redoubling our efforts to improve our environmental performance and during the year we have continued to trial new initiatives including the use of photovoltaic roof tiles, sustainable urban drainage systems and improvements in energy ratings of the homes we build.

Staff and Training
Our graduate training scheme continues to benefit both our business and the individuals concerned. Our investment in graduates is growing with further increased intakes planned this year.

In addition we have recently commenced a new recruitment drive aimed at attracting early school leavers seeking a career involving technical and surveying skills.

The house building industry has in the past failed, for a variety of reasons, to attract new talent into the trade. I am pleased therefore that Persimmon has this year increased the number of apprentices it employs by 50% to circa 340 and initiated new recruitment schemes in local schools to attract new entrants into the industry. We also encourage all our contractors to adopt our approach to training wherever possible.

We believe that awareness of the benefits and attractions of a career in our industry is increasing rapidly. Persimmon is determined to respond to this change in sentiment and to play its part in training the future managers in our Company and the industry at large.

We are also continuing to invest in our existing staff development and are committed to developing our talent from within. The average length of service of our salaried employees at Persimmon is 5½ years whilst our 10 regional Board Directors have an average of 22 years housebuilding experience. This demonstrates the strength and depth of experience we have in our business.

Customers
We have continued to apply considerable management time, training and financial investment in customer care.

As recognised in the recent National Customer Satisfaction Survey by The Housing Forum, new home buyers' expectations continue to increase as the industry improves its quality and product.

At Persimmon we are committed to work tirelessly to ensure we match these increasing expectations.

We have been very pleased with the introduction of the Council of Mortgage Lenders procedures for handover and have worked closely with the NHBC to ensure satisfactory implementation throughout 2003.

We expect to report further progress in our customer care procedures and service as the results of these increased disciplines, and the significant investment we have made, bear fruit.

Health and Safety
Ensuring the health and safety of our employees, sub contractors, visitors to our sites and the general public continues to be of the utmost importance to Persimmon.

Over the past year we have maintained an ongoing training programme for all levels of employee, helped to raise the health and safety awareness of our contractors through extensive support of the Health and Safety Executives Working Well Together Campaign initiative and undertaken regular audit, inspection and review of all management and operational activities to ensure continual improvement in our health and safety performance.

Summary
The fundamentals of the house building industry are good and remain underpinned by the undersupply of new homes in this country over the last decade. In her recent interim review, Kate Barker identified issues which impact on the shortage of new housing and we await with interest any proposals the Government may seek to introduce to redress the balance. Persimmon is particularly well placed to respond to any changes and to react to the opportunity, should the industry be permitted to build more homes. We have a long, well bought land bank, sound finances and the operational and management capacity to manage more volume without increasing our cost base. Our broad geographical spread, product offer and scale brings resilience to our operations and returns.

Once again our staff have responded magnificently to the challenges presented and have achieved another most excellent set of results. The business has never been in better shape and I have every confidence in our prospects for this year and beyond.

John White Group Chief Executive
27 February 2004

A stylish development of apartments by
Charles Church at Leamington Spa, Warwickshire.

CHOICE

From low cost to luxury from North to South, we build homes that people want, in the right locations.

Town houses at The Mounts on our award winning Elvetham Heath development.

A popular development of family homes at Looseleigh Leat, Plymouth.

A wide range of contemporary interiors for every style of living.

Financial Review

*Before goodwill amortisation and exceptional integration costs.

These financial statements for the year ended 31 December 2003 have been prepared using existing UK financial reporting standards applied in a consistent manner.

Looking ahead, for its financial statements for the year ended 31 December 2005, Persimmon plc will be required to adopt International Financial Reporting Standards (IFRS) which will include comparative information for 2004.

We have undertaken an initial impact assessment to identify the areas of the financial statements that will be affected based upon current International Accounting Standards (IAS). As these standards are subject to improvement and further revision this impact assessment will continue. Our review at this stage indicates the principal areas of change are likely to include the cessation of goodwill amortisation (ED3), the timing of accrual for dividends (IAS10) and employee pension benefit accounting (IAS19). The presentation of, and disclosures within, the financial statements will change on adoption of IFRS.

Trading

During 2003 Persimmon continued to make significant progress both within our Core housing operation and our Charles Church premium brand business.

Group turnover increased by 10% on the prior year to £1,883.0m. This revenue growth was generated from a 12% increase in the average selling price of our new homes to £154,810 and despite a decrease of 1.5% in new home legal completions to 12,163. Of these overall volumes 11,173 home sales were delivered from our Core housing business and 990 from Charles Church. We are well placed to grow our volumes from here having 10% more outlets now open compared with the same point last year.

The increase in average selling price reflects overall new home market price growth together with a slight change in mix of sales including a higher content of Charles Church premium price homes (8.1% of total sales compared with 6.6% last year). Average selling prices within our Core housing business increased by 14% to £147,848 year on year, growth in average prices in the North Division being stronger at 18% to £129,328 than in the South Division where prices moved forward by 12% to £164,531. However Charles Church average prices reduced by 10% to £233,381 due to the successful continued expansion of this business both geographically into the North of England and further broadening of the product range. The Charles Church business is becoming increasingly robust with this expansion into new regional markets and wider product offer. The mix of sales across regional markets in both the North and South Divisions remained relatively consistent with the prior year. Customers have continued to buy an increasing value of sales extras from the Finishing Touches range to personalise their homes. The homes we sell remain affordable as demonstrated in the distribution of our sales by price band (illustrated graphically), our focus continues to be to provide affordable new homes across the market.

We have continued to see a gradual reduction in the rate of sales price growth through the second half of 2003 and the average selling price of our sales taken for 2004 at the end of February 2004 was circa 4% ahead of the average price for the whole of 2003.

Operating profit (before goodwill amortisation) of £381.7m was 27% higher than last year and generated operating margins for the year of 20.3%, up from 17.5% last year. Operating margin growth within the Core housing business has continued, reaching 21.1% for 2003 (2002: 18.1%). Further progress has also been made by Charles Church to 14.7% (2002: 13.3%) and the continued focus on margin improvement generated 15.0% margins in Charles Church in the second half of 2003.

Operating Margin Analysis*

	Full year 2003 %	Second half 2003 %	First half 2003 %	Full year 2002 %	Second half 2002 %	First half 2002 %	Full year 2001 %
Core housing	**21.1**	21.8	20.2	18.1	19.3	16.9	15.6
Charles Church	**14.7**	15.0	14.3	13.3	13.8	12.6	11.0
Total operating margin	**20.3**	21.0	19.4	17.5	18.6	16.4	15.2

*Excluding goodwill amortisation and exceptional integration costs.

Indeed, within our Core housing business second half margins moved ahead further to 21.8% (2002: 19.3%). Our ability to take advantage of the benefits of scale of the larger business through land acquisition and materials procurement is reflected in this margin improvement. Over the 10 year period from 1994 Persimmon has delivered an annual compound growth of 34.2% in operating profits (before goodwill amortisation).

Goodwill amortisation was £10.8m and includes £10.5m relating to the acquisition of Beazer Group Plc in 2001.

Interest is written off as incurred and the charge of £29.2m (2002: £32.2m) was covered 12.7 times. The average debt level for the Group during the year was approximately £510m.

Pre-tax profit (before goodwill amortisation) of £352.5m was 32% higher than the prior year and represents a record performance for Persimmon. These pre-tax profits have grown at a compound rate of 34.6% over the last 10 years from 1994. The 34% increase in pre-tax profit per unit (before goodwill amortisation) to £28,983 reflects our continued focus on profitability. Indeed in the second half of 2003 pre-tax profit per unit reached £30,416, an 11% increase on that for the first half of £27,282. This further progress in profitability per unit and operating margin (noted above) in the second half was achieved during a period of more subdued selling price growth.

The effective tax rate of 31.5% reflects the impact of the goodwill amortisation which is non-tax deductible. The tax charge is at the rate of 30.5% on profits before goodwill amortisation.

After tax earnings (before goodwill amortisation) delivered a 30% increase in basic earnings per share on the prior year at 86.8p (2002: 67.0p) and continues Persimmon's excellent record of earnings growth. Persimmon has generated 22.1% compound growth in earnings per share (before goodwill amortisation and exceptional costs) over the 10 year period from 1994. With a proposed final dividend of 11.30p per share the full year rate of 18.30p per share is an increase of 21% on the prior year (2002: 15.15p per share) and is covered by earnings 4.5 times.

Balance Sheet

The Group's balance sheet continues to provide an excellent platform in support of the future growth of the business. Net assets per share grew by 19% on the prior year to 398.7p. Net assets increased by £194.6m to £1,131.6m during 2003 including further significant investment in land and work in progress.

Land held for development (including land licence monies prepaid) was £1,195.2m an increase of £157.8m on the prior year (2002: £1,037.4m). The Group owned and controlled 57,222 consented plots at the end of the year with another 8,124 plots proceeding to contract which in total offers in excess of £10.6 billion development value at current period average selling prices. Due to planning constraints access to plots with detailed planning consent remains restricted to approximately two years supply in support of future production levels.

The land owned and under control is held at keen prices with an average plot cost of 19.9% of current period average sales revenue at 31 December 2003 (2002: 20.1%). This high quality land bank supports our forward sales momentum and provides a key element to sustaining our margins in the future.

Significant strategic land interests are also held by the Group with over 20,000 acres held under ownership, option, or under conditional contracts. We continue to employ a policy of acquiring land assets in as capital efficient manner as possible and seek to agree deferred terms where circumstances allow. At 31 December 2003 land creditors stood at £127.5m (2002: £127.3m).

At £457.2m work in progress was £73.6m higher than last year and supports the very strong level of forward orders of over £568m at the year end, an increase of 30% on the prior year. Management continue to focus on ensuring appropriate levels of capital turn are achieved on a site by site basis.

Part exchange stocks of £32.4m have increased by £10.1m from last year. However, this stock level represents less than 2% of sales and the quality of the stock held remains good.

Based upon the progress in operating margin performance together with our focus on capital efficiency, return on average capital employed (before goodwill amortisation) increased by 16% on last year's levels to 25.5% (2002: 22.0%). The increase in shareholders' funds of £194.6m results from retained profits of £182.3m, take up of the scrip dividend and employee share incentives.

Borrowings and Cash Flow

At 31 December 2003 year end borrowings net of cash balances were £314.5m representing gearing of 28% (2002: 36% on net borrowings of £337.3m). Cash inflow from operating activities was very healthy at £243.6m despite the further significant investment in land. Free cash flow after servicing the capital employed in the business, payment of tax and payment for acquisitions amounted to £20.8m.

£457.2m
Work in progress

25.5%
Return on average capital employed

£243.6m
Operating cash inflow

A number of small acquisitions were made during the year for a total consideration of circa £48m. These represent land purchases, there being no goodwill arising (further details are provided at note 12 to the financial statements).

The Group has secure long term funding, the average life of the gross debt (gross of cash and overdrafts) is circa five years at competitive rates of interest.

Treasury

We continue to finance our operations through a combination of shareholders' funds, bank loans, overdrafts, cash in hand and long term loans. Management consistently applies a policy of seeking to secure deferred terms on the acquisition of land assets.

Each operating business 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 businesses 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 Board. Liquidity risk is addressed through the policy of maintaining secure, flexible facilities with an overall extended maturity profile to accommodate medium term forecast funding requirements.

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 predefined 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.

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.

Mike Killoran Group Finance Director
27 February 2004

*Before goodwill amortisation and exceptional integration costs.

William and Zak enjoying the new playground
at Manadon Park, Plymouth.

COMMUNITIES

People want to live where they feel part of the community. We recognise that need and provide a balanced mix of homes, recreational facilities and other amenities.

Manadon Park, Plymouth.

A new children's home in East Kilbride
constructed by our Partnerships division.

Part of our community development at The Limes, Madley Park, Witney.

We created a new wildlife pond with extensive landscaping at our Hollingswood development, near Bramley, Rotherham.

ENVIRONMENT

During our development activities we aim not only to fully consider our environmental impact, but to enhance the quality of the environment.

The homes at St Edward's Place, Stow-on-the-Wold were built using local stone.

A new community on a former brickworks at Mallard Grange, Calvert, Buckinghamshire.

An elegant development of town houses
in a parkland setting at Wethered Park, Marlow.

Board of Directors

1 **Duncan Davidson**
Non-Executive Group Chairman (62)

Duncan Davidson founded the Company 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 40 years. He is Chairman of the Nomination Committee.

2 **John White**
Group Chief Executive (52)

John White was appointed to his present position in 1993. He has spent all his working life in the housing industry. After joining Persimmon in 1979 he was responsible for establishing the Company's operations in the Midlands. Mr White was appointed to the Board in 1986 and is Chairman of the Risk Committee.

3 **Mike Killoran BA (HONS.) ACA**
Group Finance Director (42)

Mike Killoran joined the Company in 1996 and was appointed to the Board in January 1999. A chartered accountant by profession, Mr Killoran worked in manufacturing, distribution and retail sectors before joining the Group. He took over his present role in April 1999 and is a member of the Risk Committee.

