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PERSIMMON PLC

COMPANY NUMBER: 1818486

Annual Report *December 2009*

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Contents

Cover The Orchard, Whiteley, Fareham, Hampshire

UK housing transaction volumes are improving and price stability has emerged in some regional markets.

We continue to take all necessary action in response to the challenges presented by the current condition of the housing market.

We are in a strong position to take advantage of improving market conditions with the same key attributes that have made us a UK market leader.

STRENGTH OF OUR BRANDS

About Persimmon

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Charles Church provides a range of premium executive homes.

Charles Church is one of the country's foremost house building brands with an unrivalled reputation for the design and quality of the homes it builds Charles Church provides a range of premium homes, in both modern and traditional styles

Top left. Monarchs View, Rowan Park, Dalkeith Scotland
Top right Kingsley Park, Witney Oxfordshire
Bottom Longwater Green Finchampstead Berkshire

The Westbury Partnerships business focuses on social housing.

The **Westbury Partnerships** business focuses on social housing, in conjunction with Space4, our timber frame manufacturing operation By working closely together with Housing Associations, this business aims to offer solutions to some of the country's affordable housing problems

Top Bath Road Worcester
Bottom right. Chesterfield Road, Lichfield
Bottom left. Bannerbrook Park, Coventry, West Midlands

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Persimmon Homes is our core housing business offering a wide range of property types.

Persimmon Homes is our main business We have 24 regional Persimmon offices from Exeter to Edinburgh, building quality homes which provide the very best in design and construction The wide range of property types includes three, four and five bed detached properties, two and three bed town houses, semi-detached houses, bungalows and apartments

Top left. Heritage Place, Heywood, Lancashire
Top right. Wyncliffe Gardens, Cardiff Wales
Bottom left The Willows, Westbury Wiltshire
Bottom right Katherine Park, Corsham Wiltshire

North Division
2,525 Units sold

This division includes operating businesses in Scotland, North West, North East and Yorkshire

Central Division
3,361 Units sold

Our Central Division includes our Birmingham, Shires and Eastern regions

South Division
2,879 Units sold

This division includes our Southern, Western and Wales regions

Westbury Partnerships
211 Units sold

SOLID PERFORMANCE IN A TOUGH MARKETPLACE

Chairman's Statement

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Persimmon has performed well throughout a period of difficult trading conditions. Over the last 12 months we have concentrated heavily on cash generation and cost control. This focus and the action we took during 2008 to restructure our business in light of the medium term outlook, has ensured that we remain strong and competitive. The business is well positioned both operationally and financially for a recovering market.

John White Group Chairman

£1.42bn
Turnover
(2008 £1 755bn)

£7.0m
Pre-tax profits*
(2008 £126 6m)

£57.2m
Operating profit*
(2008 £198 3m)

4.0%
Operating margin*
(2008 11 3%)

16%
Gearing
(2008 39%)

540.2p
Net assets per share
(2008 518 0p)

* Stated before exceptional credits of £74 8m (2008. £904 8m charge) and goodwill impairment of £4 0m (2008 £1 8m)

Results

Sales revenues for the year ended 31 December 2009 were £1 42bn (2008 £1 76bn) Pre-tax profit for the full year before exceptional items and goodwill charge was £7 0m This result reflects an improved performance during the second half of the year which produced a pre-tax profit (before exceptional items and goodwill charge) of £23 7m (H1 2009 £16 7m loss)

Following a review of the net realisable value of our assets £74 8m of provisions previously created have been released as an exceptional credit This reflects a combination of both an improvement in revenues and a reduction in development costs This results in a pre-tax profit for the full year, after exceptional items and goodwill charge, of £77 8m (2008 £780 0m loss) Basic earnings per share were 24 7p (2008 208 3p loss per share) Net assets per share increased to 540 2p

Operating profit for the year (before exceptional items and goodwill charge) was £57 2m representing c 4% of turnover We achieved an improvement in this operating margin to c 6% during the second half of the year, reflecting our changing focus to margin improvement as cash generation improved

Legal completions for the year were 8,976 (2008 10,202) at an average selling price of £160,513 stated before the fair value charge on shared equity sales (2008 £172,994) Operating expenses were 14% lower than 2008 at £78 7m and 36% lower than 2007, the year prior to restructuring the business

Once again, during the year we generated good levels of free cash flow of £356 8m (2008 £239 2m) This resulted in net borrowings at the year end of £267 5m (2008 £600 7m) This debt level is well within the amended facilities we arranged in March 2009 of c £1bn Whilst achieving this reduction in debt we continued to open 90 new sites during the year We also committed to selective land opportunities and at the year end maintained healthy land holdings of 60,454 plots, owned and under control This provides a long landbank of over six years' supply at current build rates

A thorough review of these land holdings was carried out at the end of 2009 and we are confident that the book value of these assets is appropriate As stated above, we have released back to profit £74 8m of the provision created in 2008 Further releases will depend upon movements in selling prices and costs of development We do not however expect to make further provisions in this respect unless there is a significant deterioration in house selling prices in the future

Total net financing costs for the period, including imputed charges were £50 2m (2008 £71 7m)

As previously announced the Board does not intend to pay a dividend for 2009, in line with our current strategy of conserving cash in the business and strengthening our balance sheet The Board will continue to monitor the performance of the business and the outlook for the housing market to assess when dividend payments should be recommenced

Outlook

Sales throughout the autumn of 2009 remained steady, providing a good forward sales position coming into the New Year At 1 January 2010 we carried forward £637 8m of sales revenue on 4,280 homes Sales have continued to be at good levels and we currently have c £900m of total sales including legal completions achieved since 1 January 2010 (2 March 2009 £698m)

Prices have held firm since the beginning of the year, and we are focusing on margin growth We continue to market our homes with the benefit of part exchange and shared equity including the Government's HomeBuy Direct support Our part exchange stock holding at the year end was at a historically low level of £9 3m (2008 £54 5m), giving us plenty of scope to use this key marketing tool when required to assist potential Persimmon home buyers In addition, the continued use of HomeBuy Direct is assisting many first time buyers to buy our homes

It is too early to make precise forecasts about the housing market, particularly in an election year, and we will remain cautious in our investment decisions We will continue to look to reduce debt levels again this year, although we remain ready to take advantage of any suitable opportunities as they arise

Board

In 2009 Jeff Fairburn was appointed as an executive Director of the Board Jeff has worked at Persimmon since 1989 During this time he has held many positions within the Group In 2006 he was appointed North Division Chief Executive, a position he still retains He now has various Group operational responsibilities including procurement and associated functions Jeff's vast operational experience in the housing industry is of great benefit to the Board

At the forthcoming Annual General Meeting on 22 April 2010, Hamish Leslie Melville will retire from the Board Hamish has been a non-executive Director of Persimmon since 1995 During this time he has served the Board with distinction and has contributed greatly to the success of Persimmon over the last fifteen years On behalf of the Board I thank him for his support and endeavours during this important period for the Group

I am delighted to welcome to the Board of Persimmon, Jonathan Davie, Chairman and Partner of First Avenue Partners and non-executive Chairman of IG Group Plc Jonathan joined the Board on 1 January 2010 His wealth of experience will undoubtedly bring added strength to our Board for the future

Finally I thank all our Directors, Senior Management and employees at all levels who have continued to work so hard and loyally for the Group once again this year

John White Group Chairman
1 March 2010

OUR PERFORMANCE

Business Review

Key performance indicators

■ Financial KPI ■ Non-financial KPI

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2008 and 2009 stated before exceptional items
After exceptional items the figures are as follows.
Profit from operations £128.0m (2008 loss of £714.6m)
Profit before tax £77.8m (2008 loss of £780 0m)
Return on capital employed 6 2% (2008 -23 1%)

WELL POSITIONED FOR WHEN THE MARKET IMPROVES

Key strengths

Logo removed

Financially strong to respond when the market improves.

Our financial strength gives us the flexibility to respond to market conditions by opening new sites and replenishing our landbank During 2009 we reduced our borrowings to £267 5m by focusing closely on working capital management and strict cash control discipline We have net assets of over £1 6bn and secured funding facilities exceeding £1bn

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Building affordable homes for all.

One half of the homes we build are sold for less than £150,000 With the Government's HomeBuy Direct Scheme, we continue to provide shared equity loans to our customers and we have enabled over 1,350 first time buyers to enter the housing market In 2009 we built over 1,600 homes for Housing Associations for the rental market

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High levels of customer service and trust.

Our sales advisors provide expert assistance and advice to our customers throughout the home buying process After moving in our customers have the help and support of our customer service departments and our 24 hour emergency helpline We undertake regular customer satisfaction surveys, the results of which we monitor to ensure that we are maintaining our high standards

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Sustainable issues remain key in a discerning market.

The strength of our supply chain and our innovative approach to housebuilding has enabled us to offer affordable, energy efficient, sustainable new homes Space4, our timber framed manufacturing division, provides a fast track construction system which meets the latest energy standards

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ENCOURAGING SIGNS BUT CAUTIOUS APPROACH

Performance Review 2009

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During 2009 Persimmon successfully generated significant cash flow and these results are in line with the priorities that we set for the business for the year.

Mike Farley Group Chief Executive

8,976
Legal completions
(2008 10,202)

£160,513
Average selling price*
(2008 £172,994)

£356.8m
Net cash inflow
(2008 £239 2m)

£267.5m
Net debt**
(2008 £600 7m)

£637.8m
Forward sales
(2008 £458 1m)

60,454 **plots**
Landbank
(2008 69,279 plots)

* Stated before fair value charge of £20 1m on shared equity sales (2008 £9 8m)

** Stated before finance leases and financing transaction costs

During 2009 Persimmon successfully generated significant cash flow, and saw a substantial increase in the rate of sale We have controlled our on-site work in progress, as well as reducing our overhead costs These results are in line with the priorities that we set for the business for the year

The market

The housing market showed signs of stabilising in the first half of the year We entered the year with a low forward sales position of £458 1m due to the poor market conditions that prevailed through the second half of 2008, but we were able to build our reservations in the first quarter and as consumer confidence grew our sales cancellation rate for the first half of the year fell to c 16% (as compared to c 34% for the second half of 2008)

The increased availability of mortgages throughout the year has had a major impact on the stabilisation of the market Monthly mortgage approvals have increased from an historic low of c 27,000 in November 2008 to c 59,000 in December 2009 However, this still remains substantially lower than the historic average of c 92,000 approvals each month

During the first half of 2009 we continued to experience underlying price weakness However, the rate of decline slowed as we proceeded through the first six months the price reduction nationally was c 3% in the first quarter and 1% in the second quarter Through the summer months we saw a change in the overall market with the housing market performing noticeably better in the south in comparison to the north, a trend which continued throughout the second half of the year

A major contributory factor for the price decline in the first half was down valuations by mortgage valuers and whilst this situation has improved, we continue to experience some problems in this area This remains one of the major reasons for our cancellation levels

Picture removed

Strategic land at Plymstock Quarry Plymouth

The sales momentum we experienced in the spring continued through the normally quieter summer months and into the autumn This enabled the business to expand its order book during 2009 and provided a strong opening order book of £638m for 2010

As we experienced a gradual improvement in the housing market we opened new sites and reactivated existing sites we had halted in April 2008 In the first half of the year we opened 40 new sites and a further 50 in the second half Some of these sites were assisted by advance payments of grant funding for affordable homes, a welcome intervention by the Government to assist the housing market Nevertheless, we remain cautious with our expenditure on new sites and are maintaining strong controls on the amount we spend on these new opportunities, as well as on existing schemes

As part of our ongoing strategy we have negotiated the replanning of a number of new sites with Local Authorities to contain a higher proportion of traditional two storey housing that is more desirable to our buyers These sites are due for commencement in the first half of 2010 Persimmon is able to build these traditional homes more economically and it is easier for us to control levels of work in progress Another advantage is that we can react swiftly to demand and complete the construction of these homes in less time when compared to apartment blocks or terraces of town houses

Although the mortgage market continued to improve during the year, it remained hampered by the restricted availability of higher loan to value mortgages, particularly for first time buyers who are key to the market The mortgage market has been focused on providing competitively priced mortgages at 75% loan to value of the property Many buyers without a large deposit find it difficult to access these funds

Performance review continued

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La Nautica Mudeford, Nr Christchurch, Dorset

We are particularly pleased to have access to the Government's HomeBuy Direct Scheme Our initial allocation of 2,668 homes proved very popular with buyers, and we had taken over 1,350 reservations on this scheme by the year end We recently received a further allocation of £50m through the Government's Kickstart 1 and 2 schemes This funding is progressively available until 2012 to assist our buyers, support our business and reinvigorate our supply chain

Our approach to the review of the net realisable value of our land assets has provided protection against continued market weakness We have been able to write-back a total of £74 8m of unutilised provision, of which £46 9m relates to the second half of the year We will continue to review the basis on which the provision is held by the Group, but believe that our stance is justified against the background of current market uncertainty

In the first half of 2009 we completed 4,006 homes (H1 2008 5,501 homes) and our debt had reduced to £494 2m (June 2008 £905 5m) from £600 7m at the 2008 year end In the second half of 2009 sales continued through the autumn at a steady rate, again with low cancellations The improved market in the second half saw our volumes grow to 4,970, a 24% increase on the first half

This resulted in total completions for the year of 8,976 homes (2008 10,202) and due to good cash management our debt reduced to £267 5m, well ahead of our original expectations Underlying price growth of 2–3% across the country in the second half with greater growth in the south has assisted the improvement in our margins

Divisional structure

Within our divisional structure we maintain our three core businesses of Persimmon, Charles Church and Westbury Partnerships A number of our businesses are now operating on a dual brand basis where the management teams are responsible for both the Persimmon and Charles Church brands We have achieved significant benefits from this restructuring The selection of the appropriate brand for our sites ensures there are no conflicts, which maintains each brand's individuality On large sites we have achieved operating efficiencies with our teams being able to manage both brands without any duplication, from buying land and materials to the handover of the finished homes We will continue to dual brand wherever possible in the future

North Division

The North Division completed 2,144 Persimmon homes (2008 2,753) Undoubtedly the market in this Division was the most challenging, particularly in Scotland and the North West It has taken time to recover and for prices to stabilise We have already seen some recovery in the market with this Division completing 1,192 homes in the second half, a 25% increase from the first half's performance Despite the difficult market our operation in Scotland has performed well, achieving a 12% increase in volumes in the second half and completed 674 homes for the year In Yorkshire our scheme at The Forum, York legally completed 83 apartments in 2009 These completions were achieved by a combination of first time buyers utilising the HomeBuy Direct Scheme and a similar number of individual investors

Average selling prices for the full year for private sale homes in this Division declined to £151,462 (2008 £172,160) predominantly due to a change in housing mix with more apartments completed in the first half The average selling price increased by 6% to £155,195 in the second half of the year as we returned to selling more traditional houses There were some signs of underlying price growth in the last quarter of 2009, particularly on newly opened sites

Central Division

This Division recorded the highest level of Persimmon completions in the Group for the year, at 2,714, a reduction of just 1% on the previous year (2008 2,748) Our continued strategy of long term relationships with our Housing Association partners secured a 5% increase in volumes for the Eastern Region's operating businesses within this Division

We have seen a good take-up of our HomeBuy Direct and Shared Equity schemes with 675 units, equating to 25% of our sales being assisted in this manner Although demand in our Birmingham Region remains constrained, our ability to offer homes at an average selling price of £136,504 has supported sales in this Region to increase volumes by 7% to 1,062 homes

In our East Midlands operating business we have recently completed over three kilometres of by-pass, which serves 1,525 plots at our Stanground, Peterborough site This investment of c £20m will lead to legal completions for all our brands during 2010 on the project This important site has been brought through our strategic land portfolio

Graph removed

The average selling price of homes for private sale in the Division was £167,894 (2008 £189,449) offering buyers good affordability, particularly for those operations in the south of the Division Prices declined in real terms by 4% in the first half of the year However, we have seen a 3% underlying increase in the second half and there is greater emphasis on price growth for our operating businesses closer to the stronger London market

South Division

The Division has completed 2,004 Persimmon homes (2008 2,436) of which 341 were Partnership homes We saw a noticeable strengthening in this Division's market emanating from the South East in the early part of 2009 Prices stabilised in the latter part of the second quarter and have shown a modest rise throughout the remainder of the year We have seen a 21% increase in volumes to 1,096 completions in the second half Again we utilised HomeBuy Direct combined with our own Shared Equity scheme in Wales, where currently HomeBuy Direct is not available

The average selling price of homes for private sale for the year was £178,830 (2008 £195,147), an 8% reduction However, we saw the average sales price increase to £183,834 in the second half, due to a combination of planning changes towards more traditional housing and some underlying price growth in this Division

As part of our long term plan for organic growth we reorganised our two operating businesses in Wales to form new East and West Wales businesses These will dual brand with Charles Church, which has been well received by prospective purchasers in the Wales region since its launch in 2006

We have had a number of strategic land successes particularly in the South West operating business with sites at Newton Abbot and Sidmouth receiving planning consent, giving a good platform for this business to grow with good returns in the future

Charles Church

Charles Church has performed well despite the challenging market It has achieved stable volumes of 1,903 homes (2008 1,924) which equates to 21% of the Group's completions

The strengthening market has enabled Charles Church to complete a number of apartment schemes, selling 221 plots at Fellowes Plain, Norwich and 128 apartments at Century Wharf, Cardiff These premium apartment schemes have predominantly sold to owner occupiers

Although the Charles Church private sale average selling price has reduced to £204,436 (2008 £244,094) this is largely due to the higher proportion of apartment sales Buyers of these higher than average selling price homes are less affected by mortgage loan to value ratios as they tend to have large deposits and this has helped to sustain Charles Church's volumes

Performance review continued

Space4

The improvement to the housing market and the availability of further Government funding has benefited the Space4 business Production in the first half was low with 801 housing units completed, but has substantially improved in the second half to such an extent that extended working hours were required for a period to keep pace with demand Total production for the year was 2,089 units (2008 1,238)

The need for increased energy efficiency for private housing and the changes we have made to the Space4 Eco housing range has led to an improvement in orders for the business The Space4 system enables our business to build houses in a shorter period and tightly controls our cost base We are able to react quickly to sales demand which in turn maintains our work in progress at an acceptable level There is now an increased demand for the Space4 product from the Persimmon Group, not only for affordable homes but also for private residential housing and as a result nearly 85% of its production is being used within the Group

Additional capacity is available and we will seek new external business in periods where our own demand is lower We have already secured a sale for a 120 unit care home scheme which meets this requirement

Space4 is now supplying 18 of the Group's operating businesses and has a forward order book of 2,400 units We anticipate that Space4 will provide significant support to the expansion of Group volumes as the market recovers

Westbury Partnerships

Westbury Partnerships, our specialist affordable housing provider, has continued developing its close working relationship with a number of housing associations delivering high quality, energy efficient sustainable homes

In 2009 Westbury Partnerships completed 211 units which is part of the total of 1,622 Partnership homes provided by the Group Our Partnership home completions equate to 18% of the Group's turnover by total volume

Westbury Partnerships has recently completed its first developments built to the Code for Sustainable Homes Level 4 at Portishead and Bristol These schemes have utilised our Space4 system to provide the highly insulated fabric of the buildings

The Partnerships operating business has recently commenced its first scheme for 34 homes in Redditch partly funded by the Homes & Communities Agency (HCA) Kickstart 1 programme This funding is in addition to grant funding received under the National Affordable Housing Programme

The combination of the use of Space4 and our own HCA compliant house types has continued to deliver good efficiencies for this operating business in the affordable housing market

Landbank

The Group's landbank currently consists of 60,454 plots owned or under control, a planned reduction from the 69,279 a year ago Based on current output this equates to 6 7 years' supply Due to the Group's strong balance sheet and low debt we have now agreed to purchase a further 3,000 plots mainly in the south of England These are attractive sites in good locations and will be earnings enhancing in the future

We remain cautious in the land market due to uncertainty in the general economy We continue to focus on our strategic land portfolio, which consists of c 19,000 acres of land owned or held under option We have achieved good success in adding to the number of strategic sites including Carmarthen and Taunton In addition, we won a recent approval at Appeal for a 900 plot site at Bessacarr, Doncaster Our strategy will be to continue to allow our landbank to reduce, whilst taking advantage of good opportunities as they arise

Corporate responsibility

Health and safety is an important priority and we continue to invest in training and improving our operational procedures This investment has significantly improved our reportable incident rate which reduced to 47 in 2009, a 40% reduction on the prior year (2008 78)

As part of our commitment to efficient building operations, we have improved our operational waste management The amount of waste from each home we build has reduced over the past five years by over 50% Last year we recycled 75% of our waste which has not only improved our environmental performance, but also our financial performance by reducing our landfill costs

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Compass Point Hilsea Portsmouth

We continue to monitor the quality of both the homes we build and the service that we provide to our customers This has been particularly important during the difficult housing market in 2009 We undertake regular customer satisfaction surveys and I am pleased to report that during 2009, 91% of our customers said that they would recommend Persimmon to a friend (2008 89%), which is a reflection of the quality of our homes and the customer service from our employees

Current trading outlook

Market indicators continue to give a more positive outlook on the housing sector Sales since the beginning of the year are up c 7% compared to the same period last year As we are currently operating from c 12% fewer sites then our sales rate per site per week is over 20% ahead of the prior year Visitors to sites have been steadily increasing and we have seen a rise in website traffic as a result of our recent marketing campaigns

We are currently operating from 370 developments compared to 420 last year However, we are preparing to commence work on 90 new sites in the first half of 2010, subject to market conditions Cancellation rates appear to have stabilised at c 16%, which is below the long term average rate of 20% and indicates stronger consumer confidence Due to the issues regarding loan to value ratios for mortgage lending, we expect continued demand for the use of HomeBuy Direct and our own Shared Equity products A further increase in mortgage availability and improved loan to value ratios will strengthen the housing market and the Group's performance We continue to monitor the supply of mortgage credit with keen interest

We currently have forward sales of £897 9m from 5,873 units, and of these sales c 51% are contracted This is a strong order book and combined with further site openings it will enhance our sales for the year We are now focused on improving our operating margins from the c 6% achieved for the second half of 2009

Summary

The actions we have taken during 2009 and the results we have announced for the year have placed the business in a strong position to react to developments in the wider economy in 2010 Our significant banking facilities and headroom will also enable us to increase investment when the market strengthens With the scheduled opening of new sites we will be able to react to further improvements in the housing market and will continue to buy land if we see good opportunities However, we remain cautious and continue with our disciplined approach to maintaining further debt reduction and margin improvement Space4 positions the business well to meet the requirements of higher energy standards for our properties but also allows for rapid acceleration to volumes if demand increases

Our ability to react in these key business areas when combined with our strong balance sheet and forward sales of c £900m will allow the Group to increase profitability in the future

Finally, I would like to thank our staff for their efforts in achieving such a creditable result in this difficult year Their focus on, and delivery of, the substantial debt reduction for the business, together with the improvement in profitability through the second half underlines the strength and abilities of the management teams throughout the Group

Mike Farley Group Chief Executive
1 March 2010

STILL FOCUSED ON KEY PRIORITIES

Strategic priorities

Our strategy is to be the leading national housebuilder, building homes ranging from small affordable starter homes to large premium family homes and selling to both the private market and housing associations

Graphic removed

Continued focus on debt reduction

Graphic removed

Rebuild margins through:

- lower build costs
- replanning existing sites
- acquisition of new land at attractive prices
- pull through of strategic land at enhanced margins

Graphic removed

Selective new site starts, stabilising number of outlets at 370 through 2010

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Invest in Space4 to:

- reduce costs and improve the energy efficiency of our houses
- support site production rates to overcome any potential labour shortages

Continued focus on debt reduction

The housing market continues to be constrained by the lack of mortgage availability which affects housing demand throughout the country Our strategy of cash generation, which was very successful during 2009, will continue to reduce our debt, maintain liquidity and manage our balance sheet

Our current landbank represents over six years supply Our strategy is to continue to reduce our landbank to an equivalent of c five years supply so as to align our landbank with expected future customer demand for our homes

The planned reduction in our landbank will release capital, reduce debt and improve our return on capital employed

Rebuild margins

Our business requires in depth knowledge of local markets in order to engage subcontractors, plan sites in accordance with local demand, anticipate customer taste in specific markets and to assess the regulatory environment Our divisional structure is designed to utilise our local market expertise

We have reviewed our business processes to control costs and rebuild our operating margin We have dual branded our regional housebuilding operations with both Persimmon Homes and Charles Church brands to capture best working practices and economies of scale

We have a very strong and diverse supply chain and we ensure we are not dependent on a single supplier or subcontractor for the construction of our new homes We maintain efficient operations by utilising standardised materials available from a variety of sources and suppliers, thereby lowering our build costs

We continue to re-plan our existing sites to maximise sales opportunities We will acquire new land at attractive prices from the promotion of our strategic landbank and selectively acquire land that will deliver enhanced margins in the future

Selective new site starts

We reduce our exposure to local market volatility by maintaining operations across geographically and economically diverse markets throughout the UK to enhance our sales potential

We will undertake selective new site starts closely controlling our capital expenditure to ensure that we have the right product availability in the right locations across the UK Where the market allows, we are optimising sales prices

Invest in Space4

In order to meet increasing sustainability requirements for our new homes and improved operational efficiency, we will continue to invest in our timber frame manufacturing facility at Space4

Space4's new Eco-housing range will reduce costs and improve the energy efficiency of our homes The strategy of using modern methods of construction will continue to support site production rates and overcome any potential labour shortages

Space4 will continue to work closely with our social housing division, Westbury Partnerships, to supply affordable, sustainable, energy efficient new homes into the public sector housing market

UNDERSTANDING OUR RISKS

Principal risks

The Group's financial and operational performance is subject to a significant number of risks, which are subject to continual assessment by management to mitigate and minimise these risks There are also many risks which are outside of our control which can affect our business Our principal risks are

	Impact	*Mitigation*
National and regional economic conditions	The housebuilding industry is sensitive to changes in job growth, interest rates and consumer confidence Further deterioration in economic conditions may significantly decrease demand and pricing for new homes, which could have a material effect on our business revenues, margins and profits and result in the impairment of asset values	We minimise the level of speculative build undertaken by closely controlling our work in progress levels We carry out extensive due diligence prior to our land investment decisions to capture best margins
Mortgage availability	Any further restrictions in the market availability of mortgages for our customers could reduce demand for our homes and affect revenues, margins and profits	We ensure construction is matched to our level of sales We can use HomeBuy Direct shared equity to enable buyers without large deposits to purchase our homes
Capital requirements	Our ability to continue to manage our business depends on our ability to access capital on appropriate terms We could be adversely affected by a change in our credit rating or disruption in the capital markets resulting in credit facilities not being available We also require access to bonding facilities to secure planning, road and sewer agreements for our developments	The Group actively maintains a mixture of medium and long term debt and bonding lines to ensure sufficient funds and bonding are available to support operations
Competitive markets	We operate in a market with many other national, regional and local housebuilders Increasing levels of competition for a reduced number of buyers could reduce the number of homes we sell and affect revenues, margins and profits	We constantly review our prices and sales incentives offered to customers to maintain appropriate sales volumes We plan our developments to provide the right house styles and specifications to suit the local market
Regulatory compliance	Our business is subject to extensive and complex laws and regulations principally relating to planning, the environment and health and safety Our obligations to comply with legislation can result in delays in land development and housebuilding activity causing us to incur substantial costs and prohibit or restrict land development and construction	We hold a landbank sufficient to provide security of supply for short term requirements We operate comprehensive management systems to ensure regulatory compliance and reduction in reputational risk.

