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PERSIMMON PLC
ANNUAL REPORT
DECEMBER 2004

+11%

AVERAGE SELLING PRICE £172,431

+30%

OPERATING PROFIT £496.8m*

+33%

PROFIT BEFORE TAX £470.4m*

+31%

BASIC EARNINGS 113.9p*

+50%

DIVIDEND PER SHARE 27.5p

* Before goodwill amortisation.

Chairman's Statement

During the 12 months to 31 December 2004, Persimmon achieved record net pre-tax profits of £470.4m, which was an increase of 33% over the 2003 profits of £352.5m. Earnings per share increased by 31% to 113.9p per share (2003: 86.8p). Earnings per share have risen by 70% in the two years since 2002. (All figures are stated before goodwill amortisation).

During 2004 we legally completed the sale of 12,360 homes (2003: 12,163) at an average selling price of £172,431 (2003: £154,810), producing a turnover of £2.13bn (2003: £1.88bn).

Despite experiencing a more challenging housing market since May 2004, we increased our operating margins in the year to 23.3%, from 20.3% in 2003. Return on average capital employed also increased, to 30.5% from 25.5% in 2003.

Operating activities generated a strong net cash inflow of £315m during the year, and our free cash flow of £108m added further strength to our balance sheet. Net debt at 31 December 2004 was reduced to £204m, giving gearing of 15% (31 December 2003: 28%). Interest was covered 18.8 times.

At Persimmon we work very closely with many organisations and advisers, to establish long term trusted relationships. An example of this was the £500m five year revolving credit facility which we put in place in December with the same four lead banks that supported Persimmon at our initial flotation in 1985.

Since early January 2005 we have seen a marked up-turn in demand for our homes, by comparison with the last eight months of 2004. There have been high levels of visitors to our developments, reflecting the pent-up demand from the more subdued market conditions of the second half of 2004. We have currently sold circa £1bn of homes for 2005. Whilst sales rates per site have returned to a more normal level over the last 12 months, we are currently selling from circa 15% more developments, compared to the same date last year. Therefore, we are in a strong position to maintain good sales volumes during 2005 and beyond, whilst remaining focused on maximising margins and return on capital employed.

Turning to dividends, in our Interim Statement on 24 August 2004, we indicated an anticipated increase of 25% in our total dividend pay-out for the full year 2004. As a result of Persimmon's continued excellent profit growth and our strong confidence in the future, we are proposing to increase the full year dividend by 50% to 27.5p per share (2003: 18.3p per share), which is covered 4.0 times. We paid an interim dividend of 9.1p per share in October 2004, and will recommend a final dividend of 18.4p, which will be payable on 22 April 2005 to shareholders on the Register at 11 March 2005.

At this level of dividend cover we maintain the flexibility to increase future dividend payments in line with on-going performance and prospects. Dividends paid have doubled in the last three years. In addition the strength of our balance sheet enables us to achieve further expansion of the business.

During 2004 we completed 11,273 homes through our core housing business at an average selling price of £164,488. We increased output in our premium range Charles Church brand by a further 10% to 1,087 homes at an average selling price of £254,810. Included in these total completions were over 1,000 social housing units, providing circa 5% of the industry output in the UK in this sector of the market.

The economies of scale we are achieving continue to minimise build cost increases in support of our focus on maximum efficiency and, ultimately, improvement of shareholder value. This efficiency of build and associated costs also ensures that we remain competitive in the land market. Our landbank is currently at 59,947 plots (2003: 57,222 plots), which enables us to plan our business growth with some certainty, while responding to the demands and challenges of our industry.

We offer a wide range of new homes, our experience and skills are extensive, and we remain committed to further profitable growth. We recognise the need to work closely with a wide range of interested parties at both local and national levels, and are ready to respond to Government initiatives to address the shortage of new housing.

We believe our strong balance sheet, depth of proven management, good landbank and truly national exposure to all markets positions us to achieve further good progress over future years.

In 2004 Persimmon achieved the highest profits before tax ever recorded by any UK building company. This has been made possible by the excellent efforts of every member of the Persimmon team, and I thank them all for their fine achievements.

Duncan Davidson Chairman
25 February 2005

Duncan Davidson
Chairman

Financial Highlights

Graphs x 6
Turnover
Return on Average Capital Employed
Operating Profit
Dividend per share
Profit before tax
Basic Earnings per Share

* Comparatives 1999 – 2000 exclude BES resales.
** Comparatives 1999 – 2003 as restated for UITF38 (Accounting for ESOP trusts).
Δ Before goodwill amortisation and exceptional integration costs.
† Comparatives 1999 – 2000 as restated for FRS19 (Accounting for Deferred Taxation).

A family home at Lakeside Village,
Brynmawr, South Wales

CHOICE

We are consistently building good quality homes, ranging from one bedroom apartments to five bedroom detached houses.

Our development at Bridgemere, Staffordshire provided a wide range of family homes

A redundant military site at Goffs Oak, Hertfordshire was transformed by refurbishment and newly built homes

Apartments at Etruria Village, Telford

Chief Executive's Review

c.2,500

Plots from strategic land

+15%

Increase in outlets

Overview

Another excellent set of results has been achieved by the Persimmon Group in a year when the industry experienced a range of increasing pressures and almost all aspects of our business faced real challenges. Despite this, Persimmon has once again grown its business and profits to produce a record performance.

Looking back over the year it is interesting to note how conditions changed during the 12 months. In the first four months of 2004 potential house purchasers were extremely active causing a significant increase in volumes from the first week of January.

As expected, this situation could not and did not continue. From the end of April it was clear that sales prices had reached a level in many parts of the country which caused customers to give greater consideration to their decision to purchase a new home.

During early 2004 interest rates began to increase, a decision that we welcomed. However, the greatest influence upon the housing market and customer sentiment last year, was the threat of falling house prices. This understandably undermined confidence and resulted in a slow-down of sales volumes throughout the last eight months of 2004.

Looking back, this was entirely necessary and has resulted in a strengthening of the sustainability of our markets for the future. Notwithstanding this effect, we increased the number of homes sold during 2004 to 12,360 (2003: 12,163) at an average selling price of £172,431 (2003: £154,810).

Build

Whilst we continued to experience increases in our build costs last year it was largely due to labour cost pressures. However, these pressures receded around the half year as the effect of a slowing market caused a general reduction in activity across the UK.

Material prices were mainly affected by steel and fuel cost increases. However, through our Group procurement strategy, and because of our long-term valued relationships with suppliers, we have been able to mitigate these increases.

North

The North Division completed 5,086 (2003: 5,295) units during 2004, with an average selling price of £154,287 (2003: £129,328). This 19% increase in average selling price reflects some very strong price growth in all regions as well as a change of mix to slightly larger homes.

All regions performed well and it was pleasing to note that our new Teesside operation, opened in January 2004, made a good contribution to profits in its first year of operation.

South

In the South we increased our volumes by 5% to 6,187 units (2003: 5,878) at an average selling price of £172,874 (2003: £164,531). Average selling price increases in the South were strongest in our Western Region, moving ahead by 16% to £183,768 (2003: £157,746).

Across the South Division selling prices increased by a more sustainable 5%, including the impact of mix changes in some areas where we introduced more smaller units in response to local market conditions.

Charles Church

Charles Church, our premium brand business, achieved further good progress during 2004. We increased volumes by 10% to 1,087 units (2003: 990) at an average selling price of £254,810 (2003: £233,381). During the year we achieved the first legal completions in the North West. We also commenced work on new sites in Scotland and acquired new land for development in South Wales.

Our plans for the expansion of Charles Church continue to move forward as anticipated and this business is now well set for further growth over future years.

Landbank

During early 2004, we raised our hurdle rates for land purchases in reaction to a general slow-down in the housing market. Nevertheless we selectively purchased land in most parts of the UK and finished the year with 59,947 plots owned and under control. In doing so we have maintained a most competitive plot cost to selling price ratio of 19.1% ensuring that margin performance over the life of the landbank, circa 4.9 years, is protected. At the year end we had also agreed terms on a further 8,565 plots which were proceeding to contract. This gives a total of all plots on our landbank of 68,512 (2003: 65,346).

John White
Group Chief Executive

Our strategic land portfolio gained further successes during 2004 with circa 2,500 plots pulled through to the landbank. We also made good progress on many other land holdings which we are confident will eventually achieve planning consents over the next few years.

We believe that Government initiatives will, in the medium term, allow us to unlock the potential for more large developments as the undersupply of new housing is addressed.

Current Trading Outlook
Since the beginning of this year we have experienced strong interest in our homes, high levels of visitors to our show homes and a good level of new reservations.

Comparisons with 2004 can be misleading due to the unprecedented high level of sales taken in the first few months of last year. However, it is encouraging that our sales levels over the first weeks of 2005 have been at similar levels to 2004 and circa 25% better by volume than the same weeks of 2003.

As noted in the Chairman's Statement we are currently selling from 15% more outlets than a year ago which has partly offset the reduction in sales per site we have experienced since May 2004.

Environment and Innovation
During the year we continued to research and develop the use of more factory manufactured components. In doing so we continue to reduce the number of skilled man-hours on site whilst improving the quality of our new homes. During the year we built over 2,000 homes using off site manufactured timber or steel frame processes.

In addition, we set up a working group to establish a project to build a small number of homes to trial "Modern Methods of Construction" for the future. The project itself was launched at the recent "Sustainable Communities Summit" attended by both the Prime Minister and Deputy Prime Minister. Five homes will be built this year on our development at Irlam near Manchester as part of this project, and will feature many factory finished products as well as many Eco friendly adaptations.

Staff and Training
Our Management Development Programme continues to be a tremendous success with graduates from previous years' intakes now firmly established in their chosen roles within their operating businesses.

The number of apprentices continues to increase, with over 400 now engaged in the Group. This number will be maintained as the number of young people beginning their training replace those who are completing their apprenticeships.

The Group is committed to giving young people a start to their career in the industry, and in addition to our graduates and apprentices who are following structured programmes, we have many trainees in the business, including site managers, surveyors, buyers and sales people.

We have increased training with over 2,000 more training days being delivered in 2004 than in previous years, much of it taking place at site level, to ensure our labour force is well informed of operating procedures and has the correct skills to maintain our quality standards.

Customers
During the year we have continued to invest in all aspects of our service to our customers.

The considerable investments we have made in IT in support of our customer service is also assisting management to monitor, manage and react to our customers' expectations.

We are also working closely with the House Builders Federation in order to establish a national survey of the Industry's performance for the future, in response to the issues raised on this subject by the Barker Review.

Whilst much progress has already been made in our commitment to continuously improve our customer service, we remain focused on further improvements over the forthcoming years.

Social Housing
Persimmon has continued to establish and maintain its relationships with numerous social landlords and housing associations to build mixed, integrated and inclusive developments which support greater social cohesion.

During 2004, our West Midlands operation was named "Partner of the Year" by Wolverhampton based Bromford Housing Group. Bromford Housing Group is dedicated to the provision of affordable housing and associated care and support services. Persimmon was commended for its strong product offering, its reliable and professional approach to construction, efficiency and value for money.

In addition, our Persimmon Partnerships operating business in Scotland, in a joint venture with North Lanarkshire Council, the Scottish Executive and Clyde Valley Housing Association won the Chartered Institute of Housing award – "Best Regeneration – Building Sustainable Communities" UK National Winner 2004 – for the Old Monkland housing development at Coatbridge.

