TUESDAY 1 MARCH 2011
FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

Highlights

- Underlying pre-tax profits* of £95.5m strongly ahead of prior year (2009: £7.0m)
- Revenues 10.5% higher at £1.57bn (2009: £1.42bn)
- Legal completions increased 4.5% to 9,384 new homes (2009: 8,976)
- Average selling price of £167,249 being 5.7% ahead of last year (2009: £158,272)
- Underlying operating margin* of 8.2% (2009: 4.0%) – performance continues to strengthen
- Reported pre-tax profits** of £153.9m following net exceptional credit of £63.0m (2009: £77.8m, after £74.8m net exceptional credit)
- Basic earnings per share of 38.3p (2009: 24.7p)
- Continued strong cash generation: £225.6m cash generated from operations (2009: £356.8m)
- Gearing of 3% (2009: 16%) - net borrowings*** reduced to £51.0m (2009: £267.5m)
- Net assets per share increased by 7.2% to 579.1p (2009: 540.2p)
- Good levels of land replacement - c. 10,200 plots acquired during the year
- Strong forward sales of £848m (2009: £898m)
- Healthy landbank of c. 59,000 plots owned and under control representing c. 6.3 years supply
- Final dividend of 4.5p per share to bring the total dividend for the year to 7.5p per share

* Stated before goodwill impairment and exceptional items
** Stated after goodwill impairment and exceptional items
*** Stated before finance lease obligations and financing transaction costs

John White, Group Chairman, said: "Despite a continuing low level of mortgage approvals, the Group is achieving improving returns and remains well positioned for the upturn in the housing market when it occurs."

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Analysts wishing to remotely listen to the presentation at 10:30am may dial +44 (0) 207 138 0817. A webcast of today's analyst presentation will be available on www.corporate.persimmonhomes.com this afternoon.

Chairman's Statement

Persimmon plc has delivered an excellent performance for the year ended 31 December 2010 despite challenging conditions. These results reflect the successful implementation of our strategy of firm cost control, maximisation of sales revenues and pursuit of strong cash generation. During the year we increased legal completions, revenue, margins and profits. We also reduced debt by over £215 million and reinstated dividends whilst continuing to invest in our landbank.

Despite the ongoing low level of mortgage approvals, the Group is achieving improving returns and remains well positioned for the upturn in the housing market when it occurs.

Results

Pre-tax profit for the year ended 31 December 2010, before exceptional items and goodwill charges, increased significantly to £95.5 million (2009: £7.0 million). The pre-tax profit for the full year, after exceptional items and goodwill charges, was £153.9 million (2009: £77.8 million). Basic earnings per share were 38.3p (2009: 24.7p). Net assets per share increased to 579.1p (2009: 540.2p).

Underlying operating profit for the year, before exceptional items and goodwill charges, was £128.7 million (2009: £57.2 million), representing an 8.2% operating margin (2009: 4.0%). We continued to focus on tight cost control within the Group with net operating expenses of £66.1 million (2009: £66.4 million) which were slightly lower than last year.

A total net exceptional credit of £63.0 million was recognised during the year, being £80.2 million of net land provision release offset by costs incurred on the early repayment of certain Senior Loan Notes (£9.0 million) and the write-off of prepaid arrangement fees on existing credit facilities (£8.2 million).

Sales revenues increased during the year by 10.5% with a turnover of £1.57 billion (2009: £1.42 billion). This was due to increases of 4.5% in the number of legal completions achieved to 9,384 (2009: 8,976) and 5.7% in the average selling price of homes sold to £167,249 (2009: £158,272). The improvement in average selling price was as a result of a change of mix of homes sold as well as an underlying increase in selling prices of c. 3%.

Free cashflow of £225.6 million was generated during 2010 further reducing net borrowings to £51.0 million at the year end (2009: £267.5 million). Total underlying net financing costs for 2010, including imputed charges were £33.2 million (2009: £50.2 million).

We achieved this cash generation and debt reduction whilst opening c. 165 new sites during the year and also acquiring c. 10,200 plots of new land. This will underpin our future performance as we work through some of our legacy sites. We have continued to successfully secure deferred terms on our new land purchases. Land creditors at 31 December 2010 of £195.8 million were at similar levels to the prior year (2009: £183.9 million). We currently have 58,862 plots of consented land owned and under control which provides c. 6.3 years' of supply at current sales and build rates.

Dividend

When we announced our half year results, we confirmed that we would reinstate dividends and paid an interim dividend of 3.0p per share.

In the light of these results, current trading and the outlook for the business, the Board has decided to recommend a final dividend of 4.5p per share which will be paid on 14 June 2011 to shareholders on the register on 6 May 2011. This will bring the total dividend paid for the full year to 7.5p per share (2009: Nil) which is covered 3.3x by underlying earnings per share. The directors will again be offering a dividend reinvestment plan ("DRIP") and the latest election date for the DRIP is 23 May 2011.

Outlook

As we have previously stated activity in the housing market in the Autumn of 2010 was subdued. Whilst this resulted in us having a lower forward order book at the start of 2011 when compared to 2010, our forward sales at 1 January 2011 remained strong at £565 million (1 January 2010: £638 million).

