Tuesday 2 March 2010

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

Highlights

- 8,976 legal completions for the year (2008: 10,202) at an average selling price* of £160,513 (2008: £172,994)
- Sales revenue for the year of £1.42bn (2008: £1.76bn)
- Pre-tax profit of £77.8m following exceptional release of £74.8m of net realisable value provisions (2008: £780.0m loss, after £904.8m exceptional charge)
- Underlying pre-tax profits** of £7.0m (2008: £126.6m), with a profit of £23.7m being generated in the second half
- Underlying operating margin** in the second half improving to c. 6% from 1.6% in the first half. Full year margin of 4.0% (2008: 11.3%)
- Net borrowings*** at the year end reduced to £267.5m (2008: £600.7m), comfortably within c. £1bn facilities
- Basic earnings per share 24.7p (2008: 208.3p loss per share)
- Net assets per share increased by 4.3% to 540.2p (2008: 518.0p)
- Strong forward sales of c. £900m, up 29% on 2008 of £698m
- 90 new sites scheduled to open in the first half of 2010
- Healthy landbank of 60,454 plots (2008: 69,279) owned and under control, representing over six years' supply
- c. 5,500 plots acquired or terms agreed – includes c. 1,900 pulled through from strategic land portfolio

* Calculated from nominal value of turnover – before fair value charge on shared equity sales
** Stated before goodwill impairment and exceptional items
*** Stated before finance lease obligations and financing transaction costs

John White, Group Chairman, said: "Our cash generation and cost control have placed the business in a strong position both operationally and financially for a recovering market. Prices have held firm since the beginning of the year and we remain focused on improving our operating margins and to profitably grow the business."

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Analysts wishing to remotely listen to the presentation at 9am may dial +44 (0) 203 037 9100.

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

CHAIRMAN'S STATEMENT

Persimmon has performed well throughout a period of difficult trading conditions. Over the last twelve 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.

Results

Sales revenues for the year ended 31 December 2009 were £1.42 billion (2008: £1.76 billion). Pre-tax profit for the full year before exceptional items and goodwill charge was £7.0 million. 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 £23.7 million (H1 2009: £16.7 million loss).

Following a review of the net realisable value of our assets £74.8 million 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 £77.8 million (2008: £780.0 million 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 £57.2 million 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 £78.7 million 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 £356.8 million (2008: £239.2 million). This resulted in net borrowings at the year end of £267.5 million (2008: £600.7 million). This debt level is well within the amended facilities we arranged in March 2009 of c. £1 billion. 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 £74.8 million 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 £50.2 million (2008: £71.7 million).

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 £637.8 million of sales revenue on 4,280 homes. Sales have continued to be at good levels and we currently have c. £900 million of total sales including legal completions achieved since 1 January 2010 (2 March 2009: £698 million).

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 £9.3 million (2008: £54.5 million), 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.

CHIEF EXECUTIVE'S PERFORMANCE REVIEW 2009

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.

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 £638 million 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.

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 £50 million 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 £74.8 million of unutilised provision, of which £46.9 million 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 £494.2 million (June 2008: £905.5 million) from £600.7 million 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 £267.5 million, 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. £20 million 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.

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.

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.

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 web site 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 £897.9 million 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. £900 million 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.

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

Continuing operations	Note	2009 Before exceptional items £m	2009 Exceptional items (Note 2) £m	2009 **Total £m**	2008 Before exceptional items £m	2008 Exceptional items (Note 2) £m	2008 Total £m
Revenue		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		53.2	74.8	**128.0**	196.5	(911.1)	(714.6)
Finance income		4.8	-	**4.8**	4.1	6.3	10.4
Finance costs		(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	3	(0.7)	(3.0)	**(3.7)**	(20.7)	175.7	155.0
Profit / (loss) after tax (all attributable to equity holders of the parent)		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	9	(29.0)	-	**(29.0)**	(43.8)	-	(43.8)
Tax credit / (charge) on other comprehensive expense	3	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	5			**24.7p**			(208.3p)
Diluted	5			**24.5p**			(208.3p)
Non-GAAP measures							
Underlying earnings per share [ii]							
Basic	5			**2.1p**			35.3p
Diluted	5			**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