Health & Safety
The safety of our employees, sub-contractors, visitors and members of the public is vitally important to Persimmon. We continue to provide our workers with suitable and relevant health and safety training to enable them to manage and carry out their duties safely and to ensure the safety of others who may be affected by their work activities. To reinforce our commitment to health and safety we have signed up to the House Builders Federation's Health and Safety Charter launched in May 2004.

Summary
We have once again successfully traded through what have undoubtedly been more challenging times. The current environment brings out the best from our business, our staff, our contractors and suppliers. It is also apparent that the scale of our business gives us many advantages, whether through our procurement strengths or ability to manoeuvre our way through long term land negotiations and planning issues. Over the years we have grown our business by adapting to changing conditions. We believe that, as the need for a suitable housing supply for the UK becomes a more pressing issue, we will be able to react and fulfil any new challenges.

The resilience and progress of our business is built on the true national spread and scale of our operations and extensive range of new homes. I am therefore confident that with the continued hard work, commitment and loyalty of our several thousands of staff, contractors and suppliers we will continue to move forward successfully.

John White Group Chief Executive
25 February 2005

DETAIL

We understand that the little details make a home. All of our houses are individually tailored for each customer to the highest standards.

All our homes complement modern living

Contemporary interiors and the additional features available through our *Finishing Touches* make our homes sought after

Financial Review

Financial Reporting Standards

These financial statements for the year ended 31 December 2004 have been prepared using existing UK Financial Reporting Standards applied in a consistent manner. During the year the Group adopted UITF 38 (Accounting for ESOP trusts), with comparative figures being restated accordingly. Note 23 to the financial statements provides the relevant detail.

International Financial Reporting Standards

All European Union companies listed on a regulated market are required to adopt International Financial Reporting Standards (IFRS) for their consolidated financial statements from 2005, which will include comparative information for 2004 subject to certain exemptions. An initial evaluation of the impact of IFRS was provided in the 2003 Annual Report. The Group has continued its preparatory work, to enable it to report under IFRS for the first time when it announces its 2005 interim results.

The key changes in accounting policy for Persimmon relate to:

Share options
Under IFRS 2 (Share-based Payment), for all employee share schemes, a fair value calculated using an option pricing model is required to be expensed.

Goodwill
In accordance with IFRS 3 (Business Combinations), the amortisation of goodwill is prohibited, and instead impairment tests are required at each balance sheet date.

Interest on land creditors
In accordance with IAS 2 (Inventories), deferred payments, in particular land creditors, are to be held at discounted present value. The liability is then increased to the settlement value over the period of deferral, this increase in value being charged as notional interest.

Pension scheme accounting
Under IAS 19 (Employee Benefits), the net deficit on the Group's defined benefit pension scheme based on market values will be included on the balance sheet. This is expected to be broadly in line with FRS 17 amounts disclosed in note 30.

Financial instruments
IAS 39 (Financial instruments: Recognition and Measurement) requires that derivatives such as currency and interest rate swaps are shown at fair value as assets or liabilities, and external loans are shown at original currency value translated at the year end exchange rate.

Dividends
Under IAS 10 (Events After the Balance Sheet Date) only dividends declared before the Balance Sheet date can be shown as a liability. Persimmon's final dividend is declared at the Annual General Meeting. Consequently, the final dividend will not be shown as a liability in the financial statements.

A full impact assessment together with restated numbers for both the half year and full year 2004 will be provided in May 2005 well ahead of the presentation of the Group's interim announcement on 23 August 2005. This restatement will have been subject to appropriate external audit review, KPMG Audit Plc providing a Special Purpose Audit Report on publication. However our work to date allows the following overall assessment of the key impacts of the introduction of IFRS on our business:

- cash flows are unaffected
- ability to pay dividends is unaffected
- effective tax rate (pre goodwill amortisation) undisturbed
- banking arrangements unaffected

Mike Killoran
Group Finance Director

Graph
Earnings before Interest, Taxation, Depreciation and Amortisation

Graphs x 3
Unit sales
Unit sales: Group
Unit sales: North Division
Unit sales: South Division

Trading

2004 represented another important year of progress for Persimmon. Our overall strategy of focusing on the improvement of profitability and return on invested capital resulted in the delivery of another record set of results for the Group. These results were achieved during a period in which confidence in the housing market was challenged through both a tightening of monetary policy by the MPC and widespread media comment. Whilst the uncertainty that these conditions created has abated the performance of the Group through those more challenging market conditions provides us with confidence as to the resilience of our business moving forward.

During 2004 Group turnover of £2,131.3m increased by 13% over last year. This growth was delivered from an increase of 2% in new home legal completions to 12,360 and an 11% increase in average selling prices to £172,431. We are now in a strong position to increase our output levels as we are currently operating from circa15% more sites than at the same time last year.

We continue to make progress in both our core housing business and our Charles Church premium brand business. Whilst volume growth in our core business was modest at 1% to 11,273 new homes delivered, average selling prices moved forward 11% to £164,488. In line with our stated development plans for Charles Church, strong growth in volumes of 10% was delivered from both the further expansion of our existing businesses and from the penetration of new markets for Charles Church. Average selling prices for Charles Church increased by 9% over the prior year to £254,810.

Our headline average selling price growth of 11% was supported by the gradual increase in Charles Church content in the sales mix with 9% of sales (2003: 8%). Within our core business the mix of sales across our regional markets remained relatively consistent but with slightly greater representation in the North West and North East regions in the North Division, and in the Birmingham and Southern regions in the South Division. Average sales price growth in the North Division at 19% to £154,287 was again stronger than in the South Division, the latter increasing by 5% to £172,874. After the strong start to 2004 we saw a continued deceleration in price growth from May 2004 onwards and the average selling price of sales taken for 2005 at the end of February 2005 was circa 1% ahead of the average price for the whole of 2004.

Graph
Sales Analysis
by Price Band

Graph
Sales Analysis
by House Type

£629.5m
Work in progress

30.5%
Return on average capital employed

£315.1m
Operating cash inflow

The provision of affordable new homes across the market remains our focus which is demonstrated by the analysis of sales by price band (as illustrated graphically). 42% of our sales in 2004 were at prices lower than £150,000. Indeed, we continue to provide a wide choice of product across the range to appeal to most customers whilst ensuring we reflect customers' preferences. Our sales mix by house type (as illustrated graphically) demonstrates this commitment with a higher content of semi-detached, townhouse and detached homes than the overall market (as per NHBC statistics). Customers continue to purchase an increasing value of sales extras from our Finishing Touches range to personalise their new homes.

An increase of 30% in operating profits (before goodwill amortisation) to £496.8m delivered operating margins for 2004 of 23.3%, up from 20.3% last year. We continue to capture the benefits of our increased scale of operations both in land acquisition and material procurement, which is enhancing our ability to add value and support our profitability. Operating margin growth within the core housing business continued and reached 24.0% for 2004 (2003: 21.1%). Charles Church operating margins made further progress to 18.8% for the 2004 full year, up from 14.7% in 2003. This improving margin trend continued through the year with stronger second half margins being achieved, to 24.7% in the core, and 18.9% in Charles Church.

Goodwill amortisation has continued at £10.8m in the year, £10.5m relating to the acquisition of the Beazer Group Plc in 2001.

Interest is written off as incurred and the charge of £26.4m (2003: £29.2m) was covered 18.4 times. The average debt level for the Group during the year was approximately £455m.

The 33% increase in pre-tax profit (before goodwill amortisation) to £470.4m represents another record performance for Persimmon. Group pre-tax profit has grown at a compound rate of 40% over the last ten years from 1995. In 2004 the pre-tax profit per unit (before goodwill amortisation) improved 31% to £38,057 which reflects our focus on efficiency and profitability. Indeed, pre-tax profit per unit in the second half of 2004 of £39,675 was ahead by 9% over that achieved in the first half, this progress being achieved during a period of more subdued selling price growth (of just 1.5%).

The effective tax charge of 31.6% reflects the impact of the goodwill amortisation which is non-tax deductible. The tax charge is at a rate of 30.8% on profits before goodwill amortisation.

Basic earnings per share (before goodwill amortisation) of 113.9p were 31% ahead of the prior year (2003: 86.8p) and continues to extend Persimmon's robust record of earnings growth. Persimmon has generated 25% compound growth in earnings per share (before goodwill amortisation and exceptional costs) over the ten year period from 1995. The proposed final dividend of 18.4p per share delivers a full year rate of 27.5p per share representing an increase of 50% over the prior year (2003: 18.3p per share) and is covered by earnings 4.0 times.

Balance Sheet
Net assets per share of 481.5p grew by 21% over last year. With the further investment in land and work in progress and continued free cash generation the Group's balance sheet has been further strengthened and offers great opportunity to support the future growth of the business. Net assets increased by £261.0m to £1,387.3m during 2004.

Through 2004 we have been increasingly selective in new land commitment reflecting the uncertainties within the customer market place. However, our investment in land held for development (including land licence monies prepaid) at December 2004 was £1,337.2m, an increase of £142.0m on the prior year (2003: £1,195.2m). The Group owned and controlled 59,947 consented plots at the end of the year, with another 8,565 plots proceeding to contract, which in total offers in excess of £11.8bn development value at current period average selling prices. Due to planning constraints access to plots with detailed planning consent remains restricted to just over two years supply in support of future production levels.

With an average plot cost of 19.1% of current period average sales revenue at 31 December 2004 (2003: 19.9%) the land owned and under control continues to be secured at keen price levels. This high quality landbank will help us sustain our margins in the future and supports our strategy of further profitable growth in output. In addition, our significant strategic land interests at 31 December 2004 were over 19,700 acres held under ownership, option, or conditional contracts.

Graphs x 3
Net Assets Per Share
Gearing
Interest Cover

* Before goodwill amortisation and exceptional integration costs.
** Comparatives 1999 – 2003 as restated for UITF38 (Accounting for ESOP trusts).

During 2004 we have been successful in acquiring a number of larger land parcels which offer us greater relative value due to the scale of commitment required, some with deferred terms. 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 2004 land creditors stood at £208.6m (2003: £127.5m).

At £629.5m work in progress was £172.3m higher than last year and supports the very strong level of sales for 2005 (total sales for 2005 at 25 February 2005 being circa £1 billion). Management continue to focus on ensuring appropriate levels of capital turn are achieved on a site by site basis.

Part exchange stocks of £54.0m have increased by £21.6m from last year. However, this stock level represents less than 3% of sales and the quality of the stock held remains good.

At 30.5% the return on average capital employed (before goodwill amortisation) increased by 20% on last year's levels of 25.5%. This continued improvement is based upon the progress in operating margin performance together with our focus on capital efficiency. Shareholders' funds increased by £261.0m resulting from retained profits of £235.3m, take up of the scrip dividend and employee share incentives.

Borrowings and Cash Flow

Borrowings net of cash balances at 31 December 2004 were £201.2m representing gearing of 15%, (2003: 28% on net borrowings of £314.5m). Despite further significant investment in land and work in progress, cash inflow from operating activities was very strong at £315.1m. Free cashflow after servicing the capital employed in the business and payment of tax amounted to £108.2m.

On 3 December 2004 we successfully refinanced and extended our UK revolving credit facilities. Through our four mandated lead arrangers, Royal Bank of Scotland, Lloyds TSB Bank, Barclays Capital and National Australia Bank we concluded a restricted syndication of a £500m facility. These facilities have secured improved financing arrangements at investment grade margins and will be used to support working capital needs as the business continues to pursue its growth strategy.

Treasury

Management of the Group continues to finance its operations through a combination of shareholders' funds, bank loans, overdrafts, cash in hand and long term loans. We have been consistent in our 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. The Group currently enjoys total credit facilities with an average life of circa 4 years at competitive rates of interest.