4 **Mike Farley BSC (HONS.) MCIOB**
Divisional Chief Executive (50)

Mike Farley joined Persimmon in 1983 and was appointed to the Board in 1989. Mr Farley is a member of the Chartered Institute of Building and was previously responsible for establishing the Wessex division and for developing the business in the Midlands. He was appointed Chief Executive of the South Division in 2000 and has overall responsibility for Group procurement. He is a member of the Risk Committee.

5 **John Millar FRICS**
Divisional Chief Executive (60)

John Millar joined Persimmon in 1986 and was appointed to the Board in 1993. A chartered surveyor by profession, Mr Millar was responsible for developing the Group's operations in Scotland prior to being appointed Chief Executive of the North Division in 2000. He is a member of the Risk Committee.

6 **David Bryant**
Southern Regional Chairman (51)

David Bryant is Chairman of operating businesses in Anglia, South East, Essex, Charles Church Southern and Charles Church South East. He is also the Board member responsible for Group Health and Safety and Sales and Marketing for Persimmon Homes and Charles Church. He joined the Company in 1985 and was appointed to the Board in 1991.

7 **Sir Chips Keswick**
Non-Executive Director (64)

Sir Chips Keswick has been a banker for over 40 years and is a former director of the Bank of England and Hambros Bank. He is a Director of De Beers S.A., and Investec Bank PLC. He was appointed to the Board in 1984 and is a member of the Nomination Committee.

8 **Hamish Leslie Melville**
Non-Executive Director (59)

Hamish Leslie Melville is a Managing Director of Credit Suisse First Boston (Europe). He is Chairman of Mithras Investment Trust, Northern Recruitment Group Plc, Old Mutual South Africa Trust and The Fleming Mercantile Investment Trust. He is also a Director of The Scottish Investment Trust. He is Chairman of the Remuneration Committee and a member of the Nomination and the Audit Committees. He was appointed to the Board in 1995.

9 **David Thompson**
Senior Independent Director (49)

David Thompson is Chairman of The Wolverhampton and Dudley Breweries PLC. He is also a director of The Income and Growth Trust plc, the J P Morgan Fleming Smaller Companies Investment Trust Plc, Caledonia Investments Plc and Warburtons Limited. Appointed to the Board in August 1999, he is the Senior Independent Director, Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

10 ***Neil Davidson***
Non-Executive Director (53)

Neil Davidson became Chief Executive of Arla Foods UK Plc following the recent merger of Express Dairies Plc and Arla Foods plc. He is also a director of Northern Recruitment Group Plc. Appointed to the Board on 19 January 2004, he is a member of the Audit and Remuneration Committees.

10

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The Board of Directors at Persimmon House, Fulford, York.

North Division Board

1 John Millar
Divisional Chief Executive

2 John Cassie
Scotland Regional Chairman

3 David Broadbent
Northern Regional Chairman

4 Chris Johnson
Yorkshire Regional Chairman

5 Corinne Gill
Divisional Finance Director

6 Richard Noble
Divisional Commercial Director

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South Division Board

1 Mike Farley
Divisional Chief Executive

2 David Bryant
Southern Regional Chairman

3 Richard Wright
Central Regional Chairman

4 David Thornton
Western Regional Chairman

5 Chris Turpin
Divisional Finance Director

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Pat Coffin, Sales Advisor, helping customers choose their new Persimmon home at The Limes, Witney.

CARE

**Our staff are committed to providing a high level of customer service.
Every Persimmon customer is provided with a comprehensive pre-move masterfile
of information about their new home.**

Maria and Sean Conway
on their moving day
at Looseleigh Leat, Plymouth.

Linda Houchin, Field Sales Manager and Jake Dakin, Headteacher with Hooe Primary School pupils who won a competition to name a local Persimmon development.

Mark Penn of our West Midlands business encouraging Harrison and Stephanie, graphic design students at St Thomas Moore School.

Directors' Report

The Directors have pleasure in presenting to shareholders their report and the financial statements for the year ended 31 December 2003.

Principal Activity and Business Review
The principal activity of the Group is housebuilding, all of which is carried out within England, Wales and Scotland and is unchanged from last year. The Group trades under the brand names Persimmon Homes and Charles Church. A review of the Group's activities during the year and of its future prospects are 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 £1.88bn and £341.7m respectively.

Going Concern
After making enquiries the Directors have reasonable expectations that the Company 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.

Dividend Payment
An interim dividend of 7.0p per share was paid to shareholders on 24 October 2003 and it is now proposed to pay a final dividend of 11.3p per share on 23 April 2004, making a total for the year of 18.3p per share (2002: 15.15p). The dividends paid and proposed amount to £51.9m (2002: £42.4m). 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 and their profiles are detailed on page 26. All of the Directors served for the whole of the year except Neil Davidson who was appointed on 19 January 2004. None of the Directors have any contract of significance with the Company.

The interests of the Directors in the shares of the Company at 31 December 2003 and as at the date of this report are disclosed in the Remuneration Report on page 43. Details of the interests of the Directors in share options and awards of shares can be found on pages 43 and 44 within the same report.

Substantial Shareholdings
In addition to the interests of Duncan Davidson and his family, who have holdings of 16,612,032 ordinary shares (5.9% of the issued share capital), the Company has been notified or is aware that the following are interested in 3% or more of the issued ordinary share capital of the Company as at 27 February 2004:

	Number of ordinary shares	Percentage of issued share capital
M & G Investment Management	18,865,607	6.6
Bernstein Inv Research & Management*	15,825,846	5.6
Barclays Global Investors	11,703,776	4.1
Legal & General Inv. Management	9,655,201	3.4
Jupiter Asset Management	9,090,538	3.2
Franklin Templeton Investment Management	8,644,638	3.0

*Includes holding of Alliance Capital Management.

Charitable and Political Donations
Charitable donations of £89,000 were made by the Group during the year. Over the last two and a half years the Company supported Breast Cancer Care and together with its employees has raised over £500,000 for the charity. Further details of the Company's community involvement and charitable activities can be found in our Corporate Responsibility Report on our website at www.persimmonhomes.com

No political donations were made during the year.

Employees
The importance of good relations and communications with employees is fundamental to the continued success of our business. Each of our 32 operating businesses maintains employee relations appropriate to its own particular needs. An internal Group magazine, Insite, is published twice a year and distributed to employees. 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 an employee becoming disabled during their employment, the Company will endeavour to continue their employment and arrange appropriate training and/or adjustments to the working environment where possible.

Health and Safety
We are committed to ensuring the health and safety of our employees, subcontractors, customers, visitors to our sites and members of the public. David Bryant is the Board Director responsible for overseeing the Group's health and safety management arrangements.

The Group's Health and Safety department has a team of internal and external safety advisors led by the Health and Safety Director who reports directly to Mr Bryant.

Neil Francis
Group Company Secretary

The main objective of the Health and Safety Department is to provide advice and support to operational management and staff at all levels and to monitor the implementation of the Group Policy to ensure the continual improvement of standards in health and safety performance.

Over the past year we have:

- Maintained an ongoing training programme for all levels of employees in line with our Group Policy requirements.
- Developed a Health and Safety Executive (HSE) publication, *Stay safe – building site safety*, that provides our customers' children with safety awareness booklets and posters.
- Helped raise the health and safety awareness of our contractors through extensive support of the HSE Working Well Together Campaign initiative.
- Undertaken regular health and safety audits and inspections of our activities.
- Investigated all reportable (RIDDOR) accidents.
- Reviewed all audit, inspection and accident report findings and produced action plans to ensure, where necessary, improvements in the management of health and safety are implemented in our operations.

We are members of regional health and safety forums around the country, in liaison with the HSE and some of our peers, to promote and share health and safety best practice across the industry and we actively support the House Builders Federation Health and Safety Working Group Committee.

Creditor Payment Policy
The Group's policy is to agree payment terms with trade creditors and other suppliers when goods and services are ordered. Payment is then made according to those terms. The Company's average creditor payment period at 31 December 2003 was 37 days (2002: 33 days).

Authority to Purchase Own shares
At the Annual General Meeting held in April 2003, shareholders granted the Company authority to purchase up to an aggregate of 28,007,571 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 Annual General Meeting.

Annual General Meeting
The Annual General Meeting will commence at 12 noon on Thursday 22 April 2004 at The St David's Hotel, Havannah Street, Cardiff. The notice of the meeting is given on page 72.

Messrs White, Farley and Bryant retire in accordance with the Articles of Association and are standing for re-election. Neil Davidson is standing for election in accordance with the Articles of Association, as this is the first AGM since his election to the Board. Sir Chips Keswick is standing for annual re-election as he has served on the Board in excess of nine years (Combined Code on Corporate Governance 2003 provision A.7.2).

In addition to the normal business of the Annual General Meeting the Directors have proposed one additional resolution, which will enable the Company to purchase its own shares.

The Directors consider that it will be beneficial to the Company if, in certain circumstances, the Company had the power to purchase its own ordinary shares. At the present time the Directors have no wish to exercise the power to purchase any of the shares of the Company, but consider that it is appropriate to have the flexibility to do so.

The Directors will only implement such purchases, which will reduce the issued share capital of the Company, if after careful consideration they are satisfied that such purchases are in the best interest of the Company and its shareholders and would result in an increase in expected earnings per share. Furthermore, account will be taken of the overall financial implications for the Company.

Accordingly, resolution 10 authorises the Directors to purchase up to a maximum of 28,386,136 ordinary shares, being 10% of the issued share capital of the Company at 27 February 2004 (the latest practical date prior to the posting of this document) and provides that the maximum price per ordinary share payable on any exercise of the authority shall not be more than 5% above the average of the middle market quotation for the ordinary shares as derived from the Daily Official List of the London Stock Exchange for the five business days prior to making any purchase. The minimum price payable shall be 10p per ordinary share, being the nominal value of an ordinary share. For this purpose, both the maximum and minimum prices permitted are to be paid exclusive of any expenses payable by the Company. The authority, if granted, would expire on 22 October 2005 or at the conclusion of the next Annual General Meeting, whichever is the sooner.

At 27 February 2004 there were a total of 7,057,867 options and awards outstanding, representing 2.5% of the issued share capital of the Company at that date. If the Directors were granted this authority to purchase shares and were to use it in full, the outstanding options would represent 2.8% of the issued share capital of the Company.

The Directors consider that the above proposal is in the best interests of shareholders and unanimously recommend you to vote in favour of the resolution, as the Directors intend to do in respect of their own beneficial holdings. If you are unable to attend the meeting, you may still vote by completing and returning the Proxy Form enclosed with the Report and Accounts.

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

Neil Francis
Group Company Secretary
27 February 2004

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 of the Group and of the profit or loss for that period. In preparing these financial statements the Directors confirm that:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates have been made that are reasonable and prudent;
- applicable accounting standards have been followed, and 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 the 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.

TRAINING

We are dedicated to training and development at every level from tradesman to director.
Our investment in our workforce is reflected in their commitment to our customers.

The legal department are given regular training on new laws and procedures.

Chris Killip, a joiner, working on our
K2 development in Leeds.

Health and safety is a key focus.

Persimmon's 2003 graduate trainees.

Some of the Group's 340 apprentices with
John Street, Regional Training Officer.

Remuneration Report

The Board of Directors presents its Remuneration Report for the year ended 31 December 2003 in accordance with the Directors' Remuneration Report Regulations 2002.

The Remuneration Committee (the "Committee") is responsible for advising and making recommendations to the Board on all aspects of each executive Director's remuneration within agreed terms of reference. Throughout 2003, the Committee comprised Sir Chips Keswick (Chairman), Hamish Leslie Melville and David Thompson. On 25 February 2004 Sir Chips Keswick retired from the Committee and Hamish Leslie Melville was appointed the Chairman; Neil Davidson was appointed to the Committee on the same date.

The remuneration arrangements in place for the executive Directors were approved by the shareholders at the Annual General Meeting in April 2002. In formulating these arrangements, the Committee appointed New Bridge Street Consultants and Ashurst Morris Crisp as advisors (who have not provided any other services to the Company). The Committee also consulted with the Chairman and the Group Chief Executive.

When recommending levels of remuneration, the Committee's policy is to design a package that will attract, retain and motivate directors of the calibre needed to deliver superior long term returns to shareholders. The policy approved in 2002 has again been used to formulate the executive Directors' pay for 2004, and the Committee intends to continue to use this policy in future years.

The remuneration package for executive Directors comprises the following elements:

Base Salary

Market competitive base salaries for the executive Directors were established following a benchmarking exercise against other UK quoted housebuilders. Salaries are normally reviewed on 1 January each year. Salaries for 2003 were unchanged from those set on 1 January 2002 and are contained in the Schedule of Directors' Emoluments on page 42. New basic salaries were set as at 1 January 2004 following the latest review by New Bridge Street Consultants and are as follows:

	2004 **£**
John White	**365,000**
Mike Farley	**270,000**
John Millar	**270,000**
Mike Killoran	**270,000**
David Bryant	**216,000**

Annual Bonus

Annual bonuses are performance related and non pensionable. The performance conditions which determine the executive Directors' bonuses are reset annually by the Committee and are based on demanding targets related to Group basic earnings per share ("EPS"), and on Group and/or divisional pre-tax profits.