In addition, since the beginning of the year sales have been encouraging and we currently have total sales of c. £848 million, (2010: £898 million) including legal completions already achieved during 2011. Prices remain stable whilst we are achieving some margin improvement over the comparative period of 2010.

We continue to open new developments and where we do so, benefit from good demand. Whilst we apply caution to all our investments, the current levels of visitors to our developments and the interest in our homes is encouraging. Of course, we would like to see an increase in mortgage approvals and an increase in loan to value products for first time buyers. However, the organisation, scale and cost base of the Group enable us to operate successfully at the current levels of activity.

Board

As previously announced, I will retire from the Board at the forthcoming Annual General Meeting on 21 April and will be replaced as Group Chairman by Nicholas Wrigley. I am very proud to have served Persimmon in various roles since I joined the business in 1979 and I leave the Company with great confidence in its future.

Nicholas Wrigley has been a Non-Executive Director since 2006, during which time his contribution to the Board has been excellent. Nicholas is also an Executive Vice Chairman of Rothschild, London.

Finally, I would personally like to thank all those who have supported me and the Board over many years. Without the wonderful commitment of so many “Persimmon” people, external advisers and contractors our performances each year would not have been achieved.

Once again our results in 2010 are a credit to all the members of our teams across the whole of the business and on behalf of the Board, I thank them all.

John White
Group Chairman

28th February 2011

Business Review

Market place & trading

2010 saw Persimmon successfully deliver underlying operating margin expansion and free cash flow in line with our key strategic objectives. We have continued to invest in our business across the country and have opened c.165 new sites this year as well as acquiring c. 10,200 plots of land which will sustain the business for the future.

During 2010 the UK housing market experienced another challenging period. We entered the year with a strong forward order position with forward revenues of £638 million. The uncertainty during the lead up to the General Election was settled in early May. Throughout this period the housing market remained active with a positive Spring selling season.

Sales rates through the first half of the year were encouraging with continued low cancellation rates of c.16% which was in line with the prior year.

Whilst mortgage availability has remained tightly constrained, mortgage approvals have proved to be reasonably stable at just under 50,000 approvals for house purchases each month. This scale of activity remains significantly below normal levels and reflects the much reduced risk appetite of mortgage lenders. First time buyers in particular continue to face major obstacles in gaining access to mortgage products which offer higher loan to values at affordable prices.

As a result customers continue to seek support for the purchase of a new home through both the provision of shared equity incentives and part exchange arrangements. Consequently c.28% of the Group's sales volumes in 2010 were supported with an element of shared equity.

The Government sponsored HomeBuy Direct shared equity scheme came to an end on 30 September 2010. We were able to partner with Government in supporting customers to buy approximately 2,200 new homes from the Group using this facility. We have been successful in securing support under the subsequent Government Kickstart programmes to allow us to offer c.1,200 additional new homes on c.40 sites through to the end of March 2012. We are working hard to introduce our customers to this opportunity as part of our ongoing marketing campaigns.

Shared equity receivables with a fair value of £115 million were outstanding at 31 December 2010 and are disclosed as "available for sale financial assets".

In addition customers are increasingly keen to take advantage of our part exchange facilities. However, the value of our holdings of part exchange second hand properties at 31 December 2010 remained at historically low levels at £33m (2009: £9m).

Our strong carried forward sales and an encouraging Spring sales season enabled the Group to complete the sale of 4,657 new homes in the first half of 2010 (2009: 4,006). This 16% increase in volume together with the 9% increase in average selling price enabled us to deliver a 27% increase in revenues in the first six months of the year. We were also able to continue to strengthen our order book to the end of the first half with forward revenues of £708 million (2009: £694 million).

The 9% increase in average selling price for the first half was mainly due to sales mix changes, a greater proportion of existing home owner sales being achieved. We also delivered a greater proportion of sales in southern markets which generally carry higher prices. However, we secured c.3% underlying price growth during the Spring season which supported the improvement in our underlying operating margin to 8.0% for the first six months (2009 H1: 1.6%).

With the more positive sales rates in early Spring 2010 we opened c.90 new sites during the first half. Whilst this maintained our overall active outlet network at c.380 sites, these new site openings enabled us to capture pent up demand in good quality private market locations. We were also able to deliver the required affordable homes to our Housing Association partners on opening these new sites.

We have continued to focus on replanning existing sites to improve the overall quality of our forward landbank. The benefits of achieving greater coverage of traditional two-storey housing on our schemes, of lower build costs, tighter build control, greater flexibility of build in response to sales interest and better marketability will assist the continued improvement in our operating margins in the future.

After the traditionally quieter summer weeks the Autumn sales season was more subdued due in part to the uncertainty with respect to public sector employment and the planned significant reductions in expenditure as part of the Government's Comprehensive Spending Review. As a result, sales rates through the Autumn were lower and with the onset of the unusually extreme weather from late November through to Christmas, site activity was understandably quieter. However, forward sales at 31 December 2010 of £565 million placed us in a strong position for the first half of 2011.