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

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
25 February 2005

Zoe, Leah, Kayleigh, Holly and Amy enjoying the new play facilities in the open space at the Piazza, Cardiff Bay

COMMUNITY

We endeavour to build homes and developments which encourage safe and friendly communities where our customers want to live.

Our development at Badbury Heights, Blandford Forum, Dorset provided affordable housing to satisfy local housing needs

A wide choice of house types at Etruria Village, Telford

Too much fun to stop at The Glades, Peterborough

Charles Church homes constructed in vernacular style at Ruardean, Gloucestershire

ENVIRONMENT

Whether it is the materials we use or the way we plan our developments we are always thinking about how our homes affect the environment.

Our brownfield development at Cardiff Bay has transformed a derelict maritime site

Lakeside Village, Brynmawr, South Wales has regenerated a former rubber factory into *an attractive, vibrant new environment*

A courtyard redevelopment of a former builder's yard in the centre of Bath

Board of Directors

1 **Duncan Davidson**
Non-Executive Chairman (63)

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 worked in the housing industry for over 40 years. He is Chairman of the Nomination Committee.

2 **John White**
Group Chief Executive (53)

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 Group'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 (43)

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**
South Division Chief Executive (51)

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**
North Division Chief Executive (61)

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 (52)

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 Sales and Marketing and Health and Safety. He joined the Company in 1985 and was appointed to the Board in 1991.

7 **Sir Chips Keswick**
Non-Executive Director (65)

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 (60)

Hamish Leslie Melville is a Managing Director of Credit Suisse First Boston (Europe). He is Chairman of Mithras Investment Trust, Old Mutual South Africa Trust and The J P Morgan 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 Audit Committees. He was appointed to the Board in 1995.

9 **David Thompson**
Senior Independent Director (50)

David Thompson is Chairman of The Wolverhampton and Dudley Breweries PLC and of The Income and Growth Trust plc. He is also a director of the J P Morgan Fleming Smaller Companies Investment Trust Plc, Caledonia Investments Plc and The Tribal Group Plc. 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 (54)

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

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Board of Directors

North Division Board

1 John Millar
Division Chief Executive

2 John Cassie
Scotland Regional Chairman

3 David Broadbent
North West Regional Chairman

4 Chris Johnson
Yorkshire Regional Chairman

5 Jeff Fairburn
North East Regional Chairman

6 Corinne Gill
Division Finance Director

7 Richard Noble
Division Commercial Director

South Division Board

1 Mike Farley
Division Chief Executive

2 David Bryant
Southern Regional Chairman

3 Richard Wright
Central Regional Chairman

4 David Thornton
Western Regional Chairman

5 Chris Turpin
Division Finance Director

James checks out his mum's new kitchen

CUSTOMERS

If our customers are happy, we are happy. Our staff aim to make sure each customer's house buying experience is smooth and trouble free from the time of reservation to their moving day and beyond.

Customers, Mr and Mrs Worthington, deciding
on their Finishing Touches

Diane Lewis assisting Katherine Turner
with her new home choices

Sales representative Justine Jones Lloyd
with a happy customer, Bernard Row

Directors' Report

Neil Francis
Group Company Secretary

The Directors have pleasure in presenting to shareholders their annual report and the financial statements for the year ended 31 December 2004.

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 of Persimmon Homes, Charles Church and City Developments. 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 on pages 2 to 17.

Results and Dividend Payment

The Group's turnover and profit before taxation arising from ordinary activities were £2,131.3m and £459.6m respectively.

An interim dividend of 9.1p per share was paid to shareholders on 22 October 2004 and it is now proposed to pay a final dividend of 18.4p per share on 22 April 2005 to shareholders on the register at the close of business on Friday 11 March 2005, making a total for the year of 27.5p per share (2003: 18.3p). The dividends paid and proposed amount to £79.2m (2003: £51.9m). 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 biographical details are shown on page 26. All of the Directors served for the whole of the year except Neil Davidson who was appointed on 19 January 2004 and was subsequently re-elected a Director of the Company in accordance with the Articles of Association at the Annual General Meeting on 22 April 2004. None of the Directors have any contracts of significance with the Company.

The beneficial and non-beneficial interests of the Directors in the shares of the Company at 31 December 2004 and as at the date of this report are disclosed in the Remuneration Report on page 44. Details of the interests of the Directors in share options and awards of shares can be found on pages 44 and 45 within the same report.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to prepare the financial statements on a going concern basis.

Statement of Directors' Responsibilities

The Directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss 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 irregularities.

Substantial Shareholdings

In addition to the interests of Duncan Davidson and his family, who have holdings of 16,424,335 ordinary shares (5.7% of the issued share capital), in accordance with Sections 198 to 208 of the Companies Act 1985, the Company has been notified, or is aware of, the following interests of 3% or more of the issued ordinary share capital of the Company as at 25 February 2005:

	Number of ordinary shares	Percentage of issued share capital
M & G Investment Management	17,568,442	6.1
Bernstein Inv Research & Management*	14,331,560	5.0
Baillie Gifford & Co	13,175,531	4.6
Franklin Templeton Inv. Management	11,828,941	4.1
Legal & General Inv. Management	11,196,983	3.9
Barclays Global Investors	10,864,701	3.8
Scottish Widows Inv. Partnership	9,549,468	3.3
Jupiter Asset Management	9,040,564	3.1

*Includes holding of Alliance Capital Management.

Employee Involvement
The importance of good relations and communications with employees is fundamental to the continued success of our business. Each operating business maintains employee relations and consults employees as appropriate to its own particular needs. Internal Group magazines are published twice a year and distributed to all employees to ensure they are kept well informed of the performance and objectives of the Group.

The Company makes various benefit schemes available to employees, including a Save as You Earn Scheme. All employees are encouraged to participate, subject to eligibility.

Equal Opportunities
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 person 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 their working environment.

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 who may be affected by our work activities. The Health and Safety Department is led by the Group Health and Safety Director who reports to David Bryant, the Board Director responsible for Health and Safety. The Department has 11 Regional and Assistant Regional Safety Advisors plus support staff.

As we strive to ensure the continual improvement of standards in our health and safety performance, 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 Health and Safety Policy and Procedures.

Over the past year the Department has:

- Maintained an ongoing training programme for all levels of employees in line with our Health and Safety Policy requirements.
- Helped to raise the health and safety awareness of our contractors through extensive support of the Health & Safety Executive (HSE) Working Well Together Campaign.
- Undertaken regular health and safety audits of our management systems and inspections of our site and office based activities.
- 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.
- Investigated all reportable (RIDDOR) accidents notified to us.
- Responded positively to any enforcement action and other findings/observations by the HSE following site inspections.

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 actively support the House Builders Federation Health and Safety Working Group Committee. In 2004 we signed up to the House Builders Health and Safety Charter that promotes a vision of a built environment that is safe by design, safe to construct, safe to maintain and safe to live in.

Creditor Payment Policy
The Group agrees payment with its trade creditors and other suppliers on an individual contract basis when goods and services are ordered rather than following a standard code. The policy is to abide by these agreed terms whenever it is satisfied that the goods or services have been provided in accordance with the contract terms and conditions. The Company's average creditor payment period at 31 December 2004 was 38 days (2003: 37 days).

Charitable and Political Donations
Over the last year each of our 33 operating businesses has chosen their own charity to support. The Group as a whole has made donations of £81,500 to charitable organisations during the year. 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.

Authority to Purchase Own Shares
At the Annual General Meeting held in April 2004, shareholders granted the Company authority to purchase up to an aggregate of 28,386,136 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 21 April 2005 at The Royal York Hotel, Station Road, York YO24 1AA. In addition to the normal business of the Annual General Meeting the Directors have proposed two additional resolutions. The notice of the meeting and an explanation of the special business is given in the accompanying circular.

Auditors
A resolution for the reappointment of the auditors, KPMG Audit Plc, will be proposed at the Annual General Meeting.

By order of the Board

Neil Francis
Group Company Secretary
25 February 2005

SKILLED

Last year we provided around six thousand training days for our employees to give them the skills to do an exceptional job.

Steel fixer Bob Lewis working on
our development at Brynmawr

Sales representative Janice Hitchin checking progress
on a customer's house purchase

Skilled carpenter John Dobson working at The Glades, Peterborough

Bricklayer Andy Edwards, setting out doorways on a new home

Members of the Finance team discussing the introduction of new International Financial Reporting Standards

Remuneration Report

The Board of Directors presents its Remuneration Report for the year ended 31 December 2004 in accordance with the Directors' Remuneration Report Regulations 2002. A resolution to approve this report will be put to shareholders at the Annual General Meeting on 21 April 2005.

The Board has established a Remuneration Committee (the "Committee") which is responsible for setting each executive Director's remuneration. The Committee is also responsible for setting the Chairman's remuneration. The Committee's terms of reference were reviewed by the Board during the year and revised terms of reference were adopted on 25 February 2004. The members of the Committee are Hamish Leslie Melville (Chairman), David Thompson and Neil Davidson, all of whom the Board considers to be independent non-executive Directors. Mr Leslie Melville and Mr Thompson have served on the Committee throughout the year. Mr Davidson was appointed on 25 February 2004, the date Sir Chips Keswick retired from the Committee. Details of the Directors' attendance at Committee meetings are set out in the Corporate Governance Report on page 47. The Board is responsible for setting the remuneration of the non-executive Directors, excluding the Chairman.

The remuneration arrangements in place for the executive Directors were approved by the shareholders at the Annual General Meeting in April 2004. They are reviewed annually by the Committee and during the year, the Committee asked New Bridge Street Consultants LLP (who have not provided any other services to the Company) to carry out a review of the executive Directors' remuneration against other similar sized housebuilders. The Committee also consulted with the Chairman and the Group Chief Executive although neither participated in any discussion relating to their own remuneration.

When recommending levels of remuneration, the Company'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. Following the review by New Bridge Street Consultants LLP, the Committee decided that for executive Directors' remuneration to remain competitive with the market, executive Directors' base salaries be increased in 2005 and that annual bonuses be paid in cash up to two times base salary, with any balance of bonus paid in deferred shares. Again the Company's policy is for a significant proportion of executive Directors' remuneration to be performance based and related to returns to shareholders.

The remuneration package for executive Directors comprises a base salary, annual cash bonus, bonus in deferred shares, long term incentive plan awards, pension and benefits in kind.

At this time, the Committee does not envisage any significant changes to the remuneration for executive Directors in subsequent years. However, the Committee will continue to monitor market developments and may review policy as appropriate.

Base Salary

The Committee's policy is to provide market competitive base salaries for the executive Directors, when reviewed against salaries paid to executive directors of other UK quoted housebuilders. Salaries are normally reviewed on 1 January each year. New base salaries, which are fixed for two years, were set by the Committee as at 1 January 2005, following the review in conjunction with New Bridge Street Consultants LLP. The revised salaries, which are provided below, reflect the increased size and complexity of the business, excellent Company and personal performance and competitive market pressures.

	2005 £
John White	430,000
Mike Farley	320,000
John Millar	320,000
Mike Killoran	320,000
David Bryant	235,000

Annual Bonus

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

This year, profits and EPS must achieve predetermined threshold targets for any bonuses to be payable. Maximum bonuses will only be paid for results that provide a significant improvement on prior year performance. In addition bonuses will significantly reduce for under performance relative to the previous year. For example, should EPS be 14% lower than the previous year no bonus will be payable for this element.