The performance criteria for each executive Director 2003 and 2004 are set out below:

	Performance criteria
John White	Group profits and EPS growth
Mike Farley	Profits and profit growth of the South Division and EPS growth
John Millar	Profits and profit growth of the North Division and EPS growth
Mike Killoran	Group profits and EPS growth
David Bryant	Southern Region profits, Group Marketing and Health and Safety and EPS growth

The balance of any bonus earned in excess of 150% of base salary is required to be invested in market purchases of the Company's shares, which vest in two equal tranches over a two year period. The bonus shares are awarded at the same time as the cash bonus, with the first tranche vesting on the date of announcement of the Company's preliminary results in the following year and the second tranche on the date of announcement of the Company's preliminary results the year after. Any unvested bonus shares would be forfeited on termination of employment if the executive Director resigns or is dismissed summarily.

The Committee has determined that for the year ending 31 December 2004 the level of potential increase of annual bonuses (cash and bonus shares taken together) payable to the executive Directors will be limited to a predetermined figure, which varies by director. If EPS for 2004 increases by up to 30% above the 2003 figure, bonuses may increase by an amount between 11% and 14% above 2003 bonus levels. However, if growth in EPS for 2004 is less than or equal to 6% above the 2003 figure, bonuses for 2004 will not increase in value and may fall below 2003 bonus levels. Total bonuses are capped.

The number of bonus shares awarded is calculated by dividing the balance of any bonus earned in excess of 150% of base salary by the average share price in the period 1 January to 14 February prior to the announcement of the Company's preliminary results.

Long Term Incentive Plan ("LTIP")
During 2003, executive Directors received awards of shares under the LTIP equal to 100% of base salary and will receive a similar award in 2004. The Committee has discretion under the rules of the LTIP to set the vesting and performance criteria for any awards of shares.

In order to align executive Directors' remuneration with those of shareholder returns, the Committee has based half the vesting of LTIP shares on Return on Capital Employed ("ROCE") and half on Total Shareholder Return ("TSR"), both relative to a comparator group of the following companies.

Barratt Developments	Countryside Properties	Taylor Woodrow
Bellway	Crest Nicholson	Westbury
Berkeley Group	Kier Group	Wilson Bowden
Bovis Homes Group	Redrow	Wimpey (George)

Under the TSR measure, there will be no allocation of TSR shares for sub-median performance, 40% of the TSR shares will be allocated for median performance whilst all of the TSR shares will be allocated for upper quartile performance. The ROCE condition is a sliding scale with no vesting of ROCE shares unless the Company's ROCE is greater than 13% rising to all ROCE shares vesting if it is greater than 20%.

Pension
The executive Directors are members of the Group's defined benefit pension scheme, which is now closed to new members. Pensions accrue at ¹⁄₄₅th of base salary and the normal retirement age for executive Directors is 60 (62 in the case of John Millar).

The Company contributes 10% of base salary to a complementary pension scheme for each executive Director. The Company contributes a higher percentage on behalf of Mike Killoran as the Earnings Cap (set by the Inland Revenue) limits the pension payable to him under the defined benefit pension scheme.

Benefits in Kind
In addition to the above, the executive Directors' remuneration package also includes fully financed motor vehicles, membership of both the Group private medical scheme and the Group long term disability scheme, subscriptions and some telephone costs. These benefits are not pensionable.

Compensatory Shares
The Committee recognised that the introduction of the new remuneration arrangements in 2002 significantly reduced the value of John White and Mike Farley's previous remuneration packages and in particular significantly reduced their potential bonus earnings for the 2002 financial year onwards. Despite this reduction in the value of their packages, John White and Mike Farley agreed to bring their remuneration more into line with the market. In recognition of the potential financial losses, the Committee made a special award of 330,000 shares and 232,000 shares to John White and Mike Farley respectively. These shares have been purchased in the market. Half of the shares vested on 3 March 2003 and the balance are anticipated to vest on 1 March 2004.

Service Contracts
All executive Directors have service contracts and in line with the recommendations of the Combined Code, the notice period for each executive Director does not exceed 12 months. The contracts expire on the Director's 60th birthday or at age 62 in the case of John Millar. In circumstances following a change of control, or where dismissed in breach of contract, an executive Director is entitled to payments for termination of employment, but in no circumstances will such payments exceed 12 months' salary and benefits. The executive Directors' contracts are all dated 24 April 2002 but are effective from 1 January 2002.

John White, Mike Farley, David Bryant and Neil Davidson retire in accordance with the Articles of Association at the Annual General Meeting and are offering themselves for re-election. Sir Chips Keswick, having served in excess of nine years on the Board will retire at the Annual General Meeting and being eligible offers himself for re-election. The Directors' reasons for supporting Sir Chips' re-election are set out in the Corporate Governance report on page 46.

Neither Sir Chips Keswick nor Neil Davidson has a service contract.

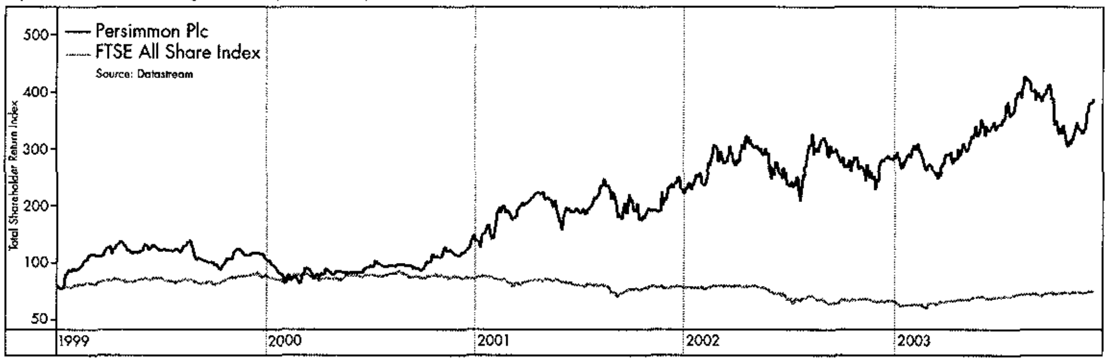
Share Ownership Guidelines
The Committee has for some time encouraged significant long term share ownership of Persimmon plc shares by the executive Directors. In order to comply with best practice, formal share ownership guidelines were established in 2002. As a result, the Committee now requires each executive Director to hold Persimmon shares. For example, John White has to hold a minimum value of shares equivalent to three times his base salary.

The Committee recognises that executive Directors may be required to sell sufficient shares in the Company to satisfy any tax liability arising on the vesting of bonus shares or the exercise of options and awards granted under the Company's share option and long term incentive plans from time to time.

External Appointments
None of the executive Directors currently has an external appointment. Should an executive wish to take up an external appointment, he must firstly seek approval from the Chairman and Chief Executive.

Performance Graph

Shown below is the Company's TSR performance against the FTSE All Share Index. The Board has chosen this comparator as it represents a broad range of UK quoted companies.



Non-executive Directors

Non-executive Directors do not have service contracts and are paid a fee which is non-pensionable. 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.

The auditors are required to report on the information contained in the following part of this report.

Schedule of Directors' Emoluments for the Year Ending 31 December 2003

	Salaries and fees £	Performance related cash bonus £	Benefits £	Subtotal emoluments received £	Deferred bonus shares earned £	**2003 Total £**	2002 Total £
Executive							
J White	325,000	487,500	41,955	854,455	937,147	**1,791,602**	1,726,614
M P Farley	250,000	375,000	30,741	655,741	543,723	**1,199,464**	1,198,195
J Millar	250,000	375,000	33,774	658,774	431,872	**1,090,646**	981,116
M H Killoran	250,000	375,000	21,942	646,942	279,196	**926,138**	895,274
D G Bryant	200,000	300,000	32,935	532,935	120,790	**653,725**	667,100
Non-Executive							
D H Davidson	150,000	–	35,069	185,069	–	**185,069**	723,728
Sir Chips Keswick	40,000	–	–	40,000	–	**40,000**	30,000
I H Leslie Melville*	40,000	–	–	40,000	–	**40,000**	30,000
D G F Thompson	40,000	–	–	40,000	–	**40,000**	30,000
	1,545,000	1,912,500	196,416	3,653,916	2,312,728	**5,966,644**	6,282,027

*Mr Leslie Melville's non-executive fees are paid in whole to Credit Suisse First Boston, his employing company.

During the year no Director waived his entitlement to any emoluments. Mr G Grewer, who resigned as a Director on 31 December 2001 received £30,000 (2002: £192,786 also including a period as an employee of the Company) for his role as Chairman of the trustees of the Persimmon plc Pension and Life Assurance Scheme. Mr Neil Davidson's appointment was made on 19 January 2004 and his fees do not appear in this schedule.

Bonus shares

The interests of Directors in Bonus shares are as shown below:

	1 January 2003	Awarded during year	Vested	**31 December 2003**
J White	–	202,724	–	**202,724**
M P Farley	–	125,942	–	**125,942**
J Millar	–	75,791	–	**75,791**
M H Killoran	–	58,098	–	**58,098**
D G Bryant	–	31,931	–	**31,931**
Total	–	494,486	–	**494,486**

Bonus shares are awarded on the announcement of the preliminary results. The proposed share awards in respect of the 2003 bonus for Messrs White, Farley, Millar, Killoran and Bryant are 174,000, 100,953, 80,185, 51,838 and 22,427 respectively. Proposed bonus share awards in respect of 2003 were calculated at an average share price in the designated period of £5.39 (2002: £4.31) and are due to be awarded on 1 March 2004. Bonus shares may vest over a two year period.

Directors' Pension Entitlements

	Total accrued pension at 31 December 2002 £ pa	Total accrued pension at 31 December 2003 £ pa	Increase in accrued pension £ pa	Increase in accrued pension (net of inflation) £ pa	Transfer value at 31 December 2002 £	Transfer value at 31 December 2003 £	Increase in transfer value, less member contributions £	Transfer value of net of inflation increase in accrued pension less member contributions £
J White	162,500	169,722	7,222	2,672	1,980,846	2,174,498	167,651	9,779
M P Farley	102,778	108,333	5,555	2,678	1,108,398	1,230,395	101,997	11,927
J Millar	91,667	97,222	5,555	2,989	1,413,176	1,563,015	129,839	28,976
M H Killoran	13,500	15,950	2,450	2,072	107,115	132,750	17,787	9,487
D G Bryant	77,778	82,222	4,444	2,267	896,505	998,774	86,270	12,743

Contributions of £32,500; £25,000; £25,000; £72,457 and £20,000 will be made by the company into complementary pension schemes of Messrs White, Farley, Millar, Killoran and Bryant respectively, (2002: £49,381; £39,066, £32,655; £75,823 and £29,906) respectively.

Directors' Interests in Shares

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

	Beneficial Holdings		Share options/awards (excluding bonus shares)	
	31 December 2003	1 January 2003	**31 December 2003**	1 January 2003
D H Davidson	**16,612,032**	17,368,466	**36,000**	71,111
J White	**828,587**	516,957	**404,589**	467,381
M P Farley	**508,828**	352,828	**376,718**	353,427
J Millar	**519,470**	387,604	**153,838**	229,138
M H Killoran	**121,219**	80,888	**216,156**	189,865
D G Bryant	**338,361**	319,698	**118,791**	229,824
Sir Chips Keswick	**185,416**	185,416	**-**	–
I H Leslie Melville	**200,000**	200,000	**-**	–
D G F Thompson	**30,846**	20,846	**-**	–

D G F Thompson also has non-beneficial interests of 11,062 ordinary shares (2002: 11,062 ordinary shares). Otherwise all interests of the Directors are beneficial. There has been no change in the interests set out above between 31 December 2003 and 27 February 2004.