PROGRESS IN DIFFICULT MARKET CONDITIONS

Financial Review

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In 2009 we experienced improving conditions in our regional markets as the year unfolded. Looking back, the last quarter of 2008 presented the most challenging trading period with the market at that point experiencing the tightest mortgage credit availability for generations.

Mike Killoran Group Finance Director

Key issues are:

- Very challenging market conditions
- Recovery in trading through the year
- Some improvement in asset values

Performance features are:

- New home completions decreased by 12% to 8,976 (2008 10,202)
- Average selling price was down 7 2% to £160,513* (2008 £172,994*)
- Profit from operations before exceptional items and goodwill impairment reduced to £57 2m (2008 £198 3m) delivering an operating margin of 4 0% (2008 11 3%)
- Exceptional items of £74 8m credited to income (2008 £904 8m charged)
- Profit before tax of £77 8m (2008 loss before tax of £780 0m)
- Adjusted earnings per share before exceptional items and goodwill impairment of 2 1p (2008 35 3p)
- Basic earnings per share of 24 7p (2008 –208 3p)
- Strong free cash generation of £356 8m (2008 £239 2m)
- Year end borrowings of £267 5m (2008 £600 7m)
- Forward order book at 31 December 2009 of £638m, 39% up on the prior year (2008 £458m)
- Net assets per share at 31 December 2009 of 540 2p were up 4 3% (2008 518 0p)

* Stated before fair value charge of £20 1m on shared equity sales (2008 £9 8m)

Trading

Resilient underlying demand for new homes combined with a recovery in mortgage approvals has led to a firm recovery in private sales volumes Total legal completions in the second half of 4,970 were 24% higher than the first half of the year

Sales prices have remained under pressure during the year although in more southern regions we did experience some price improvements through the second half The improvement in sales volumes led to improved levels of confidence for customers, valuers and mortgage lenders and an improvement in general pricing conditions Tight control of work in progress by the industry led to restricted availability of stock which is now easing as sentiment has improved

Despite the overall challenging conditions our sales of Charles Church homes remained stable year-on-year Whilst providing a more aspirational new home choice at a higher average selling price of £204,436 our Charles Church homes appeal to customers who generally possess greater equity in their existing home and can more readily access credit in current markets We are pleased with this resilient performance from Charles Church and anticipate continued strength from this brand

We remain cautious given the challenges that face our markets for 2010 but believe we will continue to benefit from increasing revenues with the continued improvement in mortgage credit conditions The measures taken by the Homes and Communities Agency in supporting the market through 2009 with the HomeBuy Direct shared equity scheme and the two rounds of Kickstart funding will continue to yield benefits for 2010

The improvement in activity levels and pricing conditions in the second half of the year delivered increased profitability Pre-tax profit before exceptional items and goodwill amortisation was £23 7m for the second half leaving the full year position at a profit of £7 0m Operating margins (before exceptional items and goodwill amortisation) recovered to 5 8% during the second half to leave the full year operating margin at 4 0%

At 31 December 2009 we have again reviewed the carrying value of the Group's assets We have adopted a consistent process of review Our review of inventories incorporated all sites held with the benefit of planning, including those not yet started, and was performed on a site by site basis We have also considered strategic sites which do not yet have the benefit of planning but are held for development over the longer term

This review to adjust carrying values to net realisable values at 31 December 2009 has led to a partial reversal of inventory impairment provisions which were established at the previous year end A write-back of £74 8m of inventory provisions is included as an exceptional credit in the Consolidated Statement of Comprehensive Income

Overall we believe the business has delivered a strong trading performance against a backdrop of very challenging market conditions, which looking across the UK economy has led to a c 4 8% contraction in UK gross domestic product during 2009 which represents the poorest UK economic performance since the early 1930's

Tax

The Group's effective rate of tax for the year was 4 7% mainly due to the availability of losses carried forward from 2008 The Group has retained a conservative stance with respect to the recognition of deferred tax assets as at 31 December 2009 commensurate with the continuing uncertainty in the UK housing market

Dividends

As previously announced no dividend will be paid for the year ended 31 December 2009 The Board will determine any future dividend policy in the light of market conditions, the Group's trading performance and future prospects

Balance sheet

The net assets of the Group increased by £68 0m to £1,623 2m (2008 £1,555 2m) with net assets per share increasing by 4 3% to 540 2p The increase includes the retained profit for the year and a post tax reduction in the pension deficit of £1 1m

The Group's book value of land was £1,633 9m (2008 £1,847 5m), a decrease of 12% This reduction includes land additions of £67m and impairment provision write back of £74 8m explained above, offset by land usage We have added c 3,400 plots to the consented landbank during the year leaving the Group with 60,454 plots owned and under control at 31 December 2009, a supply of c 6 7 years at current output levels

We remain selective with respect to replacement land and continue to agree terms to acquire new land at attractive residual values in high quality locations We continue to focus on optimising our landbank through our re-planning activities working with local planning teams to create sustainable developments We intend to continue to gradually reduce the

Financial Review continued

size of the landbank over the short term to support the ongoing improvement in return on capital employed, but will retain our long landbank strategy in support of our future growth

Work in progress at 31 December 2009 was £485 5m (2008 £634 0m) We currently have c 370 development sites and we intend to work to maintain our outlet network at similar levels throughout 2010 We continue to actively reduce our investment in work in progress with further improvement to be delivered from the recovery of infrastructure investment already made as we sell through a number of existing sites

The value of part exchange second hand properties held at 31 December 2009 was £9 3m (2008 £54 5m) We continue to use part exchange incentives, having had good success in selling our part exchange units with the improvement in the general market As conditions continue to improve we expect our part exchange holdings to increase

Shared equity incentives have been increasingly attractive for customers reflecting mortgage lenders' reduced risk appetite This has led to increased demand from customers for shared equity arrangements to assist in securing mortgage funding at lower loan to value ratios and lower cost The Government sponsored HomeBuy Direct Scheme has provided valuable support to these shared equity sales which accounted for 24% of the Group's sales volume At 31 December the Group was holding £68 0m of deferred receivables at fair value with respect to shared equity sales These receivables are disclosed as 'available for sale financial assets'

The Group has two defined benefit pension schemes, the Persimmon Plc Pension and Life Assurance Scheme and the Prowting Pension Scheme The gross deficit on these schemes increased by £19 1m during the year to £114 4m The increase in deficit largely reflects the increase in pension liability valuation due to the reduction in 'AA' rated corporate bond yields This increase in the gross deficit was mitigated by the recognition of a deferred tax asset of £22 3m associated with the pension scheme leading to a £1 1m reduction in the post tax deficit to £92 1m

Trade and other payables have reduced by £142 2m to £541 7m reflecting the continued reduction in build resulting from tight working capital controls exercised throughout the year

Group net debt being borrowings net of cash balances, including foreign currency swaps and excluding finance leases and transaction costs, has decreased by £333 2m to £267 5m (2008 £600 7m), leaving year end gearing at 16% (2008 39%)

Cash flow and borrowings

Free cash flow stated after interest and tax totalled £356 8m (2008 £239 2m) The continued strong free cash generation reflects our strategy of optimising our investments in land and work in progress and the improvement in activity volumes

We remain focused on delivering strong free cash generation whilst reinvesting in replacement land assets where residual land values are compelling

Picture removed

East Mains, Stonehouse, Lanarkshire

Treasury policy and related risks

One of our key objectives is to maintain an appropriate capital structure to optimise our cost of capital whilst ensuring the business remains a going concern in support of delivering returns to shareholders and meeting its liabilities as they fall due for payment

The Group finances its operations through a combination of shareholders' funds, bank loans, overdrafts, cash in hand and private placement loan notes The Group can manage its short term and long term capital structure by adjusting the level of ordinary dividends paid to shareholders, issuing or repurchasing share capital and arranging debt facilities to meet liability payments

Head office manages the drawn credit lines of each operating business, which are allocated on commercial terms, within overall facility limits which may be subject to offset arrangements Head office arranges all borrowing facilities and invests cash deposits at competitive rates with high quality counterparties

The Group's operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks, foreign currency risks and interest rates

We address liquidity risk by ensuring we maintain secure, flexible facilities with an extended maturity profile from a variety of sources There is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management so as to ensure that risks are promptly identified and appropriate actions taken We continually assess our longer term requirements to ensure relevant facilities are arranged at the appropriate time

On 13 March 2009 we completed all formalities in securing amended and new credit facilities for the business At the year end, taken together, the Company had committed funding lines of over £1bn, reducing to £560m in 2011 These facilities include a £322m Forward Start Revolving Credit Facility which becomes available for drawing on 24 November 2010 on the maturity of the existing facility and expires on 31 March 2012 At the year end the Group had committed credit facilities with an average life of c 2 5 years together with cash reserves held on deposit of £138 0m We continue to actively consider the appropriate level and nature of facilities required to support the continued development of the business

On the basis of our working capital projections we believe that these cash reserves and credit facilities provide ample headroom and support for the continued successful management of the business

The Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance in particular the use of financial instruments, including debt and derivatives, to fix interest rates and currency rates We do not set a pre-defined balance between fixed and floating interest rate debt The Group has not entered into any new swap arrangements during the period The Group does not use derivative financial instruments for speculative purposes

Details of the Group's borrowings and financial instruments are disclosed in notes 21 and 23 to the financial statements

Mike Killoran Group Finance Director
1 March 2010

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EMERGENCE OF THE BROADER AGENDA

Corporate Responsibility

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We believe that our corporate responsibility is to achieve high standards of environmental performance and sustainability by ensuring that our policies and procedures are embedded by our management and employees into our day-to-day activities.

Neil Davidson Corporate Responsibility Committee Chairman

Graphic removed

Building sustainable homes

- 1,720 homes built to Code for Sustainable Homes and EcoHomes standards

Graphic removed

Environmental management

- 75% of construction waste recycled

Graphic removed

Working with local communities

- 1,622 social affordable homes built for Housing Associations

Graphic removed

Promoting health and safety

- 40% reduction in our RIDDOR incident rate

Graphic removed

Caring for our customers

- 91% of our customers would recommend Persimmon to a friend

Picture removed

Code level 3 homes at Risca, Ebbw Valley Newport South Wales

Building sustainable homes

Our customers have increasingly higher expectations of the environmental standards and the energy efficiency of the homes they wish to buy These expectations are set against the backdrop of ever increasing regulatory standards for the houses that we build Our role is not however just to build houses, but to create homes and communities We take into account all of these issues when we are planning our developments to achieve the right balance

Since its launch in 2006, the Government's Code for Sustainable Homes (the Code) has become a dominant factor in the way in which we design and build our homes The Code sets national standards for sustainable design and construction of new homes measuring sustainability against nine categories Each home is then rated using a rating system based on levels of 1 to 6, (with 6 being the highest) in order to communicate overall sustainability performance of each home

We have undertaken a Group wide review on how we can meet the exacting requirements of the Code One of the strengths of Persimmon is our local, yet national approach which provides us with a wealth of experience and knowledge we can draw on There is no one size fits all solution and we have a range of different options to help us meet new Code standards for our housing developments

Across the Group we have researched and tested an array of new technologies such as air and ground source heat pumps, photovoltaic cells, solar thermal panels, wind turbines, rainwater harvesting and water attenuation We are assessing the results of our research and development into these new technologies with our suppliers to ensure that we provide the maximum benefit to our customers

It will take some time to phase in the new Code standards to all our new developments During 2009 we completed 732 homes that met Code standard (2008 17) In addition, we completed a number of developments which were formerly assessed against the EcoHomes standard which are broadly equivalent to Code level 3 During 2009 we built 988 homes to EcoHomes standards which, added to the Code homes, represents over 19% of all houses built by the Group last year

Environmental management

Our environmental policy, introduced in 2002, is supported by our Environmental Management System (EMS) which has now been in place for six years Our EMS is modelled on the requirements of ISO 14001 and is integrated into our Group health and safety monitoring systems to ensure direct relevance to all our operating businesses carrying out construction activities Space4, our specialist timber frame manufacturing plant, is fully certified to ISO 14001

Waste is our largest potential operational environmental impact We have a waste and resource management policy developed with WRAP, a government agency, which has been implemented across all our operating businesses This outlines our commitment to improving resource efficiency by reducing material use and waste disposal

We are continuing to work with our suppliers to minimise waste through careful ordering of materials and increasingly we are using prefabricated manufactured components We are also increasing the amount of recyclable materials that we use as part of the construction process

Corporate Responsibility continued

Picture removed

Dave Bullock wins the NHBC's Pride in the Job Supreme Award 2009 for the second year running

In 2009 we reduced the amount of waste produced by our construction activities by 40% to 54,900 tonnes (2008 91,000 tonnes) More importantly, during this period we reduced the amount of waste generated per home built from 8 9 tonnes to 6 1 tonnes, a 31% reduction

In addition, we increased the amount of waste that we recycled to 75% (2008 70%) with only 25% of our waste sent to landfill These substantial improvements in our waste management have brought both environmental and financial benefits

Working with local communities

As part of our development of new homes and communities during 2009, Persimmon invested over £17m in providing new community facilities such as schools, affordable housing and open spaces At a Group level we continued to support our nominated charities, Marie Curie Cancer Care and Dreams Come True to support the community Charitable contributions were made by the Group of over £79,500, with a further £14,000 being raised by our employees with a number of fundraising activities

During 2009 we built 63% of our new homes on land which has previously been used for development (2008 62%) This is the second year where we have exceeded the Government's target of 60% of new housing to be developed on brownfield land The remediation and decontamination of brownfield sites, particularly in our major cities, has had a very positive impact on the local environment whilst preserving the open countryside

In 2009 we built 1,622 homes for housing associations, the majority of which are for rental, which represents 18% of our total house sales (2008 2,416 homes) This small reduction reflected the fact that housing associations have been under similar funding pressures to the private sector, which has resulted in them ordering fewer new affordable homes

Promoting health and safety

The health and safety of our workforce continues to be an important priority for Persimmon We have again maintained a good record in relation to accidents, reflecting the commitment and involvement of personnel from all levels within the Group

We undertake full health and safety risk reviews each year and set objectives and targets for our management teams and employees During 2009 we implemented a new management system audit process, verified by an external third party, which complimented the existing performance monitoring activities carried out by our internal team of health and safety advisors

We increased the number of health and safety training days delivered to our staff by 12% during 2009 Training was also provided to all senior managers on their responsibilities under the new Construction Design Management Regulations and health and safety legislation

We are very pleased to report that there was a 40% reduction in the number of incidents reported under the UK Reporting of Incidents Diseases and Dangerous Occurrence Regulations 1995 (RIDDORS) There were 47 RIDDORS in total (2008 78), but we are particularly pleased to see that the number of major injuries reduced from 28 to 16 during the year Our RIDDOR rate per 1,000 employees reduced from 9 1 to 5 8

Our workforce

We are proud to report that Dave Bullock site manager at Wyncliffe Gardens Cardiff has won the NHBC Pride in the Job Supreme Award 2009 for the second year running In addition the Group's site managers won a further 29 Pride in the Job awards

During the year volunteers have been appointed at each of the Group's operating businesses as Environmental Awareness Champions to encourage employee involvement in the Group's Environmental Awareness Campaign relating to recycling office waste and reducing energy consumption

In 2009 we increased the number of training days for our workforce to 4,615 days Our continued investment in training for our employees on both our procedures and on regulatory and legislative changes, ensures all our employees have the requisite skills and knowledge to maintain the Group's market leading position

Caring for our customers

The credit crunch and the resulting lack of mortgage finance have continued to make it very difficult for first time buyers to enter the housing market As a result we have continually reviewed the affordability of the homes that we sell and looked closely at all our specifications and build costs to make sure that we provide homes that are good quality and well appointed, whilst being financially accessible to our customers

We are therefore particularly pleased to have been successful in obtaining HomeBuy Direct grant funding from the Homes and Community Agency, which provides a shared equity loan of up to 30% of the purchase price, co-funded by the Government and Persimmon This allows buyers without substantial deposits access to mortgages at the most favourable interest rates During the last year 1,350 of our customers chose to purchase a property under the HomeBuy Direct shared equity scheme

We have continued to improve the quality of the homes that we build for our customers Our commitments are set out in our customer charter, the Persimmon Pledge We monitor and review our customers' satisfaction, both through internal surveys and from external surveys undertaken by the National House Building Council

Our customer satisfaction survey asks our customers 10 detailed questions to determine how satisfied they are with their new home These include matters relating to the service they receive from our sales and construction teams, the quality of their new home and our after sales service Our management monitor the results of our surveys on a regular basis, which allows us to identify any trends and issues upon which we can focus our efforts

Our 2009 survey has again shown a high level of customer satisfaction with over 91% of our customers stating that they would recommend Persimmon to a friend (2008 89%)

Conclusion

We have made good progress during 2009 We have set further objectives and targets for 2010 for our operating businesses and staff to ensure that they focus on issues which could make a tangible difference to our business performance, whilst meeting the needs of our stakeholders

Further information on our management structure, policies and procedures together with our 2009 Sustainability Report can be found on our website at www corporate persimmonhomes com

By order of the Board

Neil Davidson Chairman,
Corporate Responsibility Committee
1 March 2010

Picture removed

Sophie and her competition winning garden design at Lily Gardens, Hilton, Derbyshire

STRONG MANAGEMENT TEAM

Board of Directors

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1. John White
Group Chairman (age 58)

John White was appointed Group Chairman in April 2006, previously having been Group Chief Executive for 13 years 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, following which he was appointed Regional Chairman for the South

Mr White was appointed to the Board in 1986 and is Chairman of the Nomination Committee and the Risk Committee

2. Mike Farley BSC (HONS) MCIOB
Group Chief Executive (age 56)

Mike Farley was appointed Group Chief Executive in April 2006 He joined Persimmon in 1983 and was appointed to the Board in 1989 Mr Farley is a member of the Chartered Institute of Building He was responsible for establishing Persimmon Homes Wessex and for developing the Group's operating businesses in the Midlands before becoming Chief Executive of the original South Division

Mr Farley is a member of the Risk Committee

3. Mike Killoran BA (HONS) ACA
Group Finance Director (age 48)

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. Jeff Fairburn
North Division Chief Executive (age 43)

Jeff Fairburn joined the Group in 1989 He was promoted to Managing Director of the Group's North East operating business in 2000 and became North Eastern Regional Chairman in 2005, before assuming his current role of North Division Chief Executive in 2006

Mr Fairburn was appointed to the Board on 1 June 2009 and is a member of the Risk Committee

5. Hamish Leslie Melville
Non-executive Director (age 65)

Hamish Leslie Melville is a Managing Director and Chairman of the European Investment Banking Committee of Credit Suisse Securities (Europe) Limited He is Chairman of The Mercantile Investment Trust Plc

Mr Leslie Melville was appointed to the Board in 1995 He retires from the Board at the 2010 AGM

6. David Thompson
Senior Independent Director (age 55)

David Thompson is Chairman of Marston's PLC and Chief Executive of Anglia Maltings (Holdings) Limited He is also a non-executive director of Caledonia Investments 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

7. Neil Davidson CBE
Non-executive Director (age 59)

Neil Davidson is Chairman of the Nickerson Rothwell Group, Leicestershire County Cricket Club Limited and a Director of Emerging Media He was previously Chief Executive of Arla Foods UK PLC until he retired in June 2005 He joined the Board on 19 January 2004

He is Chairman of the Corporate Responsibility Committee and a member of the Nomination and Remuneration Committees

8. Nicholas Wrigley
Non-executive Director (age 54)

Nicholas Wrigley is an Executive Vice Chairman of Rothschild London and a member of its Global Investment Banking Committee and Global Management Committee He has over 25 years' mergers and acquisitions experience at Rothschild including three years in Australia Before joining Rothschild he qualified as an accountant

Mr Wrigley was appointed to the Board on 1 February 2006 and is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees

9. Richard Pennycook
Non-executive Director (age 46)

Richard Pennycook was appointed to the Board on 14 March 2008 A chartered accountant and graduate of Bristol University, he has been the Group Finance Director of Wm Morrison Supermarkets PLC since 2005 Previous roles include Group Finance Director of RAC plc, Finance Director of J D Wetherspoon plc, CEO of Welcome Break Holdings PLC and non-executive Director of Richer Sounds plc

Mr Pennycook was appointed to the Board on 14 March 2008 and is a member of the Audit Committee

10. Jonathan Davie
Non-executive Director (age 63)

Jonathan Davie was appointed to the Board on 1 January 2010 He is non-executive Chairman of IG Group Holdings Plc and First Avenue Partners LLP and non-executive Director of Infrastrata Plc Mr Davie's previous roles include Vice Chairman of Credit Suisse, CEO of BZW Global Equities and non-executive Director of Credit Suisse UK Private Bank

Mr Davie is a member of the Audit Committee

Directors' Report

The Directors present their Annual Report and the financial statements for the year ended 31 December 2009 The Business Review on pages 6 to 25 and the Corporate Governance Report on pages 39 to 41 both form part of this report

Principal activities

Persimmon Plc (the 'Company') is the holding company of the Persimmon Group of companies (the 'Group') and is a public company, listed on the London Stock Exchange The principal activity of the Group is house building, which is carried out within the United Kingdom and is unchanged from last year The Group's main trading companies are Persimmon Homes Limited and Charles Church Developments Limited The Group trades under the brand names of Persimmon Homes, Charles Church, Westbury Partnerships and Space4

Business review

In accordance with the requirements of the Companies Act 2006, a review of the development and performance of the Group's business during the year and the position at the end of the year with analysis using Key Performance Indicators may be found in the Business Review, on pages 6 to 25 of this Annual Report

A description of the Group's future prospects, research and development, the principal risks and uncertainties facing the business and details of any financial instruments are also contained within the Business Review Details of the financial risk management objectives and policies of the Group and associated risk exposure are given in note 23 to the financial statements

Results and dividend payment

The Group's revenue was £1,420 6m and its profit before taxation was £77 8m

As announced in March 2009 the Board does not recommend the payment of a dividend for 2009 (2008 5p per share), reflecting the Company's cautious outlook and cash conservation strategy

