TUESDAY 3 MARCH 2009

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Highlights

- New credit facilities of £1,085 million, giving the business a secure long term platform from which to operate
- Underlying pre-tax profits of £126.6 million* down 78% (2007: £585.1 million)
- Underlying operating margin of 11.3%* (2007: 21.8%)
- Legal completions for 2008 of 10,202, a reduction of 36% on last year (2007: 15,905) which generated revenues of £1.755 billion down 42% (2007: £3.015 billion). The number of affordable home units completed rose 22% to 2,389 (2007: 1,962)
- Underlying earnings per share of 35.3p* (2007: 138.3p) reduced by 74% reflecting the further deterioration in trading conditions
- Average selling price of £172,994** decreasing by 8.7% (2007: £189,558) as a result of continued pressure on prices and a 22% increase in affordable homes completions
- Pre-tax loss for the year of £780.0 million after all exceptional items of £904.8 million including non cash impairments of land and work in progress of £652.3 million and goodwill of £201.0 million
- Borrowings reduced to c.£599 million (2007: c.£721 million) – large free cash inflow through second half of £325 million: c.£175 million net H2 operating cash receipts***, plus c.£150 million tax repayment
- Net assets of over £1.55 billion, (2007: £2.35 billion) giving gearing of 39% (2007: 31%) and net assets per share of 518.0p (2007: 781.4p)
- Landbank of 69,279 plots compared to 78,863 plots in 2007 which equates to 6.8 years' land supply
- Current forward sales of £697.5 million, down from £1,050.0 million in the prior year, a reduction of 34%
- No final dividend payment for 2008 and no dividend for 2009 reflecting the company's cautious outlook and cash conservation strategy
- Government grant allocation for c. 2,800 properties on c. 200 sites in the new HomeBuy Direct shared equity scheme

* Stated before exceptional charges and goodwill impairment
** Stated before the IAS 18 adjustment to reduce revenue by £9.8 million to fair value the deferred element of shared equity sales receipts (2007: £nil)
*** Cash inflow before financing, dividends and tax repayment

John White, Group Chairman said: "This has been a difficult year for Persimmon and the industry as a whole. We have taken decisive steps to refocus the business accordingly and have generated significant cashflow. We will continue to reduce debt and we believe that, with a strong balance sheet and recently agreed financing, we have a strong platform for future growth."

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Analysts wishing to listen to the presentation at 9am remotely may dial 44 (0) 20 037 9100.

A webcast of today's analyst presentation will be available on www.persimmonhomes.com this afternoon.

CHAIRMAN'S STATEMENT

It is well documented that 2008 was the most challenging period encountered in the housing market in recent history. During the year we have restructured our business significantly across the whole of the UK and have recently agreed new and amended credit facilities to provide further stability as we move forward through these difficult markets.

RESULTS

Turnover for the year ended 31 December 2008 was £1.755 billion (2007: £3.015 billion) with underlying pre-tax profits of £126.6 million (2007: £585.1 million). These profits are stated before exceptional charges and goodwill impairment.

As previously reported, legal completions for 2008 were 10,202, a reduction of 36% on last year (2007: 15,905). The average selling price of homes completed was £172,994, a decrease of 8.7% (2007: £189,558), stated before the IAS 18 adjustment to reduce turnover by £9.8 million to fair value the deferred element of shared equity sales receipts (2007: £nil). Underlying operating profit (before exceptional charges and goodwill impairment) was £198.3 million, an operating margin of 11.3% (2007: 21.8%).

As announced in our Interim Management Statement on 27 October 2008, we have carried out a detailed review of the net realisable value of our tangible assets, primarily relating to land and work in progress. This review of land and work in progress has now been completed and has resulted in an exceptional non cash charge of c. £650 million in line with our previous guidance.

In addition, we have performed our annual impairment review of the value of intangible assets. The deterioration in market conditions has resulted in a non cash impairment of goodwill of £201 million. This is largely as a result of the impact on the anticipated value of long term strategic land holdings associated with previous acquisitions. The value of intangible assets will continue to be reviewed on an annual basis in line with market conditions. Current year total exceptional charges reduced net assets per share at 31 December 2008 by 243p to 518p.

The total pre-tax loss for the year after all exceptional charges and goodwill impairment was £780 million (2007: profit £582.7 million).

Throughout 2008 we have constantly monitored our overhead levels and expenditure to ensure that our financial position remains strong. We have generated good net cash inflow from operations of £211 million since 30 June 2008 (H2 2007: £122 million) when our earlier actions began to take most effect. Net borrowings at the year end were £599 million (2007: £721 million).