Directors' Interests in Share Options and Long Term Incentive Plan Awards

	1 January 2003	Granted in year	Exercised/ vested in year	Lapsed in year	31 December 2003	Exercisable from/ date of vesting	Expiry date	Performance condition end date	Exercise price/ market price at date of award	Market price at date of exercise/ date of vesting	Gain on exercise of option/vesting of award £
D H Davidson	30,000Δ	–	30,000	–	–	Mar 03	–	Dec 02	202.0p	379.25p	113.775
	5,711[3]	–	5,711	–	–	Dec 03	May 04	–	169.6p	477.0p	17,556
	36,000Δ	–	–	–	36,000	Apr 04	–	Dec 03	340.5p	–	–
	71,711	–	35,711	–	36,000						131,331
J White	74,351[1]	–	74,351	–	–	Apr 96	Apr 03	–	214.0p	379.25p	122,865
	52,775[1]	–	–	–	52,775	Apr 97	Apr 04	–	269.0p	–	–
	150,000[2]†	–	–	–	150,000	May 00	May 04	–	233.0p	–	–
	70,000Δ	–	70,000	–	–	Mar 03	–	Dec 02	202.0p	379.25p	265,475
	1,142[3]	–	1,142	–	–	Dec 03	May 04	–	169.6p	477.0p	3,511
	44,000Δ	–	–	–	44,000	Apr 04	–	Dec 03	340.5p	–	–
	3,051[3]	–	–	–	3,051	Dec 04	May 05	–	254.0p	–	–
	72,062	–	–	–	72,062	May 05	–	Dec 04	451.0p	–	–
	–	82,278	–	–	82,278	Apr 06	Oct 06	Dec 05	395.0p	–	–
	–	423[3]			423	Dec 06	May 07		436.0p	–	–
	467,381	82,701	145,493	–	404,589						391,851
M P Farley	31,665[1]	–	–	–	31,665	Apr 97	Apr 04	–	269.0p	–	–
	63,330[1]	–	–	–	63,330	Apr 98	Apr 05	–	171.5p	–	–
	30,000[1]	–	–	–	30,000	Apr 99	Apr 06	–	196.0p	–	–
	100,000[2]†	–	–	–	100,000	May 00	May 04	–	233.0p	–	–
	40,000Δ	–	40,000	–	–	Mar 03	–	Dec 02	202.0p	379.25p	151,700
	33,000Δ	–	–	–	33,000	Apr 04	–	Dec 03	340.5p	–	–
	55,432	–	–	–	55,432	May 05	–	Dec 04	451.0p	–	–
	–	63,291	–	–	63,291	Apr 06	–	Dec 05	395.0p	–	–
	353,427	63,291	40,000	–	376,718						151,700

Directors' Interests in Share Options and Long Term Incentive Plan Awards continued

	1 January 2003	Granted in year	Exercised/ vested in year	Lapsed in year	31 December 2003	Exercisable from/ date of vesting	Expiry date	Performance condition end date	Exercise price/ market price at date of award	Market price at date of exercise/ date of vesting	Gain on exercise of option/vesting of award £
J Millar	31,665[1]	–	31,665	–	–	Apr 97	Apr 04	–	269.0p	572.0p	95,945
	63,330[1]	–	63,330	–	–	Apr 98	Apr 05	–	171.5p	572.0p	253,637
	40,000Δ	–	40,000	–	–	Mar 03	–	Dec 02	202.0p	379.25p	151,700
	5,711[3]	–	5,711	–	–	Dec 03	May 04	–	169.6p	477.0p	17,556
	33,000Δ	–	–	–	33,000	Apr 04	–	Dec 03	340.5p	–	–
	55,432	–	–	–	55,432	May 05	–	Dec 04	451.0p	–	–
	–	63,291	–	–	63,291	Apr 06	Oct 06	Dec 05	395.0p	–	–
	–	2,115[3]	–	–	2,115	Dec 06	May 07	–	436.0p	–	–
	229,138	65,406	140,706	–	153,838						518,838
M H Killoran	25,620[1]	–	–	–	25,620	Oct 99	Oct 06	–	208.5p	–	–
	20,000[2]†	–	–	–	20,000	May 00	May 04	–	233.0p	–	–
	20,000[2]†	–	–	–	20,000	Oct 01	Oct 05	–	158.0p	–	–
	37,000Δ	–	37,000	–	–	Mar 03	–	Dec 02	202.0p	379.25p	140,323
	28,000Δ	–	–	–	28,000	Apr 04	–	Dec 03	340.5p	–	–
	3,813[3]	–	–	–	3,813	Dec 04	May 05	–	254.0p	–	–
	55,432	–	–	–	55,432	May 05	–	Dec 04	451.0p	–	–
	–	63,291	–	–	63,291	Apr 06	Oct 06	Dec 05	395.0p	–	–
	189,865	63,291	37,000	–	216,156						140,323
D G Bryant	31,665[1]	–	31,665	–	–	Apr 97	Apr 04	–	269.0p	480.75p	67,051
	100,000[2]†	–	100,000	–	–	May 00	May 04	–	233.0p	482.25p	249,250
	30,000Δ	–	30,000	–	–	Mar 03	–	Dec 02	202.0p	379.25p	113,775
	20,000Δ	–	–	–	20,000	Apr 04	–	Dec 03	340.5p	–	–
	3,813[3]	–	–	–	3,813	Dec 04	May 05	–	254.0p	–	–
	44,346	–	–	–	44,346	May 05	–	Dec 04	451.0p	–	–
	–	50,632	–	–	50,632	Apr 06	Oct 06	Dec 05	395.0p	–	–
	229,824	50,632	161,665	–	118,791						430,076

(1) Persimmon plc 1988 Executive Share Option Scheme.
(2) Persimmon plc Executive Share Option Scheme 1997.
(3) Persimmon plc Save As You Earn Scheme.

†The performance condition attached to the exercise of share options granted under the 1997 scheme is growth in the Company's earnings per share compared to a comparator group of other housebuilders.
ΔThe performance condition attached to the vesting of shares awarded in 2000 and 2001 is based on the Company's return on capital employed.

Duncan Davidson's share options and awards of shares were granted while he was an executive Director. He is not eligible for the grant of any further options or awards since becoming a non-executive Director on 1 January 2002.

John White, the highest paid director, made gains of £515,262 on the exercise of share options in 2002.

Unless otherwise indicated, all of the above are awards of shares under the Persimmon plc Long Term Incentive Plan 1998. 2003 awards were made on 10 April 2003. All options and awards were granted for nil consideration. The performance conditions for awards made in 2002 and 2003 are shown on page 41.

Details of the market value of the Company's shares during 2003 were: price at 31 December 2003 537p; lowest price in 2003 372p; highest price in 2003 592p.

On behalf of the Board

Hamish Leslie Melville
Chairman
Remuneration Committee

27 February 2004

Corporate Responsibility

The Group has long recognised its responsibilities to the communities in which we operate, our employees and the local environment. We recognise that the housebuilding process has a significant impact on the local environment and local communities in which we build. We take these factors into consideration when planning and building our developments.

Many of our stakeholders, including our investors, customers, local community groups, non-government organisations and others are interested in our activities and the way that we do business. To meet their expectations relating to corporate social responsibility (CSR), we have published our Corporate Responsibility Report which can be viewed and downloaded from our website at www.persimmonhomes.com

Overall responsibility for CSR rests with the Board of Directors. The Risk Committee retains the delegated responsibilities of the Board for risk management of the business. The Company acknowledges that good governance and management of all risks will provide a solid foundation to the sustainability and profitability of the business. The Board has approved policies to provide clear guidance to the business and these are published on our website.

Operational responsibility for CSR issues lies with the CSR Committee which is a sub-group of the Risk Committee. The CSR Committee is comprised of senior management and representatives from different functions across the Group. The CSR Committee takes regular account of the significance of social, environmental and ethical matters to the Group's business on behalf of the Board and ensures adequate policies and procedures are in place to manage the associated risks. The CSR Committee also takes into account guidelines on CSR management and disclosure developed by many institutions, such as the Association of British Insurers. The CSR Committee meets on at least a quarterly basis.

Many CSR issues are managed at local level by our operating businesses, allowing them to respond to the needs of their local communities. This local approach remains one of Persimmon's key strengths and is one that will be continued. However, there are a number of CSR issues that have arisen as a result of increased stakeholder expectations, which require the Group to centralise and co-ordinate our reporting through our head office. We have continued to further develop our management systems to co-ordinate our approach during 2003.

During 2003 we have completed our Human Rights policy and undertaken a significant review of our environmental management policies and procedures. We have also completed our preliminary reviews of our waste management procedures and our supply chain. Our Corporate Responsibility Report on our website reports on these and other matters and focuses on the following matters which we consider to be the key areas of responsibility for us:

• Our values	communicates what CSR means to Persimmon.
• Our business	our approach to business, managing our risks and our ethical standards.
• Our employees	the way we treat our employees and the relationship we have with them.
• Our community	how we interact with local communities around us and our commitment to our customers.
• Our environment	how we manage our environmental impacts and how we address these issues in planning, designing and building our developments.

We continue to develop our approach to CSR and will in the coming years provide more data and key performance indicators as we implement appropriate management and monitoring systems to collate this information from our 32 operating businesses.

Corporate Governance

Directors

During 2003 the Board consisted of five executive Directors and four non-executive Directors. On 19 January 2004 Neil Davidson was appointed as a non-executive Director. The Board considers all the non-executive Directors to be independent except for Duncan Davidson. The roles of the executive Directors provide a direct line of control between the Company and its operating businesses. The non-executive Directors provide a balance to the Board and have a wide breadth of experience. David Thompson is the Senior Independent Director.

The Board considers Sir Chips Keswick to be independent because his long-standing appointment has not in any way affected his independence and his ability to advise and question executive Directors, particularly in respect of strategy and the Company's financial affairs. Indeed, Sir Chips' long association with the Company has given him a sound and detailed knowledge of the Company's business and affairs which has enabled him to consider and evaluate information and responses from executive Directors quickly and concisely. His wise counsel has contributed significantly to the Company's success. However, Sir Chips will retire and be available for re-election to the Board annually. The Chairman has reviewed Sir Chips' performance and the Chairman believes his performance continues to be effective. Sir Chips has now resigned from the Audit and Remuneration Committees.

The Board meets six times a year and has a formal schedule of matters reserved for its consideration and decision. This schedule includes approval of financial and marketing strategy, major investments, review of performance, monitoring risk, ensuring adequate financial resources are available and reporting to shareholders. The schedule is reviewed on an annual basis.

There was full attendance by all Directors at Board and committee meetings, except that Hamish Leslie Melville did not attend one Board meeting and one Audit Committee meeting and Sir Chips Keswick did not attend two Board meetings and one Audit Committee meeting due to a medical operation.

The Board undertakes an annual self-evaluation of the performance of the Board and its committees and individual directors. The non-executive Directors undertake an annual performance evaluation of the Chairman taking into account the views of the executive Directors.

All Directors have access to the advice and services of the Group Company Secretary and may also seek independent professional advice and training, at the Company's expense, if so required to carry out their duties. All executive Directors have 12 month rolling contracts. The non-executive Directors do not have service contracts.

Following the introduction of the revised Combined Code on Corporate Governance in July 2003, the Board reviewed the existing constitution of its committees and considered that the appointment of a new independent non-executive Director would benefit the Company. During 2003 the Board resolved to separate the Remuneration and Nomination Committee into two separate committees. Revised terms of reference for both Committees were put in place.

Nomination Committee

The members of the Nomination Committee during 2003 were Duncan Davidson (Chairman), Sir Chips Keswick, Hamish Leslie Melville and David Thompson. The Board instructed the Committee to make recommendations for a non-executive Director who would bring different skills and expertise to the Board. The Nomination Committee consulted the Board, some major shareholders and its merchant bankers in connection with the appointment of a new non-executive Director.

The Nomination Committee did not use a recruitment agency or open advertising as it did not consider that this would have assisted, in this instance, in the recruitment of a higher calibre non-executive Director, with the right skills to complement the Board.

The Nomination Committee met to consider a number of candidates and from that shortlist recommended Neil Davidson (who is not related to any Director of the Company) to the Board. The Board unanimously appointed Neil Davidson as a non-executive Director effective from 19 January 2004.

Neil Davidson's biographical details are contained on page 26. The Board considers that Neil Davidson's background and experience as Chief Executive of Express Dairies Plc and subsequently Arla Foods UK Plc give a wealth of experience particularly in the fields of competition and regulatory control. The Board considers Neil Davidson to be independent notwithstanding that both he and Hamish Leslie Melville are directors of Northern Recruitment Group Plc because Northern Recruitment Group Plc does not have any significant business relationship with the Company. In addition both Directors are non-executive and Neil Davidson has only recently been appointed to the Board of Persimmon plc.

Neil Davidson has had detailed discussions with the Chairman, Chief Executive, Finance Director and Chairman of the Audit Committee and he is undertaking a comprehensive induction in to the Company. He has been provided with full information relating to the Company's financial position including current management accounts. He will undertake visits to individual operating businesses and visit new housing development sites. In addition, major shareholders will have the opportunity to meet Neil Davidson, either privately or at the forthcoming AGM.

Remuneration Committee

During 2003 the Remuneration Committee members were Sir Chips Keswick (Chairman), Hamish Leslie Melville and David Thompson. The Remuneration Committee met twice during the year. On 25 February 2004 Sir Chips Keswick resigned from the Remuneration Committee, Hamish Leslie Melville was appointed Chairman and Neil Davidson was appointed to the Committee.

Details of the remuneration for each Director serving during the year are set out in the Remuneration Report on pages 40 to 44. The Remuneration Committee is responsible for recommending the remuneration of the executive Directors. The Committee's remuneration policy aims to design a package that will align the interests of executive Directors and those of shareholders.

In accordance with the Directors' Remuneration Report Regulations 2002, the Remuneration Report will be put to shareholders for their approval at the Annual General Meeting on 22 April 2004.