Directors and Directors' interests

The current Directors of the Company and their biographical details are shown on pages 26 and 27 Jeff Fairburn and Jonathan Davie were appointed to the Board on 1 June 2009 and 1 January 2010 respectively David Bryant was also a Director of the Company during 2009 until he retired from the Board on 23 April 2009 None of the Directors have any contracts of significance with the Company Details of the executive Directors' service contracts are given in the Remuneration Report on page 34

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2009 and as at the date of this report are disclosed in the Remuneration Report on page 36 Details of the interests of the executive Directors in share options and awards of shares can be found on pages 37 and 38 within the same Report

In accordance with the Company's Articles of Association, Mike Farley and Neil Davidson will retire by rotation at the Company's Annual General Meeting on 22 April 2010 and offer themselves for re-election

David Thompson is standing for annual re-election in accordance with provision A 7 2 of the Combined Code on Corporate Governance 2008, as he has served on the Board in excess of nine years The Directors' reasons for supporting his re-election are set out on page 39 of the Corporate Governance Report As set out in the Chairman's Statement on page 5 of this Annual Report, Hamish Leslie Melville will be retiring from the Board at the Company's Annual General Meeting on 22 April 2010

Jeff Fairburn and Jonathan Davie will both retire in accordance with the Company's Articles of Association and are seeking re-election at the Annual General Meeting on 22 April 2010, as they have been appointed to the Board since the last Annual General Meeting

Qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions

The Company has not issued any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision

Significant shareholdings

As at 1 March 2010, the Company had been notified, under the Financial Services Authority's Disclosure & Transparency Rule 5, of the following interests of the voting rights of the Company

Name	Number of voting rights	Percentage of total voting rights	Nature of holding
Allianz SE	18,098,600	6 03	Direct & Indirect
Aberdeen Asset Management Plc's Fund Management Operating Subsidiaries	16,877,874	5 62	Indirect
AXA SA	14,923,488	4 97	Direct & Indirect
BlackRock Inc	14,630,343	4 87	Indirect
Legal & General Group Plc	11,971,510	3 98	Direct

Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company

- Under the syndicated loan facility agreement dated 24 November 2005, as amended and restated by further agreement on 27 February 2009, all amounts become due and payable under the terms of the facility if any person or group of persons acting in concert gains control of the Company Similar provisions apply to the Forward Start Facility dated 27 February 2009 disclosed in notes 21 and 23 of the financial statements
- Under the private placement of senior loan notes detailed in note 23 to the financial statements (the 'Loan Notes'), the holders of the Loan Notes have an option, within five business days of being notified by the Company of the change of control, to require the Company to prepay the Loan Notes held by each holder If the holders exercise this option, the amount of prepayment is the principal amount of the Loan Note together with interest accrued thereon to the date of the prepayment The date of prepayment must be within 65 days of the change of control

'Control' has the same meaning as S416 Income and Corporation Taxes Act 1988 and 'acting in concert' has the meaning given to it in the City Code on Takeovers and Mergers Change of control is deemed to occur if at any time any person, or group of persons acting in concert, acquires control of the Company

Details of agreements between the Company and its Directors providing for compensation for loss of office or employment that occurs because of a takeover are provided in the Remuneration Report on page 34 The Company does not have agreements with any employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes may cause options and awards granted to employees under such schemes to vest on a takeover

Essential contracts or arrangements

The Company is required to disclose any contractual or other arrangements which it considers are essential to its business The Group has a wide range of suppliers for the production of new homes Whilst the loss of or disruption to certain of these arrangements could temporarily affect the Group's business, none are considered to be essential The Group is not dependent upon particular customers for the sales of its products as a significant majority of its sales are to private individuals

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various financial and economic factors affecting the performance of the Group Each of the Group's operating businesses 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 that they are kept well informed of the Group's operations In addition, information concerning the financial performance of the Group is sent to each operating business for circulation Further information can be found in our Sustainability Report at www corporate persimmonhomes com

The Company makes various benefit schemes available to employees, including a Save As You Earn Scheme which encourages the involvement of employees in the Group's performance All permanent employees are encouraged to participate, subject to having six months' service at the date of invitation

Equal opportunities

The Company's policy is to have equal opportunities for training career development and promotion for all employees regardless of race, colour, nationality, ethnic origin, religion, sex, gender, sexual orientation, marital status, age or disability Applications for employment by disabled persons are always fully considered with appropriate regard to the aptitude and abilities of the person concerned In the event of an employee becoming disabled every effort is made to ensure that their employment with the Group continues, that appropriate training is arranged and any reasonable adjustments are made to their working environment

Supplier payment policy

It is the Group's policy to agree payment terms with its trade creditors and other suppliers on an individual contract basis at the time the goods and services are ordered rather than following a standard code The policy is to ensure that suppliers are made aware of the terms of payment and to abide by the agreed terms once satisfied that the goods or services have been provided in accordance with the contract terms and conditions The Group's average creditor payment period at 31 December 2009 was 16 days (2008 32 days)

Charitable and political donations

The Group as a whole has made donations of £79,500 to charitable organisations during the year to support the community Further details of the Company's community involvement and charitable activities can be found in the Business Review on page 24 and in the Sustainability Report on our website at www corporate persimmonhomes com No political donations were made during the year

Acquisition of own shares

At the Annual General Meeting held on 23 April 2009 shareholders granted the Company authority to purchase up to an aggregate of 30,018,769 of its own shares No shares have been purchased to date under this authority and therefore at 31 December 2009 the authority remained outstanding This authority expires on 22 April 2010 and a resolution to renew the authority will be put to shareholders at the Annual General Meeting

At 1 January 2009, the Company held 2,403,740 shares in treasury (0 80% of the issued ordinary share capital at that date excluding treasury shares) which had previously been purchased under authorities granted by shareholders During 2009 249,561 of these shares (representing 0 08% of the issued ordinary share capital excluding treasury shares) with a nominal value of £24,956 10 were transferred to employees to satisfy the exercise of share options or awards under the Group's various share schemes, for a total cash consideration of £9,196 46 At 31 December 2009 the Company held 2,154,179 shares in treasury, representing 0 72% of the issued share capital of the Company at that date, excluding treasury shares

Capital structure

The following description summarises certain provisions of the current Articles of Association of the Company (adopted with effect from 1 October 2008 by special resolution passed on 24 April 2008) (the 'Articles') and the Companies Act 2006 This is a summary only and the relevant provisions of the Companies Act 2006 and Articles should be consulted if further information is required A copy of the Articles of Association may be obtained by writing to the Group Company Secretary at the Registered Office

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution

Share capital

The Company has one class of share, being ordinary shares with a nominal value of 10p each, which carry no right to fixed income At 1 March 2010 the issued share capital of the Company was 302,591,431 ordinary shares (including shares held in Treasury) with a nominal value of £30,259,143 Further details are provided in note 25 to the financial statements

Shares may be issued with such preferred, deferred or other rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine (or failing such determination as the Directors may decide), subject to the provisions of the Companies Act 2006 and other shareholders' rights There are no securities carrying special rights with regard to control of the Company

Unissued shares are under the control of the Directors who may allot, grant options over, or otherwise dispose of them to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Articles, the Companies Acts and shareholders' rights At the Annual General Meeting on 23 April 2009, shareholders gave the Directors authority to issue shares up to 20 8% of the issued share capital, being an aggregate nominal amount of £6,240,856 and to disapply pre-emption rights on the issue of shares up to 5% of the issued share capital being an aggregate nominal amount of £1,512,957 These authorities will expire at the conclusion of the Annual General Meeting on 22 April 2010

Votes of members

All issued shares in the Company are fully paid and therefore there are currently no restrictions on voting rights Votes may be exercised in person, by proxy, or in relation to corporate members by a corporate representative The deadline for delivering either written or electronic proxy forms is not less than 48 hours before the time for holding the meeting To attend and vote at a meeting a shareholder must be entered on the Register of Members at close of business on the day which is two days before the day of the meeting

On a show of hands each member (being an individual) present in person or by one or more proxies has in total one vote and each member (being a corporation) present by either one or more proxies, or one or more duly authorised representatives (or both) has in total one vote On a poll each member present in person or by proxy or by a duly authorised representative, has one vote for each share of which he is the holder

Details of employee share schemes are set out in note 31 on page 81 of the financial statements The Trustee of the Persimmon Employee Benefit Trust may vote or abstain as it sees fit

Dividends and distributions

The Company may by ordinary resolution declare dividends not exceeding the amount recommended by the Directors, subject to the provisions of the Companies Act 2006 The Directors may pay interim dividends and any fixed rate dividend whenever the financial position of the Company, in the opinion of the Directors, justifies its payment

All dividends and interest shall be paid (subject to any lien of the Company) to those members whose names shall be on the Register of Members at the record date fixed in accordance with the Articles, notwithstanding any subsequent transfer or transmission of shares

Transfer of shares

There are no restrictions on the transfer of securities in the Company Any member may transfer their shares in writing in any usual or common form or in any other form acceptable to the Directors and permitted by the Companies Act 2006 and the UK Listing Authority The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights

Appointment and replacement of Directors

Directors shall be no less than two and no more than 15 in number Directors may be appointed by the Company by ordinary resolution or by the Board of Directors A Director appointed by the Board of Directors holds office until the next following Annual General Meeting and is then eligible for re-election by the members

At each Annual General Meeting at least one third of the Directors shall retire from office and shall be eligible for reappointment In any event each Director shall retire from office and shall be eligible for reappointment at the Annual General Meeting held in the third year following his last reappointment In accordance with the Combined Code on Corporate Governance 2008, a non-executive Director who has been in office for more than nine years consecutively shall retire at each Annual General Meeting and shall be eligible for reappointment

The Company may by special resolution remove any Director before the expiration of his term of office

The office of Director shall be vacated if (a) he resigns by notice in writing to the Company, (b) he offers in writing to resign and the Directors resolve to accept such offer, (c) a bankruptcy order or an interim order is made against him or he makes any arrangement or composition with his creditors generally, (d) he is, or may be, suffering from mental disorder, (e) he is absent from meetings of the Directors for six successive months without the permission of the Directors, (f) he becomes prohibited by law from acting as a Director, or (g) he is removed from office pursuant to the Articles

Powers of the Directors

The business of the Company shall be managed by the Directors who may exercise all the powers of the Company, subject to the Company's Articles of Association, the Companies Act 2006 and any directions given by the Company in general meeting In particular the Directors may exercise all the powers of the Company to borrow money, issue and buy back shares with the authority of shareholders, appoint and remove Directors and recommend and declare dividends

Annual General Meeting

The Annual General Meeting will commence at 12 noon on Thursday 22 April 2010 at York Racecourse, The Knavesmire, York YO23 1EX The notice of the meeting and an explanation of the ordinary and 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

Audit statement

The Directors who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Going concern

After completing a full review, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the accounts

Further details are provided in note 2 to the financial statements

Directors' responsibility

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations Further details are provided on page 42

By order of the Board

Neil Francis Group Company Secretary
1 March 2010

Remuneration Report

The Board of Directors presents its Remuneration Report for the year ended 31 December 2009 A resolution to approve this report will be proposed at the Annual General Meeting to be held on 22 April 2010 This report has been divided into separate sections for audited and unaudited information

Remuneration Committee

The Remuneration Committee (the 'Committee') is responsible for setting the Chairman's and each executive Director's remuneration The Committee also reviews the remuneration of the Group's divisional boards The Committee's current terms of reference were adopted on 25 February 2004 and are available on the Company's website, or from the Group Company Secretary The Committee is comprised of three non-executive Directors, Nicholas Wrigley (Chairman), David Thompson and Neil Davidson, all of whom the Board considers to be independent The Committee held three meetings during the year which all members attended

Remuneration policy for the executive Directors

The Committee's policy for the executive Directors is to have a remuneration package which will retain a talented executive team who can deliver excellent Group performance, be performance orientated and closely align the Directors' interests with those of shareholders The policy is to provide different elements of fixed and performance related pay, with a high emphasis on performance related pay If performance targets are met in full, around two thirds of an executive Director's earnings for 2010 will be performance related The executive Directors' remuneration package includes basic salary, annual bonus, long term incentive plan awards, pension and benefits The basic salary, pension and benefit elements of the remuneration are fixed elements of remuneration and are intended to be at market competitive levels Annual bonus and long term incentive awards are performance related and intended to incentivise the executive Directors over the medium and longer term and align their interests with those of the shareholders The Committee considers that the policy for executive Directors' remuneration is in line with current market standards and best practice

The Committee reviewed the level of remuneration of the executive Directors during 2009 and in doing so sought independent advice from Hewitt New Bridge Street ('HNBS') HNBS were appointed by the Committee and do not provide any other service to the Group, however their parent company does provide advice on the Group's pension schemes In addition, the Committee consulted with John White, Group Chairman and Mike Farley, Group Chief Executive, although neither participated in any discussion relating to their own remuneration

Basic salaries are reviewed annually with increases usually taking effect from 1 January Annual bonus performance conditions are reviewed annually by the Committee and its policy is to have bonus performance conditions which take into consideration the outlook for the Group over the medium to long term The Committee chooses performance targets which it considers will incentivise the executive Directors to achieve excellent performance and align executive remuneration with shareholders' interests

Long Term Incentive Plan (LTIP) Awards are designed to align the executive Directors interests with the Company's longer term financial performance and with the interests of shareholders The Committee reviews annually whether LTIP awards should be granted to executive Directors and the level of any awards made The Committee also reviews the performance conditions attached to the vesting of new LTIP Awards annually to ensure that the conditions are stretching and appropriate to current market conditions Upper quartile targets have to be met for full vesting of the awards to be achieved

The Company's policy is to also make annual awards to senior management and staff under the LTIP to incentivise them to achieve excellent long term financial performance In addition, the Company has a policy to make invitations under the Save As You Earn Scheme to all permanent employees with more than six months' service, to encourage the interest of all employees in the financial performance of the Group

The Committee has considered whether a non-financial target, taking into consideration environmental, social and governance matters, should comprise part of annual bonus or LTIP award performance conditions The Committee believes that financial targets are more appropriate for the executive Directors at this time and considers that there are procedures in place throughout the Group that ensure non-financial matters are carefully considered and are integral to the Group's business operations

Full details of both the quantum of the individual components of the packages payable to executive Directors and the structure of annual bonus and LTIP awards, including details of the performance conditions are summarised as follows

Basic salary

Following the review carried out in the fourth quarter last year and after taking into consideration current market conditions, the Committee has agreed that basic salaries will be increased by 2% from 1 January 2010 Basic salaries were not increased during 2009, except for Jeff Fairburn on his promotion to the Board Basic salaries are as set out below

	2010	2009*
Mike Farley	**£646,119**	£633,450
Mike Killoran	**£420,240**	£412,000
Jeff Fairburn	**£255,000**	£250,000

*From 1 July 2009 for Jeff Fairburn (full details of Jeff Fairburn's actual remuneration in the year as a Director of the Company are detailed on page 35)

Annual bonus

Annual bonuses are performance related and non-pensionable There were two performance conditions for annual bonuses that were earned for 2009, one based on profit before tax pre exceptional items ('PBT') and one based on cash generation PBT targets were set on Group performance for Mike Farley and Mike Killoran and on North Division performance for Jeff Fairburn The cash generation performance condition was met in full and the PBT performance conditions were partly met

The Committee has agreed that annual bonuses for 2010 will be based on a PBT performance target, as it considers that this performance condition will incentivise the Directors in line with the Group's strategic aims The Committee has determined an appropriate sliding scale around a target figure for PBT In determining the target figure the Committee has taken into consideration the current market conditions faced by the housebuilding industry and forecasts for PBT The aim of the Committee is to set stretching targets which will incentivise the executive Directors and reward them for excellent performance

The Committee has determined that the total level of potential annual bonus payable to the executive Directors in 2010 will be capped at 100% of basic salary Any annual bonuses earned for 2010 will be paid in cash

Maximum annual bonus potential for 2010 (as a percentage of salary)	**2010**	2009
Mike Farley	**100**	100
Mike Killoran	**100**	100
Jeff Fairburn	**100**	100

Prior to 2009, the maximum annual bonus an executive Director could receive in cash was between 150% and 200% of basic salary, with any excess bonus being paid in shares which vested in two equal tranches one year and two years after the date on which the bonus was awarded Details of outstanding Bonus Share awards are shown on page 37

Long Term Incentive Plan ('LTIP')

The executive Directors may be granted awards under the Company's LTIP up to a maximum value of 250% of basic salary LTIP awards vest after a three year performance period if the performance conditions attached to the awards are met During 2009 Mike Farley, Mike Killoran and Jeff Fairburn received LTIP awards of 150%, 100% and 50% of their basic salary respectively In 2010 the Committee intends to make awards at 200% of basic salary to Mike Farley and 150% of basic salary to Mike Killoran and Jeff Fairburn

The performance conditions for 2010 awards will be based half on TSR and half on PBT targets The Committee considers this provides a good mix between rewarding stock market performance and long term financial performance TSR combines the growth of a company's share price and dividends paid to show total return to a shareholder Reflecting that the Company is a constituent of the FTSE 250, the condition based on TSR performance will measure the Company's TSR against the constituents of the FTSE 250 Index (excluding Investment Trusts) as at the date of grant The Committee considers the FTSE 250 to be the most appropriate benchmark against which to compare the Company's TSR, as there are an insufficient number of large housebuilders to provide a robust comparator group The vesting schedule for the half of the award linked to TSR performance will be 25% of the award for median performance, with sliding scale increases until full vesting at or above upper quartile performance

The Committee considers that a PBT performance condition is more suitable than cash generation for awards to be granted in 2010 and consequently one half of an award will be linked to a PBT target The precise target range is contained in budgets which are confidential There will be full details of the range in the disclosure of vested awards in the future

Performance conditions for awards granted in 2009 were based 50% on the Company's Total Shareholder Return (TSR) versus a comparator group of the constituents of the FTSE 250 and 50% on a cash generation performance condition The TSR performance condition is median to upper quartile performance for between 25% to 100% of this part of the award to vest The targets for the cash generation condition will be disclosed on the vesting of the awards

For the awards made in 2007 and 2008 the performance conditions were based on Total Shareholder Return (TSR) versus a comparator group of the constituents of the FTSE 100 and Return on Capital Employed (ROCE), with 50% of an award linked to TSR and 50% linked to ROCE The TSR performance condition was median to upper quartile performance for between 25% to 100% of this part of the award to vest The ROCE target was 15% to 22% for between 25% to 100% of this part of the award to vest The performance conditions relating to LTIP awards made in 2007 have not been achieved and as a result no shares will vest in 2010 in respect of these awards

Pension

The executive Directors are members of the Group's main defined benefit pension scheme (the 'Scheme') The normal retirement age for Mike Farley and Mike Killoran is 60 and for Jeff Fairburn is 65 Mike Farley has elected not to accrue any further service in the Scheme and receives a salary supplement of 30% of basic salary, which the Committee considers is cost neutral to the Company However his pension will continue to be based on his pensionable salary at the date of leaving the Group or the Scheme and he remains a member of the Scheme for life insurance purposes A salary cap for pension purposes was introduced for Mike Farley in 2007 Mr Farley's pensionable salary cap is £441,252, which is substantially below his basic salary

Mike Killoran elected to continue service in the Scheme after 6 April 2006 and accrues benefit at 1/45th of his basic salary for each year of service Mike Killoran's service in the Scheme prior to this date is subject to a cap which is £122,038

The pensionable salary caps for Mike Farley and Mike Killoran will increase annually in accordance with their increase in basic salary, up to a maximum of 5% p a As basic salaries have increased by 2% in 2010, pensionable salaries will increase by the same amount

Jeff Fairburn accrues benefits at 60ths in the Scheme, subject to a Scheme salary cap of £123,600 Mr Fairburn is also a member of the Group's stakeholder pension scheme and in addition to his defined benefit scheme membership receives matching contributions into his Group stakeholder policy at 9% of the difference between the Scheme cap and his basic salary This arrangement is in place for other employees within the Group below Board level whose benefits in the Scheme are limited to the Scheme cap but who are paid a higher level of basic salary

Benefits in kind

Each of the executive Directors' remuneration also includes fully financed cars or cash car allowance, membership of the Group private medical scheme, the Group income protection 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, the notice period for each executive Director does not exceed 12 months Mike Farley and Mike Killoran's contracts would normally expire on their 60th birthday, Jeff Fairburn's contract would normally expire on his 65th birthday Only where dismissed in breach of contract is an executive Director entitled to payments for termination of employment Such payments will be subject to mitigation by the Director and will not in any event exceed 12 months' remuneration Mike Farley and Mike Killoran's contracts are dated 24 April 2002 but are effective from 1 January 2002, Jeff Fairburn's contract is dated 4 August 2009 but is effective from 1 June 2009

Mike Farley, Jeff Fairburn, David Thompson, Neil Davidson and Jonathan Davie will retire at the 2010 Annual General Meeting and are offering themselves for re-election Mike Farley and Jeff Fairburn's service contracts are as set out above Non-executive Directors do not have service contracts

Share ownership guidelines

The Committee has for some time encouraged significant long term share ownership of the Company's 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 requires each executive Director to hold Persimmon shares Mike Farley has to hold a minimum value of shares equivalent to three times his basic salary, and the other executive Directors are required to build up and maintain shareholdings equivalent in value to two times their basic salary Jeff Fairburn does not currently hold the required shareholding and will be required to retain LTIP and other share option awards (except for sales of shares to pay income tax and National Insurance due on the exercise of the award) until he increases his shareholding to the minimum value

John White is required to hold shares which vest pursuant to the Synergy Incentive Plan for the period of his term as Chairman, except for sales of shares to pay income tax and National Insurance due on the exercise of the award

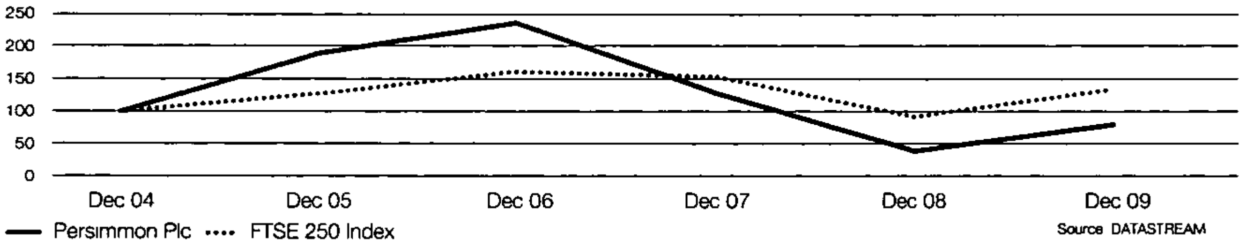
The Committee recognises that Directors may be required to sell sufficient shares in the Company to satisfy any tax liability arising on the vesting of Bonus Shares or the exercise of options and vesting of awards granted under the Company's LTIP and Synergy Incentive Plans from time to time

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 Group Chairman and/or the Group Chief Executive

Performance graph

Shown below is the Company's TSR performance against the FTSE 250 Index over the last five financial years The Board has chosen this comparator for the 2009 report as it is a broad index of which the Company is a member



Chairman

The Committee is also responsible for setting the Chairman's remuneration The Chairman's remuneration was reviewed and amended in 2008 and the Committee considers his current remuneration to be consistent with that of a Chairman of a FTSE 250 company Mr White has a letter of appointment dated 25 February 2009 to his role as Group Chairman which is subject to a six month notice period John White will be paid a salary of £295,800 p a for 2010, an increase of 2% on his salary for 2009 Mr White does not participate in the annual bonus scheme, does not receive a pension salary supplement, nor LTIP awards or other benefits, except he remains a member of the Group's private medical scheme

Non-executive Directors

The remuneration policy for non-executive Directors is to pay fees commensurate with their duties which are non-pensionable Non-executive Directors do not have service contracts and their appointments may be terminated on one month's notice Non-executive Directors do not qualify for performance related bonuses The Board as a whole determines the fees of the non-executive Directors The fees for 2010 have increased by 2% to £48,960 p a , plus an additional fee of £8,670 p a for extra responsibilities in chairing a committee

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

Schedule of Directors' emoluments for the year ended 31 December 2009

	Salaries and fees £	Performance related cash bonus £	Benefits £	Salary supplement in lieu of pension £	**2009 Total £**	2008 Total £
Chairman						
J White	290,000	–	821	–	**290,821**	725,885
Executive						
M P Farley	633,450	406,759	38,966	190,035	**1,269,210**	862,320
M H Killoran‡	374,920	264,517	36,055	–	**675,492**	405,280
J Fairburn‡Δ	132,264	94,165	11,291	–	**237,720**	–
D G Bryant†	90,983	58,032	12,707	27,295	**189,017**	392,127
Non-executive						
I H Leslie Melville*	48,000	–	–	–	**48,000**	48,000
D G F Thompson	56,500	–	–	–	**56,500**	56,500
R C N Davidson	56,500	–	–	–	**56,500**	56,500
N H T Wrigley*	56,500	–	–	–	**56,500**	56,500
R J Pennycook	48,000	–	–	–	**48,000**	38,125
Totals	1,787,117	823,473	99,840	217,330	**2,927,760**	2,641,237