On 27 February 2009 we successfully agreed new terms and conditions with our banking partners and private note holders for the amendment of our existing credit facilities. We have also agreed terms for a new Forward Start Facility of £322 million which matures on 31 March 2012. These amended and new facilities will provide committed funding lines of £1,085 million at the outset of these arrangements, reducing to £560 million during 2011. We expect these facilities to provide ample headroom and support for the effective management of the business over the next few years. The full documentation relating to these credit facilities is currently in the process of being finalised and a further announcement will be made when it has been signed.

The interest cost of the amended and new facilities is at an estimated blended interest rate of c. 6.4%, an increase of c. 2.8% on previous arrangements.

The covenants associated with these amended and new facilities are appropriate for the current market conditions and our strategy of focusing on cash generation. We therefore continue to apply tight control over all expenditure. In support of this strategy Persimmon will not pay a dividend for 2009. We will continue to review future dividend policy as appropriate in the light of trading conditions.

As already stated in our Trading Update on 8 January 2009 the Board is not proposing a final dividend for the year ended 31 December 2008. An interim dividend of 5.0p was paid on 17 October 2008. The total dividend for 2008 will therefore be 5.0p (2007: 51.2p).

LAND

We have reported on several occasions that we have remained very cautious on land acquisitions since Autumn 2007. Our landbank at 31 December 2008 consisted of 69,279 plots which were either owned or under control (2007: 78,863 plots). We expect to reduce our land holding further during 2009 as we complete house sales throughout the year. Land creditors at 1 January 2009 were £314 million of which c. £175 million will be paid during 2009. Our approach to future land acquisition will depend upon the opportunity and trading environment we encounter at that time.

At some stage land will once again become an increasingly attractive asset to control when house building volumes increase to meet underlying supply requirements. We therefore continue to manage carefully our significant strategic land holdings of c. 20,000 acres. These land holdings will provide a large number of plots for development at some time in the future, generally at a discount to market prices set at the time of development. This will provide a good platform for growth of the business at that time.

OUTLOOK

Forward sales at 1 January 2009 were £458 million (2008: £603 million). Since then weekly sales volumes have been ahead of our expectations and we currently have a total sales order book for 2009, including legal completions to date, of c. £698 million (2008: £1,050 million). This has put us in a good position to achieve our short term objectives for cash generation and balance sheet strength.

We believe the combination of lower interest rates and an improvement in affordability will assist in increasing first time buyer activity, although the threat of increased unemployment remains a concern.

We are determined to continue to focus on the basic disciplines of keeping costs to a minimum, conserving cash and reacting quickly to the market challenges and changes as they occur.

We consider that 2009 is likely to be another difficult year, but we believe that we will eventually see an upturn in the housing market. We are confident that our business is well positioned to react to take advantage of growth in our markets as they improve in the future.

Finally, I would like to express the Board's appreciation of David Bryant's service as a Main Board Director of Persimmon Plc. David has decided to retire at the end of 2009 and therefore will step down from the Board at the forthcoming AGM on 23 April 2009.

David joined the Company in 1985 and has been a Board member for eighteen years, during which time he has contributed greatly to the success and growth of Persimmon. David will continue his Board responsibilities until 30 June 2009 and thereafter continue in his capacity as Chairman of the Eastern Region until the end of the year.

I would also once again thank our many loyal and hard working staff and employees for their support through these most difficult and testing times.

CHIEF EXECUTIVE'S REVIEW

The Market

The UK housing market has experienced one of the most severe downturns in activity due to a significant reduction in mortgage availability and the loss of buyer confidence. As a result, 2008 has been a year of change for Persimmon during which we have redefined and refocused our business.

We saw the first signs of the impact of the credit tightening in September 2007 which produced a lower forward order book for 2008 (down by 14% from the previous year). During the first quarter of 2008 market concerns regarding credit availability and consumer confidence resulted in a 17% reduction in visitor numbers to our sites compared to 2007. However, our reservations declined by c. 30% showing a noticeable disconnection between the number of visitors to site and the number of reservations, which are normally aligned with each other. This clearly indicated that the shortage of credit was having an adverse impact on the business.