Second half legal completions of 4,727 homes (2009 H2: 4,970) resulted in total sales volumes for the year of 9,384 homes (2009: 8,976), an increase of 4.5%. At 31 December 2010 we were operating from c.380 active sites.

In the second half of the year our average selling price of £169,736 (stated before shared equity fair value adjustment) was c.3% higher than for the second half of 2009 with underlying pricing remaining generally stable when compared with the first half of the year. Total average selling price for the year on the same basis was £169,339 an increase of 5.5% over the prior year. Total revenues for the year were £1.57 billion (2009: £1.42 billion).

Our focus on maximising prices and strict business disciplines on cost control led to a further improvement in underlying operating margins in the second half to 8.4% (2009 H2: 5.8%). Underlying operating profit margin for the full year was 8.2%. The full statutory operating margin of 13.0% includes the exceptional release of net surplus inventory impairment. Underlying pre-tax profits for the year of £95.5 million were well ahead of the prior year (2009: £7.0 million).

Review of operations

Our three brands of Persimmon, Charles Church and Westbury Partnerships all made good progress over the course of last year. The majority of our 25 businesses now operate a dual branded approach delivering both Persimmon and Charles Church product to their local markets.

Whilst we have retained the capacity to grow our output from this existing office network to c.14,000 units on a national basis, we have re-established an efficient level of overhead with our underlying net operating expenses representing just 4.2% of sales for 2010.

Our dual branding approach achieves significant benefits for each business, from clearly eliminating potential conflicts with respect to land acquisition and utilisation through to maximising pricing, securing procurement benefits, and removing duplication. We are able to achieve an improved asset turn by operating both brands on larger sites where circumstances allow in support of achieving increased returns. Our lean operating structure secures good levels of operational gearing which will add value as the housing market improves and output expands in the future.

During the year we entered a joint venture agreement with St. Modwen plc which will give us access to further high quality land. In Wales we are drawing down detailed planning permission for the first phase at Llanwern, Newport which will allow us to deliver 300 new homes as part of the planned 4,000 unit residential and mixed use scheme on this former steelworks. This will be the first of a number of sites that we hope to progress under these arrangements in the future.

Persimmon

The Persimmon business increased the value of sales by 3% year on year to 5,795 legal completions. Average selling price increased by 4% to £172,475 leading to an increase in sales revenues of 7% to £983m.

The North Division achieved legal completion volumes in line with the prior year at 1,967 new homes. Northern markets were the more difficult local markets for our sites particularly in Yorkshire and the North West. Whilst site activity had picked up during the Spring season sentiment in these northern markets was more subdued in the second half of the year. However, due to strong forward orders at 30 June we were still able to deliver 975 new homes in the second six months of the year, just 17 short of the first half volumes.

Despite the slow down in these markets during the second half we secured substantial increases in average selling prices both in Yorkshire (c.12%) and the North West (c.10%). This was mainly due to mix. For example, in Yorkshire sites at Driffield, Easingwold and North Hykeham all contributed a greater proportion of larger family homes in the mix of sales year on year which influenced the increase in the average price.

The total average selling price for the year for this division increased by 6% to £160,870. Underlying price improvement of c.2% was achieved by the division with the remaining increase due to change in mix towards more traditional two storey product. Less shared equity support was required in this division.

The management team was successful in pulling through a number of strategic land positions during 2010, notably c.900 plots at Doncaster in South Yorkshire where we secured a mixed use outline consent on appeal for this site which covers c.70 hectares of strategic land held under long term option. Additional development value has been secured from other land uses including a retirement village, retail and community facilities and employment land.

The Central Division delivered the highest number of legal completions within the Persimmon business for the second year running at 2,167 new homes, an increase of 8% on the prior year. The division managed to maintain its sales volumes in the second half in line with the first six months of the year. Our operations in North Midlands, West Midlands and South Midlands produced the strongest volumes, with combined volumes for the year just short of 1,000 new homes.

The total average private selling price in the Central Division of £176,685 improved by 5% with an underlying price increase of c.3%. The division benefited from a greater proportion of existing home owner sales. The greater equity available to existing home owners allows them access to more attractive mortgage products to support the purchase of larger, higher value family homes. This was a particular feature in our Thames Valley and Midlands businesses where average prices increased c.7%.

We have had a number of strategic land successes in this division including 170 plots at Stoney Stanton in North Midlands, and 120 plots at Market Deeping in East Midlands. These sites will deliver excellent margins for the division in future years.

The South Division completed 1,661 new homes in the year in line with the prior year. This division increased the proportion of smaller homes sold in the sales mix reflecting the constrained credit conditions. An underlying price increase of c.3% was achieved by this division despite the overall average selling price increasing by just 1% to £180,727.

It was pleasing to see a number of our southern based businesses again being awarded regional NHBC Pride in the Job Awards for the quality of our construction sites. In particular, for David Bullock, a Senior Site Manager in our East Wales business, to make it a hat-trick of National NHBC Supreme Award wins in 2010 is a fantastic achievement. We also received two Local Authority Building Control Excellence awards for our developments at Marina Villas in Swansea and at Parc Gwenllian, Kidwelly in West Wales.