‡ The Group's defined benefit pension scheme is non-contributory As a result the salary paid to each of Mike Killoran and Jeff Fairburn as members accruing service in this scheme was reduced by 9% of their pensionable salary which would have been the member rate of contribution to the scheme Salary related benefits remain based on the salaries published on page 32

Δ From appointment on 1 June 2009

† Until his retirement from the Board on 23 April 2009 see note below

* Hamish Leslie Melville's non-executive fees are paid in full to his employing company, Credit Suisse Securities (Europe) Ltd Nicholas Wrigley's fees to 31 March 2009 were paid to his employing company N M Rothschild & Sons Ltd and thereafter directly to him

David Bryant, who retired as a Director on 23 April 2009 received salary and bonus payments totalling £265,656 and benefits of £22,968 for the period from 24 April 2009 to 31 December 2009 in his capacity as Eastern Regional Chairman Mr J Millar, who retired as a Director in April 2006 received a salary and bonus for 2009 of £173,749 (2008 £300,000) and benefits of £2,859 (2008 £17,742) in his capacity as a Group Special Projects Director Mr D H Davidson who retired as Chairman in April 2006 remains Life President and received a payment of £7,500 (2008 £7,500) and benefits of £36,624 (2008 £37,815) for the year to 31 December 2009 Mr G Grewer, who retired as a Director in December 2001 received £40,000 (2008 £40,000) for his roles as Chairman of the Trustees of both the Persimmon Plc Pension and Life Assurance Scheme and the Prowting Pension Scheme

During the year no Director waived his entitlement to any emoluments

Directors' Pension Entitlements

	Total accrued pension at 31 December 2008 £pa	Total accrued pension at 31 December 2009 £pa	Increase in accrued pension £pa	Increase/ (decrease) in accrued pension (net of inflation) £pa	Transfer value at 31 December 2008 £	Transfer value at 31 December 2009 £	Increase in transfer value less member contributions £	Transfer value of net of inflation increase/ (decrease) in accrued pension less member contributions £
M P Farley	201,808	207,060	5,252	5,252	3,975,232	4,039,080	63,848	102,454
M H Killoran	48,318	59,258	10,940	10,940	649,605	821,009	171,404	151,582
J Fairburn	31,075	34,417	3,342	3,342	241,583	289,986	48,403	28,156
D G Bryant	116,700	121,581	4,881	4,881	2,424,344	2,499,450	75,106	98,760

In addition the Company contributed £6,039 75 to Jeff Fairburn's Stakeholder Pension policy for the period from 1 June 2009 to 31 December 2009

Directors' Interests in Shares

The interests of Directors serving during the year in the ordinary share capital of the Company are as shown below

	Beneficial holdings		Interests in share options and awards (excluding Bonus Shares)	
	31 December 2009†	1 January 2009Δ	**31 December 2009**†	1 January 2009Δ
J White	**2,051,971**	2,074,922	**562,777**	688,833
M P Farley	**1,052,753**	1,007,001	**667,771**	502,625
M H Killoran	**436,852**	430,981	**364,426**	325,380
J FairburnΔ	**35,454**	31,514	**59,448**	27,982
D G Bryant†	**531,817**	524,778	**121,098**	148,128
I H Leslie Melville	**150,000**	150,000	–	–
D G F Thompson	**60,032**	60,032	–	–
R C N Davidson	**38,350**	38,350	–	–
N H T Wrigley	**4,000**	4,000	–	–
R J Pennycook	**643**	643	–	–
Total	**4,361,872**	4,322,221	**1,775,520**	1,692,948

Δ At 1 June 2009 for Jeff Fairburn, being his date of appointment

† At 23 April 2009 for David Bryant, being his date of retirement

The Directors' beneficial holdings represent 1 5% of the Company's issued share capital as at 31 December 2009 (excluding shares held in Treasury)

John White also has a non-beneficial interest of 93,000 ordinary shares (2008 nil ordinary shares) and David Thompson has non-beneficial interests of 5,454 ordinary shares (2008 5,454 ordinary shares) Otherwise all interests of the Directors are beneficial There has been no change in the Directors' interests set out above between 31 December 2009 and 1 March 2010

Bonus Shares

The interests of Directors in Bonus Shares are as shown below

	31 December 2009	2008 Bonus Shares awarded during year	2006/2007 Bonus Shares vested during year	1 January 2009
J White	**2,837**	–	29,659	32,496
M P Farley	**2,837**	–	22,077	24,914
M H Killoran	**2,843**	–	9,135	11,978
J Fairburn	**2,816**	–	4,080	6,896
D G Bryant	–	–	–	–
Total	**11,333**	–	64,951	76,284

Bonus Shares vest over a two year period There were no Bonus Share awards for 2008 and 2009

Directors' interests in share options, Long Term Incentive Plan and Synergy Incentive Plan awards

	1 January 2009[Δ]	Granted in year	Exercised in year	Lapsed in year	31 December 2009[†]	Exercisable from	Expiry date	Performance condition end date	Exercise price/market price at date of award	Market price at date of exercise	Notional gain on exercise of option £
J White	32,306[1]			32,306	–[†]	Mar 09	Sep 09	Dec 08	1,331 0p	–	–
	93,750[4]		119,390*		–[†]	Feb 09	Aug 09	Dec 06	1,336 0p	397 25	474,277
	281,250[4]				**281,250**[†]	Feb 10	Aug 10	Dec 07	1,336 0p	–	–
	91,449[2]				**91,449**[†]	May 10	Nov 10	Dec 09	1,345 0p	–	–
	187,134[2]				**187,134**[†]	Mar 11	Sep 11	Dec 10	677 0p	–	–
	2,944[3]				**2,944**[†]	Dec 11	May 12	–	326 0p	–	–
Total	688,833	–	119,390	32,306	**562,777**[†]						474,277
M P Farley	24,042[1]			24,042	–[†]	Mar 09	Sep 09	Dec 08	1,331 0p	–	–
	50,000[4]		63,675*		–[†]	Feb 09	Aug 09	Dec 06	1,336 0p	397 25	252,949
	150,000[4]				**150,000**[†]	Feb 10	Aug 10	Dec 07	1,336 0p	–	–
	91,449[2]				**91,449**[†]	May 10	Nov 10	Dec 09	1,345 0p	–	–
	187,134[2]				**187,134**[†]	Mar 11	Sep 11	Dec 10	677 0p	–	–
	–	239,188[2]			**239,188**[†]	Apr 12	Oct 12	Dec 11	397 25p	–	–
Total	502,625	239,188	63,675	24,042	**667,771**[†]						252,949
M H Killoran	24,042[1]			24,042	–[†]	Mar 09	Sep 09	Dec 08	1,331 0p	–	–
	40,625[4]		51,736*		–[†]	Feb 09	Aug 09	Dec 06	1,336 0p	397 25	205,521
	121,875[4]				**121,875**[†]	Feb 10	Aug 10	Dec 07	1,336 0p	–	–
	44,609[2]				**44,609**[†]	May 10	Nov 10	Dec 09	1,345 0p	–	–
	91,285[2]				**91,285**[†]	Mar 11	Sep 11	Dec 10	677 0p	–	–
	2,944[3]				**2,944**[†]	Dec 11	May 12	–	326 0p	–	–
	–	103,713[2]			**103,713**[†]	Apr 12	Oct 12	Dec 11	397 25p	–	–
Total	325,380	103,713	51,736	24,042	**364,426**[†]						205,521

Directors' interests in share options, Long Term Incentive Plan and Synergy Incentive Plan awards (continued)

	1 January 2009Δ	Granted in year	Exercised in year	Lapsed in year	31 December 2009†	Exercisable from	Expiry date	Performance condition end date	Exercise price/market price at date of award	Market price at date of exercise	Notional gain on exercise of option £
J Fairburn	11,150[2]				**11,150**	May 10	Nov 10	Dec 09	1,345 0p	–	–
	13,888[2]				**13,888**	Sep 11	Mar 12	Dec 10	360 0p	–	–
	2,944[3]				**2,944**	Dec 11	May 12	–	326 0p	–	–
	–	31,466[2]			**31,466**	Apr 12	Oct 12	Dec 11	397 25p	–	–
Total	27,982	31,466			**59,448**						
D G Bryant	17,655[1]			17,655	–	Mar 09	Sep 09	Dec 08	1,331 0p	–	–
	9,375[4]		11,939*		–	Feb 09	Aug 09	Dec 06	1,336 0p	387 75p	46,293
	28,125[4]				**28,125**	Feb 10	Aug 10	Dec 07	1,336 0p	–	–
	29,553[2]				**29,553**	May 10	Nov 10	Dec 09	1,345 0p	–	–
	60,476[2]				**60,476**	Mar 11	Sep 11	Dec 10	677 0p	–	–
	2,944[3]				**2,944**	Dec 11	May 12	–	326 0p	–	–
Total	148,128		11,939	17,655	**121,098**						46,293

* The number of shares exercised in respect of the Synergy Incentive Plan ('SIP') includes an award for the dividend equivalent in accordance with the rules of the SIP

Δ At 1 June 2009 for Jeff Fairburn, being his date of appointment

† At 23 April 2009 for David Bryant being his date of retirement

[1] Persimmon Plc Long Term Incentive Plan 1998

[2] Persimmon Plc Long Term Incentive Plan 2007

[3] Persimmon Plc Save As You Earn Scheme

[4] Persimmon Plc Synergy Incentive Plan

All options and awards were granted for nil consideration The 2009 LTIP awards were made on 8 April 2009 and the SAYE options were granted on 15 October 2009 The performance conditions for the LTIP awards granted in 2007, 2008 and 2009 are shown on page 33

Vesting of awards granted in 2006 under the Persimmon Plc Long Term Incentive Plan 1998 were subject to the achievement of performance conditions based on TSR relative to other housebuilders (median to upper quartile TSR for between 40% to 100% of this part of the award to vest) and a range of ROCE targets (13% to 20% for between 50% and 100% of this part of the award to vest) The performance conditions for the awards granted in 2006 were not met and therefore no shares vested in respect of these grants

The Synergy Incentive Plan (SIP) awards vest in two tranches The performance conditions for both tranches of the SIP awards have been met The Company achieved synergy savings of c £32m by the year ended 31 December 2006 and further synergy savings of over £50m in the year ended 31 December 2007, both figures were approved by the Audit and Remuneration Committees advised by external auditors The first tranche of the awards vested in February 2009 and the second tranche vested in February 2010 The Committee has confirmed that the dividend equivalent will be paid to Directors in shares

Details of the market value of the Company's shares during 2009 were closing price at 31 December 2009 £4 69½, lowest closing price in 2009 £2 50¾, highest closing price in 2009 £5 21½

By order of the Board

Nicholas Wrigley Chairman Remuneration Committee
1 March 2010

Corporate Governance Report

The Board recognises that it is very important to maintain high standards of corporate governance, as it sets the standard and values for the entire Group The Board seeks to comply with best practice in all areas of corporate governance and sets out below how the principles of the Combined Code on Corporate Governance 2008 (the Code) have been adopted and implemented by the Company The Code is available from FRC Publications tel 020 8247 1246 and online at www frcpublications com This Report forms part of the Directors' Report

The Board

The Directors have a wide breadth of experience to provide the entrepreneurial leadership required to effectively manage the Company

The Board consists of the Chairman, three executive Directors and six non-executive Directors 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 range of experience The Board considers all non-executive Directors to be independent

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

The Chairman sets the agenda for the Board ensuring it has timely information to ensure it is able to operate effectively The Chairman and the Chief Executive's roles and responsibilities are clearly defined by the Board in writing

The Board met on seven occasions in 2009, including an annual strategy meeting There was full attendance by all Directors at Board and Committee meetings during the year except that Hamish Leslie Melville and Jeff Fairburn were each unable to attend one Board meeting

Directors

The Senior Independent Director is David Thompson David Thompson joined the Board in August 1999 and has now served more than nine years on the Board As Senior Independent Director his primary responsibility is maintaining relationships with the Company's major shareholders Mr Thompson is also Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees The Company consulted with its major shareholders setting out the reasons why it would be appropriate for David Thompson to remain as Senior Independent Director beyond nine years and received a positive response

The Board considers David Thompson to be independent, despite his long service This is because his long standing appointment has not and does not in any way affect his objectivity and ability to advise and question the executive Directors, particularly in respect of strategy and the Company's financial affairs His long association with the Company has given him a sound and detailed knowledge of the Company's business which has enabled him to consider and evaluate information and responses from the executive Directors quickly and concisely David Thompson will retire at the AGM and be available for re-election to the Board on an annual basis in the future

Neil Davidson has completed six years' service on the Board and is also offering himself for re-election at the 2010 Annual General Meeting Mr Davidson is Chairman of the Corporate Responsibility Committee and a member of the Nomination Committee

The Chairman has reviewed both David Thompson's and Neil Davidson's performance and he believes that their performance continues to be very effective The Board considers it important to continue to have access to the wise counsel of both David Thompson and Neil Davidson in managing the Company in the current market conditions

Hamish Leslie Melville has also completed more than nine years' service as a non-executive Director After 15 years of excellent service as an independent non-executive Director Mr Leslie Melville will be retiring at the AGM in 2010 and will not be seeking re-election

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 The Board receives appropriate information on best practice and legislation to carry out its duties All executive Directors have 12 month rolling contracts The Chairman and the non-executive Directors do not have service contracts

Details of the powers of the Directors, including the issue and buyback of Company shares, the appointment of Directors and amendment of the Company's Articles of Association can be found on pages 30 to 31

Board evaluation

The Board and the Audit Committee undertake a written self-evaluation of their performance A verbal evaluation of the performance of the Remuneration and Nomination Committees are undertaken by the Committees The non-executive Directors undertake a verbal annual performance evaluation of the Chairman, taking into account the views of the executive Directors The Chairman undertakes a verbal evaluation of the executive Directors' performance As a result of the evaluations during 2008 and 2009, a number of procedural and other changes have been implemented As an example, the Board are provided with additional executive management reports and accounts to ensure they have detailed knowledge of the Company's progress in the current challenging market conditions Any training requirements are reviewed as part of the evaluation process

The Board and its Committees reviewed the evaluations and are satisfied that the Board and its Committees remain effective

Conflicts of interest

The Company has procedures in place to ensure that Directors disclose any situation in which they may have an interest, direct or indirect, which conflicts or possibly may conflict with the interests of the Company No authority to authorise a conflict of interest has been necessary

Nomination Committee

The members of the Nomination Committee are John White (Chairman), David Thompson, Nicholas Wrigley and Neil Davidson Mr Davidson was appointed to the Committee on 24 February 2010 on Hamish Leslie Melville's retirement from the Committee

The Committee met twice during 2009, to review and consider the composition of the Board and make recommendations of new appointments to the Board There was full attendance by all members at the Committee meetings

When David Bryant retired from the Board on 23 April 2009 the Board asked the Nomination Committee to consider the appointment of a new executive Director from the Group's Divisional Boards Subsequently the Committee recommended the appointment of Jeff Fairburn, North Division Chief Executive to the Board Mr Fairburn joined the Company in 1989 and was formerly Managing Director of Persimmon Homes North East and North East Regional Chairman He was appointed as North Division Chief Executive in 2006 and subsequently on his appointment to the Board on 1 June 2009 was given additional Group managerial responsibilities

The Board also instructed the Committee in 2009 to recommend a new non-executive Director who would bring new skills and expertise to the Board The Nomination Committee consulted the Board, some major shareholders and its merchant bankers in connection with the appointment The Committee did not use a recruitment agency or open advertising as it did not consider that this would have assisted in the recruitment of a high calibre non-executive Director with the right skills to compliment the Board

The Committee recommended Jonathan Davie to the Board and he was subsequently appointed with effect from 1 January 2010 Mr Davie has undertaken a comprehensive induction with the Company and has had detailed discussions with the Chairman, Group Chief Executive, Group Finance Director, Chairman of the Audit Committee and the Company Secretary

The Committee is satisfied that appropriate succession planning for the Board and senior management is in place

Remuneration Committee

The members of the Remuneration Committee are Nicholas Wrigley (Chairman), David Thompson and Neil Davidson The Remuneration Committee is responsible for setting the remuneration of the Chairman and the executive Directors The Remuneration Committee met three times during the year to consider and approve the remuneration arrangements for both executive Directors and the Chairman during 2009 and 2010 The Committee members all attended each meeting Details of the remuneration policy and the remuneration package for each Director serving during 2009 are set out in the Remuneration Report on pages 32 to 38 The Remuneration Report will be put to shareholders for their approval at the Annual General Meeting on 22 April 2010

Accountability and Audit

The Company has an established Audit Committee to whom the external auditors, KPMG Audit plc report During 2009 the Audit Committee was wholly comprised of independent non-executive Directors The members of the Committee are David Thompson (Chairman), Nicholas Wrigley, Richard Pennycook and Jonathan Davie All members of the Committee have recent relevant financial experience, please see the Directors' biographies on page 27 Mr Davie was appointed to the Committee on 24 February 2010, on Neil Davidson's retirement from the Committee

The role of the Audit Committee is to review the Company's financial reporting, monitor the Company's internal controls including the risk management systems in relation to the process for preparing consolidated accounts, monitor the Group Risk management function and oversee the Company's relations with external auditors

The Committee's terms of reference were adopted on 25 February 2004 During the year the Board reviewed the Committee's terms of reference and a number of minor amendments were made The terms of reference of the Group Risk management function, which are recommended by the Audit Committee and approved by the Board, were unchanged in 2009

The Committee met on four occasions during the year, and all members were in attendance at each meeting The Committee agreed the nature and scope of the audit with the auditors and monitored the quarterly findings of the auditors and Group Risk Manager The Committee regularly met the auditors without the presence of the Company's management The Committee Chairman also met the Group Risk Manager without the Company's management being present

The Audit Committee formulates and oversees the Company's policy on monitoring auditor objectivity and independence in relation to non-audit services The policy is to ensure that the nature of non-audit services performed or the fee income relative to the audit fee does not compromise or is not seen to compromise the auditor's independence, objectivity or integrity The auditors are excluded from undertaking a range of work on behalf of the Company which includes appraisal or valuation services, management functions and litigation support, legal accounting and remuneration services From time to time non-audit services are put out to tender to a number of accountants The Committee recommended the reappointment of KPMG Audit Plc as auditors

The Company has had a whistle blowing procedure in place for a number of years which is publicised in the Staff Handbook and on Company noticeboards All employees may raise concerns about malpractice or improper or potentially illegal behaviour in confidence without concern of victimisation or disciplinary action The Committee reviewed the procedures in 2009 which were again highlighted to staff There are appropriate procedures in place for the independent investigation of such matters and for appropriate follow up action

Internal Control and Risk Committee

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 All employees have some responsibility for internal control as part of their accountability for achieving objectives

The Company has complied with the Code provisions on internal control, having continued to operate the procedures necessary to implement the guidance issued in the Turnbull Committee Report (revised October 2005) throughout the year

The Risk Committee 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 members of the Risk Committee during 2009 were John White, Mike Farley, Mike Killoran and the Divisional Chief Executives Jeff Fairburn, David Thornton and Nigel Greenaway The Risk Committee is supported by the Group Risk Manager The Risk Committee reports to the Audit Committee, which oversees the Risk Committee's activities

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 Group Risk Management function has updated the risk register during the year to reflect the changing risk profile facing the Group The risk register has been approved by both the Risk and Audit Committees

The Risk Committee met six times during 2009 ensuring that there has been an ongoing process for the identification, evaluation and management of the significant risks that are faced by the Company The processes that the Risk Committee has applied in 2009 in reviewing the effectiveness of the system of internal control include the following

- Review of the process for preparing consolidated accounts,
- Review of reports produced by the Group Risk management function on internal control and management of risk,
- 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,
- Reviewing reports from the Corporate Responsibility Committee with particular reference to the social, environmental, sustainability and reputational risks facing the Group

The members of the Risk Committee completed the following tasks during the year These tasks are essential parts of the Group's control framework

- Providing clearly defined responsibilities to divisional boards to maintain effective controls on operating businesses,
- Maintaining a continuous detailed involvement in monitoring and controlling work in progress, controls over land acquisition procedures and financial reporting by operating businesses,
- Regular site visits and discussion with site based personnel by senior management,
- Ongoing review of Company performance in comparison to operational forecasts and financial budgets,
- Involvement in individual operating businesses board discussions, specifically operational board meetings where all aspects of operational performance are analysed

Upon completion of these processes the Risk Committee formally considered the annual review of the effectiveness of the Group's system of internal control The review for 2009 has been completed and approved by the Risk and Audit Committees

A detailed Group Risk programme of work for 2010 has been approved by both the Risk and Audit Committees

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 high standards in corporate governance and continues to review the Company's procedures to maintain proper control and accountability The Company complied with the Code throughout 2009 The Board Committee's terms of reference are available on the Company's corporate website or from the Company Secretary

Relations with shareholders

The Board continues to maintain 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 half year and final results, the Company issues regular trading and interim management statements to the London Stock Exchange Details of significant shareholdings in the Company can be found on page 28 together with details of the voting rights attached to the Company's shares As set out on page 30 there are no securities issued by the Company carrying special rights with regard to control of the Company

The Directors recognise that it is important for both private and institutional shareholders to have the opportunity to raise concerns or discuss matters with them The Group Chairman John White and the Senior Independent Director David Thompson maintain contact with major shareholders to understand their issues and concerns and report to the Board Mike Farley and Mike Killoran have responsibility for maintaining appropriate communications with institutional investors and analysts The Board is provided with reports and feedback from shareholders and analysts

All the Directors attend the Company's Annual General Meeting and are available to answer questions at the AGM or privately

By order of the Board

Neil Francis Group Company Secretary
1 March 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period In preparing each of the Group and Parent Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Report, which forms part of the Directors' Report that comply with that law and those regulations

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, and
- the Business Review, which forms part of the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

Mike Farley Group Chief Executive
1 March 2010

Mike Killoran Group Finance Director
1 March 2010

Independent Auditors' Report to the Shareholders of Persimmon Plc

We have audited the financial statements of Persimmon Plc for the year ended 31 December 2009 set out on pages 44 to 84 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKP

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- information given in the Corporate Governance Report set out on pages 39 to 41 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from the Group's operating businesses not visited by us, or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- the Directors' Statement, set out on page 31, in relation to going concern, and
- the part of the Corporate Governance Report on pages 39 to 41 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment, Neville Street
Leeds LS1 4DW
1 March 2010

Consolidated statement of comprehensive income for the year ended 31 December 2009

	Note	2009 Before exceptional items £m	2009 Exceptional items (note 6) £m	2009 Total £m	2008 Before exceptional items £m	2008 Exceptional items (note 6) £m	2008 Total £m
Continuing operations							
Revenue	5	1,420 6	–	**1,420.6**	1,755 1	–	1,755 1
Cost of sales		(1,297 0)	74 8	**(1,222.2)**	(1,489 8)	(688 2)	(2,178 0)
Gross profit/(loss)		123 6	74 8	**198.4**	265 3	(688 2)	(422 9)
Other operating income		8 8	–	**8.8**	21 4	–	21 4
Operating expenses		(78 7)	–	**(78.7)**	(91 0)	(222 9)	(313 9)
Share of results of jointly controlled entities		(0 5)	–	**(0.5)**	0 8	–	0 8
Profit/(loss) from operations before impairment of intangible assets		57 2	74 8	**132.0**	198 3	(710 1)	(511 8)
Impairment of intangible assets		(4 0)	–	**(4 0)**	(1 8)	(201 0)	(202 8)
Profit/(loss) from operations	10	53 2	74 8	**128 0**	196 5	(911 1)	(714 6)
Finance income	9	4 8	–	**4 8**	4 1	6 3	10 4
Finance costs	9	(55 0)	–	**(55 0)**	(75 8)	–	(75 8)
Profit/(loss) before tax		3 0	74 8	**77.8**	124 8	(904 8)	(780 0)
Tax (charge)/credit	11 1	(0 7)	(3 0)	**(3.7)**	(20 7)	175 7	155 0
Profit/(loss) after tax (all attributable to equity holders of the parent)	14	2 3	71 8	**74.1**	104 1	(729 1)	(625 0)
Other comprehensive expense							
Effective portion of changes in fair value of cash flow hedges		(0 8)	–	**(0 8)**	(0 8)	–	(0 8)
Net actuarial losses on defined benefit pension schemes	30	(29 0)	–	**(29.0)**	(43 8)	–	(43 8)
Tax credit/(charge) on other comprehensive expense	11 2	19 3	–	**19.3**	(11 3)	–	(11 3)
Other comprehensive expense for the year, net of tax		(10 5)	–	**(10 5)**	(55 9)	–	(55 9)
Total recognised income/(expense) for the year		(8 2)	71 8	**63 6**	48 2	(729 1)	(680 9)
Earnings per share [i]							
Basic	14			**24 7p**			(208 3p)
Diluted	14			**24.5p**			(208 3p)
Non-GAAP measures – Underlying earnings per share [ii]							
Basic	14			**2.1p**			35 3p
Diluted	14			**2.1p**			35 2p

i Earnings per share is calculated in accordance with IAS 33 'Earnings Per Share'

ii Underlying earnings per share excludes exceptional items and goodwill impairment