In April mortgage provision tightened and our reservation levels reduced further. We had already limited our exposure to further land expenditure as a result of the increasing uncertainties in the housing market, and took the decision to reduce further our work in progress commitment on site. We also postponed the start of all new developments at that time. As a result, we have been able to reduce our stock properties by c. 36%, which now stand at c. 850 units. We offered more incentives to maintain our sales rates and reduced prices, which culminated in a 5% reduction in selling prices in the first half of the year.

As a consequence of the market outlook and downturn in our sales reservations, we have restructured the business to match staffing levels to the lower anticipated sales volumes.

During the quiet summer months we were able to maintain reservations at the lower levels experienced in April. However, this was achieved at the expense of further reductions to selling prices and increased incentives which, in turn, created pressure on our operating margins.

During September the deepening of the banking crisis, both in the US and UK, had a further impact on consumer sentiment and an increase in the rate of price decline. The impact was a further 10% reduction to the underlying selling price for the second half of the year.

As a result of the early management decisions we had taken, we reduced debt in the second half of the year to leave us with total borrowings of £599 million, down from £906 million at the half year. This debt reduction was assisted by a corporation tax repayment received in November from HMRC of c. £150 million.

The continued deterioration of the housing market led us to review the value of our land and work in progress. We announced a provision of £40 million at the time of our half year results. However, with the worsening of the banking crisis and its growing impact on the economy and employment, we experienced poorer market conditions against which we have assessed the net realisable value of our land holdings. This exercise has resulted in an overall provision requirement of £652 million, which is in line with the guidance given in our Interim Management Statement in October 2008.

The continued weakening of the market has resulted in further restructuring and a reduction in our staffing levels to c. 2,300, a process which is now complete. Since early 2008 we have reduced our operational and administrative staff by c.55%. However, we retain our strong geographical coverage with 25 regional offices.

Refinancing

In order to ensure the business has a secure long term platform from which to operate, we have agreed new terms and conditions for the amendment of our existing credit facilities. Our revised UK banking agreement provides a three year committed facility from the combination of our existing revolving credit facility and a new Forward Start Facility with our key banking partners. The Forward Start Facility matures on 31 March 2012. We have also taken the opportunity to adjust some of our covenants to reflect the current environment for both the UK revolving credit facility and the private loan notes we have in issue. Final documentation is well advanced.

Divisional Structure

In order to maintain our capability for the future we have retained three divisions and maintained the three core brands: Persimmon, Charles Church and Westbury Partnerships. We have reduced the number of our operating businesses from 36 to 25 with a number of operating businesses dual branding Persimmon and Charles Church.

<u>North Division</u>

The division completed 2,753 homes (2007: 5,197). This reduction was as a result of the slower economy and poorer consumer sentiment experienced in the Yorkshire and North West regions. In Scotland the market remained stronger in the first half although we experienced a reduction in activity during the second half of the year. Prices remained resilient in the North East as a result of our existing competitive pricing strategy.

We have reduced the number of operating businesses from fifteen to eight and this reduction has been evenly distributed throughout the division. In order to balance the Group's volumes, the North West region was transferred into the North division from the Central division. We retain two operating businesses in Scotland, with our Partnerships brand operating from the West Scotland office and Charles Church brand operating from the East Scotland office.

The average selling price for the North division fell to £157,157 a 10% reduction on prior year. We completed 420 affordable homes in the North which equates to 15% of the homes sold in the division.

Central Division

The number of homes sold in this division was 2,748 (2007: 4,224). The average selling price reduced from £176,672 in 2007 to £164,614.

The Central division housing market has been stronger in the outskirts of London and the Shires, but pricing has been more competitive in and around Birmingham, particularly in the apartment market. We have retained eight operating businesses in the Central division, a small reduction from our previous level of ten businesses.

We have been successful in completing 780 affordable homes equating to 28% of homes sold in the division. We achieved particularly strong performances from the East Midlands and Anglia companies, which have a longer established record in this market.

South Division

In this division there has been a 33% reduction of homes sold to 2,436 (2007: 3,609) and of these, 547 were affordable homes, which represents 22% of the division's legal completions. For Persimmon, this was the strongest performance of the three divisions in terms of maintaining sales volumes, whilst pricing has remained under pressure with an underlying reduction of 7%. This stronger volume performance has resulted in only two operating businesses being closed. This division retains nine businesses.

Charles Church

Despite challenging conditions the Charles Church brand has performed well completing 1,924 homes (2007: 2,579), with the volume of homes sold increasing in Southern and Wales, where we legally completed three large apartment schemes that had strong forward sales from 2007. The reduction in the number of homes sold year on year by Charles Church was less marked than for Persimmon, although the average sales price reduced by 13% to £222,535 as compared to £257,009 in 2007. We completed 301 affordable homes from the Charles Church business representing 16% of its total output.