This division again enjoyed some notable successes on achieving planning consents on strategic land parcels including 650 plots at Trowbridge in our Wessex operation and 200 plots at Cullompton in the South West. These provide high quality anchor sites for these businesses which will support our margin growth as we start activity on site.

Charles Church

Charles Church has again performed well and grew volumes by 5% year on year. Charles Church customers typically demonstrate a higher credit quality and therefore have improved access to mortgage credit in current markets. The greater southern bias to this business also supported a consistent pattern of sales throughout the year. Indeed, this business increased volumes in the second half by 8% over those of the first half. Charles Church volumes represented 19% of the Group's completions for the full year.

Charles Church also grew its total average selling price by 12% year on year to £229,213. This was assisted by fewer apartment sales. However, underlying price growth of c.4% was achieved resulting in improved site profitability.

We have continued to invest in smaller sites in premium locations to further develop the Charles Church business, approximately 70% of these sites are in more southern markets. However, on our larger Persimmon sites, the ability to offer Charles Church product as a second outlet continues to achieve improved rates of sale from the site as a whole.

Space4

Space4, our patented closed panel timber frame business has continued to thrive. Demand for this leading energy efficient construction system increased significantly in 2010 with the business delivering 2,738 housing kits, an increase of 31% over the prior year (2009: 2,089).

The improvements made to the product portfolio with the introduction of the Space4 Eco housing range in 2009 has led to a significant pick up in order intake. Space4 has delivered product to the majority of the Group's businesses as the benefits of using the system have become established.

Our ability to satisfy the more demanding building regulations associated with the Code for Sustainable Homes requirements up to Code Level 4 has provided Space4 with the opportunity to provide a build solution at an optimal cost level which reduces our costs of build when compared to more traditional construction methods. Approximately 95% of total Space4 2010 production was delivered to Group companies compared with c.85% in 2009.

Space4 currently has a forward order book of 3,000 units and we anticipate further double digit growth in output volumes for the current year. We are confident that Space4 will support our ability to respond to increasing levels of demand as market conditions improve whilst also mitigating the potential cost pressures that may arise when production volumes increase.

Westbury Partnerships

Westbury Partnerships is focused on the delivery of affordable housing across the country based upon a strong network of relationships with registered social landlords. The Coalition Government has started a review of the processes involved in the delivery of social housing together with how provision is funded. This review is likely to include the reform of the traditional tenancy arrangements, rental levels, allocation rules and council housing finance. The Government is also reviewing the housing benefit system.

This process of change is likely to have far reaching consequences for the social housing market in the UK. Westbury Partnerships is well placed to secure opportunity from this changing landscape and will be involved in helping to support the continued delivery of the affordable accommodation the country needs.

The business has just completed the first homes on a large scale regeneration scheme in Coventry for 3,500 homes as part of a joint venture with Whitefriars Housing Association and Coventry City Council. This development has received significant funding from central government and Coventry City Council. Westbury Partnerships are using Space4 product so as to fulfil the requirements for the high quality energy efficient housing specified as part of this regeneration project.

The business delivered c.200 units during 2010 within our overall Partnership housing output of 1,786 new homes. Our total Partnership housing sales volumes increased by 10% year on year and account for 19% of total Group output.

The Partnerships business has recently been awarded "Committed 2 Equality" accreditation in recognition of the approach that it brings to sustainable development for local communities which promotes fairness and equality for customers, employees and other stakeholders in the business.

Land bank

We have acquired c.10,200 plots of replacement land through the year whilst we decided not to proceed with the purchase of c.1,300 plots in line with our more selective approach to land replacement. Of the c.10,200 acquired plots c.32% were sourced from our strategic land bank. This level of success is in line with our long run average conversion rate, one third of our total consented land bank having been previously held as strategic assets. Strategic land remains the best source of consented land which will continue to help us further improve our profitability in the future. About 35% of the strategic land pulled through in the year is in southern markets, whilst c.50% of our total acquired plots are located in these regions. At 31 December 2010 we held c.17,300 acres of strategic land.

The Group's consented land bank of 58,862 plots (2009: 60,454) provides c.6.3 years of supply at current levels of output at the year end. Given the increased uncertainty surrounding the new planning regime introduced by the Coalition Government we will continue to pursue our long land bank strategy.

However, we will seek to gradually reduce our land supply to help secure an ongoing improvement in return on capital employed whilst also supporting our future growth.

We continue to review the value of our land and work in progress for impairment at both half year, and full year, ends. At the half year stage, with the gains in the profitability of our sites due to both price and cost improvements, there was a net reversal of £71m of previous write downs of inventories shown as an exceptional credit. As prices and cost performance remained reasonably stable through the second half of the year there was a further net reversal of previous impairments of inventories at 31 December 2010 of £9m.

This total net write back of £80m for the year is included as an exceptional credit in the Consolidated Statement of comprehensive income and includes an additional requirement of c. £48m and a gross reversal of previous impairments of c.£128m across our entire owned land portfolio.

At 31 December 2010 we retained a provision of £250m reflecting our current assessment of the potential development outcome of our owned land portfolio.

Further information with respect to our impairment assessment is included within the Balance Sheet section of this review below. We believe our stance with regard to the carrying value of our land and work in progress continues to be realistic in the context of the current challenging market.