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 and the members during 2003 were David Thompson (Chairman), Sir Chips Keswick and Hamish Leslie Melville. The Committee met on three occasions during the year, and the Committee's terms of reference were reviewed and updated. On 25 February 2004 Sir Chips resigned from the Audit Committee and Neil Davidson was appointed to the Committee.

The role of the Audit Committee is to review the Company's financial reporting, monitor the Company's internal controls and Group Risk management function and to oversee the Company's relations with the external auditors.

The terms of reference of the Group Risk management function are recommended by the Audit Committee and are approved by the Board.

There is also a Risk Committee whose members are John White, John Millar, Mike Farley and Mike Killoran. The Committee enhances the Group's management of internal control and business risk.

The Company has for a number of years had in place a whistle blowing procedure within the staff handbook, which is issued to all salaried staff. All employees may raise concerns about malpractice or improper or potentially illegal behaviour in confidence without concern of victimisation or disciplinary action.

Internal Control
The Company has complied with the Combined Code provisions on internal control having continued to operate 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 appropriate 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 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.

As part of its ongoing activities, the Group Risk management function has updated the Group's risk assessment during the year. The results of this process have been reported to the Risk Committee and have been used to drive a risk focused programme of work designed to improve business processes and increase internal control effectiveness.

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

- ensuring that there is continuous detailed involvement in land acquisition assessment together with regular site visits and discussion with site based personnel by all senior management;
- review of representations on risk and control from all Managing Directors of operating businesses following individual reviews of internal control within their operating companies;
- review of representations on risk and control from key head office and divisional management;
- review of reports produced by the Group Risk management function and external audit on internal control and management of risk;
- ongoing review of Company performance in comparison to operational forecasts and financial budgets; and
- oversight of, and involvement in, individual operating businesses board discussions, specifically operational board meetings where all aspects of operational performance are analysed.

The Risk Committee has met six times during 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. This process is reviewed regularly by the Board.

The Company's 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.

Combined Code
The Board supports the highest standards in Corporate Governance and continues to review both the Combined Code dated June 1998 and the Combined Code on Corporate Governance dated July 2003, as well as the Company's procedures to maintain proper control and accountability.

The Company has complied with the Combined Code dated June 1998 throughout the accounting period under review, except that it had not appointed a senior independent director. Following a review of the composition of the Board, David Thompson was appointed the Senior Independent Director on 25 February 2004.

The Company also considers that during 2003 it has substantially complied with the principles of the revised July 2003 Combined Code on Corporate Governance.

Relations with shareholders
The Board has always sought good relations with the Company's shareholders and believes it is important that shareholders receive timely information on their Company's progress. As well as the announcement of interim and final results, the Company issues regular trading statements to the London Stock Exchange.

The Directors understand it is important for both private and institutional shareholders to have the opportunity to raise concerns or discuss matters with them. The Chairman, Duncan Davidson maintains contact with major shareholders to understand their issues and concerns. John White and Mike 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.

By order of the Board

Neil Francis
Group Company Secretary
27 February 2004

Report of the Independent Auditors KPMG Audit Plc to the Members of Persimmon plc

We have audited the financial statements on pages 50 to 68. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 35, 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, 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. 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 regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance statement on pages 46 and 47 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 the unaudited part of the Directors' Remuneration Report, 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

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 2003 and of the profit of the Group for the year then ended; and

– the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
27 February 2004

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Leeds
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BUILDING FINANCIAL STRENGTH

Consolidated Profit and Loss Account
For the year ended 31 December 2003

	Note	2003 £m	2002 £m
Turnover	2	**1,883.0**	1,711.1
Cost of sales		**(1,423.6)**	(1,345.9)
Gross profit		**459.4**	365.2
Net operating expenses		**(88.5)**	(76.2)
Operating profit before goodwill amortisation		**381.7**	299.8
Goodwill amortisation	12	**(10.8)**	(10.8)
Operating profit	2	**370.9**	289.0
Net interest payable and similar charges	5	**(29.2)**	(32.2)
Profit on ordinary activities before taxation	6	**341.7**	256.8
Tax on ordinary activities	7	**(107.5)**	(80.3)
Profit for the financial year		**234.2**	176.5
Dividends	9	**(51.9)**	(42.4)
Retained profit	22, 23	**182.3**	134.1
Basic earnings per share	10		
Before goodwill		**86.8p**	67.0p
After goodwill		**83.0p**	63.1p
Diluted earnings per share	10		
Before goodwill		**86.0p**	66.3p
After goodwill		**82.2p**	62.5p
Dividend per share	9	**18.30p**	15.15p

No separate statement of total recognised gains and losses has been prepared as the Group has no recognised gains or losses other than the profit for the year as shown above.

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.

The results of the Group relate entirely to continuing operations.

Consolidated Balance Sheet
At 31 December 2003

	Note	2003 £m	2002 £m
Fixed assets			
Tangible assets	11	**24.1**	23.5
Intangible assets	12	**182.0**	192.8
		206.1	216.3
Current assets			
Stocks and work in progress	14	**1,661.2**	1,433.4
Debtors	15	**112.4**	112.0
Cash at bank and in hand	25	**0.8**	9.8
		1,774.4	1,555.2
Creditors due within one year			
Borrowings	16	**(19.7)**	(24.9)
Other creditors	17	**(498.8)**	(458.6)
		(518.5)	(483.5)
Net current assets		**1,255.9**	1,071.7
Total assets less current liabilities		**1,462.0**	1,288.0
Creditors due after more than one year			
Borrowings	16	**(295.6)**	(322.2)
Other creditors	17	**(34.8)**	(28.8)
		(330.4)	(351.0)
Net assets		**1,131.6**	937.0
Capital and reserves			
Called up share capital	20	**28.4**	28.0
Share premium account	22	**214.2**	210.4
Merger reserve	22	**281.4**	281.4
Revaluation reserve	22	**1.2**	1.2
Profit and loss account	22	**606.4**	416.0
Equity shareholders' funds	23	**1,131.6**	937.0
Net assets per share	10	**398.7p**	334.6p

The financial statements on pages 50 to 68 were approved by the Board of Directors on 27 February 2004 and were signed on its behalf by:

D H Davidson
Director

M H Killoran
Director

Company Balance Sheet
At 31 December 2003

	Note	2003 £m	2002 £m
Fixed assets			
Tangible assets	11	**3.0**	2.9
Intangible assets	12	**4.9**	–
Investments	13	**1,587.6**	1,467.6
		1,595.5	1,470.5
Current assets			
Stocks and work in progress	14	**0.1**	0.3
Debtors	15	**247.5**	253.6
		247.6	253.9
Creditors due within one year			
Borrowings	16	**(112.8)**	(101.4)
Other creditors	17	**(1,197.2)**	(1,066.5)
		(1,310.0)	(1,167.9)
Net current liabilities		**(1,062.4)**	(914.0)
Total assets less current liabilities		**533.1**	556.5
Creditors due after more than one year			
Borrowings	16	**(113.7)**	(140.3)
Other creditors	17	**(1.3)**	(0.4)
		(115.0)	(140.7)
Net assets		**418.1**	415.8
Capital and reserves			
Called up share capital	20	**28.4**	28.0
Share premium account	22	**214.2**	210.4
Merger reserve	22	**4.6**	4.6
Revaluation reserve	22	**0.9**	0.9
Profit and loss account	22	**170.0**	171.9
Equity shareholders' funds		**418.1**	415.8

The financial statements on pages 50 to 68 were approved by the Board of Directors on 27 February 2004 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 2003

	Note	2003 £m	2002 £m
Net cash inflow from operating activities (see below)		**243.6**	287.1
Return on investments and servicing of finance			
Interest received		**1.1**	0.4
Interest paid		**(30.6)**	(33.2)
Interest paid on finance leases		**(0.2)**	(0.3)
		(29.7)	(33.1)
Taxation			
UK corporation tax paid		**(89.8)**	(56.9)
Capital expenditure			
Purchase of tangible fixed assets		**(7.1)**	(9.7)
Sale of tangible fixed assets		**2.9**	6.6
		(4.2)	(3.1)
Acquisitions and disposals			
Acquisition of businesses and subsidiaries	12	**(48.1)**	(1.6)
Net borrowings acquired with subsidiaries		**(9.1)**	–
		(57.2)	(1.6)
Equity dividends paid		**(41.9)**	(34.8)
Net cash inflow before financing		**20.8**	157.6
Financing			
Repayment of bank loans		**(32.9)**	(127.9)
Exercise of share options		**3.5**	3.4
Repayment of principal under finance leases		**(1.5)**	(1.9)
Net cash outflow from financing		**(30.9)**	(126.4)
(Decrease)/increase in cash	24	**(10.1)**	31.2

	2003 £m	2002 £m
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**370.9**	289.0
Depreciation charge	**6.5**	6.4
Amortisation of goodwill	**10.8**	10.8
Profit on sale of tangible fixed assets	**(0.2)**	(0.2)
LTIP charge	**1.7**	1.5
Increase in stocks and work in progress and BES assets	**(159.1)**	(80.4)
(Increase)/decrease in debtors	**(5.8)**	7.2
Increase in creditors	**18.8**	52.8
Net cash inflow from operating activities	**243.6**	287.1

Notes to the Financial Statements
For the year ended 31 December 2003

1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The continued transitional disclosure requirements of FRS 17 (Retirement Benefits) are set out in note 30.

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 2003. 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 separable, identifiable 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 separable identifiable net assets acquired.

Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset and amortised over its useful economic life. The useful economic life of goodwill is assessed separately for each acquisition and currently ranges from 10 to 20 years. Goodwill arising prior to 31 December 1997, of £32.7m 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 or valuation 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 shorter of the lease term and the asset life.

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 (see below). Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads.

Licensed land prepayments
The Group makes payments when entering into license agreements for the right to build and sell houses on land owned by third parties. 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 certain payments at appropriate dates. Where there are timing differences between the contracted payment terms and the profile of legal completions these are shown within current assets and liabilities.

1 Principal Accounting Policies continued

Land options
Payments made to secure purchase option agreements over land are shown as a current asset within debtors and are stated at the lower of cost and net realisable value. Upon exercise, in accordance with the option agreement, the amounts are transferred into stocks and work in progress.

Turnover
Turnover represents the total sales value of legally completed properties, excluding land sales and part exchange properties (which are included within operating expenses). Turnover and profit on sales are recognised upon legal completion.

Net operating expenses
Net operating expenses represents administration costs incurred by the business, which are written off to the profit and loss account as incurred.

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

Taxation
Provision is made for current tax on taxable profit and full provision is made for deferred tax in line with FRS 19 (Deferred Tax).

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 and Operating Profit

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 40 to 44.

	2003 £m	2002 £m
Fees	**0.3**	0.2
Emoluments (including salaries, benefits in kind and annual incentive payments)	**5.7**	6.1
Gains made on exercise of share options	**1.3**	1.9
	7.3	8.2

4 Employees

The average monthly number of persons (including executive Directors) employed by the Group during the year was 4,273 (2002: 4,182).

	2003 £m	2002 £m
Staff costs (for the above persons)		
Wages and salaries	**115.2**	108.3
Social security costs	**10.8**	9.4
Pensions charge	**6.7**	7.8
	132.7	125.5

The Group also uses the services of a substantial number of self employed labour only site operatives.

5 Net Interest Payable and Similar Charges

	2003 £m	2002 £m
Bank loans and overdrafts	**29.7**	32.2
Finance leases	**0.2**	0.3
Other	**0.4**	0.1
	30.3	32.6
Less: receivable	**(1.1)**	(0.4)
	29.2	32.2

6 Profit on Ordinary Activities Before Taxation

	2003 £m	2002 £m
Profit on ordinary activities before taxation is stated after crediting:		
Rent receivable	**1.9**	1.7
Profit on sale of fixed assets	**0.2**	0.2
And after charging:		
Depreciation:		
– owned assets	**5.5**	5.1
– assets held under finance leases	**1.0**	1.3
Operating leases:		
– plant hire	**9.1**	10.8
– other	**1.9**	1.6

Remuneration of Auditors:	2003 £'000	2002 £'000
Audit fees	**182**	178
Audit related services	**15**	14
	197	192

The Company's audit fees for 2003 were £23,000 (2002: £23,000).

The fees payable to KPMG Audit Plc are reviewed by the Audit Committee in the context of fees paid by the Group to its other advisors during the year.

The Committee also reviews the nature and extent of non-audit services to ensure that independence is maintained. Other payments made to KPMG Audit Plc or its affiliated entities are as follows:

	2003 £'000	2002 £'000
Taxation services	**19**	11
Other services	**–**	21
	19	32

Fees to major firms of accountants other than KPMG Audit Plc and its affiliated entities for non-audit services amounted to £73,000 (2002: £46,000).

Profit on the sale of land of £1.7m (2002: £10.9m) is included within net operating expenses.