Westbury Partnerships

Our specialist Westbury Partnerships operation is continuing to grow having completed 341 units (2007: 296), a 15% increase on 2007 figures. The team continues to develop its close working relationships with a number of Housing Associations and has successfully completed schemes in Bristol and Portishead, which should lead to further business in these locations in the future. Westbury Partnerships has recently been granted preferred bidder status with Sarsen Housing Association for a PFI scheme of 400 homes in West Wiltshire.

In 2008 the Persimmon Group completed 2,389 affordable home units, an increase of 22% over the prior year. As a Group we recognised the need for the expansion of affordable housing in this country and therefore our decision to invest in this activity has proved to be particularly beneficial when the general housing market is so difficult. Our close working relationship with Homes & Communities Agency and strong contacts with a number of substantial Housing Associations throughout the UK will enable us to sustain affordable housing volumes for the Group in 2009.

Space4

This has been a very challenging year for the Space4 business which completed 1,238 units compared to 2,629 in 2007. This reduction is a combination of reduced demand from the Persimmon Group and a loss of sales to external purchasers due to a lower level of demand for new homes. In order to meet increasing sustainability requirements for our new homes and improve operational efficiency Space4 has developed a new Eco-housing range which has been well received by both our business and external partners and has resulted in an increase of our forward order book to c. 1,900 units compared to c. 1,550 units a year ago.

Landbank

Currently our landbank stands at 69,279 plots owned and under control. This compares to 78,863 plots in 2007. Based on current output this equates to 6.8 years' land supply and provides us with significant flexibility.

Since last April we have reviewed the Group's entire land holding and have been very selective when deciding which sites we propose to start developing. In light of the current market conditions we have taken the opportunity to re-plan a number of sites, reducing the number of apartments and replacing them with more marketable traditional two and three storey family homes. On our larger strategic housing schemes we are negotiating revisions to Section 106 planning obligations for infrastructure with local authorities to reduce the impact of cash flow requirements for these schemes.

Corporate Responsibility

Sustainable Homes

Our commitment to build sustainable homes remains. Our approach to sustainability is a practical one and we incorporate proven technology into many of our homes to make them more energy efficient. In 2008 we built 1,653 homes to the Eco-homes standard, representing over 16% of all the new homes we completed, an increase of over 7% on the previous year.

Waste

We continue to monitor the efficiency of our building operations by monitoring the amount of waste generated. We minimise waste generation through careful ordering of materials and by using modern methods of construction. During 2008 we reduced the amount of waste generated per property completed to 8.9 tonnes, a reduction of over 6%. Most importantly we increased the amount of waste that we recycled to 70% resulting in only 2.7 tonnes of waste per home going to landfill.

Employees

The health and safety of our employees continues to be a top priority for us. We take a proactive approach to managing risk, based on assessment and prevention, and we work hard to embed this philosophy across the Group. Our policy has been rewarded by a substantial reduction in the number of incidents reported to the Health and Safety Executive under the Reportable Injuries Disease and Dangerous Occurrences Regulations (RIDDORs), reducing by 25% the number of RIDDORs to 9.1 per 1,000 employees (2007: 12.2).

During the course of 2008 the restructuring of our business has unfortunately resulted in a significant proportion of our employees being made redundant. Our HR Department and management teams have worked diligently to ensure that redundancy consultations have been undertaken in a practical and sympathetic manner, in accordance with the obligations placed on us. Notwithstanding this redundancy programme, we have continued to invest in training and development for our employees, particularly in the area of health and safety where we delivered 274 days of health and safety training.

I am particularly pleased that David Bullock, Site Manager at Wyncliffe Gardens Cardiff won the NHBC Supreme Award in the large housebuilder category of the NHBC Pride in the Job Awards. This demonstrates the business' continuing commitment to deliver quality homes to our customers. Indeed our customers' satisfaction improved during the year with 89% of our customers confirming that they would recommend Persimmon or Charles Church to a friend.