Net finance costs, cash flow and borrowings

Net underlying finance costs for the year were £33 million, down from £50 million in 2009. The strong cash generation delivered through the year together with the actions taken to optimise our debt portfolio described within the "Treasury policy and related risks" section below resulted in the majority of the reduction in finance costs year on year.

Cash generation from underlying operating activities improved to £138 million (2009: £71 million). This strong underlying cash generation together with selective land replacement and tight control over build activity and overheads delivered total free cash flow after interest and tax of £226 million (2009: £357 million).

At 31 December 2010 the Group had net debt (borrowings net of cash balances, including foreign currency swaps, excluding finance leases and prepaid transaction costs) of £51 million, a reduction of £217 million on the prior year end. Year end gearing was 3% (2009: 16%).

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

Tax

The Group's effective rate of tax for the year was 25.1% following the recognition of deferred tax assets on temporary deductible differences mainly relating to pension scheme contributions and accruals. Tax losses of £44m are carried forward and credit will be recognised once it is probable that relief for these losses will be achieved. Until that time the Group has retained a conservative stance with respect to the recognition of deferred tax assets.

Dividends

We resumed distributions to shareholders with an interim dividend of 3.0p per share. In line with the Board's policy of determining future dividends in the light of market conditions, the Group's trading performance, and future prospects, a final dividend of 4.5p has been recommended. The full year pay out of 7.5p is covered 3.3x by underlying after tax profits.

Balance sheet

Group net assets increased by £121m to £1,744m (2009: £1,623m) through the year. Net assets per share increased by 7.2% to 579.1p reflecting the retained profit for the year, the post tax reduction in the pension deficit of £20m and the interim dividend of £9m paid to shareholders. Underlying return on average capital employed increased to 5.2% for 2010 (2009: 2.1%) statutory return on capital employed increased to 10.1% (2009: 6.2%).

The book value of the Group's land decreased by £58m to £1,576m (2009: £1,634m). This reduction reflects our selective replacement of land used through the year together with the net write back of £80m of stock impairment provision.

At 31 December we reviewed the carrying value of the Group's assets on a consistent basis to that adopted for prior periods. All owned land has again been included in the review which was performed on a site by site basis as described earlier in this report.

Further details concerning our approach to inventory impairment is disclosed in the notes to the Accounts in our Accounting Policies at Note 2, our Critical Accounting Judgements at Note 3, Exceptional Items at Note 6 and Inventories at Note 18.

We have exercised strong control over build activity. Work in progress reduced by £72m to £414m at 31 December 2010. We will continue to focus on optimising our work in progress holdings, to achieve an appropriate rate of asset turn of c.4x per year.

The gross deficit on the Group's defined benefit pension schemes decreased by £16m to £98m. This reduction in deficit mainly results from the combination of cash contributions made and good investment performance from the schemes' assets. Further details of the Group's pension arrangements can be found in Note 29 to the Accounts.

Treasury policy and related risks

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

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

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

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

We address liquidity risk by ensuring we maintain secure, flexible facilities with an extended maturity profile from a variety of sources.

There is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management so as to ensure that risks are promptly identified and appropriate actions taken. We continually assess our longer term requirements to ensure relevant facilities are arranged at the appropriate time.

As reported within our Half Year Report for 2010 we have taken action to optimise our debt portfolio given the Group's strong liquidity and significant cash deposits. On 21 June 2010 the Group used cash balances to prepay US Senior Loan Notes due 16 April 2013 with a face value of $160m. The prepayment resulted in an exceptional charge to the Consolidated statement of comprehensive income of £14m. However, at the same time, associated hedging contracts, including a cross currency interest rate swap with a principal amount of $160m, were cancelled resulting in an exceptional gain of £7m recognised in the Consolidated statement of comprehensive income.

The total net cash payment in relation to the prepayment and cancellation of associated hedging contracts was £109m.

On 16 July 2010 the Group took similar action in prepaying US Senior Loan Notes due 9 November 2010 with a face value of $104m. This prepayment resulted in an exceptional charge of £2m in the Consolidated statement of comprehensive income. The total net cash payment in relation to the prepayment and cancellation of associated hedging contracts was £75m.

We anticipate that the cost savings delivered from these actions over future periods to April 2013 will significantly exceed the initial costs.

At the year end, taken together, the Company had committed funding lines of £498m, reducing to £458m on the scheduled repayment of £40m of US Senior Loan Notes on 7 February 2011. These facilities include a £322m Forward Start Revolving Credit Facility which matures on 31 March 2012. The remaining committed facilities are predominantly the outstanding US Senior Loan Notes in issue.

At the year end the Group had committed credit facilities with an average life of c.2.5 years together with cash reserves held on deposit of £127m.

We continue to actively consider the appropriate level and nature of facilities required to support the development of the business.

We have written off c.£8m of prepaid costs relating to the Forward Start Facility as an exceptional charge in the Consolidated statement of comprehensive income due to the limited utilisation of this facility.

On the basis of our working capital projections we believe that our cash reserves and committed credit facilities provide ample headroom and significant capacity to support the future growth of the business.

The Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance in particular the use of financial instruments, including debt and derivatives, to fix interest rates and currency rates. We do not set a pre-defined balance between fixed, and floating, interest rate debt.

The Group has not entered into any new swap arrangements during the period. The Group does not use derivative financial instruments for speculative purposes.

Details of the Group's borrowings and financial instruments are disclosed in notes 20 and 22 to the financial statements.

Corporate responsibility

Our customers are at the centre of everything we do in our business and we invest considerable time in training our staff to provide the best quality homes and the best service. We regularly monitor our Customer Satisfaction Surveys and we are pleased to report that 93% of our customers would recommend us to a friend (2009: 91%). In addition, an independent HBF survey carried out in 2010 showed our customer satisfaction rating improving from 3 to 4 stars.

We monitor our waste management and recycling as a key indicator of our overall construction efficiency. During 2010 the amount of waste we produced increased to 6.9 tonnes per home sold (2009: 6.1 tonnes), primarily due to the number of new sites which were started during the year. However, we have improved our waste recycling to 82% of total waste produced. This has resulted in the actual amount of waste sent to landfill per home built reducing by 20% to 1.24 tonnes (2009: 1.55 tonnes).

The health and safety of all personnel and customers attending our sites and our office based employees is of paramount importance to us. We continue to make significant investment in health and safety training for both our management teams and our site construction staff. Whilst our production increased, regrettably the number of accidents reportable to the Health and Safety Executive (RIDDORs) also increased during 2010 to 59 (2009: 47), primarily relating to slips, trips and falls. As a result our RIDDORs per 1,000 employees increased to 6.5 (2009: 5.9). We have implemented new procedures to minimise accidents and continue to work closely with the HSE to ensure that we carry out best practice in health and safety on all our sites

Current trading outlook

Site activity for the first eight weeks of 2011 is encouraging. Visitor levels are c.10% ahead of the same period last year, cancellation rates of c.16% remain at historically low levels and net private sale reservations are c.2% ahead. Pricing currently remains stable. However, general market indicators remain mixed and there remain significant challenges ahead.

We opened c.75 new sites through the second half of 2010 and expect to open a further c.70 sites during the first half of 2011. We are currently operating from c.380 active developments and anticipate maintaining this strong outlet network throughout the rest of the year which will maintain our sales presence in all our local markets.

Due to the likely continuation of restricted mortgage availability we expect to continue to provide support to our customers by way of shared equity incentives, particularly to first time buyers. We are experiencing increased demand for our part exchange facilities and continue to have good success in the sale of the second hand homes at agreed valuations.

Current forward sales revenue (including legal completions for the first eight weeks of the year) is £848 million, with an average selling price of £147,282 and volumes of 5,758 units. The strong content of affordable housing sales in this order book (c.43% of the forward sales volumes) provides good visibility for our Partnerships business, especially at a time when it is likely that funding support from Government for affordable housing is likely to remain under pressure.

These strong forward sales together with our planned new site openings and improved rates of sale will ensure sales are well supported for 2011.

We continue to seek further cost improvements and efficiencies which, together with the introduction of new sites into production, will assist further progress in improving our operating profit margin.

With the anticipated improvement in operating margins we expect to generate an increasing level of underlying free cash flow. Whilst we plan to continue to optimise our land bank and will gradually return to holding around five years of prospective supply the free cash delivered from the reduction in working capital invested in the business will naturally reduce. However our continued good liquidity will support our new land investment activity and new site openings whilst the rate of debt reduction moderates.

Summary

The results for 2010 demonstrate the further progress we have made in developing the business. We intend to continue to focus on the basics of running an efficient house building operation whilst ensuring we continue to invest in new sites in support of generating improving long term returns.

Our strategic direction will remain firmly focused on building sustainable homes, selective land replacement, margin improvement and growing underlying free cash generation.

This disciplined approach will ensure that we will be well positioned to meet the challenges that confront the business and that Persimmon remains at the forefront of the house building industry.

Persimmon has reacted well to significant changes in its market over recent years. We expect the rate of change in many aspects of our business to continue, from the planning regime to Zero Carbon; from the mortgage market to regulation. Our proven ability to understand and react to these influences whilst strengthening our balance sheet and maintaining our strong order book will mean that Persimmon is well placed to take advantage of market opportunities as they arise.

The performance of the business and its future potential is the direct result of the hard work and dedication of all our staff. To grow our profitability and deliver significant cash generation in such challenging markets again demonstrates the strength of Persimmon.

We would like to thank all our teams for their outstanding efforts and achievements which gives us confidence that Persimmon will continue to grow successfully and profitably in the future.