PERSIMMON PLC
Consolidated balance sheet
As at 31 December 2009

	Note	**2009 £m**	2008 Restated £m
ASSETS			
Non-current assets			
Intangible assets		**260.4**	264.7
Property, plant and equipment		**32.0**	45.1
Investments		**3.3**	3.9
Available for sale financial assets		**68.0**	26.2
Trade and other receivables		**3.6**	5.2
Forward currency swaps	8	**20.8**	96.0
Deferred tax assets		**27.9**	6.5
		416.0	447.6
Current assets			
Inventories	6	**2,187.8**	2,614.5
Trade and other receivables		**50.2**	70.2
Forward currency swaps	8	**-**	20.8
Cash and cash equivalents	8	**138.0**	0.8
Assets held for sale		**3.6**	-
		2,379.6	2,706.3
Total assets		**2,795.6**	3,153.9
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	8	**(283.0)**	(571.2)
Trade and other payables		**(77.2)**	(132.0)
Deferred tax liabilities		**(24.1)**	(26.5)
Retirement benefit obligation	9	**(114.4)**	(95.3)
		(498.7)	(825.0)
Current liabilities			
Interest bearing loans and borrowings	8	**(117.0)**	(147.6)
Trade and other payables		**(464.5)**	(551.9)
Forward currency swaps	8	**(9.5)**	-
Current tax liabilities		**(82.7)**	(74.2)
		(673.7)	(773.7)
Total liabilities		**(1,172.4)**	(1,598.7)
Net assets		**1,623.2**	1,555.2
EQUITY			
Ordinary share capital issued		**30.3**	30.3
Share premium		**233.6**	233.6
Hedge reserve		**(0.4)**	0.1
Other non-distributable reserve		**281.4**	281.4
Retained earnings		**1,078.3**	1,009.8
Total equity		**1,623.2**	1,555.2

PERSIMMON PLC
Consolidated statement 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
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.

PERSIMMON PLC
Consolidated cash flow statement for the year ended 31 December 2009

	Note	**2009 £m**	2008 Restated £m
Cash flows from operating activities:			
Profit / (loss) for the year		**74.1**	(625.0)
Adjustments for:			
Tax charge / (credit) recognised in profit or loss	3	**3.7**	(155.0)
Finance income		**(4.8)**	(4.1)
Finance costs		**55.0**	75.8
Depreciation charge		**6.3**	8.7
Amortisation of intangible assets		**0.3**	0.3
Impairment of intangible assets – utilisation of strategic land holdings		**4.0**	1.8
Share of results of jointly controlled entities		**0.5**	(0.8)
Profit on disposal of property, plant and equipment		**(0.6)**	(0.7)
Share-based payment charge		**3.6**	4.4
Exceptional non-cash items	2	**(74.8)**	892.7
Other non-cash items		**3.5**	(3.1)
		70.8	195.0
Movements in working capital:			
Decrease in inventories		**501.5**	185.5
Increase in trade and other receivables		**(16.9)**	(5.8)
Decrease in trade and other payables		**(164.5)**	(173.6)
Cash generated from operations		**390.9**	201.1
Interest paid		**(45.9)**	(67.6)
Interest received		**7.8**	4.1
Tax received		**0.3**	106.2
Net cash generated from operating activities		**353.1**	243.8
Cash flows from investing activities:			
Received in respect of jointly controlled entities		**0.1**	0.1
Purchase of property, plant and equipment		**(1.2)**	(6.9)
Proceeds from sale of property, plant and equipment		**4.8**	2.2
Net cash generated from / (used in) investing activities		**3.7**	(4.6)
Cash flows from financing activities:			
Repayment of borrowings		**(173.1)**	(160.3)
Drawdown of loan facilities		**-**	65.0
Financing transaction costs		**(21.4)**	(1.9)
Finance lease principal payments		**(1.2)**	(1.4)
Own shares purchased		**(0.2)**	(2.4)
Exercise of share options		**-**	0.8
Dividends paid to Group shareholders		**-**	(113.1)
Net cash used in financing activities		**(195.9)**	(213.3)
Increase in net cash and cash equivalents	7	**160.9**	25.9
Net cash and cash equivalents at beginning of the year		**(22.9)**	(48.8)
Net cash and cash equivalents at end of the year	8	**138.0**	(22.9)