Balance sheets at 31 December 2009 Company Registration Number 1818486

	Note	Group 2009 £m	Group 2008 Restated £m	Group 2007 Restated £m	Company 2009 £m	Company 2008 £m
Assets						
Non-current assets						
Intangible assets	15	**260 4**	264 7	467 8	**3.5**	3 7
Property, plant and equipment	16	**32.0**	45 1	47 8	**2.4**	2 9
Investments accounted for using the equity method	17	**3.3**	3 9	3 2	–	–
Investments	17	–	–	–	**3,252.0**	3,586 2
Available for sale financial assets	18	**68.0**	26 2	9 2	–	–
Trade and other receivables	20	**3.6**	5 2	8 0	–	–
Forward currency swaps		**20.8**	96 0	–	**17 8**	59 0
Deferred tax assets	24	**27.9**	6 5	51 4	**22.6**	2 4
		416.0	447 6	587 4	**3,298.3**	3,654 2
Current assets						
Inventories	19	**2,187.8**	2,614 5	3,464 1	–	–
Trade and other receivables	20	**50 2**	70 2	102 7	**263 0**	262 1
Forward currency swaps		–	20 8	–	–	20 8
Cash and cash equivalents		**138 0**	0 8	2 1	**131 0**	–
Assets held for sale	16	**3 6**	–	–	–	–
		2,379.6	2,706 3	3,568 9	**394 0**	282 9
Total assets		**2,795.6**	3,153 9	4,156 3	**3,692.3**	3,937 1
Liabilities						
Non-current liabilities						
Interest bearing loans and borrowings	21	**(283.0)**	(571 2)	(527 5)	**(178.7)**	(308 1)
Trade and other payables	22	**(77 2)**	(132 0)	(92 4)	**(0 4)**	(0 4)
Forward currency swaps		–	–	(58 0)	–	–
Deferred tax liabilities	24	**(24.1)**	(26 5)	(32 0)	–	–
Retirement benefit obligation	30	**(114.4)**	(95 3)	(60 7)	**(114 4)**	(95 3)
		(498 7)	(825 0)	(770 6)	**(293.5)**	(403 8)
Current liabilities						
Interest bearing loans and borrowings	21	**(117 0)**	(147 6)	(130 9)	**(3.1)**	(141 9)
Trade and other payables	22	**(464 5)**	(551 9)	(749 0)	**(2,567.6)**	(3,034 4)
Forward currency swaps		**(9.5)**	–	(10 0)	–	–
Current tax liabilities		**(82.7)**	(74 2)	(150 4)	**(2.2)**	(1 2)
		(673.7)	(773 7)	(1,040 3)	**(2,572.9)**	(3,177 5)
Total liabilities		**(1,172.4)**	(1,598 7)	(1,810 9)	**(2,866.4)**	(3,581 3)
Net assets		**1,623.2**	1,555 2	2,345 4	**825.9**	355 8
Equity						
Ordinary share capital issued	25	**30.3**	30 3	30 3	**30 3**	30 3
Share premium		**233.6**	233 6	233 6	**233.6**	233 6
Hedge reserve		**(0 4)**	0 1	0 7	–	–
Other non-distributable reserve		**281 4**	281 4	281 4	**4.6**	4 6
Retained earnings		**1,078.3**	1,009 8	1,799 4	**557.4**	87 3
Total equity		**1,623.2**	1,555 2	2,345 4	**825.9**	355 8

The financial statements on pages 44 to 84 were approved by the Board of Directors on 1 March 2010 and were signed on its behalf by

M P Farley
Group Chief Executive

M H Killoran
Group Finance Director

Statements of changes in shareholders' equity as at 31 December 2009

	Share capital £m	Share premium £m	Hedge reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Group						
Year ended 31 December 2008.						
Balance at 1 January 2008	30 3	233 6	0 7	281 4	1,799 4	2,345 4
Loss for the year	–	–	–	–	(625 0)	(625 0)
Other comprehensive expense	–	–	(0 6)	–	(55 3)	(55 9)
Transactions with owners:						
Exercise of share options/share awards	–	–	–	–	3 2	3 2
Own shares purchased	–	–	–	–	(2 4)	(2 4)
Share based payments and taxation thereon	–	–	–	–	3 7	3 7
Dividends approved and paid	–	–	–	–	(113 1)	(113 1)
Other reserve movement	–	–	–	–	(0 7)	(0 7)
Balance at 31 December 2008	**30 3**	**233.6**	**0 1**	**281.4**	**1,009.8**	**1,555.2**
Year ended 31 December 2009:						
Balance at 1 January 2009	30 3	233 6	0 1	281 4	1,009 8	1,555 2
Profit for the year	–	–	–	–	74 1	74 1
Other comprehensive expense	–	–	(0 5)	–	(10 0)	(10 5)
Transactions with owners:						
Exercise of share options/share awards	–	–	–	–	0 2	0 2
Own shares purchased	–	–	–	–	(0 2)	(0 2)
Share based payments	–	–	–	–	3 6	3 6
Other reserve movement	–	–	–	–	0 8	0 8
Balance at 31 December 2009	**30 3**	**233.6**	**(0.4)**	**281.4**	**1,078.3**	**1,623.2**

The other non-distributable reserve arose prior to transition to IFRSs, and relates to the issue of ordinary shares to acquire the shares of Beazer Group Plc in 2001

	Share capital £m	Share premium £m	Other non distributable reserve £m	Retained earnings £m	Total £m
Company					
Year ended 31 December 2008					
Balance at 1 January 2008	30 3	233 6	4 6	458 1	726 6
Loss for the year	–	–	–	(204 7)	(204 7)
Other comprehensive expense	–	–	–	(55 4)	(55 4)
Transactions with owners:					
Exercise of share options/share awards	–	–	–	1 0	1 0
Own shares purchased	–	–	–	(1 7)	(1 7)
Share based payments and taxation thereon	–	–	–	3 7	3 7
Dividends approved and paid	–	–	–	(113 1)	(113 1)
Other reserve movement	–	–	–	(0 6)	(0 6)
Balance at 31 December 2008	**30 3**	**233 6**	**4.6**	**87 3**	**355 8**
Year ended 31 December 2009:					
Balance at 1 January 2009	30 3	233 6	4 6	87 3	355 8
Profit for the year	–	–	–	475 7	475 7
Other comprehensive expense	–	–	–	(10 0)	(10 0)
Transactions with owners:					
Share based payments	–	–	–	3 6	3 6
Other reserve movement	–	–	–	0 8	0 8
Balance at 31 December 2009	**30.3**	**233.6**	**4 6**	**557.4**	**825.9**

During the year the Company received dividends from wholly owned subsidiary undertakings of £475 0m

Retained earnings includes £29 8m of non-distributable items (2008 £31 3m)

The other non-distributable reserve arose prior to transition to IFRSs

Cash flow statements for the year ended 31 December 2009

	Note	Group 2009 £m	Group 2008 Restated £m	Company 2009 £m	Company 2008 £m
Cash flows from operating activities:					
Profit/(loss) for the year		**74.1**	(625 0)	**475 7**	(204 7)
Tax charge/(credit) recognised in profit or loss	11	**3.7**	(155 0)	**1 0**	5 0
Finance income	9	**(4.8)**	(4 1)	**(1 4)**	(7 3)
Finance costs	9	**55 0**	75 8	**30.5**	40 4
Depreciation charge	16	**6 3**	8 7	**0.5**	0 8
Amortisation of intangible assets	15	**0 3**	0 3	**0 2**	0 3
Impairment of intangible assets – utilisation of strategic land holdings	15	**4 0**	1 8	**–**	–
Share of results of jointly controlled entities	17	**0 5**	(0 8)	**–**	–
Profit on disposal of property, plant and equipment	10	**(0 6)**	(0 7)	**–**	–
Share-based payment charge	31	**3.6**	4 4	**3 6**	4 4
Exceptional non-cash items	6, 19	**(74.8)**	892 7	**–**	281 7
Other non-cash items		**3.5**	(3 1)	**5 5**	(3 5)
		70.8	195 0	**515.6**	117 1
Movements in working capital					
Decrease in inventories		**501 5**	185 5	**–**	–
Increase in trade and other receivables		**(16.9)**	(5 8)	**(0.9)**	(2 5)
(Decrease)/increase in trade and other payables		**(164.5)**	(173 6)	**(486.9)**	245 2
Cash generated from operations		**390.9**	201 1	**27.8**	359 8
Interest paid		**(45.9)**	(67 6)	**(26.5)**	(43 3)
Interest received		**7.8**	4 1	**7.1**	6 6
Tax received/(paid)		**0 3**	106 2	**(1 2)**	(3 6)
Net cash generated from operating activities		**353.1**	243 8	**7 2**	319 5
Cash flows from investing activities:					
Received in respect of jointly controlled entities	17	**0 1**	0 1	**–**	–
Proceeds from disposal of/(additional investment in) subsidiaries	17	**–**	–	**334.2**	(126 1)
Purchase of property, plant and equipment		**(1 2)**	(6 9)	**(0 3)**	(0 2)
Proceeds from sale of property, plant and equipment		**4 8**	2 2	**0 4**	0 3
Net cash generated from/(used in) investing activities		**3 7**	(4 6)	**334 3**	(126 0)
Cash flows from financing activities:					
Repayment of borrowings		**(173.1)**	(160 3)	**(173 1)**	(93 2)
Drawdown of loan facilities		**–**	65 0	**–**	65 0
Financing transaction costs		**(21.4)**	(1 9)	**(18.0)**	(1 9)
Finance lease principal payments		**(1.2)**	(1 4)	**(0 5)**	(0 6)
Own shares purchased		**(0.2)**	(2 4)	**–**	(1 7)
Exercise of share options		**–**	0 8	**–**	0 5
Dividends paid to Group shareholders		**–**	(113 1)	**–**	(113 1)
Net cash used in financing activities		**(195 9)**	(213 3)	**(191.6)**	(145 0)
Increase in net cash and cash equivalents	26	**160.9**	25 9	**149.9**	48 5
Net cash and cash equivalents at the beginning of the year		**(22.9)**	(48 8)	**(18.9)**	(67 4)
Net cash and cash equivalents at the end of the year	27	**138 0**	(22 9)	**131.0**	(18 9)

1 Adoption of new and revised standards

Of the new and revised Standards and Interpretations in issue, the following revised Standards have been adopted in the current period and have affected the amounts reported in these financial statements

- IAS 1 (As revised in 2007) Presentation of Financial Statements The most significant change within IAS 1 (Revised) is the requirement to produce a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income The Group has elected to present comprehensive income in one statement In addition, the revised Standard requires the statement of changes in shareholders' equity to be presented as a primary statement Finally, the revised Standard has required the presentation of a third statement of financial position at 1 January 2008, because the Group has reclassified expenditure in relation to forward land held on the balance sheet

- Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments Disclosures) The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk

Of the remaining new and revised Standards and Interpretations in issue, the following are those relevant to the Group's business and have been adopted in these financial statements Their adoption has not had any significant impact on the amounts reported in these financial statements, and has not required any additional disclosures

- Amendment to IFRS 2 'Share-based Payment' clarifies, amongst other matters, the treatment of cancelled options The impact on the Group is insignificant

- IFRS 8, 'Operating Segments' IFRS 8 replaces IAS 14, 'Segment Reporting' and requires the disclosure of segment information on the same basis as the management information provided to the chief operating decision maker The adoption of this standard has not resulted in a change in the Group's reportable segments The Group's operating segments have similar economic characteristics, products, construction processes and types of customers and meet the aggregation criteria of IFRS 8 in full Consequently, the Group has aggregated its geographic operations into one reportable segment, which is house building in the United Kingdom

- IAS 23 'Borrowing Costs' (Amendment) This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset, as part of the cost of that asset A qualifying asset is one that takes a substantial period of time to get ready for use or sale Inventories which are produced in large quantities on a repetitive basis over a short period of time are not qualifying assets This amendment is not expected to have any material impact on the Group's financial statements as the activities performed by the Group do not generally produce qualifying assets

- Amendments to IAS 39 Financial Instruments Recognition and Measurement – Eligible Hedged Items This amendment clarifies the application of hedge accounting in relation to hedging of inflation risk and the use of options as hedging instruments The Group has no such financial instruments and hence there is no impact

At the date of approval of these financial statements, the following relevant Standards and Interpretations were in issue and endorsed by the European Union but not yet effective, the Group has not adopted any standard, amendment or interpretation in advance of the relevant effective date

- Amendment to IAS 32 Financial Instruments Presentation Clarification of Rights Issues
- Amendments to IFRS 1 and IAS 27 Cost of Investment in a Subsidiary, Jointly-Controlled Entity or Associate
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and obligations arising on liquidation

The Directors anticipate that these amendments will be adopted in the Group's financial statements for the period beginning 1 January 2010 The Directors do not expect the adoption of these standards or amendments to have a material impact on the financial statements of the Group

2 Accounting policies

Statement of compliance

Both the consolidated Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards, adopted by the European Union and effective at 31 December 2009 (IFRSs) and therefore the financial statements comply with Article 4 of the EU IAS Regulation

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments Historical cost is generally based on the fair value of the consideration given in exchange for assets

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 6 to 25 The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Directors' report on pages 18 to 21 Further disclosures regarding borrowings are provided in note 21 to the financial statements In addition, note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

The Directors have assessed the future funding requirements of the Group and the Company and compared it to the level of long term debt, committed bank facilities and cash resources over the medium term The assessment included a review of the financial forecasts and the preparation of sensitivity analysis on the key factors which could affect future cash flow and funding requirements

2 Accounting policies (continued)

The Group's policy on funding capacity is to ensure that we always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak working capital requirements At 31 December 2009 the Group had cash and deposits of £138 0m, £416 8m of loan notes and £600 0m of undrawn committed bank facilities available to meet future funding requirements

At 31 December 2009, the net debt position of the Group was £250 7m (note 27) including £416 8m of debt arranged under loan notes, of which only £163 0m falls due to be repaid before the publication of the financial statements for the year ending 31 December 2010 On 24 November 2010, the committed bank facilities described above mature and will be replaced by a Forward Start Facility of £322 3m which matures on 31 March 2012

Having undertaken this review, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

Change of accounting presentation

The audited consolidated financial statements of the Group were consistently prepared on the basis that expenditure relating to forward land, including options and fees, was held within other receivables until the option was exercised and the land acquired following the securing of planning permission at which time the amount was transferred to inventories

As part of our ongoing procedures to improve the quality of our financial reporting, we have reviewed our existing presentation in the light of current best practice and that adopted by members of our peer group On the basis of this review we have concluded that it would be more helpful to users of our financial statements, to present the expenditure relating to forward land, including options and fees within inventories upon inception This presentation has been adopted for the six months ended 31 December 2009 and all comparative data in this report has been represented accordingly

The effect of this change in presentation is to increase the value of land (note 19) and decrease the amount of trade and other receivables (note 20) at 31 December 2009 by £63 8m (31 December 2008 £68 0m, 1 January 2008 £77 5m)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to 31 December each year The results of subsidiaries acquired or disposed of during the year, are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group All intra-group transactions, balances, income and expenses are eliminated on consolidation

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method The subsidiary's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset Goodwill allocated to the strategic land holdings is recognised as an asset, being the intrinsic value within these holdings in the acquired entities, which is realised upon satisfactory planning permission being obtained and sale of the land Goodwill is subsequently measured at cost less any accumulated impairment losses

Goodwill is assessed for impairment at each reporting date by performing a value in use calculation, using a discount factor based on the pre-tax rate implicit in current market transactions of similar assets, covering the expected period of realisation and considering current market conditions It is tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining acquired strategic land holdings, taking account of historic experience and market conditions and comparing the carrying value of the assets with their recoverable amounts Any impairment loss is recognised immediately in the statement of comprehensive income

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date The allocation of this goodwill for impairment testing is disclosed in note 15 Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal

Brand intangibles

Internally generated brands are not held on the balance sheet The Group carries assets on the balance sheet only for brands that have been acquired Acquired brand values are calculated based on discounted cash flows No amortisation is charged on brand intangibles, as the Group believes that the value of the brands is maintained indefinitely The factors that result in the durability of the brands capitalised is that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the Group's pre-tax weighted average cost of capital, on the branded incremental income stream

Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis

2 Accounting policies (continued)

Revenue recognition

Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion Part exchange property resales are included within cost of sales

Government grants

Grants are included within work in progress in the balance sheet and are credited to the statement of comprehensive income over the life of the developments to which they relate Grants related to income are deducted from the related expense in the statement of comprehensive income

Other operating income

Other operating income comprises profits from the sale of land holdings, freehold reversions, rent receivable, and other incidental sundry income

Operating expenses

Operating expenses represent the administration costs of the business, which are written off to the statement of comprehensive income as incurred

Borrowing costs

Interest bearing bank loans and overdrafts are initially measured at fair value (being proceeds received, net of direct issue costs), and are subsequently measured at amortised cost, using the effective interest rate method Finance charges, including direct issue costs are accounted for and taken to the statement of comprehensive income using the effective interest rate method

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle net the outstanding position, the offset arrangements are applied to record the net position in the balance sheet

Exceptional items

Exceptional items comprise items of income and expense that are material in amount and unlikely to recur and which merit separate disclosure in order to provide an understanding of the Group's underlying financial performance Examples of events giving rise to the disclosure of income and expense as exceptional items include, but are not limited to, reorganisation of operations and economic events which necessitate a review of asset valuations

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved or paid

Share-based payment

Charges for employee services received in exchange for share-based payment have been made for all options/awards in accordance with IFRS 2 (Share-based Payment), to spread the fair value of the grant over the vesting period

The fair value of such options has been calculated using the Binomial Option Pricing Model, based upon publicly available market data at the point of grant Share options include both market and non-market conditions Market conditions are considered in the establishment of the initial valuation of the options In the event of failure to meet market conditions share-based payment charges are not reversed In the event of failure to meet non-market conditions share-based payment charges are reversed

Share-based payments are charged wholly in the ultimate Parent Company, which makes internal management recharges to subsidiaries for these services as appropriate

Retirement benefit costs

The Group operates two defined benefit pension schemes, which are closed to new members It also operates a defined contribution scheme for employees who are not members of a defined benefit scheme The liability in respect of the defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the scheme assets, together with adjustments for actuarial gains and losses Further details of the schemes and the valuation methods applied may be found in note 30

Expected scheme gains and losses are recognised via operating expenses in the statement of comprehensive income and actuarial gains and losses via the statement of recognised income and expense

Subsidiary entities bear a charge for current employees based upon their current pensionable salaries Differences between this charge and the current service cost are borne by the ultimate Parent Company as the legal sponsor, as are all experience gains and losses

Payments to the defined contribution scheme are accounted for on an accruals basis Once the payments have been made, the Group has no further payment obligations

Taxation

Income tax on the profit for the year comprises current and deferred tax Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using enacted or substantially enacted tax rates, and adjusted for any tax payable in respect of previous years

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for goodwill, the initial recognition of assets or liabilities that affect neither accounting or taxable profit, and differences relating to investment in subsidiaries to the extent that they will probably not reverse in

2 Accounting policies (continued)

the foreseeable future The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the prevailing tax rates

Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate the excess is recognised directly in equity

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reviewed at each balance sheet date

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when the Group intends to settle its current tax assets and liabilities on a net basis

Leases as lessee

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

Property, plant and equipment

Depreciation on property, plant and equipment is provided using the straight line method to write off the cost less any estimated residual value, over the estimated useful lives on the following bases

Plant, fixtures and fittings – 3 to 5 years

Freehold buildings – 50 years

No depreciation is provided on freehold land

Investments

Interests in subsidiary undertakings are valued at cost less impairment Other investments are stated at fair value

Jointly controlled entities

Investments in jointly controlled entities are accounted for under the equity method of accounting

Available for sale financial assets

Receivables on extended terms granted as part of a sales transaction are secured by way of a legal charge on the respective property, and are stated at fair value as described in note 18 Gains and losses arising from changes in fair value are recognised directly in equity in retained earnings, with the exceptions of impairment losses, changes in future cash flows and interest calculated using the effective interest rate method, which are recognised directly in the statement of comprehensive income Where the asset is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in the statement of comprehensive income for the period

Inventories

Inventories are stated at the lower of cost and net realisable value Land with planning includes undeveloped land and land under development Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads Net realisable value represents the estimated selling prices less all estimated costs of completion and overheads

Investments in land without the benefit of a planning consent are initially included at cost Regular reviews are carried out to identify any impairment in the value of the land considering the existing use value of the land and the likelihood of achieving a planning consent and the value thereof Provision is made to reflect any irrecoverable amounts

Expenditure relating to forward land, including options and fees, is held at cost If the option expires or the Directors no longer consider it likely that the option will be exercised prior to the securing of planning permission, the amount is written off on that date

Trade and other receivables

Trade receivables on normal terms do not carry any interest, are stated at their nominal value and are assessed for recoverability on an ongoing basis

Derivative financial instruments

The Group uses currency swaps and interest rate swaps to manage financial risk Interest charges are stated after taking account of these swaps Certain financial liabilities are held in foreign currencies, which are translated at prevailing exchange rates

The Group has also entered into cross currency hedges to mitigate exposure to both foreign currency and interest rates on these loans Cash flow hedging instruments are held at fair value in the balance sheet The effective portion of gains and losses on these instruments are taken to the hedge reserve until realised On realisation such gains and losses are recognised in the statement of comprehensive income

Fair value hedging instruments are held at fair value in the balance sheet with gains and losses recognised through the statement of comprehensive income These are offset against gains and losses on the hedged item insofar as the hedges are effective

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

Trade and other payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value Trade payables on extended terms, particularly in respect of land purchases, are initially recorded at their fair value The discount to nominal value is amortised over the period to settlement and charged to finance costs

2 Accounting policies (continued)

Deposits

New property deposits and on account contract receipts are held within current trade and other payables until the legal completion of the related property or cancellation of the sale

Cash and cash equivalents

Cash and cash equivalents include cash and balances in the bank accounts with no notice or less than three months' notice from inception, and are subject to insignificant risk of changes in value

Interest bearing borrowings

Interest bearing borrowings are carried at amortised cost unless hedged using fair value hedges Those interest bearing borrowings hedged using fair value hedges are carried at amortised cost adjusted for the fair value of hedged risks determined with reference to discounted risk-adjusted expected future cash flows and application of current foreign market exchange rates

Dividends

Dividends receivable from subsidiaries are accounted for on a cash basis, or once formally approved by the shareholders of the subsidiary companies

Own shares held

The Group may acquire holdings in its own shares either directly or via employee benefit trusts The acquisition cost of such shares (including associated purchase costs) is treated as a deduction from retained earnings Such shares may be used in satisfaction of employee options or rights, in which case the cost of such shares is reversed from the profit reserves on a 'first in first out' basis

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies the Directors have made no individual judgements that have a significant impact upon the financial statements, excepting those involving estimation which are dealt with below

The key sources of estimation uncertainty at the balance sheet date are

Land and work in progress

Valuations which include an estimation of costs to complete and remaining revenues are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions which may be required

At 31 December 2008, the Group conducted a review of inventories in the light of the deteriorating UK housing market This resulted in an exceptional impairment of £664 1m (restated) During the year ended 31 December 2009, the Group conducted further reviews of the net realisable value of its inventory carrying values which resulted in net reversals of the previous right downs of inventories of £46 9m and £27 9m in each of the six months ended 31 December and 30 June respectively The reviews were conducted on a site by site basis, using valuations that incorporated selling price reductions, based on local management and the Board's assessment of market conditions existing at the balance sheet date If the decline in the UK market exceeds management's expectations then further impairments of land and work in progress may be necessary

If the decline in the UK market is not as severe as management's expectations then further reversals of the impairment charge may occur which could have a significant impact on reported profits

Goodwill

The impairment testing of goodwill is substantially dependent upon the ability of the Group to successfully progress its strategic land holdings The assumptions on which this estimate is based may be undermined by any significant changes in the current planning regime, or adverse economic conditions in the United Kingdom The carrying amount of goodwill at the balance sheet date was £199 6m with an impairment of £4 0m recognised during the year