The performance criteria for each executive Director for 2004 and 2005 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 Sales and Marketing, Health and Safety and EPS growth

The Committee has determined that for the year ending 31 December 2005 the total level of potential annual bonus payable to the executive Directors will be capped at a predetermined figure, which varies by Director. The maximum bonus that may be earned by each executive Director is set out below:

	Maximum bonus potential as a multiple of salary
John White	4.39
Mike Farley	3.76
John Millar	3.21
Mike Killoran	2.71
David Bryant	2.21

The balance of any bonus earned in excess of 200% (2004: 150%) of base salary is required to be invested in market purchases of the Company's shares ("Bonus Shares"), which vest in two equal tranches over a two year period. These 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 number of Bonus Shares awarded is calculated by dividing the balance of any bonus earned in excess of 200% 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 2004, executive Directors received awards of shares under the LTIP equal to 100% of base salary and will receive a similar award in 2005. 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") over a three-year performance period. 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%. During the transition to International Financial Reporting Standards, the Committee will ensure that the ROCE calculation continues to be measured on a consistent basis. TSR is the return to shareholders comprising the rise or fall in the share price plus the value of dividends received, assuming dividends are reinvested. The TSR performance is then measured against a comparator group comprised 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)

Companies that cease to be in the comparator group by the end of the performance period are excluded from the calculation. 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.

Pension
The executive Directors are members of the Group's defined benefit pension scheme. Pensions for executive Directors accrue at ⅟₄₅th 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 Inland Revenue Earnings Cap limits the pension payable to him under the defined benefit pension scheme.

Benefits in Kind
In addition to the above, the executive Directors' remuneration 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.

All Employee Share Scheme
The executive Directors may also participate in the Company's Save as You Earn Scheme, which is open to all permanent employees who have more than six months service.

Service Contracts
All executive Directors have service contracts and in line with the recommendations of the Combined Code on Corporate Governance dated July 2003 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.

Duncan Davidson, John Millar and Mike Killoran retire in accordance with the Articles of Association at the Annual General Meeting and are offering themselves for re-election. Sir Chips Keswick and Hamish Leslie Melville, each having served in excess of nine years on the Board will retire at the Annual General Meeting and being eligible each offers himself for re-election. The Directors' reasons for supporting Sir Chips Keswick's and Mr Leslie Melville's re-election to the Board are set out in the Corporate Governance report on page 47.

None of the non-executive Directors have service contracts.

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 vesting of 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 first 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 and is consistent with the performance graphs published in previous years.

Graph
TSR graph

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, excluding the Chairman. Hamish Leslie Melville and David Thompson receive additional fees as Chairmen of the Remuneration and Audit Committees respectively. Duncan Davidson, in his position as Chairman, also has a fully financed motor vehicle and membership of the Group private medical scheme.

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 2004

	Salaries and fees £	Performance related cash bonus £	Benefits £	Subtotal emoluments received £	Deferred bonus shares earned £	**2004 Total £**	2003 Total £
Executive							
J White	365,000	547,500	42,259	954,759	1,062,500	**2,017,259**	1,791,602
M P Farley	270,000	405,000	30,797	705,797	578,794	**1,284,591**	1,199,464
J Millar	270,000	405,000	34,744	709,744	471,000	**1,180,744**	1,090,646
M H Killoran	270,000	405,000	21,944	696,944	337,000	**1,033,944**	926,138
D G Bryant	216,000	324,000	33,518	573,518	137,000	**710,518**	653,725
Non-Executive							
D H Davidson	150,000	–	31,572	181,572	–	**181,572**	185,069
Sir Chips Keswick	40,000	–	–	40,000	–	**40,000**	40,000
I H Leslie Melville*	45,000	–	–	45,000	–	**45,000**	40,000
D G F Thompson	45,000	–	–	45,000	–	**45,000**	40,000
R C N Davidson**	38,251	–	–	38,251	–	**38,251**	–
	1,709,251	2,086,500	194,834	3,990,585	2,586,294	**6,576,879**	5,966,644

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

**Mr RCN Davidson was appointed on 19 January 2004.

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 (2003: £30,000) for his role as Chairman of the Trustees of the Persimmon plc *Pension and Life Assurance Scheme.*

Bonus Shares

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

	1 January 2004	Awarded during year	Vested during year	**31 December 2004**
J White	202,724	174,000	101,362	**275,362**
M P Farley	125,942	100,953	62,971	**163,924**
J Millar	75,791	80,185	37,895	**118,081**
M H Killoran	58,098	51,838	29,049	**80,887**
D G Bryant	31,931	22,427	15,965	**38,393**
Total	494,486	429,403	247,242	**676,647**

Bonus Shares are awarded on the announcement of the preliminary results. The proposed share awards in respect of the 2004 *bonus for Messrs White, Farley, Millar, Killoran and Bryant are 151,461, 82,508, 67,142, 48,040 and 19,530 respectively.* The Bonus Share awards for 2004 were calculated at an average share price in the designated period of £7.01½ (2003: £5.39) *and are due to be awarded on 28 February 2005. Bonus Shares vest over a two year period.*

Directors' Pension Entitlements

	Total accrued pension at 31 December 2003 £ pa	**Total accrued pension at 31 December 2004 £ pa**	Increase in accrued pension £ pa	Increase in accrued pension (net of inflation) £ pa	Transfer value at 31 December 2003 £	**Transfer value at 31 December 2004 £**	Increase in transfer value, less member contributions £	Transfer value of net of inflation increase in accrued pension less member contributions £
J White	169,722	**184,204**	14,482	9,220	2,174,498	**2,641,747**	439,649	110,178
M P Farley	108,333	**116,926**	8,593	5,234	1,230,395	**1,505,103**	253,098	49,585
J Millar	97,222	**105,519**	8,297	5,282	1,563,015	**1,848,882**	265,067	73,586
M H Killoran	15,950	**18,700**	2,750	2,256	132,750	**176,825**	36,036	13,386
D G Bryant	82,222	**88,978**	6,756	4,207	998,774	**1,217,094**	201,679	43,195

In addition to the above, contributions of £36,500; £27,000; £27,000; £75,600 and £21,600 will be made by the Company into complementary pension schemes of Messrs White, Farley, Millar, Killoran and Bryant respectively, (2003: £32,500; £25,000, £25,000; £72,457 and £20,000) 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 2004	1 January 2004	**31 December 2004**	1 January 2004
D H Davidson	**16,424,335**	16,612,032	**–**	36,000
J White	**1,194,881**	828,587	**215,315**	404,589
M P Farley	**681,858**	508,828	**255,777**	376,718
J Millar	**581,437**	519,470	**164,562**	153,838
M H Killoran	**227,493**	121,219	**189,871**	216,156
D G Bryant	**378,174**	338,361	**131,761**	118,791
Sir Chips Keswick	**185,416**	185,416	**–**	–
I H Leslie Melville	**200,000**	200,000	**–**	–
D G F Thompson	**31,168**	30,846	**–**	–
R C N Davidson	**–**	–	**–**	–
Total	**19,904,762**	19,344,759	**957,286**	1,306,092

The Directors' beneficial holdings represent 6.9% of the Company's issued share capital as at 25 February 2005. D G F Thompson also has non-beneficial interests of 11,143 ordinary shares (2003: 11,062 ordinary shares). Otherwise all interests of the Directors (and their families) are beneficial. There has been no change in the interests set out above between 31 December 2004 and 25 February 2005.

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

		1 January 2004	Granted in year	Exercised/ vested in year	Lapsed in year	31 December 2004	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		36,000[A]	–	36,000	–	–	Apr 04	–	Dec 03	340.5p	668.5p	240,660
	Total	36,000	–	36,000	–	–						240,660
J White		52,775[IC]	–	52,775	–	–	Apr 97	Apr 04	–	269.0p	668.5p	210,836
		150,000[EX]	–	150,000	–	–	May 00	May 04	–	233.0p	656.0p	634,500
		44,000[A]	–	44,000	–	–	Apr 04	–	Dec 03	340.5p	668.5p	294,140
		3,051[SC]	–	3,051	–	–	Dec 04	May 05	–	254.0p	617.0p	11,075
		72,062	–	–	–	72,062	May 05	–	Dec 04	451.0p	–	–
		82,278	–	–	–	82,278	Apr 06	Oct 06	Dec 05	395.0p	–	–
		423[SC]	–	–	–	423	Dec 06	May 07		436.0p	–	–
		–	59,109	–	–	59,109	Mar 07	Sep 07	Dec 06	617.5p	–	–
		–	1,443[SC]	–	–	1,443	Dec 07	May 08	–	525.0p	–	–
	Total	404,589	60,552	249,826	–	215,315						1,150,551
M P Farley		31,665[IC]	–	31,665	–	–	Apr 97	Apr 04	–	269.0p	668.5p	126,502
		63,330[IC]	–	–	–	63,330	Apr 98	Apr 05	–	171.5p	–	–
		30,000[IC]	–	–	–	30,000	Apr 99	Apr 06	–	196.0p	–	–
		100,000[EX]	–	100,000	–	–	May 00	May 04	–	233.0p	656.0p	423,000
		33,000[A]	–	33,000	–	–	Apr 04	–	Dec 03	340.5p	668.5p	220,605
		55,432	–	–	–	55,432	May 05	–	Dec 04	451.0p	–	–
		63,291	–	–	–	63,291	Apr 06	Oct 06	Dec 05	395.0p	–	–
		–	43,724	–	–	43,724	Mar 07	Sep 07	Dec 06	617.5p	–	–
	Total	376,718	43,724	164,665	–	255,777						770,107
J Millar		33,000[A]	–	33,000	–	–	Apr 04	–	Dec 03	340.5p	668.5p	220,605
		55,432	–	–	–	55,432	May 05	–	Dec 04	451.0p	–	–
		63,291	–	–	–	63,291	Apr 06	Oct 06	Dec 05	395.0p	–	–
		2,115[SC]	–	–	–	2,115	Dec 06	May 07	–	436.0p	–	–
		–	43,724	–	–	43,724	Mar 07	Sep 07	Dec 06	617.5p	–	–
	Total	153,838	43,724	33,000	–	164,562						220,605

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

	1 January 2004	Granted in year	Exercised/ vested in year	Lapsed in year	31 December 2004	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 £
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	656.0p	84,600
	20,000[2]	–	20,000	–	–	Oct 01	Oct 05	–	158.0p	610.0p	90,400
	28,000Δ	–	28,000	–	–	Apr 04	–	Dec 03	340.5p	668.5p	187,180
	3,813[3]	–	3,813	–	–	Dec 04	May 05	–	254.0p	617.0p	13,841
	55,432	–	–	–	55,432	May 05	–	Dec 04	451.0p	–	–
	63,291	–	–	–	63,291	Apr 06	Oct 06	Dec 05	395.0p	–	–
	–	43,724	–	–	43,724	Mar 07	Sep 07	Dec 06	617.5p	–	–
	–	1,804[3]	–	–	1,804	Dec 07	May 08	–	525.0p	–	–
Total	216,156	45,528	71,813	–	189,871						376,021
D G Bryant	20,000Δ	–	20,000	–	–	Apr 04	–	Dec 03	340.5p	668.5p	133,700
	3,813[3]	–	3,813	–	–	Dec 04	May 05	–	254.0p	617.0p	13,841
	44,346	–	–	–	44,346	May 05	–	Dec 04	451.0p	–	–
	50,632	–	–	–	50,632	Apr 06	Oct 06	Dec 05	395.0p	–	–
	–	34,979	–	–	34,979	Mar 07	Sep 07	Dec 06	617.5p	–	–
	–	1,804[3]	–	–	1,804	Dec 07	May 08	–	525.0p	–	–
Total	118,791	36,783	23,813	–	131,761						147,541

(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 2001 is based on the Company's ROCE.