Current Trading Outlook

<u>The Market</u>

Despite the current economic climate we have seen an increase in site visitors in January when compared with the last quarter of 2008, which is typical for this time of year. Due to the postponement of new site starts we have reduced the number of our developments to c. 420 which compares to c. 500 schemes in early 2008. Therefore, in the first few weeks of 2009 whilst total visitors are down on last year, the number of visitors per site remains resilient. Cancellation rates have also recently improved to a level of c. 17% (2008: c. 21%), an improvement on the c. 35% cancellation rate experienced during the last quarter of 2008. Sales rates in the first few weeks of 2009 have picked up and are ahead of those experienced through the second half of last year. However, the market is still very competitive and prices, hence margins, are under pressure.

We are encouraged by the Government's new HomeBuy Direct Scheme. Persimmon has been successful in being allocated one of the largest shared equity grant allocations for c. 2,800 properties on c. 200 sites under the HomeBuy Direct Scheme. The scheme will enable more buyers to purchase a Persimmon or Charles Church home by allowing them to borrow a minimum of 70% of a property's price, with the remaining 30% of the price being provided equally by the Government and Persimmon as shared equity.

Our own shared equity scheme has also been popular with purchasers and we believe this will provide a good source of sales in the future. The value of the anticipated cash receipt of the shared equity debt is recognised on the balance sheet at fair value at inception, in line with International Accounting Standard 18 - Revenue. This has resulted in a reduction in turnover and profits of £9.8 million in 2008, which will reverse over future years as a proportion of the deferred element of sale proceeds will be recognised annually as interest receivable.

Part exchange continues to be a popular and successful marketing tool for our customers. The value of part exchange stock properties owned has reduced significantly to c. £55 million, from a peak of £150 million in 2008.

At this stage we have not seen any increase in the provision of mortgage lending. The Government's recent announcement regarding the Asset Protection Scheme for the Banks, and confirmation that Northern Rock will recommence mortgage lending, should benefit the market in the longer term.

We currently have forward sales of c. £698 million, which totals 4,907 units and of these sales c. 40% are contracted. We are scheduled to open c. 60 new developments in the first six months of 2009 which will increase availability of new homes in new locations.

Summary

This has been a year of transition for the Persimmon Group, in which the business has changed its focus and delivered good cashflow generation in difficult circumstances. This strategy is set to continue with further debt reductions expected in 2009.

The Group has now successfully been restructured to a size appropriate to the level of current demand, whilst retaining the ability to expand in the future. Our continued focus on affordable housing will generate positive cash flows for the business. The Government's HomeBuy Direct Scheme and a low interest rate environment should assist our sales this year. However, the current economic situation, in particular the latest information regarding job losses and the continued mortgage shortage, indicate that 2009 will be a challenging year for both the Group and the industry as a whole.

The Group retains a strong balance sheet with assets of over £1.55 billion after the impairments previously mentioned and a year end gearing of 39%. In addition, our recently agreed refinancing gives the business a strong platform for the future.

Finally, I would like to thank all our staff for their loyalty and commitment during this transitional period for the business. With our experienced and dedicated management teams the Group is well placed to meet the challenges in the future.

PERSIMMON PLC
Consolidated Income Statement for the year ended 31 December 2008

	Note	Before exceptional items £m	Exceptional items £m	**2008 £m**	2007 £m
Revenue		1,755.1	-	**1,755.1**	3,014.9
Cost of sales	2	(1,489.8)	(688.2)	**(2,178.0)**	(2,278.8)
Gross (loss) / profit		265.3	(688.2)	**(422.9)**	736.1
Other operating income		21.4	-	**21.4**	40.1
Operating expenses	2	(91.0)	(222.9)	**(313.9)**	(122.3)
Share of results of jointly controlled entities		0.8	-	**0.8**	1.0
(Loss) / profit from operations before impairment of intangible assets		198.3	(710.1)	**(511.8)**	657.3
Impairment of intangible assets		(1.8)	(201.0)	**(202.8)**	(2.4)
(Loss) / profit from operations		196.5	(911.1)	**(714.6)**	654.9
Finance income	2	4.1	6.3	**10.4**	1.9
Finance costs		(75.8)	-	**(75.8)**	(74.1)
(Loss) / profit before tax		124.8	(904.8)	**(780.0)**	582.7
Tax	3	(20.7)	175.7	**155.0**	(169.2)
(Loss) / profit after tax (all attributable to equity holders of the parent)		104.1	(729.1)	**(625.0)**	413.5
Earnings per share [i]					
Basic	5			(208.3p)	137.5p
Diluted	5			(208.3p)	136.8p
Non-GAAP measures					
Underlying earnings per share [ii]					
Basic	5			35.3p	138.3p
Diluted	5			35.2p	137.6p