Brand intangibles

The intangible brand assets have been assessed against the discounted cash flows arising These are based upon estimated returns from the related businesses, which may be impacted by various factors, most notably Government social housing policy and further deterioration in the economic conditions in the United Kingdom The carrying amount of indefinite life brands at the balance sheet date was £60 0m, with no impairment recognised during the year ended 31 December 2009

Available for sale financial assets

Available for sale financial assets principally comprise loans granted as part of sales transactions that are secure by way of a second legal charge on the respective property Impairment allowances are determined on a portfolio basis which takes into account factors such as the length of time that the loan has been outstanding, market conditions, including those in respect of house price inflation, forced sale discount and probability of borrower default The variables used are kept under regular review to ensure that as far as possible they reflect current economic circumstances however changes in interest rates, unemployment levels and bankruptcy trends in the UK, could result in actual losses differing from reported impairment allowances At 31 December 2009 the asset recognised on the balance sheet was £68 0m (2008 £26 2m)

Pensions

The Directors have employed the services of a qualified, independent actuary in assessing pension liabilities However, they recognise that final liabilities and asset returns may differ from actuarial estimates and therefore the ultimate pension liability may differ from that included in the financial statements

Investment in subsidiaries

Investments in subsidiaries are stated at the lower of cost and net realisable value, which is dependent upon management assessment of future trading activity and is therefore subject to a degree of inherent uncertainty The carrying amount of investments in the Company's balance sheet is £3,252 0m (2008 £3,586 2m) with an impairment of £nil (2008 £281 7m) recognised during the year

4 Principal activities

The Group's operating segments have similar economic characteristics, products, construction processes and types of customers, and meet the aggregation criteria of IFRS 8 in full Consequently, the Group has aggregated its geographic operations into one reportable segment which is housebuilding in the United Kingdom

5 Revenue

An analysis of the Group's revenue is as follows

	2009 £m	2008 £m
Sale of goods		
Nominal value of consideration	**1,440.7**	1,764 9
Adjustment to present value of expected future receipts	**(20.1)**	(9 8)
	1,420.6	1,755 1
Other operating income	**8.8**	21 4
Finance income	**4.8**	10 4
	1,434 2	1,786 9

Sale of goods includes £71 0m (2008 £231 5m) of revenue generated where the sale has been achieved using part exchange incentives

6 Exceptional items

Exceptional items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods Items of income or expense that are considered by management for designation as exceptional include such items as significant restructuring, write-downs of current assets and impairments of non-current assets

	2009 £m	2008 Restated £m
Cost of sales		
Inventory write-back/(impairment) (i)	**74.8**	(664 1)
Asset impairment and write-offs (ii)	–	(24 1)
Operating expenses		
Restructuring costs (iii)	–	(21 9)
Asset impairment (iv)	–	(201 0)
Exceptional income/(costs)	**74.8**	(911 1)
Finance income		
Other interest receivable (v)	–	6 3
Exceptional items before tax	**74.8**	(904 8)

6 Exceptional items (continued)

(i) In the year ended 31 December 2008 the Group recognised a net realisable write-down of its inventory carrying values of £664 1m (restated) During the year ended 31 December 2009, the Group conducted further reviews of the net realisable value of its inventory carrying values which resulted in net reversals of the previous write-down of inventories of £46 9m and £27 9m in each of the six months ended 31 December and 30 June respectively Further details are given in note 19

(ii) In the year ended 31 December 2008 a review of trade and other receivables resulted in impairments and write-offs of £24 1m (restated) At 31 December 2009 the review indicated no further exceptional impairments were required

(iii) During the year ended 31 December 2008 the Group had incurred £21 9m in relation to reorganising and restructuring the business There were no such costs in 2009

(iv) At 31 December 2008, the Group conducted an impairment review of its goodwill as explained in note 15 This resulted in an impairment charge of £202 8m of which £201 0m was considered exceptional At 31 December 2009, the impairment review gave rise to a charge of £4 0m, which is not considered exceptional in nature

(v) Interest receivable in the year ended 31 December 2008 represented monies due following the receipt of tax repayments There are no such amounts in the year ended 31 December 2009

7 Key management remuneration

Key management personnel, as disclosed under IAS 24 (Related Party Disclosures), have been identified as the Board and other senior operational management Detailed disclosures of individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the Remuneration Report on pages 32 to 38 Summary key management remuneration is as follows

	2009 £m	2008 £m
Short-term employee benefits	**3.6**	3 3
Post-employment benefits	**0.2**	0 2
Share-based payments	**2.8**	3 3
	6.6	6 8

No termination benefits were paid to key management personnel

8 Employees

Group

The average monthly number of persons (including executive Directors) employed by the Group during the year was 2,398 (2008 3,980)

	2009 £m	2008 £m
Staff costs (for the above persons)		
Wages and salaries	**76.5**	114 5
Social security costs	**7 9**	11 7
Pensions charge	**9 6**	3 7
Share-based payments	**3 6**	4 4
	97.6	134 3

The 2008 figures above exclude redundancy payments, which are disclosed separately within exceptional items (note 6)

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

The pensions charge for 2008 is stated net of a curtailment credit of £2 1m

8 Employees (continued)

Company

The average monthly number of persons (including executive Directors) employed by the Company during the year was 155 (2008 196)

	2009 £m	2008 £m
Staff costs (for the above persons)		
Wages and salaries	**8 9**	8 5
Social security costs	**1.2**	1 3
Pensions charge/(credit)	**5.6**	(3 4)
Share-based payments	**3.6**	4 4
	19.3	10 8

The pensions credit for 2008 includes a curtailment credit of £2 1m

9 Net finance costs

	2009 £m	Before exceptional items £m	Exceptional items £m	2008 £m
Recognised in profit/(loss) after tax				
Imputed interest on available for sale financial assets	**3.3**	–	–	–
Other interest receivable	**1.5**	4 1	6 3	10 4
Finance income	**4.8**	4 1	6 3	10 4
Interest expense on bank overdrafts and loans	**45.6**	62 2	–	62 2
Imputed interest on deferred land payables	**5.2**	5 6	–	5 6
Change in the fair value of cash flow hedges transferred from equity	**0 7**	2 2	–	2 2
Other interest expense	**3.5**	5 8	–	5 8
Finance cost	**55 0**	75 8	–	75 8
Net finance cost	**50 2**	71 7	6 3	65 4

	2009 £m	Before exceptional items £m	Exceptional items £m	2008 £m
Recognised in other comprehensive expense				
Change in the fair value of cash flow hedges transferred to statement of comprehensive income	**0 7**	2 2	–	2 2
Effective changes in fair value of cash flow hedges	**(1 5)**	(3 0)	–	(3 0)
	(0 8)	(0 8)	–	(0 8)

All amounts recognised in equity have been taken to the hedge reserve

There was no hedging ineffectiveness in the period

10 Profit/(loss) from operations

	2009 £m	2008 £m
Profit/(loss) from operations is stated after charging/(crediting)		
Staff costs (note 8)	**97.6**	134 3
Exceptional items (note 6)	**(74 8)**	911 1
Profit on sale of land holdings	**(4.4)**	(12 3)
Government grants	**(6 6)**	(4 6)
Rent receivable	**(1 9)**	(2 3)
Profit on sale of property, plant and equipment	**(0 6)**	(0 7)
Depreciation		
– owned assets	**5 6**	7 8
– assets held under finance leases	**0 7**	0 9
Amortisation of intangible assets	**0.3**	0 3
Impairment of intangible assets – utilisation of strategic land holdings	**4.0**	1 8
Operating lease charges	**4.2**	7 1

Amounts receivable by auditors and their associates in respect of

	2009 £'000	2008 £ 000
Audit fees		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**145**	180
The audit of the Company's subsidiaries pursuant to legislation	**40**	40
Total fees for the audit of the Company and its subsidiaries	**185**	220
Non-audit fees		
Tax services	**–**	74
Corporate finance services	**–**	26
Other services	**3**	9
Total non-audit fees	**3**	109
	188	329

The extent of non-audit fees and non-audit related service fees payable to KPMG Audit Plc and its affiliated entities 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

Fees to major firms of accountants other than KPMG Audit Plc and its affiliated entities for non-audit services amounted to £19,080 (2008 £17,000)

11 Tax

11.1 Income tax recognised in profit or loss

	2009 £m	2008 £m
Tax charge/(credit) comprises		
UK corporation tax in respect of the current year	**8.2**	0 3
Adjustments recognised in the current year in respect of prior years	**-**	(182 7)
	8.2	(182 4)
Deferred tax credit relating to origination and reversal of temporary differences	**(1 9)**	(2 1)
Adjustments recognised in the current year in respect of prior years deferred tax	**(2.6)**	29 5
	(4.5)	27 4
	3.7	(155 0)

The prior year credit in 2008 relates primarily to the carry back of tax losses from 2008 to 2007

The charge/(credit) for the year can be reconciled to the accounting profit/(loss) as follows

	2009 £m	2008 £m
Profit/(loss) from continuing operations	**77.8**	(780 0)
Tax calculated at UK corporation tax rate of 28 0% (2008 28 5%)	**21.8**	(222 3)
Accounting base cost not deductible for tax purposes	**0.1**	1 1
Goodwill impairment losses that are not deductible	**1.1**	57 8
Losses carried back	**-**	127 5
Losses carried forward	**-**	31 1
Losses brought forward	**(18.0)**	-
Expenditure not allowable for tax purposes	**1.3**	3 0
Adjustments in respect of prior years	**(2.6)**	(153 2)
Tax charge/(credit) for the year recognised in profit or loss	**3.7**	(155 0)

Corporation tax is calculated at 28% (2008 28 5%) of the estimated assessable profit/(loss) for the year

11 2 Deferred tax recognised in other comprehensive expense (note 24)

	2009 £m	2008 £m
Recognised on actuarial losses on pension schemes	**(19.0)**	11 6
Related to hedged senior loan notes	**(0.3)**	(0 3)
	(19.3)	11 3

11 3 Deferred tax recognised directly in equity (note 24)

	2009 £m	2008 £m
Arising on transactions with equity participants		
Relating to equity-settled transactions	**-**	0 7
	-	0 7

12 Profit/(loss) for the financial year

The Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement The Parent Company's profit for the financial year, after receipt of £475 0m of dividends from wholly owned subsidiary undertakings was £475 7m (2008 loss of £204 7m)

13 Dividends

	2009 £m	2008 £m
Amounts recognised as distributions to equity holders in the period		
2008 final dividend paid of nil per share (2007 32 7p)	–	98 1
2009 interim dividend paid of nil per share (2008 5 0p)	–	15 0
	–	113 1
2009 no final dividend proposed (2008 no final dividend proposed)	–	–

The Parent Company received £475 0m of dividends from wholly owned subsidiary undertakings during 2009

14 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year 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, the Employee Benefit Trust (see note 25) and treasury shares, all of which are treated as cancelled, which were 300 3m (2008 300 0m)

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, giving a figure of 302 0m (2008 301 0m)

Underlying earnings per share excludes exceptional items and impairment of intangible assets The earnings per share from continuing operations were as follows

	2009	2008
Basic earnings/(loss) per share	**24.7p**	(208 3p)
Underlying basic earnings per share	**2.1p**	35 3p
Diluted earnings/(loss) per share	**24.5p**	(208 3p)
Underlying diluted earnings per share	**2.1p**	35 2p

The calculation of the basic and diluted earnings per share is based upon the following data

	2009 £m	2008 £m
Underlying earnings attributable to shareholders	**6.3**	105 9
Exceptional items net of related taxation (including exceptional intangible asset impairment)	**71.8**	(729 1)
Goodwill impairment – utilisation of strategic land holdings	**(4.0)**	(1 8)
Earnings/(loss) attributable to shareholders	**74.1**	(625 0)

15 Intangible assets

Group	Goodwill £m	Brand £m	Know-how £m	Total £m
Cost				
At 1 January 2008, 1 January 2009 and 31 December 2009	**408.8**	**60 0**	**1.9**	**470 7**
Accumulated impairment losses/amortisation				
At 1 January 2008	2 4	–	0 5	2 9
Impairment losses for the year – utilisation of strategic land holdings	1 8	–	–	1 8
Impairment losses for the year – exceptional	201 0	–	–	201 0
Amortisation charge for the year	–	–	0 3	0 3
At 1 January 2009	**205 2**	**–**	**0.8**	**206.0**
Impairment losses for the year – utilisation of strategic land holdings	4 0	–	–	4 0
Amortisation charge for the year	–	–	0 3	0 3
At 31 December 2009	**209.2**	**–**	**1 1**	**210.3**
Carrying amount				
At 31 December 2009	**199 6**	**60.0**	**0.8**	**260.4**
At 31 December 2008	203 6	60 0	1 1	264 7

Goodwill brought forward at the start of the year includes £165 5m (2008 £179 8m) which arose on acquisitions before the date of transition to IFRSs and is retained at the previous UK GAAP amounts, subject to being tested for impairment at that date £37 0m (2008 £50 0m) of this amount represented the brand value of Charles Church, acquired with Beazer Group plc in 2001

Acquired brand values are calculated based on discounted cash flows and are tested annually for impairment The remainder of goodwill is allocated to acquired strategic land holdings and is tested annually for impairment

The recoverable amounts of the intangibles are determined from value in use calculations The key assumptions for value in use calculations are those regarding discount and growth rates Growth rates incorporate volume, selling price and direct cost changes

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolated for four years, to form the basis of the Group's five year business plan When performing the impairment review of the brands, the relevant retraction/growth rates included therein vary between –2% to +12% (2008 –9% to +18%), reflecting the current state of the UK housing market The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between –5% to +4% (2008 –6% to +8%)

After this period the retraction/growth rates applied to calculate the cash flow forecasts vary between nil and 4% (2008 nil and 4%) reflecting management's estimate of the forecast recovery in the UK housing market, which do not exceed the long term average growth rates for the industry

Management used pre-tax discount factors between 8 0% and 10 0% (2008 7% and 10%) over the forecast periods

The goodwill allocated to acquired strategic land holdings is further tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining strategic land holdings, taking account of historic experience and market conditions This review resulted in an underlying impairment of £4 0m (2008 £1 8m) The effect of testing goodwill for impairment in the manner set out is that the goodwill will be completely impaired once the final plot that management expects to receive a satisfactory planning permission, is sold

In 2008 as a result of the impairment review, the Group had an exceptional impairment charge against the goodwill arising from the purchase of Westbury plc of £188 0m and the Charles Church brand value of £13 0m See note 6

On concluding the annual impairment testing, there remains £123 1m (2008 £126 3m) and £37 3m (2008 £38 1m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37 0m (2008 £37 0m) allocated to the Charles Church brand In addition, there is £60 0m (2008 £60 0m) of carrying value in relation to the Westbury brand The remaining £2 2m (2008 £2 2m) represents goodwill arising on acquisitions before the date of transition to IFRSs

Acquired know how is amortised over its estimated useful life, which is 10 years from the date of its inception

In the event of deterioration in the UK housing market conditions, the possibility of impairment losses in the future remains

15 Intangible assets (continued)

Company	Trademarks £m
Cost	
At 1 January 2008, 1 January 2009 and 31 December 2009	**5.0**
Amortisation	
At 1 January 2008	1 0
Charge for the year	0 3
At 1 January 2009	1 3
Charge for the year	0 2
At 31 December 2009	**1.5**
Carrying amount	
At 31 December 2009	**3 5**
At 31 December 2008	3 7

16 Property, plant and equipment

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2008	25 5	49 6	11 7	86 8
Additions	4 5	2 5	0 5	7 5
Disposals	(0 3)	(4 8)	(0 2)	(5 3)
At 1 January 2009	29 7	47 3	12 0	89 0
Additions	–	1 0	0 2	1 2
Reclassifications	(6 1)	–	–	(6 1)
Disposals	(1 4)	(4 6)	(0 5)	(6 5)
At 31 December 2009	**22.2**	**43 7**	**11.7**	**77.6**
Accumulated depreciation				
At 1 January 2008	1 1	28 3	9 6	39 0
Charge for the year	0 5	7 0	1 2	8 7
Disposals	–	(3 6)	(0 2)	(3 8)
At 1 January 2009	1 6	31 7	10 6	43 9
Charge for the year	0 4	5 0	0 9	6 3
Reclassifications	(0 4)	–	–	(0 4)
Disposals	(0 1)	(3 6)	(0 5)	(4 2)
At 31 December 2009	**1.5**	**33.1**	**11.0**	**45 6**
Carrying amount				
At 31 December 2009	**20.7**	**10.6**	**0.7**	**32.0**
At 31 December 2008	28 1	15 6	1 4	45 1
Assets held under finance lease				
Carrying amount at 31 December 2009	**–**	**1.2**	**–**	**1.2**
Carrying amount at 31 December 2008	–	2 4	–	2 4

At 31 December 2009, the Group had no contractual commitments for the acquisition of property, plant and equipment (2008 £nil)

The £5 7m reclassification during the year related to 7 surplus office properties which the Group is actively marketing which have been reclassified as assets held for sale At 31 December 2009, one property with a value of £1 9m had been disposed of The value of the remaining properties is supported by external valuations, subject to an impairment of £0 2m which was recognised in the period

16 Property, plant and equipment (continued)

Company	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2008	2 2	1 4	3 7	7 3
Additions	–	0 3	–	0 3
Disposals	–	(0 6)	–	(0 6)
At 1 January 2009	2 2	1 1	3 7	7 0
Additions	–	0 3	0 1	0 4
Disposals	–	(0 9)	(0 4)	(1 3)
At 31 December 2009	**2.2**	**0 5**	**3.4**	**6 1**
Accumulated depreciation				
At 1 January 2008	0 3	0 4	3 1	3 8
Charge for the year	–	0 3	0 2	0 5
Disposals	–	(0 2)	–	(0 2)
At 1 January 2009	0 3	0 5	3 3	4 1
Charge for the year	–	0 3	0 2	0 5
Disposals	–	(0 5)	(0 4)	(0 9)
At 31 December 2009	**0.3**	**0.3**	**3 1**	**3.7**
Carrying amount				
At 31 December 2009	**1 9**	**0.2**	**0 3**	**2.4**
At 31 December 2008	1 9	0 6	0 4	2 9
Assets held under finance lease				
Carrying amount at 31 December 2009	**–**	**0.2**	**–**	**0.2**
Carrying amount at 31 December 2008	–	0 6	–	0 6

17 Investments

Group	Investments in jointly controlled entities £m	Total £m
Cost		
At 1 January 2008	3 2	3 2
Share of results of jointly controlled entities	0 8	0 8
Received from jointly controlled entities	(0 1)	(0 1)
At 31 December 2008	3 9	3 9
Share of results of jointly controlled entities	(0 5)	(0 5)
Disposal of jointly controlled entities	(0 1)	(0 1)
At 31 December 2009	**3 3**	**3.3**

17 Investments (continued)

The Group's investments in jointly controlled entities comprise

	Share of ordinary allotted capital held by the Group	Accounting date
Balaia Golf Village Realizacoes Imobiliaria Turisticos Lda	50%	31 December
Sociedade Torre de Marinha Realizacoes Turistocos SA	50%	31 December
Empreendimentos Turisticos da Armacao Nova Lda	50%	31 December

The Group disposed of its 33% holding in North Oxfordshire Consortium Limited during the year

Investments in jointly controlled entities are accounted for under the equity method of accounting

The Group's share of assets and liabilities of jointly controlled entities is shown below

	2009 £m	2008 £m
Non-current assets	**0 6**	0 7
Current assets	**5.2**	6 3
Current liabilities	**(2.5)**	(3 1)
Net assets of jointly controlled entities	**3.3**	3 9

The Group's share of the income and expenses of jointly controlled entities is as follows

	2009 £m	2008 £m
Income	**3 1**	5 3
Expenses	**(3.5)**	(4 5)
	(0 4)	0 8
Tax	**(0 1)**	–
Share of results of jointly controlled entities	**(0 5)**	0 8

Company	Interest in subsidiary undertakings £m
Cost	
At 1 January 2008	3,741 8
Impairment of investments	(281 7)
Addition to investments in existing subsidiaries	126 1
At 31 December 2008	3,586 2
Sale of investment in subsidiary to another subsidiary company	(334 2)
At 31 December 2009	**3,252.0**

In 2009 the Company sold a directly held subsidiary investment to another wholly owned subsidiary at cost following internal restructuring

In 2008 additional investments in existing subsidiaries during the year included £79 0m arising on the transfer of an indirect subsidiary investment to direct holding following internal restructuring and an increase in the capitalisation of an existing direct subsidiary of £46 8m

In 2008 following the exceptional impairment of asset values held by subsidiaries, a review was carried out to confirm the recoverability of the investment value in existing subsidiaries of Persimmon Plc As a result of this the carrying value was found to be impaired by £281 7m Following a further review in 2009 there were no other impairments identified

Details of Group undertakings are set out in note 32

18 Available for sale financial assets

Group	2009 £m	2008 £m
At 1 January	**26.2**	9 2
Additions	**39 4**	22 3
Redemptions	**(0.9)**	(0 4)
Imputed interest	**3.3**	–
Impairment through profit and loss	**–**	(4 9)
At 31 December	**68.0**	26 2

Available for sale financial assets due after more than one year are recorded at fair value, being the amount receivable by the Group discounted to present day values The difference between the nominal and the initial fair value is credited over the deferred term to finance income, with the financial asset increasing to its full cash settlement value on the anticipated receipt date Credit risk is accounted for in determining fair values and appropriate discount factors are applied The Group holds a second charge over property sold under shared equity schemes The 2008 impairment of the available for sale financial assets arose due to the impact on the fair value of those assets due to the decline in UK house prices and amounted to £4 9m in the period which was charged as an exceptional item in the statement of comprehensive income The 2009 review indicated no further impairment was required Further disclosures relating to financial assets are set out in note 23

19 Inventories

	Group 2009 £m	Group 2008 Restated £m	Group 2007 Restated £m	Company 2009 £m	Company 2008 £m
Land	**1,633.9**	1,847 5	2,423 6	**–**	–
Work in progress	**485.5**	634 0	814 8	**–**	–
Part exchange properties	**9.3**	54 5	146 9	**–**	–
Showhouses	**59.1**	78 5	78 8	**–**	–
	2,187.8	2,614 5	3,464 1	**–**	–

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues including consumer demand and planning permission delays

As set out in note 6, the Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2009 The impact of these reviews of our net realisable value provisions is a net exceptional credit to the Consolidated Statement of Comprehensive Income of £74 8m An impairment of land and work in progress of £209 3m was recognised in the year (2008 £664 1m restated) and a reversal of £284 1m (2008 £nil) on inventories that were written down in a previous accounting period These charges/reversals mainly arose due to regional selling price movements being higher or lower than anticipated by management during the prior year reviews Our approach to our net realisable value review has been consistent with that conducted at 31 December 2008

The key judgements in estimating the future net present realisable value of a site was the estimation of likely sales prices, house types and costs to complete the developments Sales prices and costs to complete were estimated on a site-by-site basis based upon existing market conditions If the UK housing market were to improve or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required

Following the 2009 review, £752 3m (2008 £1,088 9m) of inventories are valued at fair value less costs to sell rather than at historical cost

Land with a carrying value of £304 8m (2008 £389 5m) was used as security for land payables (note 22)

The value of inventories expensed in 2009 and included in cost of sales was £1,248 9m excluding an impairment reversal of £74 8m on inventories that were written down in a previous accounting period (2008 £1,434 9m, excluding the £664 1m exceptional impairment as restated)

20 Trade and other receivables

	Group 2009 £m	Group 2008 Restated £m	Group 2007 Restated £m	Company 2009 £m	Company 2008 £m
Non-current receivables					
Other receivables	**3.6**	5 2	8 0	–	–
Current receivables					
Trade receivables	**25 1**	46 8	63 7	**0.1**	–
Other receivables	**17.7**	7 8	14 4	**6.1**	2 2
Amounts owed by Group undertakings	**–**	–	–	**256.2**	251 3
Other prepayments and accrued income	**7.4**	15 6	24 6	**0.6**	8 6
	50.2	70 2	102 7	**263 0**	262 1

Trade and other receivables are non-interest bearing, and the Group has no concentration of credit risk, with exposure spread over a large number of customers The Directors consider that the carrying value of trade receivables approximates to their fair value

	2009 £m	2008 £m
Ageing of overdue but not impaired receivables		
Less than 3 months	**4 2**	10 4
Over 3 months	**1 8**	6 1
	6.0	16 5

The carrying value of trade and other receivables are stated after the following allowance for doubtful receivables

	2009 £m	2008 £m
Group		
At 1 January	**6 5**	–
Exceptional impairment losses recognised on receivables	**–**	6 5
Impairment losses recognised on receivables	**2.1**	–
Amounts written off during the year as uncollectable	**(0.5)**	–
Impairment losses reversed	**(1.6)**	–
At 31 December	**6.5**	6 5