Duncan Davidson's award of shares was 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.

Unless otherwise indicated, all of the above are awards of shares under the Persimmon plc Long Term Incentive Plan 1998.

2004 awards were made on 12 March 2004. All options and awards were granted for nil consideration. The performance conditions for awards made between 2002 and 2004 are shown on page 41.

Details of the market value of the Company's shares during 2004 were: price at 31 December 2004: 691p; lowest price in 2004: 513.5p; highest price in 2004: 718.5p.

Approved by the Board and signed on its behalf by:

Hamish Leslie Melville
Chairman
Remuneration Committee
25 February 2005

Corporate Responsibility

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.

The Group recognises that CSR issues have the potential to affect our business performance in both the immediate and longer term and that they extend into almost every aspect of our business. This includes the way we design and build our developments to create inclusive and sustainable communities, how we interact with people affected by our activities, the way we treat and develop our employees and how we protect and enhance the environment during and after the house building process.

Overall responsibility for CSR rests with the Board of Directors; 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 and disclosure on CSR management developed by many institutions, such as the Association of British Insurers. The CSR Committee meets on at least a quarterly basis.

Our key CSR impact areas are reviewed on a regular basis by the CSR Committee, which is supported by external experts. This ensures that our register of impacts is reviewed and is relevant to our current operations and business structure. It also means that we are able to take into account changes in public opinion and Government regulation and guidance. However, we are careful to ensure that we focus our efforts and activities on those issues that present an identifiable risk or opportunity to us, and ensure that anything that we do is able to deliver real long term business benefits to the Group.

Since 2001, when we first undertook a formal review of our CSR impacts, risks and opportunities, we have established a robust and pragmatic approach. The Group's management of CSR issues favours an operational approach where policies and initiatives are integrated into our existing procedures. For example we have recently completed our Environmental Management System (EMS), drawing on best practice from our 33 operating businesses. Our EMS will be implemented by integrating it with an existing proven health and safety management system. In this way we hope to gain benefits based on our previous success and achievements, whilst ensuring that our operational procedures are enhanced with as little disruption to our business as possible. There are a number of projects which have been undertaken in this way and this fits very well with Persimmon's business practices.

In 2004 we set ourselves three challenging objectives which were to:

- establish a best practice approach to waste management across the Group to reduce the amount of waste going to land fill and generate cost benefits;
- introduce our key suppliers to our Supplier Standards and ask them to commit to these standards. This will encourage and improve the social and environmental performance in our supply chain;
- continue to develop a quantified approach to measuring our CSR performance including the development of key performance indicators in our most important impact areas.

We are pleased to report that we have made strong progress in all these areas. Our Corporate Responsibility Report on our website reports on these and other matters. It also focuses on the following matters which we consider to be 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 people — the way we treat our employees and the relationship we have with them
- Our community — how we interact with the 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

During the year we commenced a project to trial Modern Methods of Construction in our North West operating business. We took part in the Government backed Sustainable Communities Summit in January 2005, which gave us the opportunity to communicate our initiatives to a wider audience. Further information on this project can be found in our Corporate Responsibility Report.

We have continued to strengthen our approach to CSR during 2004, including the development of performance measures that will enable us to demonstrate improvements in our business in a quantitative way. We will continue to engage with our stakeholders to understand their views and concerns, which will enable us to strengthen our business performance in the future.

Corporate Governance

The Board welcomes the introduction of the Combined Code on Corporate Governance dated July 2003 (the "Code") and sets out below how the Principles of the Code have been adopted by the Company.

Directors

The Board consists of five executive Directors and five non-executive Directors, following the appointment of Neil Davidson as a non-executive Director on 19 January 2004. 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 bring a wide breadth of experience. The Board considers all the non-executive Directors to be independent except for the Chairman, Duncan Davidson. David Thompson is the Senior Independent Director.

On 1 June 2004 Hamish Leslie Melville completed nine years' service as a non-executive Director. The Board considers both Hamish Leslie Melville and Sir Chips Keswick, who has also served in excess of nine years, to be independent because their long-standing appointments have not in any way affected their objectivity and their ability to advise and question the executive Directors, particularly in respect of strategy and the Company's financial affairs. Their long association with the Company has given them both a sound and detailed knowledge of the Company's business which has enabled them to consider and evaluate information and responses from executive Directors quickly and concisely. Their wise counsel has contributed significantly to the Company's success.

The Chairman has reviewed both Sir Chips Keswick's and Hamish Leslie Melville's performance and he believes that their performance continues to be most effective. The Board considers it important to continue to have access to the judgement of both Sir Chips Keswick and Hamish Leslie Melville in managing the continued growth and expansion of the Company. Both Sir Chips Keswick and Hamish Leslie Melville will retire and be available for re-election to the Board annually. During 2004 both Hamish Leslie Melville and Neil Davidson resigned as directors of Northern Recruitment Group Plc.

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, dividend policy, approval of annual and interim results, 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 during the year except that Sir Chips Keswick did not attend two Board meetings and Hamish Leslie Melville did not attend one Board meeting and one Audit Committee meeting.

The Board undertakes an annual verbal self evaluation of its performance and of the performance of its Committees and the individual Directors. The non-executive Directors undertake an annual performance evaluation of the Chairman, taking into account the views of the executive Directors. This rigorous procedure does not involve either written appraisals or external evaluation as the Board do not consider that such formal procedures will enhance or add to the effectiveness of the Board.

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.

Nomination Committee

The members of the Nomination Committee during 2004 were Duncan Davidson (Chairman), Sir Chips Keswick, Hamish Leslie Melville and David Thompson. During 2003 the Board considered that an appointment of a new independent non-executive Director would benefit the Company. 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 this appointment.

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 high calibre non-executive Director, with the right skills to complement the Board.

The Nomination Committee recommended Neil Davidson (who is not related to any Director of the Company) to the Board and he was appointed in January 2004.

The Nomination Committee met once during 2004 to evaluate the balance of the Board in accordance with the Code. The Committee did not make any recommendations to alter the current composition of the Board as it considered the Board to be operating effectively.

Remuneration Committee

The Remuneration Committee is wholly comprised of independent non-executive Directors, namely Hamish Leslie Melville, David Thompson and Neil Davidson. Sir Chips Keswick had been Chairman of the Remuneration Committee until he resigned on 25 February 2004, when Hamish Leslie Melville was appointed Chairman and Neil Davidson was appointed to the Committee.

The Remuneration Committee is responsible for setting the remuneration of the Chairman and the executive Directors. The Committee's remuneration policy aims to design a package that will align the interests of the executive Directors with those of shareholders. The Remuneration Committee met once during the year to consider and approve the remuneration of the executive Directors. Further details of the remuneration policy and the remuneration package for each Director serving during 2004 are set out in the Remuneration Report on pages 40 to 45.

In accordance with the Directors' Remuneration Report Regulations 2002, the Remuneration Report will be put to the shareholders for their approval at the Annual General Meeting on 21 April 2005.

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 are David Thompson (Chairman), Hamish Leslie Melville and Neil Davidson. On 25 February 2004 Sir Chips Keswick resigned from the Audit Committee, the date Neil Davidson was appointed.

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 Board reviewed the Committee's terms of reference during the year and revised terms of reference were adopted on 25 February 2004. The terms of reference of the Group Risk management function are recommended by the Audit Committee and are approved by the Board, and were unchanged in 2004.

The Committee met on four occasions during the year. The Committee agreed the nature and scope of the audit with the auditors and monitored the quarterly findings of the auditors and Group Risk. The Committee regularly meets the auditors without the presence of the Company's management.

The Audit Committee formulates and oversees the Company policy on maintaining auditor objectivity and independence in relation to non audit services. The policy is to ensure that the nature of the non audit services performed or the fee income relative to the audit fee does not compromise or is seen to compromise, the auditors' independence, objectivity or integrity.

A formal evaluation of the auditors was undertaken by the Audit Committee in April 2004 which took into account the calibre of the audit firm, quality control processes, audit team members, the scope of the audit, audit fees, audit communications, audit governance and independence. The results of the evaluation were very positive and the Audit Committee concluded that the current auditors KPMG Audit Plc should continue to provide its services to the Company.

The Company has had a whistle blowing procedure in place for a number of years, which is publicised in the staff handbook. 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 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.

There is also a Risk Committee whose members are John White, Mike Farley, John Millar and Mike Killoran. 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 procedures and the review of the effectiveness of internal control. The Risk Committee provides a report to the Audit Committee who give oversight to the Risk Committee's responsibilities.

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 a continuous detailed involvement in land acquisition assessment together with regular site visits and discussion with the 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 businesses;
- 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;
- 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 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 the Code as well as the Company's procedures to maintain proper control and accountability.

The Company has complied with the Code throughout 2004 except that:

1. David Thompson was appointed as Senior Independent Director on 25th February 2004 following a review of the composition of the Board. Prior to that date the Company had not appointed a Senior Independent Director (Code provision A.1.2);
2. The Board undertakes an annual verbal self evaluation of its performance and the performance of its Committees and the individual Directors. However this rigorous procedure does not include a formal written performance evaluation (Code provision A.6);
3. At least half the Board, excluding the Chairman, does not comprise independent non-executive Directors (Code provision A.3.2). The Board considers that the current balance of executives and non-executives with their wide range of experience is the most suitable to meet the challenges that face the Company at this time.

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 via the London Stock Exchange.

The Directors understand that 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. The Senior Independent Director, David Thompson is also available to discuss matters with shareholders.

John White and Mike Killoran have responsibility for maintaining appropriate communications with institutional investors. They regularly make presentations to shareholders, analysts and institutional investors. Annual and interim results presentations are available on the Company's website. 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
25 February 2005

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

We have audited the financial statements on pages 52 to 72. 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 34, 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 47 to 49 reflects the Company's compliance with the nine provisions of the 2003 FRC 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 2004 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
25 February 2005

1 The Embankment
Neville Street
Leeds
LS1 4DW

BUILDING FINANCIAL STRENGTH

Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Note	2004 £m	2003 £m
Turnover	2	**2,131.3**	1,883.0
Cost of sales		**(1,550.8)**	(1,423.6)
Gross profit		**580.5**	459.4
Net operating expenses		**(94.5)**	(88.5)
Operating profit before goodwill amortisation		**496.8**	381.7
Goodwill amortisation	12	**(10.8)**	(10.8)
Operating profit	2	**486.0**	370.9
Net interest payable and similar charges	5	**(26.4)**	(29.2)
Profit on ordinary activities before taxation	6	**459.6**	341.7
Tax on ordinary activities	7	**(145.1)**	(107.5)
Profit for the financial year		**314.5**	234.2
Dividends	9	**(79.2)**	(51.9)
Retained profit	22, 24	**235.3**	182.3
Basic earnings per share	10		
Before goodwill		**113.9p**	86.8p
After goodwill		**110.1p**	83.0p
Diluted earnings per share	10		
Before goodwill		**113.1p**	86.0p
After goodwill		**109.4p**	82.2p
Dividend per share	9	**27.50p**	18.30p