[i] Earnings per share calculated in accordance with IAS 33 ‘Earnings Per Share’
[ii] Underlying earnings per share excludes exceptional items and impairment of intangible assets

PERSIMMON PLC
Consolidated Balance Sheet
As at 31 December 2008

	Note	**2008 £m**	2007 £m
ASSETS			
Non-current assets			
Intangible assets		**264.7**	467.8
Property, plant and equipment		**45.1**	47.8
Investments		**3.9**	3.2
Trade and other receivables		**31.4**	17.2
Forward currency swaps	7	**96.0**	-
Deferred tax assets		**6.5**	51.4
		447.6	587.4
Current assets			
Inventories		**2,546.5**	3,386.6
Trade and other receivables		**138.2**	180.2
Forward currency swaps	7	**20.8**	-
Cash and cash equivalents	7	**0.8**	2.1
		2,706.3	3,568.9
Total assets		**3,153.9**	4,156.3
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	7	**(571.2)**	(527.5)
Forward currency swaps	7	-	(58.0)
Deferred tax liabilities		**(26.5)**	(32.0)
Retirement benefit obligation	9	**(95.3)**	(60.7)
Other liabilities		**(132.0)**	(92.4)
		(825.0)	(770.6)
Current liabilities			
Interest bearing loans and borrowings	7	**(147.6)**	(130.9)
Forward currency swaps	7	-	(10.0)
Trade and other payables		**(551.9)**	(749.0)
Current tax liabilities		**(74.2)**	(150.4)
		(773.7)	(1,040.3)
Total liabilities		**(1,598.7)**	(1,810.9)
Net assets		**1,555.2**	2,345.4
SHAREHOLDERS' EQUITY			
Ordinary share capital issued	8	**30.3**	30.3
Share premium	8	**233.6**	233.6
Hedge reserve	8	**0.1**	0.7
Other non-distributable reserve	8	**281.4**	281.4
Retained earnings	8	**1,009.8**	1,799.4
Total shareholders' equity	8	**1,555.2**	2,345.4

PERSIMMON PLC
Consolidated Cash Flow Statement for the year ended 31 December 2008

	Note	**2008 £m**	2007 £m
Cash flows from operating activities:			
(Loss) / profit for the year		**(625.0)**	413.5
Adjustments for:			
Tax	3	**(155.0)**	169.2
Finance income		**(4.1)**	(1.9)
Finance costs		**75.8**	74.1
Depreciation charge		**8.7**	9.8
Amortisation of intangible assets		**0.3**	0.2
Impairment of intangible assets – utilisation of strategic land holdings		**1.8**	2.4
Share of results of jointly controlled entities		**(0.8)**	(1.0)
Profit on disposal of property, plant and equipment		**(0.7)**	(1.0)
Share-based payment charge		**4.4**	6.0
Exceptional non-cash items	2	**892.7**	-
Other non-cash items		**(3.1)**	-
Profit from operations before working capital movements		**195.0**	671.3
Movements in working capital:			
Decrease / (increase) in inventories		**187.8**	(426.7)
Increase in trade and other receivables		**(8.1)**	(7.2)
(Decrease) / increase in trade and other payables		**(173.6)**	25.6
Net cash from operations		**201.1**	263.0
Interest paid		**(67.6)**	(66.2)
Interest received		**4.1**	1.9
Tax received / (paid)		**106.2**	(126.3)
Net cash from operating activities		**243.8**	72.4
Cash flows from investing activities:			
Received from jointly controlled entities		**0.1**	0.6
Purchase of property, plant and equipment		**(6.9)**	(10.6)
Proceeds from sale of property, plant and equipment		**2.2**	4.6
Net cash used in investing activities		**(4.6)**	(5.4)
Cash flows from financing activities:			
Repayment of borrowings		**(162.2)**	(68.0)
Drawdown of loan facilities		**65.0**	75.0
Finance lease principal payments		**(1.4)**	(1.4)
Own shares purchased		**(2.4)**	(25.5)
Exercise of share options		**0.8**	2.3
Dividends paid to Group shareholders		**(113.1)**	(114.1)
Net cash used in financing activities		**(213.3)**	(131.7)
Increase / (decrease) in net cash and cash equivalents	6	**25.9**	(64.7)
Net cash and cash equivalents at beginning of year		**(48.8)**	15.9
Net cash and cash equivalents at end of year	7	**(22.9)**	(48.8)