21 Borrowings

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current borrowings				
US, UK and EU senior loan notes	**299.7**	507 0	**194 4**	244 8
Syndicated loan	**–**	65 0	**–**	65 0
Finance lease obligations	**0.2**	1 1	**–**	0 2
Financing transaction costs	**(16.9)**	(1 9)	**(15 7)**	(1 9)
	283.0	571 2	**178 7**	308 1
Current borrowings				
Bank overdrafts (note 27)	**–**	23 7	**–**	18 9
US and UK senior loan notes	**115 4**	119 4	**1 2**	119 4
Other loan notes	**1.7**	3 2	**1.7**	3 2
Finance lease obligations	**1.0**	1 3	**0 2**	0 4
Financing transaction costs	**(1.1)**	–	**–**	–
	117.0	147 6	**3.1**	141 9

On 13 March 2009, the Group completed all formalities in securing amended and new credit facilities for the business These facilities include a £322m Forward Start Revolving Credit Facility which becomes available for drawing on 24 November 2010 on the maturity of the existing facility and matures on 31 March 2012 This refinancing has been accounted for as a modification

Detailed disclosure of the Group's usage of financial instruments is included in note 23

Excepting finance leases all borrowings are unsecured The contractual repayment terms of borrowings are as noted below

	Currency	Nominal interest rate	Year of maturity	2009 £m	2008 £m
Bank overdrafts	GBP	Base +2 1%	2010	**–**	23 7
Syndicated loan	GBP	LIBOR +2 75%	2010	**–**	65 0
UK senior loan notes	GBP	7 84%–10 33%	2010–2021	**55.2**	56 4
US senior loan notes	USD	7 85%–11 03%	2010–2016	**355.4**	565 0
EU senior loan notes	EUR	6 52%	2011	**4.5**	5 0
Other loan notes	GBP	LIBOR –0 5%	2011	**1.7**	3 2
Finance lease obligations	GBP	7 00%–9 00%	2010–2012	**1 2**	2 4
Financing transaction costs				**(18.0)**	(1 9)
Carrying value of borrowings				**400.0**	718 8

Additional data on the maturity of financial liabilities and effective interest rates after consideration of these hedges is found in note 23 Hedges have been taken out against all foreign currency denominated borrowings to hedge all principal payments to Sterling and to hedge foreign currency forward interest payments into Sterling payments at either fixed rates or rates linked to UK Libor These hedges therefore form both a hedge of foreign exchange rate and interest rate risk

Finance lease obligations – total minimum lease payments

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Within one year	**1 1**	1 5	**0 2**	0 4
In the second to fifth years inclusive	**0 2**	1 2	**0 1**	0 3
Less future finance charges	**(0.1)**	(0 3)	**(0 1)**	(0 1)
Present value of finance lease obligations	**1 2**	2 4	**0.2**	0 6

There are no finance lease obligations in excess of five years (2008 none)

22 Trade and other payables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current liabilities				
Land payables	**76.4**	131 0	**-**	–
Other payables	**0.8**	1 0	**0.4**	0 4
	77.2	132 0	**0.4**	0 4

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Current liabilities				
Trade payables	**139.6**	174 1	**0.8**	1 8
Land payables	**107.5**	182 7	**-**	–
Deposits and on account contract receipts	**67.1**	43 9	**-**	–
Other payables	**27.2**	27 2	**4.3**	6 7
Accrued expenses	**123.1**	124 0	**17 9**	17 6
Amounts owed to Group undertakings	**-**	–	**2,544.6**	3,008 3
	464.5	551 9	**2,567.6**	3,034 4

Trade payables subject to payment terms were 16 days (2008 32 days), based on the ratio of year end trade payables (excluding retentions and unagreed claims), to amounts invoiced during the year by trade creditors The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms The Directors consider that the carrying amount of trade payables approximates to their fair value

Land payables are reduced for imputed interest, which is charged to the statement of comprehensive income over the credit period of the purchase contract

23 Financial risk management

The Group has exposure to the following risks from its use of financial instruments

- Market risk
- Liquidity risk
- Capital risk
- Credit risk

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes for measuring and managing exposure to them Unless otherwise stated references to Group should be considered to apply to the Company as well

The Board of Directors has overall responsibility for risk management of the Group The Board has established the Risk Committee which has the delegated task of overseeing the Board's responsibility with respect to risk and internal control The Risk Committee reports to the Audit Committee on a regular basis

The Risk Committee is supported in this task by the Group Risk management function The Group Risk function performs an annual assessment of the risks faced by the Group This assessment is used to drive a risk focused programme of work aimed to improve business processes and increase internal control effectiveness

Market risk

Market risk represents the potential for changes in foreign exchange prices and interest rates to affect the Group's profit and the value of its financial instruments It also incorporates the effect of the overall UK housing market on the Group The Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns

The Group has entered into a number of hedge derivative arrangements to limit its exposure to these risks, particularly exchange risk The Group enters into such transactions only as part of periodic wider refinancing undertakings to take advantage of the mature private placement markets in other countries (notably the USA) and only with the approval of the Board of Directors The Group applies hedge accounting to these arrangements in order to minimise profit and loss volatility

23 Financial risk management (continued)

Currency risk

The Group's currency risk principally resides in senior loan notes issued in US dollars and Euros to institutional investors The Group has entered into hedge arrangements for all such loan notes swapping them into Sterling on issue These hedges match the contractual maturity of all principal payments and also match foreign currency contractual interest payment maturities, swapping these to either fixed Sterling payments (designated cash flow hedges) or Sterling payments linked to UK LIBOR (designated fair value hedges)

In this manner the Group's foreign currency senior loan note cash flows are effectively hedged to mirror those of either a fixed or floating rate Sterling denominated loan

The Group also has investments in a number of Portuguese jointly controlled entities These interests are not hedged These investments are considered to be long term in nature

The Group has no other significant currency exposures

The following exchange rates applied during the year

	2009		2008	
	Average rate	**Year end spot rate**	Average rate	Year end spot rate
US Dollar	**1.567**	**1 615**	1 853	1 438
Euro	**1.123**	**1.126**	1 259	1 034

The Group's exposure to foreign currency risk may be summarised as follows

	2009		2008	
	USD $m	**Euro €m**	USD $m	Euro €m
Investments	**–**	**3.0**	–	3 5
Senior loan notes	**(555.0)**	**(5.0)**	(735 2)	(5 0)
Forward exchange contracts	**555.0**	**5.0**	735 2	5 0
Net exposure	**–**	**3.0**	–	3 5

Sensitivity analysis
The hedging arrangements in place over borrowings are such that the Group's profit will be unaffected by any reasonably expected variation in US dollar/sterling exchange rate at the reporting date (2008 £nil) A rise/fall in the Euro/Sterling exchange rate of 10% would result in a £0 3m loss/gain in relation to investments (2008 £0 3m)

Interest rate risk

The Group holds a mixture of both fixed and floating interest borrowings to control its exposure to interest rate risk The Group has no formal target for a ratio of fixed to floating funding The responsibility for setting the level of fixed rate debt lies with the Board of Directors and is continually reviewed in the light of economic data provided by a variety of sources

Fixed rate borrowings are achieved by issuance of fixed rate GBP denominated senior loan notes and by interest rate swaps entered into as part of the hedging arrangements put in place for foreign currency denominated senior loan notes detailed under currency risk above

The relative fixed/floating balance of net debt, after consideration of hedging arrangements, is as follows

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Fixed rate	**127.8**	130 8	**51.7**	54 1
Floating rate	**122.9**	470 4	**(18.7)**	316 1
Net debt	**250.7**	601 2	**33 0**	370 2

Sensitivity analysis
If in the year ended 31 December 2009 UK interest rates had been 0 5% higher/lower then the Group's pre-tax profit would have decreased/increased by £2 2m (2008 £4 1m) The Group's post-tax profit would have decreased/increased by £1 6m (2008 £3 0m)

23 Financial risk management (continued)

These sensitivities have been prepared in respect of the direct impact of such an interest rate change on the financing expense of financial instruments only, and do not attempt to estimate the indirect effect such a change may have on wider economic environment such as house pricing and exchange rates

Housing market risk

The Group is fundamentally affected by the level of UK house prices These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning

Whilst it is not possible for the Group to fully mitigate such risks on a national macroeconomic basis the Group does continually monitor its geographical spread within the UK, seeking to balance its investment in areas offering the best immediate returns with a long term spread of its operations throughout the UK to minimise the effect of local microeconomic fluctuations The Group has taken steps to control its speculative build, land acquisition activities and work in progress levels so as to manage the exposure of the Group to any further market disruption

Sensitivity analysis
At 31 December 2009, if UK house prices had been 5% higher/lower, and all other variables were held constant, the Group's house price linked financial instruments, which are solely available for sale financial assets, would increase/decrease in value, excluding any effects of current or deferred tax, by £3 4m (2008 £1 3m)

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial obligations as they fall due The Group's strategy to managing liquidity risk is to ensure that the Group has sufficient liquid funds to meet all its potential liabilities as they fall due

This is true not only of normal market conditions but also of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation, which would in turn reduce the Group's ability to borrow at optimal rates Therefore the Group remains confident of its continued compliance with financial covenants under both syndicated loan and private placement arrangements even in the event of further deterioration in market conditions

The Group has entered into a number of deferred payment guarantees and performance bonds in the normal course of operations The liabilities to which these guarantees relate are recognised and accounted for in accordance with our standard accounting policies

Liquidity forecasts are produced on (i) a daily basis to ensure that utilisation of current facilities is optimised, (ii) a monthly basis to ensure that covenant compliance targets and medium term liquidity is maintained and (iii) a long term projection basis for the purpose of identifying long term strategic funding requirements

The Directors also continually assess the balance of capital and debt funding of the Group They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Group

The Group operates short term uncommitted overdraft facilities to meet day to day liquidity requirements These facilities are cancellable on request from the bank, however the Group generally maintains low levels of borrowing on these in favour of more cost efficient facilities These overdraft facilities are provided by five leading clearing banks to minimise exposure to any one lender

The Group has a syndicated revolving credit facility committed to November 2010, at a rate linked to LIBOR Undrawn committed facilities at the reporting date amount to £600 0m (2008 £735 0m) Furthermore the Group has secured a forward start facility of £322 3m from November 2010 to March 2012

Refinancing

As noted in our accounts for the year ended 31 December 2008, the Group completed its refinancing in March 2009 This included amendments to the amount, terms and conditions of its Syndicated Credit Facility, provision of a new Forward Start Facility of £322m available for drawing from 24 November 2010 until 31 March 2012 and amendments to the terms and conditions of its existing private placement credit facilities The Directors consider the facilities provide ample headroom and a strong stable funding platform to support the continuing effective management of the business The Group has complied with all its covenants during the year There have been no payment defaults

Repayment of private placement notes

In August 2009 the Group prepaid $12 5m of private placement loan notes at face value ahead of their due date, by mutual agreement with the holder No penalties were paid by either party At the same point the related fair value hedge was cancelled A gain of £0 6m over carrying value was realised in relation to these cancellations

23 Financial risk management (continued)

Cash deposits

The Group has a policy of ensuring cash deposits are made with the primary objective of security of principal Accordingly deposits are made only with approved, respected, high credit rating financial institutions Deposits are spread across such institutions to minimise exposure to any single entity and are made on a short term basis only to preserve liquidity

Capital risk

The capital structure of the Group consists of net debt (borrowings as detailed in notes 21 and 27 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity) The Group's objective in managing capital is primarily to ensure the continued ability of the Group to meet its liabilities as they fall due whilst also maintaining an appropriate balance of equity and borrowings and minimising costs of capital Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest recharges, ensuring capital cost impact is understood and considered by all management tiers

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board

The following are the contractual maturities of financial liabilities, including interest payments (not discounted) These have been calculated using market exchange and LIBOR rates at the year end

Group	**2009 Carrying amount £m**	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
UK senior loan notes	**55.2**	107 4	9 1	4 5	13 5	80 3
US senior loan notes	**355.4**	434 5	141 1	59 9	177 0	56 5
EU senior loan notes	**4 5**	4 9	0 3	4 6	–	–
Other loan notes	**1.7**	1 7	1 7	–	–	–
Finance lease obligations	**1.2**	1 3	1 1	0 2	–	–
Forward currency swaps	**(11.3)**	(9 9)	5 0	(6 4)	(3 3)	(5 2)
Financing transaction costs	**(18.0)**	–	–	–	–	–
Interest bearing financial liabilities	**388.7**	539 9	158 3	62 8	187 2	131 6
Trade and other payables	**290.7**	290 7	289 9	0 4	0 4	–
Land payables	**183.9**	186 5	110 0	26 1	50 4	–
Financial liabilities	**863 3**	1,017 1	558 2	89 3	238 0	131 6

Group	2008 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Bank overdrafts	23 7	23 7	23 7	–	–	–
Syndicated loan	65 0	68 1	1 7	66 4	–	–
UK senior loan notes	56 4	88 3	4 1	7 0	7 8	69 4
US senior loan notes	565 0	593 5	142 2	153 9	235 3	62 1
EU senior loan notes	5 0	5 3	0 2	0 2	4 9	–
Other loan notes	3 2	3 2	3 2	–	–	–
Finance lease obligations	2 4	2 7	1 5	0 9	0 3	–
Forward currency swaps	(116 8)	(86 8)	(22 6)	(11 7)	(39 2)	(13 3)
Financing transaction costs	(1 9)	–	–	–	–	–
Interest bearing financial liabilities	602 0	698 0	154 0	216 7	209 1	118 2
Trade and other payables	326 3	326 3	325 3	0 5	0 5	–
Land payables	313 7	321 4	187 9	66 4	67 1	–
Financial liabilities	1,242 0	1,345 7	667 2	283 6	276 7	118 2

23 Financial risk management (continued)

Company	2009 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
UK senior loan notes	**52.2**	104 1	5 8	4 5	13 5	80 3
US senior loan notes	**138.9**	183 0	12 0	50 6	63 9	56 5
EU senior loan notes	**4 5**	4 9	0 3	4 6	–	–
Other loan notes	**1 7**	1 7	1 7	–	–	–
Finance lease obligations	**0.2**	0 3	0 2	0 1	–	–
Forward currency swaps	**(17.8)**	(20 8)	(3 0)	(6 3)	(6 3)	(5 2)
Financing transaction costs	**(15.7)**	–	–	–	–	–
Interest bearing financial liabilities	**164.0**	273 2	17 0	53 5	71 1	131 6
Trade and other payables	**2,568.0**	2,568 0	2,567 6	0 2	0 2	–
Financial liabilities	**2,732.0**	2,841 2	2,584 6	53 7	71 3	131 6

It is noted that £2,544 6m (2008 £3,008 3m) of other payables refer to amounts owed to subsidiary undertakings Whilst generally repayable upon demand, in practice it is unlikely there will be any required repayment in the short term

Company	2008 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Bank overdrafts	18 9	18 9	18 9	–	–	–
Syndicated loan	65 0	68 1	1 7	66 4	–	–
UK senior loan notes	53 5	84 9	3 9	3 8	7 8	69 4
US senior loan notes	305 7	316 6	127 3	17 4	109 8	62 1
EU senior loan notes	5 0	5 3	0 2	0 2	4 9	–
Other loan notes	3 2	3 2	3 2	–	–	–
Finance lease obligations	0 6	0 7	0 4	0 2	0 1	–
Forward currency swaps	(79 8)	(65 7)	(21 6)	(4 8)	(26 0)	(13 3)
Financing transaction costs	(1 9)	–	–	–	–	–
Interest bearing financial liabilities	370 2	432 0	134 0	83 2	96 6	118 2
Trade and other payables	3,034 8	3,034 8	3,034 4	0 3	0 1	–
Financial liabilities	3,405 0	3,466 8	3,168 4	83 5	96 7	118 2

Credit risk

The nature of the UK housing industry and the legal framework surrounding it results in the Group having a low exposure to credit risk

In the majority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the Group's accounting policies

In certain specific circumstances the Group has entered into shared equity arrangements (not applicable to the Company) The pressures of recent market conditions necessitated an increase in this form of sales structure during 2008 In such cases the long term debt is secured upon the property concerned The Group does not recognise collateral rights as a separate asset, nor does it have rights to trade such collateral Reductions in property values leads to an increase in the credit risk of the Group in respect of such sales The charge for provision for credit impairment in the year amounted to £nil (2008 £4 9m)

23 Financial risk management (continued)

The maximum total credit risk is as follows

Group	2009 £m	2008 £m
Loans and receivables	46 4	59 8
Available for sale financial assets	68.0	26 2
Cash and cash equivalents	138.0	0 8
	252.4	86 8
Company		
Loans and receivables (including intercompany balances)	262.4	253 5
Cash and cash equivalents	131.0	–
	393 4	253 5

The maximum credit exposure of the Group to overseas parties is under £0 1m (2008 £0 2m) (Company £nil (2008 £nil)) The Group's credit risk is widely distributed The maximum credit risk should any single party (excepting financial institutions) fail to perform is £2 2m (2008 £2 7m) and is not yet due (Company £115 0m (2008 £115 2m) being a subsidiary debtor) The Directors consider these financial assets to be of high quality and the credit risk is assessed as low The maximum credit risk associated with a financial institution in respect of short term cash deposits is £51 7m (2008 £0 4m)

Fair value

The fair value of financial assets and liabilities is as follows

	2009		2008	
Group	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m
Trade and other receivables	46 4	46 4	59 8	59 8
Available for sale financial assets	68.0	68.0	26 2	26 2
Cash and cash equivalents	138 0	138.0	0 8	0 8
Bank overdrafts	–	–	(23 7)	(23 7)
Syndicated loan	–	–	(65 0)	(65 0)
UK senior loan notes	(61.3)	(55.2)	(64 0)	(56 4)
US senior loan notes	(358.4)	(355.4)	(574 9)	(565 0)
EU senior loan notes	(4.5)	(4.5)	(5 0)	(5 0)
Other loan notes	(1.7)	(1.7)	(3 2)	(3 2)
Finance lease obligations	(1.2)	(1 2)	(2 4)	(2 4)
Trade and other payables	(290 7)	(290.7)	(326 3)	(326 3)
Land payables	(183.9)	(183.9)	(313 7)	(313 7)
Forward currency swaps	11 3	11.3	116 8	116 8
Financing transaction costs	–	18.0	–	1 9
	(638.0)	(610.9)	(1,174 6)	(1,155 2)
Unrecognised loss		27 1		19 4

23 Financial risk management (continued)

Company	2009 Fair value £m	2009 Carrying value £m	2008 Fair value £m	2008 Carrying value £m
Trade and other receivables	**262.4**	**262.4**	253 5	253 5
Cash and cash equivalents	**131.0**	**131.0**	–	–
Bank overdrafts	–	–	(18 9)	(18 9)
Syndicated loan	–	–	(65 0)	(65 0)
UK senior loan notes	**(61 3)**	**(52.2)**	(60 9)	(53 5)
US senior loan notes	**(138.9)**	**(138.9)**	(305 7)	(305 7)
EU senior loan notes	**(4.5)**	**(4.5)**	(5 0)	(5 0)
Other loan notes	**(1.7)**	**(1.7)**	(3 2)	(3 2)
Finance lease obligations	**(0.2)**	**(0.2)**	(0 6)	(0 6)
Trade and other payables	**(2,568.0)**	**(2,568.0)**	(3,034 8)	(3,034 8)
Forward currency swaps	**17.8**	**17.8**	79 8	79 8
Financing transaction costs	–	**15.7**	–	1 9
	(2,363.4)	**(2,338.6)**	(3,160 8)	(3,151 5)
Unrecognised loss		**24.8**		9 3

Income and expense in relation to financial instruments is disclosed in note 9

Financial assets and liabilities by category

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Financial assets held at fair value	**20.8**	116 8	**17 8**	79 8
Available for sale financial assets	**68.0**	26 2	–	–
Loans and receivables	**46.4**	59 8	**262.4**	253 5
Cash and cash equivalents	**138.0**	0 8	**131.0**	–
Financial liabilities at fair value	**(9 5)**	–	–	–
Financial liabilities at amortised cost adjusted for the fair value of hedged risks	**(292.3)**	(497 6)	**(141.9)**	(310 7)
Financial liabilities at amortised cost	**(582.3)**	(861 2)	**(2,607.9)**	(3,174 1)
	(610.9)	(1,155 2)	**(2,338.6)**	(3,151 5)

Financial assets and liabilities carried at fair value are categorised with the hierarchical classification of IFRS 7 Revised (as defined within the standard) as follows

Group	2009 Level 2 £m	2009 Level 3 £m	2009 Total £m	2008 Level 2 £m	2008 Level 3 £m	2008 Total £m
Financial assets at fair value	**20.8**	–	**20.8**	116 8	–	116 8
Available for sale financial assets	–	**68.0**	**68.0**	–	26 2	26 2
Financial liabilities at fair value	**(9.5)**	–	**(9 5)**	–	–	–
	11.3	**68.0**	**79 3**	116 8	26 2	143 0

Company	2009 Level 2 £m	2009 Level 3 £m	2009 Total £m	2008 Level 2 £m	2008 Level 3 £m	2008 Total £m
Financial assets at fair value	**17.8**	–	**17 8**	79 8	–	79 8
	17.8	–	**17 8**	79 8	–	79 8

23 Financial risk management (continued)

Fair values of financial assets and liabilities are determined by reference to the rates at which they could be exchanged between knowledgeable and willing parties Where no such price is readily available then fair value is determined by discounting net forward cash flows for the residual period of the contract by a risk adjusted rate In the case of available for sale assets there exists an element of uncertainty over the precise final timing and value of receipts which cannot be fully assessed from observable market data Available for sale assets consist of a substantial number of low value individual assets and have therefore, due to practical constraints, been valued based on market indices and not individual valuations

Hedge accounting

Persimmon currently hedge only foreign currency denominated private placement loan notes All hedging instruments are in the form of forward currency swap agreements, and the entirety of the Group's forward currency swap agreements are designated hedges The fair value of hedging instruments is an asset of £11 3m (2008 £116 8m)

As foreign currency loan notes all bear fixed interest rates it has been possible to exactly match the foreign currency cash flow requirements with these forward currency swaps, resulting in a very high level of effectiveness These swaps hedge all foreign currency cash flows, both principal and interest

The swap agreements in respect of certain US private placement loan notes, and all EU private placement loan notes, hedge the fixed foreign currency interest cash flows to sterling cash flows linked to UK LIBOR These swaps therefore have the effect of mirroring a UK LIBOR linked loan arrangement These swaps are designated fair value hedges and hedge foreign currency risk

Further swap agreements in respect of certain US private placement loan notes hedge the fixed foreign currency cash flows to fixed sterling cash flows These swaps therefore have the effect mirroring a UK fixed rate loan arrangement These swaps are designated cash flow hedges and hedge both foreign currency risk and interest rate risk

The resulting balance of fixed and floating net debt after application of these hedges is disclosed under liquidity risk above

The periods when the balances relating to cash flow hedges will affect profit are as follows

		Group
	2009 £m	2008 £m
Less than 1 year	**(0.6)**	0 4
1–2 years	**–**	(0 3)
2–5 years	**–**	–
Over 5 years	**–**	–
Carrying value	**(0.6)**	0 1

There was no hedge ineffectiveness during the period The Company did not operate cash flow hedges during the year (2008 nil)

24 Deferred tax

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year

	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Imputed interest £m	Derivatives £m	Other temporary differences £m	Total £m
At 1 January 2008	1 3	17 0	2 5	2 7	(0 4)	(3 7)	19 4
Credit/(charge) to profit and loss (note 11 1)	0 3	(3 3)	(1 8)	0 1	–	(22 7)	(27 4)
(Charge)/credit to other comprehensive expense (note 11 2)	–	(11 6)	–	–	0 3	–	(11 3)
Charge to equity (note 11 3)	–	–	(0 7)	–	–	–	(0 7)
At 1 January 2009	1 6	2 1	–	2 8	(0 1)	(26 4)	(20 0)
Credit/(charge) to profit and loss (note 11 1)	1 2	1 2	–	(0 1)	–	2 2	4 5
Credit to other comprehensive expense (note 11 2)	–	19 0	–	–	0 3	–	19 3
At 31 December 2009	**2.8**	**22.3**	**–**	**2.7**	**0.2**	**(24.2)**	**3.8**

24 Deferred tax (continued)

As permitted by IAS 12 (Income Taxes), certain deferred tax assets and liabilities have been offset The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes

	2009 £m	2008 £m
Pension scheme	**22.3**	2 1
Other items, including capital allowances	**5.6**	4 4
Deferred tax assets	**27.9**	6 5
Brands	**(16.8)**	(16 8)
Other items, including capital allowances	**(7.3)**	(9 7)
Deferred tax liabilities	**(24.1)**	(26 5)
	3.8	(20 0)