7 Tax on Ordinary Activities

	2003 £m	2002 £m
Current year:		
– corporation tax at 30% (2002: 30%)	**109.0**	79.9
– deferred tax	**0.3**	0.5
Adjustments in respect of prior years:		
– corporation tax	**(1.6)**	2.2
– deferred tax	**(0.2)**	(2.3)
	107.5	80.3

The difference between the effective current corporation tax rate over the standard rate of 30% relates principally to the current tax effect of goodwill amortisation, 1%, accounting base cost not deductible for tax purposes, 1%, and the release of 0.5% relating to timing differences.

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 £41.9m (2002: £41.4m).

9 Dividends

	2003 £m	2002 £m
On equity shares		
Ordinary – Interim paid of 7.0p per share (2002: 4.75p)	**19.8**	13.3
Ordinary – Final proposed of 11.3p per share (2002: 10.40p)	**32.1**	29.1
	51.9	42.4

Under the scrip dividend scheme, £6.7m of the 2002 final dividend (2001 final: £4.0m), and £0.3m of the 2003 interim dividend (2002 interim: £0.5m) 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 2003 £m	Weighted average number of ordinary shares 2003	Earnings 2002 £m	Weighted average number of ordinary shares 2002
For basic earnings per share	**234.2**	**282,113,458**	176.5	279,662,777
Options and awards	**-**	**2,672,333**	–	2,848,828
For diluted earnings per share	**234.2**	**284,785,791**	176.5	282,511,605

The Directors have disclosed both the basic and diluted earnings per share before goodwill to demonstrate the underlying core trading performance of the business.

The 2003 basic earnings per share before goodwill is calculated by dividing earnings of £245.0m (2002: £187.3m) by the weighted average number of shares in issue during the year disclosed above. The 2003 diluted earnings per share before goodwill is calculated by dividing the same adjusted earnings by the higher weighted average number of shares disclosed above.

The net assets per share calculation is based on net assets of £1,131.6m (2002: £937.0m) and 283,841,708 ordinary shares (2002: 280,015,270 ordinary shares), being the number in issue at 31 December 2003.

11 Tangible Assets

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost or valuation				
At 1 January 2003	12.4	23.1	6.8	42.3
Additions	1.0	6.6	1.3	8.9
Acquisitions	0.5	0.3	0.1	0.9
Disposals	(2.1)	(4.8)	(0.7)	(7.6)
At 31 December 2003	**11.8**	**25.2**	**7.5**	**44.5**
Depreciation				
At 1 January 2003	0.5	13.6	4.7	18.8
Charge for the year	0.3	4.8	1.4	6.5
Disposals	(0.1)	(4.1)	(0.7)	(4.9)
At 31 December 2003	**0.7**	**14.3**	**5.4**	**20.4**
Net book value At 31 December 2003	**11.1**	**10.9**	**2.1**	**24.1**
Net book value At 31 December 2002	11.9	9.5	2.1	23.5

11 Tangible Assets continued

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost or valuation at 31 December 2003 is represented by:				
External surveyor's valuation 1988	2.0	–	–	2.0
Cost	9.8	25.2	7.5	42.5
	11.8	**25.2**	**7.5**	**44.5**

The Group's net book value of tangible fixed assets of £24.1m includes an amount of £2.5m (2002: £2.0m) in respect of assets held under finance leases. The historic cost of assets held under finance leases is £7.6m (2002: £10.1m).

The net book value of the Group's land and buildings includes £10.7m of freehold and £0.4m of short leasehold (2002: £11.5m and £0.4m).

The Group's land and buildings have an original cost of £10.6m.

Company	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost or valuation				
At 1 January 2003	2.1	0.9	2.4	5.4
Additions	0.1	0.4	0.4	0.9
Disposals	–	(0.5)	–	(0.5)
At 31 December 2003	**2.2**	**0.8**	**2.8**	**5.8**
Depreciation				
At 1 January 2003	0.5	0.3	1.7	2.5
Charge for the year	–	0.2	0.4	0.6
Disposals	–	(0.3)	–	(0.3)
At 31 December 2003	**0.5**	**0.2**	**2.1**	**2.8**
Net book value At 31 December 2003	**1.7**	**0.6**	**0.7**	**3.0**
Net book value At 31 December 2002	1.6	0.6	0.7	2.9
Cost or valuation at 31 December 2003 is represented by:				
External surveyor's valuation 1988	1.5	–	–	1.5
Cost	0.7	0.8	2.8	4.3
	2.2	**0.8**	**2.8**	**5.8**

The Company's net book value of tangible fixed assets of £3.0m includes an amount of £0.6m (2002: £0.6m) in respect of assets held under finance leases. The historic cost of assets held under finance leases is £1.2m (2002: £1.3m).

The net book value of the Company's land and buildings includes £1.4m of freehold and £0.3m of short leasehold (2002: £1.3m and £0.3m).

The Company's land and buildings have an original cost of £1.3m.

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

12 Intangible Assets

Group	Goodwill £m
Cost At 1 January 2003 and 31 December 2003	**212.5**
Amortisation	
At 1 January 2003	19.7
Charge for the year	10.8
At 31 December 2003	**30.5**
Net book value At 31 December 2003	**182.0**
Net book value At 31 December 2002	192.8

12 Intangible Assets continued

Acquisitions – Group
During the year, the Group acquired the entire issued share capital of Merewood Group Limited, D Dunk (Builders) Limited, Gomersal Mills Limited, Springfir Holdings Limited and Springfir Estates Limited, in separate transactions, for aggregate cash consideration of £48.1m.

Management considers these transactions to be primarily land purchases, the fair value of the acquired assets and liabilities being £48.1m. Consequently there is no goodwill arising on any of these transactions. *Further disclosures are not made in respect of these acquisitions on account of materiality; these transactions* being immaterial, individually and in aggregate, to the profits, assets, liabilities and cash flows of the Group.

The acquisitions have been accounted for using the acquisition method of accounting.

Acquisitions – Company
During the year the Company entered into an option to take a licence of certain trademarks and associated goodwill from another Group company for £4.9m. The cost of this option is being amortised over its expected useful economic life of 20 years.

13 Investments

Company	Interests in subsidiary undertakings £m
Cost	
At 1 January 2003	1,467.6
Addition	120.0
At 31 December 2003	**1,587.6**

The Company has invested a further £120.0m in the share capital of an existing subsidiary to finance increased working capital requirements.

Details of Group undertakings are set out in note 31.

14 Stocks and Work in Progress

	Group 2003 £m	Group 2002 £m	**Company 2003 £m**	Company 2002 £m
Land	**1,135.7**	987.7	**–**	–
Work in progress	**457.2**	383.6	**0.1**	0.3
Part exchange properties	**32.4**	22.3	**–**	–
Deposits received	**(17.4)**	(10.2)	**–**	–
Showhouses	**53.3**	50.0	**–**	–
	1,661.2	1,433.4	**0.1**	0.3

15 Debtors

	Group 2003 £m	Group 2002 £m	**Company 2003 £m**	Company 2002 £m
Amounts due after more than one year				
Trade debtors	**1.4**	2.9	**–**	–
Amounts due within one year				
Trade debtors	**27.0**	26.5	**–**	–
Other debtors	**12.9**	10.1	**10.7**	3.3
Deferred tax	**–**	8.4	**4.5**	5.3
Amounts owed by Group undertakings	**–**	–	**225.8**	234.2
Licensed land prepayments and land options	**59.5**	49.7	**–**	0.2
Other prepayments and accrued income	**11.6**	14.4	**6.5**	10.6
	111.0	109.1	**247.5**	253.6
Total debtors	**112.4**	112.0	**247.5**	253.6

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 £400m. The facility is due for review by January 2006. Amounts drawn down are unsecured with a floating rate of interest linked to LIBOR.

US and UK private placements of senior loan notes

On 16 May 1996 the Group issued US $65m 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 £42.7m of floating rate debt linked to LIBOR with the same maturity profile.

On 24 November 1998, unsecured 6.12% fixed interest loan notes were issued of US $80m. The notes are repayable in full on 24 November 2008 and on issue they were swapped into £47.2m at a fixed rate of interest of 6.98%. On the same day unsecured 6.91% fixed interest loan notes of £20m were issued which are also repayable in full on 24 November 2008.

On 20 July 1999 the Group raised a further US $150m 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 £95.5m of floating rate debt linked to LIBOR with the same maturity profile.

On 9 November 2000, unsecured 8.13% – 8.28% fixed interest loan notes of a further US $125m were issued and are repayable in full in instalments due 9 November 2007 and 9 November 2010. On issue these notes were swapped into £86.7m at a fixed rate of interest of 7.6%. On the same day unsecured 7.58% – 7.61% fixed interest loan notes of £28m were issued and are also repayable in full in instalments due 9 November 2007 and 9 November 2010.

The maturity profile of borrowings is as follows:

	Group 2003 £m	Group 2002 £m	**Company 2003 £m**	Company 2002 £m
Within one year or on demand				
Bank overdrafts	**18.1**	17.0	**111.2**	93.5
US senior loan notes	**1.6**	7.9	**1.6**	7.9
	19.7	24.9	**112.8**	101.4
Between one and two years				
US senior loan notes	**16.4**	1.6	**16.4**	1.6
Between two and five years				
US and UK senior loan notes	**158.4**	92.8	**51.6**	53.2
Syndicated loan	**15.0**	40.0	**15.0**	40.0
	173.4	132.8	**66.6**	93.2
In more than five years				
US and UK senior loan notes	**105.8**	187.8	**30.7**	45.5
Total amounts due after more than one year	**295.6**	322.2	**113.7**	140.3

17 Other creditors

	Group 2003 £m	Group 2002 £m	**Company 2003 £m**	Company 2002 £m
Amounts due within one year				
Obligations under finance leases	**1.0**	1.2	**0.2**	0.3
Trade creditors	**199.6**	172.7	**0.9**	0.7
Land creditors	**95.0**	101.5	**–**	–
Licensed land agreements	**4.4**	1.7	**–**	–
Amounts owed to Group undertakings	**–**	–	**1,128.2**	1,003.8
Corporation tax	**61.7**	43.7	**15.0**	11.8
Deferred Tax	**1.7**	–	**–**	–
Other taxation and social security	**4.6**	4.0	**0.7**	0.6
Other creditors	**32.3**	27.1	**4.6**	5.2
Accruals and deferred income	**66.4**	77.6	**15.5**	15.0
Dividends payable	**32.1**	29.1	**32.1**	29.1
	498.8	458.6	**1,197.2**	1,066.5

17 Other Creditors continued

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts due after more than one year				
Obligations under finance leases	**1.4**	0.9	**0.4**	0.2
Land creditors	**32.5**	25.8	**-**	–
Accruals and deferred income	**0.9**	2.1	**0.9**	0.2
	34.8	28.8	**1.3**	0.4

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

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

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Finance leases				
Between one and two years	**0.8**	0.6	**0.2**	0.1
Between two and five years	**0.6**	0.3	**0.2**	0.1
	1.4	0.9	**0.4**	0.2

18 Financial Instruments

Financial assets and liabilities

Details of the Group's use of financial instruments is included in the Financial Review on pages 14 to 17. The Group's financial assets and liabilities are as disclosed below. However, as permitted by FRS 13, short term debtors and creditors 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 land 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 2003, which are all denominated in sterling, is as follows:

	2003 £m	2002 £m
Financial liabilities on which no interest is paid	**32.5**	25.8
Floating rate financial liabilities	**133.4**	165.2
Fixed rate financial liabilities	**184.3**	184.0
	350.2	375.0

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

Fixed rate financial liabilities (see note 16) have a weighted average interest rate of 7.36% and the weighted average period until maturity is 5.4 years (2002: 6.4 years).

Maturity profile of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2003 is as follows:

	2003 £m	2002 £m
Within one year or on demand	**20.7**	26.1
Between one and two years	**44.0**	19.0
Between two and five years	**179.7**	141.2
In more than five years	**105.8**	188.7
	350.2	375.0

For financial liabilities on which no interest is paid, the weighted average period until maturity is 20 months (2002: 22 months).

At 31 December 2003 the Group has undrawn committed borrowing facilities of £385m expiring between two and five years (2002: £360m expiring between two and five years).

18 Financial Instruments continued

Currency exposures
After taking account of currency swaps the Group had no currency exposures as at 31 December 2003 (2002: nil). All US senior loan notes were swapped into sterling on issue.

Fair values
The fair value of US$ and UK£ private placements was calculated by discounting expected future cash flows at risk adjusted interest rates. Market values obtained from third parties have been used to determine the fair value of currency and interest swaps.

The fair value of other financial assets and liabilities have been calculated by discounting cash flows at relevant interest rates and exchange rates.

At 31 December 2003 the only material difference between the book value and fair value of financial instruments held by the Group relates to the US$ and UK£ private placements which have a book value of £282.2m (2002: £290.1m) and a calculated fair value of £297.1m (2002: £262.2m), including the currency and interest rate derivative financial instruments held.

19 Deferred Tax

The Group liability for deferred tax at 31 December 2003 is £1.7m (Company: £4.5m asset).