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 2004

	Note	2004 £m	Restated 2003 £m
Fixed assets			
Tangible assets	11	**28.2**	24.1
Intangible assets	12	**171.2**	182.0
		199.4	206.1
Current assets			
Stocks and work in progress	14	**2,003.9**	1,661.2
Debtors	15	**102.3**	112.4
Cash at bank and in hand	26	**84.6**	0.8
		2,190.8	1,774.4
Creditors due within one year			
Borrowings	16	**(21.6)**	(19.7)
Other creditors	17	**(650.9)**	(501.1)
		(672.5)	(520.8)
Net current assets		**1,518.3**	1,253.6
Total assets less current liabilities		**1,717.7**	1,459.7
Creditors due after more than one year			
Borrowings	16	**(264.2)**	(295.6)
Other creditors	17	**(66.2)**	(37.8)
		(330.4)	(333.4)
Net assets		**1,387.3**	1,126.3
Capital and reserves			
Called up share capital	20	**28.9**	28.4
Share premium account	22	**221.2**	214.2
Merger reserve	22	**281.4**	281.4
Revaluation reserve	22	**1.2**	1.2
Own shares	22	**(3.2)**	(5.5)
Profit and loss account	22	**857.8**	606.6
Equity shareholders' funds	24	**1,387.3**	1,126.3
Net assets per share	10	**481.5p**	398.7p

The financial statements on pages 52 to 72 were approved by the Board of Directors on 25 February 2005 and were signed on its behalf by:

D H Davidson
Director

M H Killoran
Director

Company Balance Sheet
At 31 December 2004

	Note	2004 £m	Restated 2003 £m
Fixed assets			
Tangible assets	11	**3.2**	3.0
Intangible assets	12	**4.7**	4.9
Investments	13	**1,758.0**	1,587.6
		1,765.9	1,595.5
Current assets			
Stocks and work in progress	14	**0.4**	0.1
Debtors	15	**262.6**	247.5
Cash at bank and in hand		**84.5**	–
		347.5	247.6
Creditors due within one year			
Borrowings	16	**(120.5)**	(112.8)
Other creditors	17	**(1,501.5)**	(1,199.5)
		(1,622.0)	(1,312.3)
Net current liabilities		**(1,274.5)**	(1,064.7)
Total assets less current liabilities		**491.4**	530.8
Creditors due after more than one year			
Borrowings	16	**(82.4)**	(113.7)
Other creditors	17	**(5.0)**	(4.3)
		(87.4)	(118.0)
Net assets		**404.0**	412.8
Capital and reserves			
Called up share capital	20	**28.9**	28.4
Share premium account	22	**221.2**	214.2
Merger reserve	22	**4.6**	4.6
Revaluation reserve	22	**0.9**	0.9
Own shares	22	**(3.2)**	(5.5)
Profit and loss account	22	**151.6**	170.2
Equity shareholders' funds		**404.0**	412.8

The financial statements on pages 52 to 72 were approved by the Board of Directors on 25 February 2005 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 2004

	Note	2004 £m	2003 £m
Net cash inflow from operating activities (see below)		**315.1**	243.6
Return on investments and servicing of finance			
Interest received		**0.6**	1.1
Interest paid		**(26.2)**	(30.6)
Interest paid on finance leases		**(0.2)**	(0.2)
		(25.8)	(29.7)
Taxation			
UK corporation tax paid		**(127.6)**	(89.8)
Capital expenditure			
Purchase of tangible fixed assets		**(12.9)**	(7.1)
Sale of tangible fixed assets		**2.5**	2.9
		(10.4)	(4.2)
Acquisitions and disposals			
Acquisition of businesses and subsidiaries		**-**	(48.1)
Net borrowings acquired with subsidiaries		**-**	(9.1)
		-	(57.2)
Equity dividends paid		**(43.1)**	(41.9)
Net cash inflow before financing		**108.2**	20.8
Financing			
Repayment of bank loans and senior loan notes		**(16.6)**	(32.9)
Exercise of share options		**6.0**	3.5
Repayment of principal under finance leases		**(0.9)**	(1.5)
Net cash outflow from financing		**(11.5)**	(30.9)
Increase/(decrease) in cash	25	**96.7**	(10.1)

Reconciliation of operating profit to net cash inflow *from operating activities*		
Operating profit	**486.0**	370.9
Depreciation charge	**7.0**	6.5
Amortisation of goodwill	**10.8**	10.8
Loss/(profit) on sale of tangible fixed assets	**0.1**	(0.2)
LTIP charge	**2.3**	1.7
Increase in stocks and work in progress	**(342.7)**	(159.1)
Decrease/(increase) in debtors	**10.4**	(5.8)
Increase in creditors	**141.2**	18.8
Net cash inflow from operating activities	**315.1**	243.6

Notes to the Financial Statements
For the year ended 31 December 2004

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. The Group has adopted UITF38 (Accounting for ESOP trusts) during the year. Details of the impact on the Group's results are set out in note 23.

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 2004. 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.

Fixed assets
The Group has applied the transitional rules contained in FRS 15 (Tangible Fixed Assets) to retain previous valuations as the basis on which certain land and buildings are held, as detailed in note 11.

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.

Intangible assets
Intangible assets (other than goodwill) are being amortised over their useful life of 20 years.

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.

1 Principal Accounting Policies continued

Licenced land prepayments
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 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.

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 and cost of sales respectively). 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, less land sales and rent receivable.

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 45.

	2004 £m	2003 £m
Fees	**0.3**	0.3
Emoluments (including salaries, benefits in kind and annual incentive payments)	**6.3**	5.7
Gains made on exercise of share options	**2.9**	1.3
	9.5	7.3

4 Employees
The average monthly number of persons (including executive Directors) employed by the Group during the year was 4,602 (2003: 4,273).

	2004 £m	2003 £m
Staff costs (for the above persons)		
Wages and salaries	**131.9**	115.2
Social security costs	**13.0**	10.8
Pensions charge	**5.9**	6.7
	150.8	132.7

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

5 Net Interest Payable and Similar Charges

	2004 £m	2003 £m
Bank loans and overdrafts	**26.5**	29.7
Finance leases	**0.2**	0.2
Other interest payable	**0.3**	0.4
	27.0	30.3
Less: receivable	**(0.6)**	(1.1)
	26.4	29.2

6 Profit on Ordinary Activities Before Taxation

	2004 £m	2003 £m
Profit on ordinary activities before taxation is stated after crediting/(charging):		
Rent receivable	**3.1**	1.9
(Loss)/profit on sale of fixed assets	**(0.1)**	0.2
Depreciation:		
– owned assets	**(6.2)**	(5.5)
– assets held under finance leases	**(0.8)**	(1.0)
Operating leases:		
– plant hire	**(6.9)**	(9.1)
– other	**(2.8)**	(1.9)

Remuneration of Auditors:	2004 £'000	2003 £'000
Audit fees	**189**	182
Audit related services	**16**	15
	205	197

The Company's audit fees for 2004 were £23,000 (2003: £23,000).

The extent of non-audit fees and non-audit related service 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:

	2004 £'000	2003 £'000
Taxation services	**168**	19
Other services	**25**	–
	193	19

Fees to major firms of accountants other than KPMG Audit Plc and its affiliated entities for non-audit services amounted to £76,000 (2003: £73,000).

Profit on the sale of land of £3.1m (2003: £1.7m) is included within net operating expenses.

7 Tax on Ordinary Activities

	2004 £m	2003 £m
Current year:		
– UK corporation tax at 30% (2003: 30%)	**147.1**	109.0
– deferred tax	**(0.8)**	0.3
Adjustments in respect of prior years:		
– UK corporation tax	**–**	(1.6)
– deferred tax	**(1.2)**	(0.2)
	145.1	107.5

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, 0.7%, accounting base cost not deductible for tax purposes, 0.6%, expenditure not allowable for tax purposes, 0.2%, and UK chargeable gains of 0.1%.

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 £44.7m (2003: £41.9m).

9 Dividends

	2004 £m	2003 £m
On equity shares		
Ordinary – Interim paid of 9.1p per share (2003: 7.0p)	**26.1**	19.8
Ordinary – Final proposed of 18.4p per share (2003: 11.3p)	**53.1**	32.1
	79.2	51.9

Under the scrip dividend scheme, £13.8m of the 2003 final dividend (2002 final: £6.7m), and £1.3m of the 2004 interim dividend (2003 interim: £0.3m) 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 2004 £m	Weighted average number of ordinary shares 2004	Earnings 2003 £m	Weighted average number of ordinary shares 2003
For basic earnings per share	**314.5**	**285,707,897**	234.2	282,113,458
Options and awards	**–**	**1,822,272**	–	2,672,333
For diluted earnings per share	**314.5**	**287,530,169**	234.2	284,785,791

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 2004 basic earnings per share before goodwill is calculated by dividing earnings of £325.3m (2003: £245.0m) by the weighted average number of shares in issue during the year disclosed above. The 2004 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 £1,387.3m (2003: £1,126.3m) and 288,085,982 ordinary shares (2003: 282,505,708 ordinary shares), being the number in issue (excluding own shares held) at 31 December 2004.

11 Tangible Assets

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost or valuation				
At 1 January 2004	11.8	25.2	7.5	44.5
Additions	5.3	6.4	2.0	13.7
Disposals	(2.5)	(1.6)	(0.3)	(4.4)
At 31 December 2004	**14.6**	**30.0**	**9.2**	**53.8**
Depreciation				
At 1 January 2004	0.7	14.3	5.4	20.4
Charge for the year	0.3	5.3	1.4	7.0
Disposals	(0.2)	(1.3)	(0.3)	(1.8)
At 31 December 2004	**0.8**	**18.3**	**6.5**	**25.6**
Net book value				
At 31 December 2004	**13.8**	**11.7**	**2.7**	**28.2**
Net book value				
At 31 December 2003	11.1	10.9	2.1	24.1
Cost or valuation at 31 December 2004 is represented by:				
External surveyor's valuation 1988	2.0	–	–	2.0
Cost	12.6	30.0	9.2	51.8
	14.6	**30.0**	**9.2**	**53.8**

The Group's net book value of tangible fixed assets of £28.2m includes an amount of £2.3m (2003: £2.5m) in respect of assets held under finance leases. The historic cost of assets held under finance leases is £7.1m (2003: £7.6m).

The net book value of the Group's land and buildings includes £13.5m of freehold and £0.3m of short leasehold (2003: £10.7m and £0.4m).

The Group's land and buildings have an original cost of £13.4m.

Company	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost or valuation				
At 1 January 2004	2.2	0.8	2.8	5.8
Additions	–	0.2	0.8	1.0
Disposals	–	(0.2)	–	(0.2)
At 31 December 2004	**2.2**	**0.8**	**3.6**	**6.6**
Depreciation				
At 1 January 2004	0.5	0.2	2.1	2.8
Charge for the year	0.1	0.2	0.4	0.7
Disposals	–	(0.1)	–	(0.1)
At 31 December 2004	**0.6**	**0.3**	**2.5**	**3.4**
Net book value				
At 31 December 2004	**1.6**	**0.5**	**1.1**	**3.2**
Net book value				
At 31 December 2003	1.7	0.6	0.7	3.0
Cost or valuation at 31 December 2004 is represented by:				
External surveyor's valuation 1988	1.5	–	–	1.5
Cost	0.7	0.8	3.6	5.1
	2.2	**0.8**	**3.6**	**6.6**

The Company's net book value of tangible fixed assets of £3.2m includes an amount of £0.5m (2003: £0.6m) in respect of assets held under finance leases. The historic cost of assets held under finance leases is £1.2m (2003: £1.2m).