The Group has recognised deferred tax assets of £22 3m (2008 £2 1m) on £79 6m (2008 £7 7m) of the total pension deficit of £114 4m (2008 £95 3m) The Group has not recognised deferred tax assets on c £44m of tax losses carried forward (2008 c £109m)

The following are the deferred tax assets and liabilities recognised by the Company and the movements thereon during the current and prior year

	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Other temporary differences £m	Total £m
At 1 January 2008	(0 1)	17 0	2 5	1 9	21 3
Credit/(charge) to profit and loss	0 4	(0 9)	(1 8)	(1 9)	(4 2)
Charge to equity	–	–	(0 7)	–	(0 7)
Charge to other comprehensive expense	–	(11 6)	–	–	(11 6)
Other adjustments	–	(2 4)	–	–	(2 4)
At 1 January 2009	0 3	2 1	–	–	2 4
Credit to profit and loss	–	1 2	–	–	1 2
Credit to other comprehensive expense	–	19 0	–	–	19 0
At 31 December 2009	**0.3**	**22.3**	**–**	**–**	**22.6**

No deferred tax assets and liabilities have been offset (2008 £nil)

25 Share capital

	2009 £m	2008 £m
Authorised		
365,000,000 (2008 365,000,000) ordinary shares of 10p each	**36.5**	36 5
Allotted, called up and fully paid		
302,591,431 (2008 302,591,431) ordinary shares of 10p each	**30 3**	30 3

The Company has one class of ordinary shares which carry no right to fixed income All issued shares are fully paid There have been no movements in share capital during the year

The Company has established Employee Benefit Trusts (EBT) to hold shares for participants of the Company's various share schemes The Trustee is Persimmon (Share Scheme Trustees) Limited, a subsidiary company During 2009, the Trustee made a market purchase of 36,000 shares at an average price of £4 15 and transferred 101,358 shares to employees At 31 December 2009 the trust held 40,280 shares (2008 105,638) on which dividends have been waived The market value of these shares at 31 December 2009 was £0 2m (2008 £0 2m) At 31 December 2009 the Company held 2,154,179 (2008 2,403,740) shares with a market value of £10 1m (2008 £5 5m) on which dividends have been waived

25 Share capital (continued)

Own shares

Own shares purchased are reconciled as follows

	Group £m	Company £m
Balance at 31 December 2008	21 5	21 2
Acquired in the period	0 2	–
Disposed of on exercise/vesting to employees	(2 8)	(2 4)
Balance at 31 December 2009	**18.9**	**18.8**

26 Reconciliation of net cash flow to net debt

Group	**2009 £m**	2008 £m
Increase in net cash and cash equivalents	**160.9**	25 9
Decrease in debt and finance lease obligations	**174.3**	96 7
Financing transaction costs	**21.4**	1 9
Decrease in net debt from cash flows	**356 6**	124 5
New finance lease obligations	**-**	(0 6)
Non-cash movements	**(6.1)**	(0 8)
Decrease in net debt	**350.5**	123 1
Net debt at 1 January	**(601.2)**	(724 3)
Net debt at 31 December	**(250.7)**	(601 2)

Company	**2009 £m**	2008 £m
Increase in net cash and cash equivalents	**149.9**	48 5
Decrease in debt and finance lease obligations	**173.6**	28 8
Financing transaction costs	**18 0**	1 9
Decrease in net debt from cash flows	**341 5**	79 2
New finance lease obligations	**(0 1)**	(0 2)
Non-cash movements	**(4.2)**	–
Decrease in net debt	**337.2**	79 0
Net debt at 1 January	**(370.2)**	(449 2)
Net debt at 31 December	**(33.0)**	(370 2)

27 Analysis of net debt

Group	2009 £m	Cash flow £m	Other non-cash movements £m	2008 £m
Cash and cash equivalents	**138.0**	137 2	–	0 8
Bank overdrafts (note 21)	**–**	23 7	–	(23 7)
Net cash and cash equivalents	**138.0**	160 9	–	(22 9)
Bank loans	**–**	65 0	–	(65 0)
US and UK senior loan notes due within one year	**(115.4)**	98 6	(94 6)	(119 4)
US, UK and EU senior loan notes due after more than one year	**(299.7)**	8 0	199 3	(507 0)
Other loan notes due within one year	**(1 7)**	1 5	–	(3 2)
Forward currency swaps	**11.3**	–	(105 5)	116 8
Finance lease obligations	**(1.2)**	1 2	–	(2 4)
Financing transaction costs	**18.0**	21 4	(5 3)	1 9
Net debt at 31 December	**(250.7)**	356 6	(6 1)	(601 2)

Company	2009 £m	Cash flow £m	Other non-cash movements £m	2008 £m
Cash and cash equivalents	**131.0**	131 0	–	–
Bank overdrafts (note 21)	**–**	18 9	–	(18 9)
Net cash and cash equivalents	**131.0**	149 9	–	(18 9)
Bank loans	**–**	65 0	–	(65 0)
US and UK senior loan notes due within one year	**(1.2)**	98 6	19 6	(119 4)
US, UK and EU senior loan notes due after more than one year	**(194.4)**	8 0	42 4	(244 8)
Other loan notes due within one year	**(1.7)**	1 5	–	(3 2)
Forward currency swaps	**17.8**	–	(62 0)	79 8
Finance lease obligations	**(0.2)**	0 5	(0 1)	(0 6)
Financing transaction costs	**15.7**	18 0	(4 2)	1 9
Net debt at 31 December	**(33.0)**	341 5	(4 3)	(370 2)

Net debt is defined as cash and cash equivalents bank overdrafts finance lease obligations, interest bearing borrowings and related hedging swap instruments

28 Contingent liabilities

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees Management estimate that the bonds and guarantees amount to £300m (2008 £326m), and confirm that the possibility of cash outflow is considered minimal and no provision is required

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligation cannot be made

The Company has entered into guarantees of certain financial liabilities of related undertakings as detailed in note 33

29 Operating leases

At 31 December total outstanding commitments for future minimum lease payments under non-cancellable operating leases were as follows

Group as lessee	2009 £m	2008 £m
Expiring within one year	**0.8**	0 8
Expiring in the second to fifth years inclusive	**4 6**	5 3
Expiring after five years	**15.4**	17 1
	20.8	23 2
Company as lessee		
Expiring within one year	**0.1**	0 1
Expiring in the second to fifth years inclusive	**0.2**	0 2
Expiring after five years	**–**	–
	0.3	0 3

The Group receives sundry rental income under short term leases arising from its long term land holdings There are no minimum lease receipts as no lease is held under a non-cancellable agreement

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicles Motor vehicles have an average term of 1 0 year to expiry (2008 1 3 years) Property leases have an average term of 7 9 years to expiry (2008 9 1 years)

30 Retirement benefit obligations

At 31 December 2009 the Group operated three employee pension schemes, a stakeholder scheme and two defined benefit schemes Actuarial gains and losses are recognised in full as other comprehensive expense through the statement of comprehensive income All other pension scheme costs are reported as operating expenses in the statement of comprehensive income Expected costs in relation to current employees are charged to the relevant operating business All other pension scheme costs are borne by the Company

Persimmon Group Stakeholder Scheme

The Persimmon Group Stakeholder Scheme is a defined contribution scheme available to new salaried employees The Group matches employees' own contributions to their individual Stakeholder plans up to 9% of basic salary depending on the length of service Group contributions to this scheme of £0 9m (2008 £1 2m) are expensed through the statement of comprehensive income as incurred

Persimmon Plc Pension & Life Assurance Scheme

The Persimmon Plc Pension & Life Assurance Scheme (the 'Persimmon Scheme') is a defined benefit scheme which was closed to new members in 2001 The assets of the Persimmon Scheme are held separately from those of the Group An actuarial valuation of the Persimmon Scheme was carried out as at 1 January 2008 by a professionally qualified actuary and adopted the projected unit method Under the projected unit method the current service cost, as a percentage of Persimmon Scheme members' pensionable pay, will increase as the active members approach retirement Standard 2000 mortality tables applying a medium cohort effect with an underpin of 1 25% p a for males and 0 75% p a for females were used as a basis to calculate the future liability

Prowting Pension Scheme

On acquisition of Westbury plc in 2006 the Group assumed control of the Prowting Pension Scheme (the 'Prowting Scheme') a defined benefit scheme The Prowting Scheme was closed to new members prior to the acquisition The assets of the Prowting Scheme are held separately from those of the Group The most recent completed actuarial valuation of the Prowting Scheme was carried out as at 31 March 2009 by a professionally qualified actuary and adopted the projected unit method Under the projected unit method the current service cost, as a percentage of Prowting Scheme members' pensionable pay, will increase as the active members approach retirement Standard 2000 mortality tables, applying a medium cohort effect with an underpin of 1 25% p a for males and 0 75% p a for females were used as a basis to calculate the future liability

30 Retirement benefit obligations (continued)

The assets of both defined benefit schemes have been calculated at fair value and the liabilities, at each balance sheet date, have been calculated based on the following financial assumptions (figures presented are an aggregation of both defined benefit schemes)

	2009 % p.a.	2008 % p a
Discount rate	**5.60**	6 10
General pay increases	**3.60**	3 50
Inflation assumption	**3.60**	2 90
Pension increases – Limited Price Indexation	**3.40**	2 90
Expected return on Scheme assets		
Equities	**8.25**	7 50
Bonds	**5.00**	4 90
Property	**8.00**	6 50
Cash	**4.50**	3 80

Persimmon Plc employs a building block approach in identifying the long term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long term rate of return on each asset class is set out above The overall expected rate of return on assets is then derived by aggregating the expected return of each asset class over the actual asset allocation for the scheme at 31 December 2009

The major categories of scheme assets as a percentage of the total fair value of scheme assets are as follows

	2009 %	2008 %
Equities	**65**	60
Bonds	**32**	31
Property	**–**	–
Other	**3**	9

The amounts recognised in the statement of comprehensive income are as follows

	2009 £m	2008 £m
Current service cost	**3 2**	4 8
Curtailment credit	**–**	(2 1)
Interest cost	**19 3**	19 4
Expected return on scheme assets	**(13.8)**	(19 6)
Total (included in staff costs)	**8.7**	2 5
Net actuarial loss recognised in other comprehensive expense	**29.0**	43 8
Total defined benefit scheme loss recognised	**37.7**	46 3

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class

30 Retirement benefit obligations (continued)

The cumulative loss recognised in other comprehensive income/expense since the adoption of IAS 19 (Revised) is £60 1m (2008 £31 1m loss)

	2009 £m	2008 £m
Expected return on scheme assets	**13.8**	19 6
Actuarial gain/(loss) on scheme assets	**28.8**	(66 5)
Actual return on scheme assets	**42.6**	(46 9)

The amounts included in the balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows

	2009 £m	2008 £m
Present value of funded obligations	**387 3**	324 0
Fair value of scheme assets	**(272.9)**	(228 7)
Deficit in the scheme and net liability in the balance sheet	**114 4**	95 3

A deferred tax asset totalling £22 3m (2008 £2 1m) has been recognised on the balance sheet in relation to the net pension obligation

Movements in the liability recognised on the balance sheet were as follows

	2009 £m	2008 £m
At 1 January	**95.3**	60 7
Total loss recognised in the period	**37.7**	46 3
Company contributions paid in the period	**(18.6)**	(11 7)
At 31 December	**114.4**	95 3

Changes in the present value of the defined benefit obligation were as follows

	2009 £m	2008 £m
At 1 January	**324.0**	340 0
Current service cost	**3.2**	4 8
Interest cost	**19.3**	19 4
Actuarial losses/(gains) on liabilities	**57 8**	(22 7)
Gain on curtailment	**–**	(2 1)
Benefits paid	**(17 0)**	(15 4)
At 31 December	**387 3**	324 0

Changes in the fair value of scheme assets were as follows

	2009 £m	2008 £m
At 1 January	**228.7**	279 3
Expected return	**13.8**	19 6
Actuarial gains/(losses) on assets	**28.8**	(66 5)
Contributions	**18.6**	11 7
Benefits paid	**(17.0)**	(15 4)
At 31 December	**272.9**	228 7

30 Retirement benefit obligations (continued)

A three year history of experience adjustments is as follows

	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligation	**(387.3)**	(324 0)	(340 0)
Fair value of scheme assets	**272.9**	228 7	279 3
Deficit in the scheme	**(114.4)**	(95 3)	(60 7)
Experience adjustments on scheme liabilities	–	–	–
Percentage of scheme liabilities	–	–	–
Experience adjustments on scheme assets	**28.8**	(66 5)	(1 2)
Percentage of scheme assets	**10.6%**	(29 1%)	(0 4%)

The expected employer contributions to the defined benefit schemes during 2010 is £17 1m

Post retirement life expectancy assumptions for retirement aged staff are as follows

	2009 Years	2008 Years
Male current pensioner	**21.9**	22 4
Female current pensioner	**23.9**	24 3
Male future pensioner	**23.5**	23 9
Female future pensioner	**25.4**	25 3

The Company does not present valuations of its own separate assets and liabilities under the defined benefit schemes as this is a multi-employer plan in existence for many years and it has been impractical to separately identify such assets and liabilities subsequent to the transition to IFRS

31 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below All schemes are equity settled In accordance with IFRS 2, only costs relating to options issued after 7 November 2002 have been charged to the statement of comprehensive income

The Save As You Earn Scheme is an HMRC approved scheme open to all permanent employees with more than six months' service Options can normally be exercised three years after the date of grant

Options have been issued to senior management (including the executive Directors) under the Group's various executive share option schemes, which includes two long term incentive plans (LTIPs) Vesting of options granted under the LTIPs was dependent on the Group's return on capital employed and its total shareholder return versus (i) a comparator group of house building companies for options granted before 2007, (ii) a comparator group of the constituents of the FTSE 100 at date of grant for options granted in 2007 and March 2008 and (iii) total shareholder return versus a comparator group of the constituents of the FTSE 250 at date of grant and cash generation for options granted in September 2008 and April 2009 to senior employees These conditions have been factored into the option value applied

Reconciliations of share options outstanding during each period, under each type of share scheme are as follows

	2009 Save As You Earn Scheme		2008 Save As You Earn Scheme	
Group and Company	Number of shares under option	Weighted average exercise price (p)	Number of shares under option	Weighted average exercise price (p)
Outstanding at the beginning of the year	**2,027,039**	**697.9**	1,478,294	803 1
Granted during the year	**347,330**	**400.0**	1,512,333	326 0
Forfeited during the year	**(711,080)**	**(548.8)**	(920,200)	(763 6)
Exercised during the year	**(2,821)**	**(326.0)**	(43,388)	(541 7)
Outstanding at the end of the year	**1,660,468**	**387.1**	2,027,039	448 7
Exercisable at the end of the year	**53,486**	**990.6**	282,385	697 9

31 Share-based payments (continued)

Group and Company	2009 Executive Share Schemes Number of shares under option	2009 Executive Share Schemes Weighted average exercise price (p)	2008 Executive Share Schemes Number of shares under option	2008 Executive Share Schemes Weighted average exercise price (p)
Outstanding at the beginning of the year	**103,271**	**430.3**	249,754	368.6
Granted during the year	–	–	–	–
Forfeited during the year	**(83,721)**	**(440.2)**	–	–
Exercised during the year	–	–	(146,483)	(325.1)
Outstanding at the end of the year	**19,550**	**380.1**	103,271	430.3
Exercisable at the end of the year	**19,550**	**388.1**	103,271	430.3

Group and Company	2009 Bonus Shares Scheme Number of shares under option	2008 Bonus Shares Scheme Number of shares under option
Outstanding at the beginning of the year	**140,811**	198,392
Granted during the year	–	80,812
Forfeited during the year	–	(1,921)
Exercised during the year	**(101,358)**	(136,472)
Outstanding at the end of the year	**39,453**	140,811
Exercisable at the end of the year	–	–

Group and Company	2009 Long Term Incentive Plans Number of shares under option	2008 Long Term Incentive Plans Number of shares under option
Outstanding at the beginning of the year	**2,092,593**	1,037,232
Granted during the year	**876,520**	1,440,181
Forfeited during the year	**(373,177)**	(126,474)
Exercised during the year	–	(258,346)
Outstanding at the end of the year	**2,595,936**	2,092,593
Exercisable at the end of the year	–	252,300

Group and Company	2009 Synergy Incentive Plan Number of shares under option	2008 Synergy Incentive Plan Number of shares under option
Outstanding at the beginning of the year	**775,000**	775,000
Granted during the year*	**52,990**	–
Forfeited during the year	–	–
Exercised during the year	**(246,740)**	–
Outstanding at the end of the year	**581,250**	775,000
Exercisable at the end of the year	–	–

* Represents the dividend equivalent in accordance with the rules of the Synergy Incentive Plan

31 Share-based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the period was 394 8p (2008 580 4p) The options outstanding at 31 December 2009 had a range of exercise prices from zero to 753 0p and a weighted average remaining contractual life of 1 5 years (2008 1 9 years)

The inputs into the binomial option-pricing model for options that were granted in the year were as follows

	SAYE 2009	LTIP April 2009
Grant date	15 October	8 April
Risk free interest rate	1 57%	2 16%
Exercise price	400p	nil
Share price at date of grant	446p	401p
Expected dividend yield	0%	0%
Expected life	3 years	3 years
Date of vesting	1 December 2012	8 April 2012
Expected volatility	45%	45%
Fair value of option	105p	332p

Expected volatility was determined by calculating the historic volatility of the Group's share price over various timescales

The expected life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations

In 2009, the Group recognised total expenses of £3 6m (2008 £4 4m) in relation to equity settled share-based payment transactions in the Consolidated statement of comprehensive income These option charges have been credited against the retained earnings reserve All share-based payments are expensed by the Company The Company makes management charges to its subsidiaries which include the cost of providing this benefit to their employees

32 Details of Group undertakings

The Directors set out below information relating to the major subsidiary undertakings (those that principally affect the profits and assets of the Group) of Persimmon Plc at 31 December 2009 All of these companies are registered in England 100% of voting rights are held by companies within the Group Having made use of the exemption in section 410 of the Companies Act 2006, a full list of subsidiary undertakings and jointly controlled entities will be annexed to the Company's next annual return

Major subsidiary undertakings

Persimmon Homes Limited°	Charles Church Developments Limited^Δ	Westbury Limited**
Persimmon Holdings Limited*	Beazer Group Limited***	

° The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc

Δ The shares of this company are held by Persimmon Holdings Limited

The shares of this company are held by Persimmon Finance Limited and Persimmon Plc

** The shares of this company are held by Persimmon Plc

*** The shares of this company are held by Persimmon Homes Limited

33 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 (Related Party Disclosures) Summary information of the transactions with key management personnel is provided in note 7 Detailed disclosure of the individual remuneration of Board members is included in the Remuneration Report on pages 32 to 38 There is no difference between transactions with key management personnel of the Company and the Group

In 2008, the Group engaged N M Rothschild & Sons Limited to act as an advisor to the Company on the amendment of its banking facilities, and entering into new banking facilities At 31 December 2008, there was an outstanding balance owed by the Group to N M Rothschild & Sons Limited of £0 7m Following the agreement and signing of full documentation relating to these credit facilities (including a new Forward Start Banking Facility), the Company paid a further £0 3m to N M Rothschild & Sons Limited All outstanding amounts had been settled as at 31 December 2009

In 2009, the Group sold two vehicles which were surplus to operational requirements to John White, Group Chairman, for a total consideration of £38,100, being their open market value based on external valuations There were no amounts outstanding at 31 December 2009 in relation to this transaction

There have been no other transactions between key management personnel and the Company, apart from those referred to above

The Company has entered into transactions with its subsidiary undertakings in respect of the following internal funding loans and provision of Group services (including senior management, IT, accounting, marketing, purchasing, legal and conveyancing services) Recharges are made to subsidiary undertakings for Group loans, based on funding provided, at an interest rate linked to average Group borrowing costs No recharges are made in respect of balances due to or from otherwise dormant subsidiaries Recharges are made for Group services based on utilisation of those services

During the year these recharges amounted to

	2009 £m	2008 £m
Interest charges on intra-group funding	**29 9**	34 1
Group services recharges	**24 0**	17 4
	53 9	51 5

In addition to these services the Company acts as a buying agent for certain Group purchases, such as insurance These are recharged at cost based on utilisation by the subsidiary undertaking

The amount outstanding from subsidiary undertakings to the Company at 31 December 2009 totalled £256 2m (2008 £251 3m) Amounts owed to subsidiary undertakings by the Company at 31 December 2009 totalled £2,544 6m (2008 £3,008 3m)

The Company provides the Group's defined benefit pension scheme Expected service costs are charged to the operating businesses at cost There is no contractual arrangement or stated policy relating to the net defined benefit cost Experience and actuarial gains and losses are recognised in the Company

Certain subsidiary undertakings have entered into guarantees of external bank loans and overdrafts of the Company The total value of such borrowings at 31 December 2009 was £195 6m (2008 £449 3m) The Company has entered into guarantees over bank loans and borrowings of the subsidiary undertakings The total value of such borrowings at 31 December 2009 was £241 4m (2008 £279 4m)

The Company has suffered no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2008 £nil)

Shareholder Information Analysis of shareholding at 31 December 2009

Size of shareholding	Number of shareholders	%
1 – 5,000	11,603	92 10
5,001 – 50,000	592	4 70
50,001 – 250,000	230	1 83
250,001 and over	173	1 37
Total	**12,598**	**100.00**

Share price – year ended 31 December 2009

Price at 31 December 2009	4 69½
Lowest for year	2 50¾
Highest for year	5 21½

The above share prices are the middle-market closing share prices as derived from the London Stock Exchange Daily Official List

Financial Calendar 2010

Annual General Meeting	22 April 2010
Interim Management Statement	22 April 2010
Trading Update	6 July 2010
Announcement of Half Year Results	24 August 2010
Interim Management Statement	16 November 2010

Five Year Record

	2009*	2008*	2007	2006†	2005
Unit sales	**8,976***	10,202	15,905	16,701	12,636
Revenue	**£1,420.6m***	£1,755 1m	£3,014 9m	£3,141 9m	£2,285 7m
Average selling price^Δ	**£160,513***	£172,994	£189,558	£188,129	£180,892
Profit from operations	**£57.2m***	£198 3m	£657 3m	£637 3m	£527 8m
Profit before tax	**£7 0m***	£126 6m	£585 1m	£566 7m	£495 4m
Basic earnings per share	**2.1p***	35 3p	138 3p	133 8p	118 4p
Diluted earnings per share	**2.1p***	35 2p	137 6p	133 1p	118 0p
Dividend per share	**nil***	5 00p	51 20p	46 50p	31 00p
Net assets per share	**540 2p***	518 0p	781 4p	680 2p	574 9p
Total shareholders' equity	**£1,623.2m***	£1,555 2m	£2,345 4m	£2,031 3m	£1,692 0m
Return on capital employed	**2.1%***	6 2%	21 7%	23 1%	28 8%

All figures shown before goodwill amortisation/impairment where applicable

* 2008 and 2009 figures stated before exceptional items

† 2006 figures stated after reorganisation costs

Δ Average selling price calculated from nominal value of revenue (before IAS 18 adjustment to fair value shared equity sales)

Directory

North Division

North Division Board

Jeff Fairburn
Division Chief Executive

John Cassie
Scotland Regional Chairman

Corinne Gill
Associate Director – Group Finance

David Jenkinson
North East Regional Chairman

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Group Partnership Director Ashley Lane

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Managing Director Chris Hagan

Directors

John White	Group Chairman
Mike Farley	Group Chief Executive
Mike Killoran	Group Finance Director
Jeff Fairburn	North Division Chief Executive
Hamish Leslie Melville	Non-executive Director
David Thompson	Senior Independent Director
Neil Davidson	Non-executive Director
Nicholas Wrigley	Non-executive Director
Richard Pennycook	Non-executive Director
Jonathan Davie	Non-executive Director

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Group Company Secretary
Neil Francis

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Bankers
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Lloyds TSB Bank plc
Barclays Bank PLC
HSBC plc
National Australia Bank Ltd

Financial advisors/ stockbrokers
Merrill Lynch International
Citigroup Global Markets Limited

Solicitors
Mayer Brown International LLP

Registrars
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Information on the Internet:

Our website contains

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www persimmonhomes com

A buyers' guide to Persimmon and Charles Church new homes

Persimmon Group
www corporate persimmonhomes com

Financial and corporate information on the Group including current share price

Recruitment
http //recruitment persimmonhomes com

Information on the careers and positions available within the Persimmon Group

Corporate Responsibility
www corporate persimmonhomes com

This section includes the Sustainability Report, our report on corporate responsibility and the sustainability of our new homes

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