Mike Farley
Group Chief Executive

Mike Killoran
Group Finance Director

28 February 2011

PERSIMMON PLC
Consolidated statement of comprehensive income for the year ended 31 December 2010

	Note	2010 Before exceptional items £m	2010 Exceptional items (Note 2) £m	2010 Total £m	2009 Before exceptional items £m	2009 Exceptional items (Note 2) £m	2009 Total £m
Continuing operations							
Revenue		1,569.5	-	**1,569.5**	1,420.6	-	1,420.6
Cost of sales		(1,374.7)	80.2	**(1,294.5)**	(1,297.0)	74.8	(1,222.2)
Gross profit		194.8	80.2	**275.0**	123.6	74.8	198.4
Other operating income		10.9	-	**10.9**	8.8	-	8.8
Operating expenses		(81.8)	-	**(81.8)**	(78.7)	-	(78.7)
Share of results of jointly controlled entities		0.2	-	**0.2**	(0.5)	-	(0.5)
Profit from operations before impairment of intangible assets		128.7	80.2	**208.9**	57.2	74.8	132.0
Impairment of intangible assets		(4.6)	-	**(4.6)**	(4.0)	-	(4.0)
Profit from operations		124.1	80.2	**204.3**	53.2	74.8	128.0
Finance income		6.0	7.4	**13.4**	4.8	-	4.8
Finance costs		(39.2)	(24.6)	**(63.8)**	(55.0)	-	(55.0)
Profit before tax		90.9	63.0	**153.9**	3.0	74.8	77.8
Tax	3	(21.0)	(17.6)	**(38.6)**	(0.7)	(3.0)	(3.7)
Profit after tax (all attributable to equity holders of the parent)		69.9	45.4	**115.3**	2.3	71.8	74.1
Other comprehensive income/ (expense)							
Net gain/(loss) on cash flow hedges		0.6	-	**0.6**	(0.8)	-	(0.8)
Actuarial gains/(losses) on defined benefit pension schemes	9	2.5	-	**2.5**	(29.0)	-	(29.0)
Tax	3	7.9	-	**7.9**	19.3	-	19.3
Other comprehensive income/(expense) for the year, net of tax		11.0	-	**11.0**	(10.5)	-	(10.5)
Total recognised income /(expense) for the year		80.9	45.4	**126.3**	(8.2)	71.8	63.6
Earnings per share [i]							
Basic	5			**38.3p**			24.7p
Diluted	5			**38.1p**			24.5p
Non-GAAP measures - Underlying earnings per share [ii]							
Basic	5			**24.8p**			2.1p
Diluted	5			**24.6p**			2.1p

[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 2010

	Note	**2010 £m**	2009 £m
Assets			
Non-current assets			
Intangible assets		**255.5**	260.4
Property, plant and equipment		**29.1**	32.0
Investments accounted for using the equity method		**2.8**	3.3
Available for sale financial assets		**115.2**	68.0
Trade and other receivables		**3.0**	3.6
Forward currency swaps	8	**20.4**	20.8
Deferred tax assets		**38.6**	27.9
		464.6	416.0
Current assets			
Inventories	6	**2,073.2**	2,187.8
Trade and other receivables		**50.0**	50.2
Forward currency swaps	8	**7.1**	-
Cash and cash equivalents	8	**126.8**	138.0
Assets held for sale		**2.9**	3.6
		2,260.0	2,379.6
Total assets		**2,724.6**	2,795.6
Liabilities			
Non-current liabilities			
Loans and borrowings	8	**(155.5)**	(283.0)
Trade and other payables		**(122.0)**	(77.2)
Deferred tax liabilities		**(21.8)**	(24.1)
Retirement benefit obligation	9	**(98.3)**	(114.4)
		(397.6)	(498.7)
Current liabilities			
Loans and borrowings	8	**(48.4)**	(117.0)
Trade and other payables		**(463.3)**	(464.5)
Forward currency swaps	8	**-**	(9.5)
Current tax liabilities		**(71.3)**	(82.7)
		(583.0)	(673.7)
Total liabilities		**(980.6)**	(1,172.4)
Net assets		**1,744.0**	1,623.2
Equity			
Ordinary share capital issued		**30.3**	30.3
Share premium		**233.6**	233.6
Hedge reserve		-	(0.4)
Other non-distributable reserve		**281.4**	281.4
Retained earnings		**1,198.7**	1,078.3
Total equity		**1,744.0**	1,623.2

PERSIMMON PLC

Consolidated statement of changes in shareholders' equity as at 31 December 2010

	Share capital £m	Share premium £m	Hedge reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2009	30.3	233.6	0.1	281.4	1009.8	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
Satisfaction of share options from own shares held	-	-	-	-	0.8	0.8
Balance at 31 December 2009	**30.3**	**233.6**	**(0.4)**	**281.4**	**1,078.3**	**1,623.2**
Profit for the year	-	-	-	-	115.3	115.3
Other comprehensive income	-	-	0.4	-	10.6	11.0
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(9.0)	(9.0)
Exercise of share options / share awards	-	-	-	-	0.3	0.3
Share-based payments	-	-	-	-	3.6	3.6
Satisfaction of share options from own shares held	-	-	-	-	(0.4)	(0.4)
Balance at 31 December 2010	**30.3**	**233.6**	**-**	**281.4**	**1,198.7**	**1,744.0**