The net book value of the Company's land and buildings includes £1.4m of freehold and £0.2m of short leasehold (2003: £1.4m 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 2004 and 31 December 2004	**212.5**
Amortisation	
At 1 January 2004	30.5
Charge for the year	10.8
At 31 December 2004	**41.3**
Net book value	
At 31 December 2004	**171.2**
Net book value	
At 31 December 2003	182.0

Company	Trademarks £m
Cost	
At 1 January 2004	4.9
Additions	0.1
At 31 December 2004	**5.0**
Amortisation	
At 1 January 2004	–
Charge for the year	0.3
At 31 December 2004	**0.3**
Net book value	
At 31 December 2004	**4.7**
Net book value	
At 31 December 2003	4.9

13 Investments

Company	Interests in subsidiary undertakings £m
Cost	
At 1 January 2004	1,587.6
Redemption of long term loans	(850.0)
Issue of long term loans	1,020.4
At 31 December 2004	**1,758.0**

Movements in investments during the period relate wholly to restructuring of finance arrangements with existing subsidiaries. Details of Group undertakings are set out in note 31.

14 Stocks and Work in Progress

	Group 2004 £m	Group 2003 £m	**Company 2004 £m**	Company 2003 £m
Land	**1,273.2**	1,135.7	**-**	-
Work in progress	**629.5**	457.2	**0.4**	0.1
Part exchange properties	**54.0**	32.4	**-**	-
Deposits received	**(25.1)**	(17.4)	**-**	-
Showhouses	**72.3**	53.3	**-**	-
	2,003.9	1,661.2	**0.4**	0.1

15 Debtors

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Amounts due after more than one year				
Trade debtors	**–**	1.4	**–**	–
Amounts due within one year				
Trade debtors	**22.7**	27.0	**–**	–
Other debtors	**5.3**	12.9	**3.1**	10.7
Deferred tax	**0.3**	–	**3.0**	4.5
Amounts owed by Group undertakings	**–**	–	**252.1**	225.8
Licenced land prepayments and land options	**64.0**	59.5	**–**	–
Other prepayments and accrued income	**10.0**	11.6	**4.4**	6.5
	102.3	111.0	**262.6**	247.5
Total debtors	**102.3**	112.4	**262.6**	247.5

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 £500m. The facility is due for review by December 2009. 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 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Within one year or on demand				
Bank overdrafts	**5.2**	18.1	**104.1**	111.2
US senior loan notes	**16.4**	1.6	**16.4**	1.6
	21.6	19.7	**120.5**	112.8
Between one and two years				
US senior loan notes	**22.1**	16.4	**22.1**	16.4
Between two and five years				
US and UK senior loan notes	**159.0**	158.4	**52.3**	51.6
Syndicated loan	**–**	15.0	**–**	15.0
	159.0	173.4	**52.3**	66.6
In more than five years				
US and UK senior loan notes	**83.1**	105.8	**8.0**	30.7
Total amounts due after more than one year	**264.2**	295.6	**82.4**	113.7

17 Other Creditors

	Group 2004 £m	Restated Group 2003 £m	Company 2004 £m	Restated Company 2003 £m
Amounts due within one year				
Obligations under finance leases	**1.1**	1.0	**0.2**	0.2
Trade creditors	**229.8**	199.6	**1.0**	0.9
Land creditors	**148.3**	95.0	**–**	–
Licenced land agreements	**10.6**	4.4	**–**	–
Amounts owed to Group undertakings	**–**	–	**1,406.2**	1,128.2
Corporation tax	**81.2**	61.7	**17.4**	15.0
Deferred tax	**–**	1.7	**–**	–
Other taxation and social security	**5.9**	4.6	**1.2**	0.7
Other creditors	**36.0**	34.6	**6.2**	6.9
Accruals and deferred income	**84.9**	66.4	**16.2**	15.5
Dividends payable	**53.1**	32.1	**53.1**	32.1
	650.9	501.1	**1,501.5**	1,199.5

	Group 2004 £m	Restated Group 2003 £m	Company 2004 £m	Restated Company 2003 £m
Amounts due after more than one year				
Obligations under finance leases	**1.2**	1.4	**0.3**	0.4
Land creditors	**60.3**	32.5	**–**	–
Other creditors	**4.7**	3.9	**4.7**	3.9
	66.2	37.8	**5.0**	4.3

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 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Finance leases				
Between one and two years	**0.8**	0.8	**0.2**	0.2
Between two and five years	**0.4**	0.6	**0.1**	0.2
	1.2	1.4	**0.3**	0.4

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, which are all denominated in sterling, is as follows:

	2004 £m	2003 £m
Financial liabilities on which no interest is paid	**60.3**	32.5
Floating rate financial liabilities	**103.9**	133.4
Fixed rate financial liabilities	**184.2**	184.3
	348.4	350.2

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 4.5 years (2003: 5.4 years).

Maturity profile of financial liabilities

The maturity profile of the Group's financial liabilities is as follows:

	2004 £m	2003 £m
Within one year or on demand	**22.7**	20.7
Between one and two years	**69.1**	44.0
Between two and five years	**173.5**	179.7
In more than five years	**83.1**	105.8
	348.4	350.2

For financial liabilities on which no interest is paid, the weighted average period until maturity is 18 months (2003: 20 months).

At 31 December 2004 the Group has undrawn committed borrowing facilities of £500m expiring between two and five years (2003: £385m expiring between two and five years).

Currency exposures

After taking account of currency swaps the Group had no currency exposures as at 31 December 2004 (2003: 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 2004 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 £280.6m (2003: £282.2m) and a calculated fair value of £301.6m (2003: £297.1m), including the currency and interest rate derivative financial instruments held.

19 Deferred Tax

The Group asset for deferred tax at 31 December 2004 is £0.3m (Company: £3.0m asset).

	Group 2004 £m	Group 2003 £m	**Company 2004 £m**	Company 2003 £m
Excess of capital allowances over depreciation	**1.6**	1.1	**0.2**	0.1
Other short term timing differences	**(1.3)**	(2.8)	**2.8**	4.4
	0.3	(1.7)	**3.0**	4.5

	Group £m	**Company £m**
The movement is as follows:		
At 1 January 2004	**(1.7)**	**4.5**
Profit and loss account		
– current year	**0.8**	**(1.4)**
– adjustment in respect of prior years	**1.2**	**(0.1)**
At 31 December 2004	**0.3**	**3.0**

20 Called up Share Capital

	2004 £m	2003 £m
Authorised 365,000,000 (2003: 365,000,000) ordinary shares of 10p each	**36.5**	36.5
Allotted, called up and fully paid 288,893,740 (2003: 283,841,708) ordinary shares of 10p each	**28.9**	28.4

During the year 2,396,619 ordinary shares were issued in lieu of ordinary dividends and a total of 2,655,413 ordinary shares were allotted, for a cash consideration of £6.0m, in respect of the exercise of share options.

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 2004 the trust held 100,000 shares. Dividends on these shares have been waived. The market value of these shares at 31 December 2004 was £0.7m.

Persimmon (Share Scheme Trustees) Limited, a subsidiary company, held 707,758 shares at 31 December 2004, on which dividends have been waived. These shares are held in order to satisfy Bonus Share awards and their market value at 31 December 2004 was £4.9m. This company did not make any market purchases of shares during 2004.

21 Options in Shares of Persimmon plc

Under the various schemes' options to subscribe for a total of 5,175,282 ordinary shares have been granted to employees (including full time Directors of the Company) and were outstanding on 31 December 2004 as follows:

(a) Persimmon plc 1988 Executive Share Option Scheme

Number of shares	Price per share	Dates of exercise
121,383	171.5p	Apr 1998 to Apr 2005
100,000	196.0p	Apr 1999 to Apr 2006
25,620	208.5p	Oct 1999 to Oct 2006
247,003		

(b) Persimmon plc 1997 Executive Share Option Scheme

Number of shares	Price per share	Dates of exercise
60,000	235.0p	Apr 2002 to Apr 2006
10,000	165.0p	Mar 2003 to Mar 2007
5,500	205.0p	Sep 2003 to Sep 2007
145,000	340.5p	Apr 2004 to Apr 2008
168,000	306.0p	Sep 2004 to Sep 2008
707,850	419.5p	Mar 2005 to Mar 2009
18,680	530.0p	Oct 2006 to Oct 2013
1,115,030		

(c) Persimmon plc 1997 Executive Share Option Plan

Number of shares	Price per share	Dates of exercise
10,000	165.0p	Mar 2002 to Mar 2010
10,000	205.0p	Sep 2003 to Sep 2010
153,100	306.0p	Sep 2004 to Sep 2011
244,150	419.5p	Mar 2005 to Mar 2012
11,320	530.0p	Oct 2006 to Oct 2013
428,570		

(d) Persimmon plc Long Term Incentive Plan

Number of shares	Price at date of award	Dates of vesting
558,704	451.0p	May 2005
322,783	395.0p	Apr 2006 to Oct 2006
240,000	537.5p	Sep 2006 to Mar 2007
411,170	617.5p	Mar 2007 to Sep 2007
2,750	643.0p	Sep 2007 to Mar 2008
1,535,407		

£2.3m (2003: £1.7m) 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
65,507	254.0p	Dec 2004 to May 2005
563,022	352.0p	Dec 2005 to May 2006
472,499	436.0p	Dec 2006 to May 2007
580,923	525.0p	Dec 2007 to May 2008
1,681,951		

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	Sep 1998 to Sep 2005
9,464	267.86p	Dec 1999 to Dec 2006
9,464	287.67p	Sep 2000 to Sep 2007
22,083	237.74p	Sep 2001 to Sep 2008
50,475		

(g) Beazer Savings Related Share Option Scheme

Number of shares	Price per share	Dates of exercise
96,602	147.4p	May 2005 to Oct 2005
958	244.1p	Jun 2005 to Nov 2005
692	212.4p	May 2006 to Oct 2006
18,594	147.4p	May 2007 to Oct 2007
116,846		

22 Share Premium Account and Reserves

	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Own shares £m	Profit and loss account £m
Group					
At 1 January 2004 as previously published	214.2	281.4	1.2	–	606.4
Restatement of prior year (see note 23)	–	–	–	(5.5)	0.2
At 1 January 2004 (restated)	214.2	281.4	1.2	(5.5)	606.6
Exercise of share options	5.7	–	–	–	–
Scrip dividends	(0.2)	–	–	–	15.1
LTIP share award	1.5	–	–	–	(1.5)
LTIP charge for the year	–	–	–	–	2.3
Net investment in own shares	–	–	–	2.3	–
Retained profit for the year	–	–	–	–	235.3
At 31 December 2004	**221.2**	**281.4**	**1.2**	**(3.2)**	**857.8**
Company					
At 1 January 2004 as previously published	214.2	4.6	0.9	–	170.0*
Restatement of prior year (see note 23)	–	–	–	(5.5)	0.2
At 1 January 2004 (restated)	214.2	4.6	0.9	(5.5)	170.2*
Exercise of share options	5.7	–	–	–	–
Scrip dividends	(0.2)	–	–	–	15.1
LTIP share award	1.5	–	–	–	(1.5)
LTIP charge for the year	–	–	–	–	2.3
Net investment in own shares	–	–	–	2.3	–
Retained loss for the year	–	–	–	–	(34.5)
At 31 December 2004	**221.2**	**4.6**	**0.9**	**(3.2)**	**151.6***

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

Retained profit/(loss) for the year is stated after charging dividends.

23 Prior Period Adjustment

During the year the Group has adopted UITF 38 (Accounting for ESOP trusts). Comparative figures have been restated for the adoption of this new policy.

UITF 38 requires that shares held by employee related trusts be stated at cost and treated as a reduction in shareholders' funds. As a result of this new accounting policy £3.2m (2003: £5.5m) of investment in own shares has been appropriately reclassified. There has been no impact on the previously reported profit and loss account or cash flow statement.