PERSIMMON PLC
Consolidated Statement of Recognised Income and Expense for the year ended 31 December 2008

	Note	**2008 £m**	2007 £m
Effective portion of changes in fair value of cash flow hedges		**(0.8)**	11.9
Net actuarial (losses) / gains on defined benefit pension schemes	9	**(43.8)**	36.1
Taxation on items taken directly to equity		**(11.3)**	(15.6)
Net (expense) / income recognised directly in equity		**(55.9)**	32.4
(Loss) / profit for the year		**(625.0)**	413.5
Total recognised (expense) / income for the year		**(680.9)**	445.9
(all attributable to equity holders of the parent)			

Notes

1. Basis of preparation

The financial information set out above has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007. Statutory accounts for 2007 have been delivered to the registrar of companies, and those for 2008 will be delivered in due course. The auditors have reported on the 2008 and 2007 accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Refinancing

On 27 February 2009, the Company reached agreement with its syndicate of banks providing the current revolving credit facility on amendments to the amount, terms and conditions of its existing credit facilities. The Company has also agreed a new revolving credit facility. This Forward Start Facility of £322m will become available for drawing on 24 November 2010 on the maturity of the existing facility and matures on 31 March 2012. Full documentation has been signed relating to these facilities and the amended terms and conditions become final upon the private placement investor documentation being signed.

In addition, on 27 February 2009, the Company reached agreement in principle with its private placement investors on amendments to the terms and conditions of its existing credit facilities. The full amendment documentation is currently in the process of being finalised, and whilst not without risk the Directors believe that this process will be completed promptly. The Directors remain confident that should the need arise alternative funding arrangements can be made.

Taken together, the Company will have committed funding lines of £1,085 million at the outset of these arrangements (26 February 2009: £1,235 million), reducing to £560 million during 2011. On the basis of the Company’s working capital projections, the Directors believe that these new facilities provide ample headroom and support for the continuing effective management of the business.

Accounting policy - 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 Persimmon’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.

2. Exceptional items

	2008 £m	2007 £m
Cost of sales:		
Inventory impairments (i)	652.3	-
Asset impairment and write-offs (ii)	35.9	-
Operating expenses:		
Restructuring costs (iii)	21.9	-
Asset impairment (iv)	201.0	-
Exceptional costs	**911.1**	-
Finance income:		
Other interest receivable (v)	(6.3)	-
Exceptional items before tax	**904.8**	-

(i) At 30 June 2008, the Group conducted a review of the net realisable value of its inventory carrying values which resulted in a charge of £40.0m. In the light of the continuing deterioration in the UK housing market a further review was undertaken. This has resulted in a further impairment of £612.3m.

(ii) At 30 June 2008, a review of trade and other receivables resulted in a write-off of £9.0m in relation to costs and fees incurred in relation to the withdrawal from land purchase contracts. In the period to 31 December 2008, a further review of trade and other receivables resulted in impairments and write-offs of £26.9m.

(iii) At 30 June 2008, the Group had incurred £15.0m in relation to reorganising and restructuring the business. At 31 December 2008, restructuring costs comprise staff redundancy and contract severance costs and costs related to office closures of £21.9m.

(iv) At 31 December 2008, the Group conducted an impairment review of its goodwill. This resulted in an impairment charge of £202.8m of which £201.0m is considered exceptional.

(v) Interest receivable represents monies due following the receipt of tax repayments.

The cash cost of exceptional items in 2008 is £12.1m. There were no exceptional items in 2007.

3. Taxation

	Before exceptional items £m	Exceptional items £m	**2008 £m**	2007 £m
Current tax (credit) / expense:				
UK corporation tax	38.9	(38.6)	**0.3**	181.5
Adjustments in respect of previous years	(48.4)	(134.3)	**(182.7)**	(11.0)
	(9.5)	(172.9)	**(182.4)**	170.5
Deferred tax expense / (credit):				
Origination and reversal of temporary differences	0.7	(2.8)	**(2.1)**	(1.8)
Adjustments in respect of prior years	29.5	-	**29.5**	0.5
	30.2	(2.8)	**27.4**	(1.3)
Total income tax (credit) / expense in income statement	20.7	(175.7)	**(155.0)**	169.2

The adjustment in respect of previous years for 2008 relates primarily to the carry back of tax losses from 2008 to 2007.

4. Dividends

During the year the 2007 final dividend of 32.7p per share and the 2008 interim dividend of 5.0p per share were paid to shareholders.