	Group 2003 £m	Group 2002 £m	**Company 2003 £m**	Company 2002 £m
Excess of capital allowances over depreciation	**1.1**	0.4	**0.1**	–
Other short term timing differences	**(2.8)**	8.0	**4.4**	5.3
	(1.7)	8.4	**4.5**	5.3

	Group £m	**Company £m**
The movement is as follows:		
At 1 January 2003	**8.4**	**5.3**
Profit and loss account		
– current year	**(0.3)**	**(0.9)**
– adjustment in respect of prior years	**0.2**	**0.1**
Arising on acquisitions	**(10.0)**	**-**
At 31 December 2003	**(1.7)**	**4.5**

20 Called up Share Capital

	2003 £m	2002 £m
Authorised 365,000,000 (2002: 365,000,000) ordinary shares of 10p each	**36.5**	36.5
Allotted, called up and fully paid 283,841,708 (2002: 280,015,270) ordinary shares of 10p each	**28.4**	28.0

During the year 1,747,510 ordinary shares were issued in lieu of ordinary dividends and a total of 2,074,585 ordinary shares were allotted, for a cash consideration of £4.2m, 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 subscribed for 4,343 ordinary shares at market value and it distributed 11,933 shares to employees during the year. At 31 December 2003 the trust did not hold any ordinary shares.

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 41). No shares were acquired or distributed by the EBT during the year. At 31 December 2003 the trust held 100,000 shares. Dividends on these shares have been waived. The market value of these shares at 31 December 2003 was £0.5m.

In addition, Persimmon (Share Scheme Trustees) Limited, a subsidiary company, made market purchases of 1,236,000 shares at an average price of £4.31 in order to satisfy compensatory and Bonus Share awards. At 31 December 2003 this company held 1,236,000 shares on which dividends have been waived. The market value of these shares at 31 December 2003 was £6.6m.

21 Options in Shares of Persimmon plc

Under the various schemes' options to subscribe for a total of 7,206,712 ordinary shares have been granted to employees (including full time Directors of the Company) and were outstanding on 31 December 2003 as follows:

(a) Persimmon plc 1988 Executive Share Option Scheme

Number of shares	Price per share	Dates of exercise
137,215	269.0p	April 1997 to April 2004
174,158	171.5p	April 1998 to April 2005
140,000	196.0p	April 1999 to April 2006
25,620	208.5p	Oct 1999 to Oct 2006
476,993		

(b) Persimmon plc 1997 Executive Share Option Scheme

Number of shares	Price per share	Dates of exercise
270,000	233.0p	May 2000 to May 2004
55,000	158.0p	Oct 2002 to Oct 2005
110,000	235.0p	April 2003 to April 2006
30,000	165.0p	March 2003 to March 2007
5,500	205.0p	Sept 2003 to Sept 2007
780,000	340.5p	April 2004 to April 2008
230,600	306.0p	Sept 2004 to Sept 2008
752,100	419.5p	March 2005 to March 2009
18,680	530.0p	Oct 2006 to Oct 2013
2,251,880		

(c) Persimmon plc 1997 Executive Share Option Plan

Number of shares	Price per share	Dates of exercise
8,250	233.0p	May 2000 to May 2007
10,000	158.0p	Oct 2002 to Oct 2008
3,750	235.0p	April 2003 to April 2009
13,900	165.0p	March 2003 to March 2010
20,000	205.0p	Sept 2003 to Sept 2010
274,400	306.0p	Sept 2004 to Sept 2011
279,900	419.5p	March 2005 to March 2012
11,320	530.0p	Oct 2006 to Oct 2013
621,520		

(d) Persimmon plc Long Term Incentive Plan

Number of shares	Price at date of award	Dates of vesting
448,000	340.5p	March 2004
600,704	451.0p	May 2005
322,783	395.0p	April 2006 to Oct 2006
259,500	537.5p	Sep 2006 to Mar 2007
1,630,987		

£1.7m (2002: £1.5m) has been charged in the profit and loss account reflecting management's best estimate of the cost of the awards in the current year.

(e) Persimmon plc 1998 Savings Related Share Option Scheme

Number of shares	Price per share	Dates of exercise
20,552	169.6p	Dec 2003 to May 2004
770,194	254.0p	Dec 2004 to May 2005
650,564	352.0p	Dec 2005 to May 2006
549,280	436.0p	Dec 2006 to May 2007
1,990,590		

21 Options in Shares of Persimmon plc continued

(f) Beazer Discretionary Share Option Scheme 1994

Number of shares	Price per share	Dates of exercise
9,464	229.82p	Sept 1998 to Sept 2005
9,464	267.86p	Dec 1999 to Dec 2006
9,464	287.67p	Sept 2000 to Sept 2007
22,083	237.74p	Sept 2001 to Sept 2008
50,475		

(g) Beazer Savings Related Share Option Scheme

Number of shares	Price per share	Dates of exercise
5,245	215.6p	March 2004 to Aug 2004
33,195	212.4p	May 2004 to Oct 2004
1,696	229.8p	Dec 2004 to May 2005
120,412	147.4p	May 2005 to Oct 2005
958	244.1p	June 2005 to Nov 2005
2,422	212.4p	May 2006 to Oct 2006
20,339	147.4p	May 2007 to Oct 2007
184,267		

22 Share premium account and reserves

	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Profit and loss account £m
Group				
At 1 January 2003	210.4	281.4	1.2	416.0
Exercise of share options	3.4	–	–	–
Scrip dividends	(0.2)	–	–	7.0
LTIP share award	0.6	–	–	(0.6)
LTIP charge for the year	–	–	–	1.7
Retained profit for the year	–	–	–	182.3
At 31 December 2003	**214.2**	**281.4**	**1.2**	**606.4**
Company				
At 1 January 2003	210.4	4.6	0.9	171.9*
Exercise of share options	3.4	–	–	–
Scrip dividends	(0.2)	–	–	7.0
LTIP share award	0.6	–	–	(0.6)
LTIP charge for the year	–	–	–	1.7
Retained loss for the year	–	–	–	(10.0)
At 31 December 2003	**214.2**	**4.6**	**0.9**	**170.0***

*Includes £75.0m of unrealised intra-group gains which are not distributable.

23 Reconciliation of Movements in Shareholders' Funds

Group	**2003 £m**	2002 £m
Profit for the financial year	**234.2**	176.5
Dividends	**(51.9)**	(42.4)
	182.3	134.1
New share capital issued (excluding scrip dividend issue below)	**4.2**	5.1
Scrip dividends	**7.0**	4.5
LTIP share award	**(0.6)**	(1.7)
LTIP charge for the year	**1.7**	1.5
Net increase to shareholders' funds	**194.6**	143.5
Opening shareholders' funds	**937.0**	793.5
Closing shareholders' funds	**1,131.6**	937.0

24 Reconciliation of Net Cash Flow to Net Debt

	2003 £m	2002 £m
(Decrease)/increase in cash in the year	**(10.1)**	31.2
Decrease in debt and lease finance	**34.4**	129.8
Decrease in net debt from cash flows	**24.3**	161.0
New finance leases	**(1.8)**	(1.0)
Decrease in net debt in the year	**22.5**	160.0
Net debt at 1 January	**(339.4)**	(499.4)
Net debt at 31 December	**(316.9)**	(339.4)

25 Analysis of Net Debt

	2003 £m	Cash flow £m	Other non-cash changes £m	2002 £m
Net cash:				
Cash at bank and in hand	**0.8**	(9.0)	–	9.8
Bank overdrafts (see note 16)	**(18.1)**	(1.1)	–	(17.0)
	(17.3)	(10.1)	–	(7.2)
Debt and lease financing:				
Bank loans (see note 16)	**(15.0)**	25.0	–	(40.0)
US and UK senior loan notes (see note 16)	**(282.2)**	7.9	–	(290.1)
Finance leases (see note 17)	**(2.4)**	1.5	(1.8)	(2.1)
Debt and lease financing	**(299.6)**	34.4	(1.8)	(332.2)
Net debt	**(316.9)**	24.3	(1.8)	(339.4)

26 Capital Commitments

At 31 December 2003 there were capital commitments contracted for amounting to £1.3m (2002: £0.9m) in the Group and capital commitments contracted for in the Company of £0.1m (2002: £0.1m).

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 guarantees in respect of the bank overdrafts of its subsidiary undertakings. At 31 December 2003 the bank overdrafts amounted to £28.9m (2002: £17.0m).

The Group makes payments when entering into licence agreements for the right to build and sell houses on land owned by third parties. 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 certain land payments at appropriate dates, the payment of which is contingent upon the build programme not progressing according to plan.

28 Financial Commitments

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

Group	2003 Land and buildings £m	2003 Other £m	2002 Land and buildings £m	2002 Other £m
Expiring within one year	**0.1**	**0.7**	–	1.4
Expiring between two and five years inclusive	**1.0**	**2.9**	0.8	2.5
Expiring in over five years	**1.5**	**0.1**	1.3	0.1
	2.6	**3.7**	2.1	4.0
Company				
Expiring within one year	**–**	**0.1**	–	–
Expiring between two and five years inclusive	**0.3**	**0.2**	–	0.2
	0.3	**0.3**	–	0.2

29 Related Party Disclosure

In 1984 the Company acquired an interest in land for £180,000 from the Chairman with the intention of obtaining planning permission for residential development. In the event of planning permission being granted a further payment would have been made to him by reference to the then current market value. The Company has been unable to obtain planning permission and there is no prospect of future success. The Company has therefore sold its interest for £340,000. The Company no longer has any material contracts with its directors.

30 Pension and Life Assurance Scheme

The Group has two employee pension schemes. The Persimmon Group Stakeholder Scheme is the scheme available to new salaried employees. The Group matches employees' own contributions to their individual Stakeholder plans, up to 7% of basic salary.

The Persimmon plc Pension & Life Assurance Scheme (the 'Scheme') is a defined benefit scheme which was closed to new members on 30 September 2001. The most recent actuarial valuation of the Scheme was carried out as at 1 July 2002 by a professionally qualified actuary and adopted the projected unit method. The main long-term actuarial assumptions used were as follows:

Persimmon plc Pension and Life Assurance Scheme

	% pa
Investment return in service	7.0
Investment return after leaving service	6.0
General pay increases	3.6
Pension increases – service before April 1997	3.0
Pension increases – Limited Price Indexation	2.6

The market value of the Scheme's assets at 1 July 2002 was £100.6m and was sufficient to cover 75% of the scheme liabilities allowing for future salary increases. This valuation allows for the special contributions of £10.0m paid in 2002 to further support scheme funding.

FRS 17 disclosure

In November 2000 the Accounting Standards Board ("ASB") issued FRS 17 (Retirement Benefits) replacing SSAP 24 (Accounting for Pension Costs). FRS 17 was initially due to become fully effective for periods ending on or after 22 June 2003. However, in November 2002, the ASB issued an amendment to FRS 17 extending the transitional arrangements and therefore deferring the mandatory requirement for its full adoption. The requirements of FRS 17 as amended will now become mandatory for accounting periods beginning on or after 1 January 2005.

For the purpose of these financial statements, the figures shown below are purely illustrative and they do not impact on the 31 December 2003 profit and loss account or balance sheet.

The assets of each scheme have been calculated at market value and the liabilities have been calculated based on the following financial assumptions:

	31 December 2003 % pa	31 December 2002 % pa	31 December 2001 % pa
Discount rate	**5.6**	5.6	5.8
General pay increases	**3.7**	3.3	3.5
Inflation assumption	**2.7**	2.3	2.5
Pension increases – Limited Price Indexation	**2.7**	2.4	2.5

The assets in the Scheme and the expected rates of return were:

At 31 December	**2003 Total £m**	**2003 Long-term expected return % pa**	2002 Total £m	2002 Long-term expected return % pa	2001 Total £m	2001 Long-term expected return % pa
Equities	**90.3**	**7.8**	68.5	7.5	77.7	8.0
Bonds	**27.5**	**5.3**	24.6	5.1	16.0	5.0
Property	**–**	**–**	–	–	0.4	6.0
Cash	**2.4**	**3.3**	4.8	3.0	5.8	3.5
Total market value of scheme assets	**120.2**		97.9		99.9	

30 Pension and Life Assurance Scheme continued

Based on the assumptions above the illustrative balance sheet figures are as follows:

At 31 December	**2003 £m**	2002 £m	2001 £m
Market value of scheme assets	**120.2**	97.9	99.9
Present value of scheme liabilities	**(174.5)**	(154.4)	(135.6)
Deficit	**(54.3)**	(56.5)	(35.7)
Related deferred tax asset at 30%	**16.3**	17.0	10.7
Net deficit	**(38.0)**	(39.5)	(25.0)

If the amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

At 31 December	**2003 £m**	2002 £m	2001 £m
Net assets excluding pension liability	**1,131.6**	937.0	793.5
Pension liability	**(38.0)**	(39.5)	(25.0)
Net assets including pension liability	**1,093.6**	897.5	768.5
Profit and loss reserve excluding pension liability	**606.4**	416.0	227.6
Pension reserve	**(38.0)**	(39.5)	(25.0)
Profit and loss reserve including pension liability	**568.4**	376.5	202.6

The following amounts would have been recognised in the performance statements in the year to 31 December 2003 under the requirements of FRS 17:

	2003 £m	2002 £m
Group profit and loss account		
Operating profit		
Current service cost	**(3.4)**	(5.4)
Past service costs	**–**	(1.4)
Total operating charge	**(3.4)**	(6.8)
Other finance income/(cost)		
Expected return on pension scheme assets	**6.7**	7.7
Interest on pension scheme liabilities	**(8.7)**	(8.0)
Other finance cost	**(2.0)**	(0.3)
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on the scheme assets	**11.3**	(26.2)
Experience losses arising on the scheme liabilities	**–**	(0.1)
Changes in assumptions underlying the present value of the scheme liabilities	**(9.0)**	(3.7)
Actuarial gain recognised in the STRGL	**2.3**	(30.0)
Notes to the financial statements		
Movement in deficit during the year		
Deficit at 1 January	**(56.5)**	(35.7)
Current service cost	**(3.4)**	(5.4)
Contributions	**5.3**	16.3
Past service costs	**–**	(1.4)
Other finance costs	**(2.0)**	(0.3)
Actuarial gain/(loss)	**2.3**	(30.0)
Deficit in Scheme at 31 December	**(54.3)**	(56.5)

Details of experience gains and losses for the year to 31 December 2003:

	%	**£m**
Difference between the expected and actual return on Scheme assets	**9.4%***	**11.3**
Losses resulting from changes in assumptions	**5.2%Δ**	**(9.0)**
Total amount recognised in the STRGL	**1.3%Δ**	**2.3**

*Percentage of Scheme assets.
ΔPercentage of the present value of Scheme liabilities.