24 Reconciliation of Movements in Consolidated Shareholders' Funds

	2004 £m	Restated 2003 £m
Profit for the financial year	**314.5**	234.2
Dividends	**(79.2)**	(51.9)
	235.3	182.3
New share capital issued (excluding scrip dividend issue below)	**7.5**	4.2
Scrip dividends	**15.1**	7.0
LTIP share award	**(1.5)**	(0.6)
LTIP charge for the year	**2.3**	1.7
Net (investment in)/distribution of own shares	**2.3**	(5.3)
Net increase to shareholders' funds	**261.0**	189.3
Opening shareholders' funds	**1,126.3**	937.0
Closing shareholders' funds	**1,387.3**	1,126.3

25 Reconciliation of Net Cash Flow to Net Debt

	2004 £m	2003 £m
Increase/(decrease) in cash	**96.7**	(10.1)
Decrease in debt and lease finance	**17.5**	34.4
Decrease in net debt from cash flows	**114.2**	24.3
New finance leases	**(0.8)**	(1.8)
Decrease in net debt	**113.4**	22.5
Net debt at 1 January	**(316.9)**	(339.4)
Net debt at 31 December	**(203.5)**	(316.9)

26 Analysis of Net Debt

	2004 £m	Cash flow £m	Other non-cash changes £m	2003 £m
Net cash:				
Cash at bank and in hand	**84.6**	83.8	–	0.8
Bank overdrafts (see note 16)	**(5.2)**	12.9	–	(18.1)
	79.4	96.7	–	(17.3)
Debt and lease financing:				
Bank loans (see note 16)	**–**	15.0	–	(15.0)
US and UK senior loan notes (see note 16)	**(280.6)**	1.6	–	(282.2)
Finance leases (see note 17)	**(2.3)**	0.9	(0.8)	(2.4)
	(282.9)	17.5	(0.8)	(299.6)
Net debt	**(203.5)**	114.2	(0.8)	(316.9)

27 Capital Commitments

At 31 December 2004 there were capital commitments contracted for amounting to £0.4m (2003: £1.3m) in the Group and capital commitments contracted for in the Company of £0.1m (2003: £0.1m).

28 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 2004 the bank overdrafts amounted to £5.2m (2003: £28.9m).

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.

29 Financial Commitments

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

Group	**2004 Land and buildings £m**	**2004 Other £m**	2003 Land and buildings £m	2003 Other £m
Expiring within one year	**0.3**	**0.6**	0.1	0.7
Expiring between two and five years inclusive	**0.1**	**2.4**	1.0	2.9
Expiring in over five years	**1.2**	**-**	1.5	0.1
	1.6	**3.0**	2.6	3.7
Company				
Expiring within one year	**0.2**	**-**	-	0.1
Expiring between two and five years inclusive	**-**	**0.2**	0.3	0.2
	0.2	**0.2**	0.3	0.3

30 Pension and Life Assurance Scheme

The Group has two employee pension schemes. The Persimmon Group Stakeholder Scheme is the defined contribution scheme available to new salaried employees. The Group matches employees' own contributions to their individual Stakeholder plans, up to 7% of basic salary. Group contributions to this scheme of £0.4m (2003: £0.2m) are expensed as incurred.

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 assets of the Scheme are held separately from those of the Group. The most recent actuarial valuation of the Scheme was carried out as at 1 July 2002 by a professionally qualified independent actuary and adopted the projected unit method. Under the projected unit method the current service cost, as a percentage of Scheme members' pensionable pay, will increase as the active members of the Scheme approach retirement. The main long term assumptions used for the actuarial valuation 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. The next actuarial valuation of the Scheme as at 1 January 2005 is currently in progress.

30 Pension and Life Assurance Scheme continued

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 Group will be accounting for pensions under IAS 19 (Employee Benefits) from 1 January 2005 with appropriate restatement of the prior year figures.

For the purpose of these financial statements, the figures shown below are purely illustrative and they do not impact on the 31 December 2004 profit and loss account or balance sheet. These figures are based on an actuary's update to the full valuation carried out at 1 July 2002.

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

	31 December 2004 % pa	31 December 2003 % pa	31 December 2002 % pa
Discount rate	**5.4**	5.6	5.6
General pay increases	**3.7**	3.7	3.3
Inflation assumption	**2.7**	2.7	2.3
Pension increases – Limited Price Indexation	**2.6**	2.7	2.4

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

At 31 December	**2004 Total £m**	**2004 Long-term expected return % pa**	2003 Total £m	2003 Long-term expected return % pa	2002 Total £m	2002 Long-term expected return % pa
Equities	**99.0**	**7.0**	90.3	7.8	68.5	7.5
Bonds	**30.8**	**5.0**	27.5	5.3	24.6	5.1
Cash	**2.8**	**3.0**	2.4	3.3	4.8	3.0
Total market value of scheme assets	**132.6**		120.2		97.9	

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

At 31 December	**2004 £m**	2003 £m	2002 £m
Market value of Scheme assets	**132.6**	120.2	97.9
Present value of Scheme liabilities	**(198.9)**	(174.5)	(154.4)
Deficit	**(66.3)**	(54.3)	(56.5)
Related deferred tax asset at 30%	**19.9**	16.3	17.0
Net deficit	**(46.4)**	(38.0)	(39.5)

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	**2004 £m**	Restated 2003 £m	2002 £m
Net assets excluding pension liability	**1,387.3**	1,126.3	937.0
Pension liability	**(46.4)**	(38.0)	(39.5)
Net assets including pension liability	**1,340.9**	1,088.3	897.5
Profit and loss reserve excluding pension liability	**857.8**	606.6	416.0
Pension reserve	**(46.4)**	(38.0)	(39.5)
Profit and loss reserve including pension liability	**811.4**	568.6	376.5

30 Pension and Life Assurance Scheme continued

The following amounts would have been recognised in the performance statements in the year to 31 December 2004 under the requirements of FRS 17:

	2004 £m	2003 £m
Group profit and loss account		
Operating profit		
Current service cost	**(4.6)**	(3.4)
Total operating charge	**(4.6)**	(3.4)
Other finance income/(cost)		
Expected return on pension Scheme assets	**8.7**	6.7
Interest on pension Scheme liabilities	**(9.8)**	(8.7)
Other finance cost	**(1.1)**	(2.0)
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on the Scheme assets	**0.2**	11.3
Experience losses arising on the Scheme liabilities	**(3.7)**	–
Changes in assumptions underlying the present value of the Scheme liabilities	**(7.6)**	(9.0)
Actuarial (loss)/gain recognised in the STRGL	**(11.1)**	2.3
Notes to the financial statements		
Movement in deficit during the year		
Deficit at 1 January	**(54.3)**	(56.5)
Current service cost	**(4.6)**	(3.4)
Contributions	**4.8**	5.3
Other finance costs	**(1.1)**	(2.0)
Actuarial (loss)/gain	**(11.1)**	2.3
Deficit in Scheme at 31 December	**(66.3)**	(54.3)

Details of experience gains and losses:

	2004 %	2004 £m	2003 £m	2002 £m
Difference between the expected and actual return on the Scheme assets	0.1*	**0.2**	11.3	(26.2)
Experience losses on the Scheme liabilities	1.9Δ	**(3.7)**	–	–
Losses resulting from changes in assumptions	3.8Δ	**(7.6)**	(9.0)	(0.1)
Changes in assumptions underlying the present value of Scheme liability	–	**–**	–	(3.7)
Total amount recognised in the STRGL	5.6Δ	**(11.1)**	2.3	(30.0)

*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 2004 it is estimated that the net pension deficit varied between £35m and £50m compared with the illustrative figure of £46.4m at the balance sheet date.

31 Details of Group Undertakings

The Directors set out below information relating to the major 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 this company are directly held by Persimmon plc.
**The shares of this company are held by Persimmon Finance Limited & 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.

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.

Shareholder Information

Analysis of shareholding at 31 December 2004

Size of shareholding	Number of shareholders	%	Number of ordinary shares	%
1 – 5,000	9,603	89.7	7,380,576	2.6
5,001 – 50,000	714	6.7	11,341,558	3.9
50,001 – 250,000	235	2.2	26,979,769	9.3
250,001 and over	159	1.4	243,191,837	84.2
	10,711	100.0	288,893,740	100.0

Share price – year ended 31 December 2004

Price at 31 December 2004	691.0p
Lowest for year	513.5p
Highest for year	718.5p

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.

ShareGift

Shareholders who hold a small number of shares which may be uneconomic to sell may wish to consider gifting their shares to ShareGift, the charity share donation scheme (registered charity 1052686). ShareGift accumulates shares until they have sufficient to sell and then uses the proceeds to support UK charities. Further details can be obtained from ShareGift on 0207 337 0501, www.ShareGift.org and also from our Registrars.

Directory

North Division

Operational Board:

John Millar	Chief Executive
David Broadbent	North West Regional Chairman
Chris Johnson	Yorkshire Regional Chairman
John Cassie	Scotland Regional Chairman
Jeff Fairburn	North East Regional Chairman
Corinne Gill	Division Finance Director
Richard Noble	Division Commercial Director

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Alan Brander

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Jim Preston

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	Division Finance Director

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Managing Director: John Bell

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Chairman:
Brian Thomson

Persimmon plc 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

Company Information

Group Company Secretary
Neil Francis

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Company Number
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Registrars
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Bankers
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Yorkshire Bank PLC
Barclays Bank PLC
Bank of Scotland
National Australia Bank Ltd

Financial Advisors/Stockbrokers
Hoare Govett Ltd
(a member of ABN Amro Group)
Citigroup Global Markets Limited

Solicitors
Mayer Brown Rowe & Maw

Six Year Record

	2004	2003 Restated**	2002 Restated**	2001 Restated**	2000 Restated†**	1999 Restated†**
Unit sales*	**12,360**	12,163	12,352	12,051	7,035	7,101
Turnover*	**£2,131.3m**	£1,883.0m	£1,711.1m	£1,477.5m	£740.8m	£682.1m
Average selling price*	**£172,431**	£154,810	£138,530	£122,601	£105,307	£96,055
Operating profit$^{\Delta}$	**£496.8m**	£381.7m	£299.8m	£225.1m	£116.0m	£92.2m
Profit before tax$^{\Delta}$	**£470.4m**	£352.5m	£267.6m	£188.2m	£104.3m	£81.6m
Basic earnings per share$^{\Delta}$	**113.9p**	86.8p	67.0p	52.9p	40.2p	31.3p
Diluted earnings per share$^{\Delta}$	**113.1p**	86.0p	66.3p	52.4p	40.0p	31.0p
Dividend per share	**27.50p**	18.30p	15.15p	13.70p	12.40p	11.10p
Net assets per share	**481.5p**	398.7p	334.7p	286.7p	229.7p	202.2p
Equity shareholders' funds	**£1,387.3m**	£1,126.3m	£937.0m	£793.5m	£419.2m	£365.6m
Return on capital employed$^{\Delta}$	**30.5%**	25.5%	22.0%	19.4%	21.7%	19.7%

*Comparatives 1999-2000 exclude BES re-sales.
ΔExcludes goodwill amortisation and integration costs.
†Comparatives 1999-2000 restated for impact of FRS 19 (Accounting for Deferred Taxation).
**Comparatives for 2003 restated for impact of UITF 38 (Accounting for ESOP trusts).

Financial Calendar

Shares ex dividend	9 March 2005
Record date for final dividend entitlement	11 March 2005
Trading Update	21 April 2005
Final dividend payment date	22 April 2005
Trading Update	27 June 2005
Announcement of Interim Results	23 August 2005
Shares ex dividend	31 August 2005
Record date for interim dividend entitlement	2 September 2005
Interim dividend payment date	21 October 2005
Trading Update	22 December 2005

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