Notes

1. Basis of preparation

The results for the year have been prepared on a basis consistent with the accounting policies set out in the Persimmon plc Annual Report for the year ended 31 December 2008, except as noted below.

The preparation of the financial statements in conformity with the Group's accounting policies requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reported period. Whilst these estimates and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ from those estimates.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's Annual General Meeting. The auditors, KPMG Audit Plc, have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for 2009 nor a statement under Section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2008.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements in March 2010.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Chief Executive's and Group Finance Director's reviews in the Annual Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Director's review and in the financial statements and notes. The Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future, despite the current uncertain economic environment. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 and decrease the amount of trade and other receivables at 31 December 2009 by £63.8m (31 December 2008: £68.0m).

Adoption of new and revised Standards

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (Revised), '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 in the Annual Report, because the Group has reclassified expenditure in relation to forward land held on the balance sheet.

- 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 in full. Consequently the Group has aggregated its geographic operations into one reportable segment, which is housebuilding 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.

2. Exceptional items

	2009	2008 Restated
	£m	£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)

(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 6.

(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. 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.

3. Taxation

	2009 **£m**	2008 £m
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
Tax charge / (credit) for the year recognised in profit and loss	**3.7**	(155.0)

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)

In addition to the amount recognised in profit and loss, deferred tax of £19.3m was credited directly to other comprehensive expense (2008: £11.3m charge), and £nil was recognised in equity (2008: £0.7m charge).

The Group has recognised deferred tax assets of £22.3m (2008: £2.1m) on £79.6m (2008: £7.7m) out 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).

4. Dividends

	2009 **£m**	2008 £m
Dividends paid:		
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
Total dividend	**-**	113.1
Dividends proposed:		
2009 no final dividend proposed (2008: no final dividend proposed)	-	-

5. 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 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)

6. Inventories

	2009 £m	2008 Restated £m
Land	**1,633.9**	1,847.5
Work in progress	**485.5**	634.0
Part exchange properties	**9.3**	54.5
Showhouses	**59.1**	78.5
Total inventories	**2,187.8**	2,614.5

As set out in note 2, 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 review. 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.

7. Reconciliation of net cash flow to net debt

	Note	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	8	**(250.7)**	(601.2)

8. Analysis of net debt

	Note	2009 £m	2008 £m
Cash and cash equivalents		**138.0**	0.8
Bank overdrafts		**-**	(23.7)
Net cash and cash equivalents		**138.0**	(22.9)
Bank loans		**-**	(65.0)
US and UK senior loan notes due within one year		**(115.4)**	(119.4)
US, UK & EU senior loan notes due after more than one year		**(299.7)**	(507.0)
Other loan notes due within one year		**(1.7)**	(3.2)
Forward currency swaps		**11.3**	116.8
Finance lease obligations		**(1.2)**	(2.4)
Financing transaction costs		**18.0**	1.9
Net debt at 31 December	7	**(250.7)**	(601.2)

9. Retirement benefit obligation

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.

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 amount 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)

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.

Statement of Directors' Responsibilities

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 Annual Report which will be issued on 22 March 2010, 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	Mike Killoran
Group Chief Executive	Group Finance Director
1 March 2010	1 March 2010

The Directors of Persimmon plc are:

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

The Group's Annual financial reports, half year reports and interim management statements are available from the Group's website at www.corporate.persimmonhomes.com