30 Pension and Life Assurance Scheme continued

FRS 17 and potential volatility

The method for calculating the net pension deficit under FRS 17 is likely to lead to volatility in the amount to be included in the balance sheet.

Pension scheme liabilities are measured by reference to long-term AA bond yields that can move substantially and rapidly according to market conditions. The Scheme's assets, which principally comprise equities, are also subject to large market swings. During the year ended 31 December it is estimated that the net pension deficit varied between £34.0m and £56.0m compared with the illustrative figure of £38.0m at the balance sheet date.

31 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 Δ	Persimmon Finance Limited*
Persimmon Holdings Limited*	Charles Church Developments Limited†

*The shares of these companies are directly held by Persimmon plc.

ΔThe shares of this company are held by Persimmon Holdings Limited.

†The shares of this company are held by The Charles Church Group plc.

Shareholder Information

Analysis of shareholding at 31 December 2003

Size of shareholding	Number of shareholders	%	Number of ordinary shares	%
1 – 5,000	10,109	89.5	8,471,376	3.0
5,001 – 50,000	785	7.0	12,009,947	4.2
50,001 – 250,000	234	2.1	27,421,453	9.7
250,001 and over	158	1.4	235,938,932	83.1
	11,286	100.0	283,841,708	100.0

Share price – year ended 31 December 2003

Price at 31 December 2003	537p
Lowest for year	372p
Highest for year	592p

Six Year Record

	2003	2002	2001	2000 Restated†	1999 Restated†	1998 Restated†
Unit sales*	**12,163**	12,352	12,051	7,035	7,101	6,483
Turnover*	**£1,883.0m**	£1,711.1m	£1,477.5m	£740.8m	£682.1m	£560.2m
Average selling price*	**£154,810**	£138,530	£122,601	£105,307	£96,055	£86,414
Operating profit$^{\Delta}$	**£381.7m**	£299.8m	£225.1m	£116.0m	£92.2m	£73.2m
Profit before tax$^{\Delta}$	**£352.5m**	£267.6m	£188.2m	£104.3m	£81.6m	£60.5m
Basic earnings per share$^{\Delta}$	**86.8p**	67.0p	52.9p	40.2p	31.3p	24.4p
Diluted earnings per share$^{\Delta}$	**86.0p**	66.3p	52.4p	40.0p	31.0p	24.4p
Dividend per share	**18.30p**	15.15p	13.70p	12.40p	11.10p	10.40p
Net assets per share	**398.7p**	334.6p	286.6p	229.5p	201.8p	181.2p
Equity shareholders' funds	**£1,131.6m**	£937.0m	£793.5m	£419.6m	£365.9m	£323.8m
Return on capital employed$^{\Delta}$	**25.5%**	22.0%	19.4%	21.7%	19.6%	17.0%

*Comparatives 1998-2000 exclude BES re-sales.
ΔExcludes goodwill amortisation and integration costs.
†Comparatives 1998-2000 restated for impact of FRS 19 (Accounting for Deferred Taxation).

Registrar's Services

Computershare Investor Services PLC, our Registrar, has 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.

A telephone share dealing service has been established with Computershare Investor Services PLC, which provides shareholders with a simple way of buying or selling the Company's ordinary shares on the London Stock Exchange. The commission is 1%, subject to a minimum charge of £15. In addition stamp duty, currently 0.5% is payable on purchases. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. The service is available from 8 am to 4.30 pm Monday to Friday excluding bank holidays on telephone number 0870 703 0084. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. Detailed terms and conditions are available on request; please phone 0870 702 0000.

This is not a recommendation to buy, sell or hold shares in Persimmon plc. If you are unsure of what action to take, contact a financial advisor authorised under the Financial Services and Markets Act 2000. Please note that share values may go down as well as up, which may result in you receiving less than you originally invested.

In so far as this statement constitutes a financial promotion for the share dealing service provided by Computershare Investor Services it has been approved by Computershare Investor Services PLC for the purpose of Section 21 (2) (b) of the Financial Services and Markets Act 2000 only. Computershare Investor Services PLC is regulated by the Financial Services Authority.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

Information on the Internet www.persimmonhomes.com

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

Group Directory

Directors:

Duncan Davidson	Chairman
John White	Group Chief Executive
Mike Farley	South Division Chief Executive
John Millar	North Division Chief Executive
Mike Killoran	Group Finance Director
David Bryant	Southern Regional Chairman
Sir Chips Keswick	Non-Executive Director
Hamish Leslie Melville	Non-Executive Director
David Thompson	Senior Independent Director
Neil Davidson	Non-Executive Director

Group Company Secretary
Neil Francis

Registered Office
Persimmon plc
Persimmon House
Fulford, York YO19 4FE
Telephone (01904) 642199
Fax (01904) 610014

Company Number
1818486

Auditors
KPMG Audit Plc

Registrars
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH
Telephone (0870) 7020000

Bankers
The Royal Bank of Scotland plc
Lloyds TSB Bank plc
Yorkshire Bank PLC
Barclays Bank PLC
Bank of Scotland
National Westminster Bank plc

Financial Advisors/Stockbrokers
Hoare Govett Ltd
(a member of ABN Amro Group)

Solicitors
Mayer, Brown, Rowe & Maw

North Division

Operational Board:

John Millar	Chief Executive
David Broadbent	Northern Regional Chairman
Chris Johnson	Yorkshire Regional Chairman
John Cassie	Scotland Regional Chairman
Corinne Gill	Divisional Finance Director
Richard Noble	Divisional Commercial Director

Persimmon Homes (Yorkshire)
Persimmon House
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York YO19 4FE
Telephone (01904) 642199
Fax (01904) 656142
Managing Director:
Ian Hessay

Persimmon Homes (West Yorkshire)
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Fax (0113) 2408967
Managing Director:
Wayne Gradwell

Persimmon Homes (East Yorkshire)
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Managing Director:
Andrew Bowes

Persimmon Homes (South Yorkshire)
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Fax (01302) 885600
Managing Director:
Keith Saunders

Persimmon Homes (North West)
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Golbourne
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Fax (01942) 276490
Managing Director:
Derek Ryder

Persimmon Homes (Mercia)
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Fax (01270) 750391
Managing Director:
Grant Dinsdale

Persimmon Homes (Lancashire)
Helm Bank
Natland
Kendal
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Aycliffe Industrial Estate
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Fax (01698) 427122
Managing Director:
Gordon Innes

Partnerships Division (Scotland)
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Fax (01698) 476488
Managing Director:
Alan Brander

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Fax (01506) 403811
Managing Director:
Douglas Law

South Division

Operational Board:

Mike Farley	Chief Executive
David Bryant	Southern Regional Chairman
David Thornton	Western Regional Chairman
Richard Wright	Central Regional Chairman
Chris Turpin	Divisional Finance Director

Persimmon Homes (North Midlands)
Whetstone House
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Telephone (0116) 2863421
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Deputy Managing Director:
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Persimmon Homes (West Midlands)
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Dominic Harmon
Deputy Managing Director:
Maureen Haywood

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The Old Brewery
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Adrian Evans

Persimmon Homes (Thames Valley)
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Andrew Hammond

Persimmon Homes (South East)
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Deputy Managing Director:
Edward Owens

Persimmon Homes (South Coast)
Persimmon House
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Managing Director:
Allen Smith

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Fax (01376) 521145
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Andrew Jay

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Managing Director:
John Davies

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Fax (01392) 430195
Deputy Managing Director:
Adrian Morgan

Charles Church

Regional Managing Director:
Brian Thomson

Charles Church (Southern)
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Surrey GU15 3TQ
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Fax (01276) 808081
Managing Director: John Bell

Charles Church (South East)
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Fax (01737) 228501

Charles Church (North London)
Target House
257-263 High Street
London Colney
St Albans, Hertfordshire AL2 1HA
Telephone (01727) 828800
Fax (01727) 828851
Managing Director: Bob Fidock

Charles Church (South Midlands)
Charles Church House
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Telephone (01926) 310000
Fax (01926) 310001
Managing Director:
Nigel Greenaway

Charles Church (Western)
Churchward House
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Fax (01454) 327123
Managing Director: Steve Roche

Charles Church (North East)
Redworth Way
Aycliffe Industrial Estate
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Fax (01325) 328355
Managing Director:
Barry Richardson

Charles Church (Yorkshire)
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Telephone (0113) 2181880
Fax (0113) 2181888
Area Director: Ian Ruthven

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of Persimmon plc will be held at The St David's Hotel, Havannah Street, Cardiff CF10 5SD on Thursday 22 April 2004 commencing at 12 noon for the following purposes:

1) To receive and adopt the Directors' and Auditors' Reports and Financial Statements for the year ended 31 December 2003.

2) To declare a final dividend.

To re-elect the following Directors who retire and are offering themselves for re-election:

3) John White.

4) Michael Farley.

5) David Bryant.

6) Sir Chips Keswick.

7) Neil Davidson.

8) To reappoint KPMG Audit Plc as auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

9) To approve the Directors' Remuneration Report for the year ended 31 December 2003.

10) To pass the following as a Special Resolution:

That the Company be granted general and unconditional authority to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in its capital ("Ordinary Shares") provided that:

(a) this authority shall be limited so that the number of Ordinary Shares which may be acquired pursuant to this authority does not exceed an aggregate of 28,386,136 Ordinary Shares and shall expire on 22 October 2005 or at the conclusion of the next Annual General Meeting, whichever is sooner (except in relation to the purchase of Ordinary Shares the contract for which was concluded before the date of the expiry of the authority and which would or might be completed wholly or partly after such date); and

(b) the maximum price which may be paid per Ordinary Share shall not be more than 5% above the average of the market value per Ordinary Share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the purchase is made and the minimum price which may be paid for an Ordinary Share shall be 10p (the maximum and minimum prices being exclusive of expenses).

By order of the Board

Neil Francis
Group Company Secretary

Registered Office:
Persimmon House
Fulford, York YO19 4FE
22 March 2004

Notes

1) To attend and vote at the meeting a shareholder must be entered on the register of members of the Company by 6.00 pm on 21 April 2004. Changes to entries on the relevant register of members ("register") for certificated or uncertificated shares after 6.00 pm on 21 April 2004 shall be disregarded in determining the rights of any person to attend and/or vote at the meeting. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 6.00 pm on the day preceding the date fixed for the adjourned meeting.

2) Any member of the Company who is entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on the member's behalf. A proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose and to be valid must be completed and lodged with the Company's Registrars not less than 48 hours before the time fixed for the meeting. Completion of the Form of Proxy will not prevent a member from attending the meeting and voting in person.

3) Copies of all contracts of service of any Director with the Company or any of its subsidiaries and the terms and conditions of appointment of the non-executive Directors are available for inspection at the registered office of the Company during normal business hours on every weekday (public holidays excepted) and, on the day of the meeting, at the place of the meeting from at least 15 minutes prior to the meeting until its conclusion.

4) Copies of the terms of reference of the Nomination Committee, the Remuneration Committee and the Audit Committee are available on request in writing to the Company Secretary at the registered office of the Company. Copies of each of the terms of reference will be available on the day of the meeting at the place of the meeting, from at least 15 minutes prior to the meeting until its conclusion.

5) A register of all interests of each Director and of his family interests in the share capital of the Company and its subsidiaries will be available for inspection at the place of the meeting until its conclusion.

6) Biographical details of the directors offering themselves for re-election can be found on page 26.

7) Members attending the meeting should be appropriately and smartly dressed.

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