As a result of the continued focus on conserving cash due to the current market conditions, the Directors do not recommend the payment of a final dividend this year. This will result in a total dividend of 5.0p per share for the year (2007: 51.2p), representing the interim dividend paid to shareholders on 17 October 2008.

5. Earnings per Share

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

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

Underlying earnings per share excludes exceptional items and goodwill impairment.

The earnings per share from continuing operations were as follows:

	2008	2007
Basic earnings per share	**(208.3p)**	137.5p
Underlying basic earnings per share	**35.3p**	138.3p
Diluted earnings per share	**(208.3p)**	136.8p
Underlying diluted earnings per share	**35.2p**	137.6p

a) Earnings

	2008 £m	2007 £m
Underlying earnings attributable to shareholders	**105.9**	415.9
Exceptional items net of related taxation	**(729.1)**	-
Goodwill impairment – utilisation of strategic land holdings	**(1.8)**	(2.4)
Earnings attributable to shareholders	**(625.0)**	413.5

b) Weighted average share capital (number of shares)

	2008	2007
For basic earnings per share	**300,033,700**	300,673,519
Options and awards	**985,716**	1,539,446
For diluted earnings per share	**301,019,416**	302,212,965

6. Reconciliation of Net Cash Flow to Net Debt

	Note	**2008 £m**	2007 £m
Increase / (decrease) in net cash and cash equivalents		**25.9**	(64.7)
Decrease / (increase) in debt and finance lease obligations		**98.6**	(5.6)
Decrease / (increase) in net debt from cash flows		**124.5**	(70.3)
New finance lease obligations		**(0.6)**	(1.7)
Non-cash movements		**(0.8)**	11.9
Decrease / (increase) in net debt		**123.1**	(60.1)
Net debt at 1 January		**(724.3)**	(664.2)
Net debt at 31 December	7	**(601.2)**	(724.3)

7. Analysis of Net Debt

	Note	**2008 £m**	2007 £m
Cash and cash equivalents		**0.8**	2.1
Bank overdrafts		**(23.7)**	(50.9)
Net cash and cash equivalents		**(22.9)**	(48.8)
Bank loans (net of issue costs)		**(63.1)**	(75.0)
US and UK senior loan notes due within one year		**(119.4)**	(73.3)
US, UK & EU senior loan notes due after more than one year		**(507.0)**	(450.7)
Other loan notes due within one year		**(3.2)**	(5.3)
Forward currency swaps		**116.8**	(68.0)
Finance lease obligations		**(2.4)**	(3.2)
Net debt at 31 December	6	**(601.2)**	(724.3)

8. Reconciliation of movements in share capital and reserves

	Share capital £m	Share premium £m	Hedge reserve £m	Other non distributable reserve £m	Retained earnings £m	Total shareholders equity £m
Balance at 31 December 2007	30.3	233.6	0.7	281.4	1,799.4	2,345.4
Exercise of share options/share awards	-	-	-	-	3.2	3.2
Own shares purchased	-	-	-	-	(2.4)	(2.4)
Share option charge and taxation thereon	-	-	-	-	3.7	3.7
Valuation of currency swaps and taxation thereon	-	-	(0.6)	-	-	(0.6)
Movement in pension deficit and taxation thereon	-	-	-	-	(55.4)	(55.4)
Dividends approved and paid	-	-	-	-	(113.1)	(113.1)
Other reserves movement	-	-	-	-	(0.6)	(0.6)
Retained losses for the year	-	-	-	-	(625.0)	(625.0)
Balance at 31 December 2008	**30.3**	**233.6**	**0.1**	**281.4**	**1,009.8**	**1,555.2**

9. Retirement benefit obligation

The amounts recognised in income are as follows:

	2008 £m	2007 £m
Current service cost	**4.8**	6.7
Curtailment credit	**(2.1)**	-
Interest cost	**19.4**	18.3
Expected return on scheme assets	**(19.6)**	(18.6)
Total recognised in the consolidated income statement	**2.5**	6.4
Total recognised in the Consolidated Statement of Recognised Income and Expense in the period – net actuarial loss/(gain)	**43.8**	(36.1)
Total defined benefit schemes loss/(gain) recognised in the period	**46.3**	(29.7)

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

	2008 £m	2007 £m
Present value of funded obligations	**(324.0)**	(340.0)
Fair value of scheme assets	**228.7**	279.3
Deficit in the schemes and net liability in the balance sheet	**(95.3)**	(60.7)