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 2010

	Note	**2010 £m**	2009 £m
Cash flows from operating activities:			
Profit for the year		**115.3**	74.1
Tax charge recognised in profit or loss	3	**38.6**	3.7
Finance income		**(6.0)**	(4.8)
Finance costs		**39.2**	55.0
Depreciation charge		**4.5**	6.3
Amortisation of intangible assets		**0.3**	0.3
Impairment of intangible assets		**4.6**	4.0
Share of results of jointly controlled entities		**0.5**	0.5
Profit on disposal of property, plant and equipment		**(1.3)**	(0.6)
Loss on disposal of assets held for sale		**0.1**	-
Share-based payment charge		**3.4**	3.6
Exceptional items	2	**(63.0)**	(74.8)
Other non-cash items		**1.5**	3.5
		137.7	70.8
Movements in working capital:			
Decrease in inventories		**194.8**	501.5
Decrease in trade and other receivables		**5.5**	24.9
Increase/(decrease) in trade and other payables		**25.9**	(164.5)
Increase in available for sale financial assets		**(47.2)**	(41.8)
Cash generated from operations		**316.7**	390.9
Interest paid		**(30.1)**	(45.9)
Payments on cancellation of swaps	2	**(1.6)**	-
Make-whole fees on early redemption of senior loan notes	2	**(13.4)**	-
Interest received		**1.4**	7.8
Receipts on cancellation of swaps	2	**7.4**	-
Tax (paid)/received		**(54.9)**	0.3
Net cash inflow from operating activities		**225.5**	353.1
Cash flows from investing activities:			
Received in respect of the disposal of jointly controlled entities		**-**	0.1
Purchase of property, plant and equipment		**(3.3)**	(1.2)
Proceeds from sale of property, plant and equipment		**3.0**	4.8
Proceeds from sale of assets held for sale		**0.4**	-
Net cash inflow from investing activities		**0.1**	3.7
Cash flows from financing activities:			
Repayment of borrowings		**(52.7)**	(173.1)
Early redemption of senior loan notes		**(174.4)**	-
Financing transaction costs		**-**	(21.4)
Finance lease principal payments		**(0.7)**	(1.2)
Own shares purchased		**-**	(0.2)
Dividends paid		**(9.0)**	-
Net cash outflow from financing activities		**(236.8)**	(195.9)
(Decrease)/increase in net cash and cash equivalents	7	**(11.2)**	160.9
Cash and cash equivalents at the beginning of the year		**138.0**	(22.9)
Cash and cash equivalents at the end of the year	8	**126.8**	138.0

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 2010, 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 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies, and those for 2010 will be delivered in due course. The auditor, KPMG Audit Plc, has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

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 2011.

The Group's business activities, together with the factors likely to affect its future development, financial performance and financial position are set out in the Business Review in the Annual Report and the financial statements and notes. The Directors believe that the Group is well placed to manage its business risks successfully. The principal risks that may impact the Group’s performance and their mitigation are outlined in note 10. 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.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements. Other new standards and interpretations have no significant impact on the Group.

- IFRS 2 Group Cash-settled Share-based Payment Transactions. The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

- IFRS 3 (revised) Business Combinations requires some significant changes to the way business combinations are accounted for. All costs associated with business combinations are expensed directly to the Income Statement. Additionally any changes to contingent consideration classified as debt must now be dealt with through the Income Statement subsequent to acquisition.

- Improvements to IFRSs: in April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective from 1 January 2010, did not have any impact on the reporting of the financial position or performance of the Group.

The Group has not applied the following new and revised IFRSs and IFRICs that are EU endorsed but are not yet effective:

- IAS 24 (revised in 2009) – Related Party Disclosures. Effective for annual periods beginning on or after 1 January 2011.

- Amendments to IAS 32 – Classification of Rights Issues. Effective for annual periods beginning on or after 1 February 2010.

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. Effective for annual periods beginning on or after 1 July 2010

The Group is currently considering the implications of these standards and interpretations. They are not expected to have a material impact on the Group’s financial statements.

2. Exceptional items

Impairment of inventories

During the year, the Group reviewed the net realisable value of its land and work in progress carrying-values of its sites. This resulted in a net reversal of the previous write-down of inventories of £80.2m (2009: £74.8m). Further details are given in note 6.

Amended financing arrangements

In the context of the Group’s strong liquidity and cash generation, management have continued to review the value and cost of credit facilities available to the Group in line with the Group’s existing treasury management policies. Given prevailing low market returns on the Group’s significant cash deposits, management have taken action to optimise its debt portfolio.

On 21 June 2010 the Group used cash balances to prepay, with an applicable make-whole amount, US Senior Loan Notes due 16 April 2013 with a face value of $160m. The prepayment resulted in an exceptional charge to the statement of comprehensive income of £14.5m, including £1.2m write-off of unamortised fees.

At the same time, associated hedging contracts, including a cross currency interest rate swap with a principal amount of $160m, were cancelled resulting in an exceptional gain of £7.4m recognised in the statement of comprehensive income.

The total net cash payment in relation to the prepayment and cancellation of associated hedging controls was £109.3m, including £1.1m of accelerated interest payments charged to underlying profit.

On 16 July 2010 the Group used cash balances to prepay, with an applicable make-whole amount, US Senior Loan Notes due 9 November 2010 with a face value of $104m. The prepayment resulted in an exceptional charge to the statement of comprehensive income of £0.3m, including £0.2m write-off of unamortised fees.

At the same time, associated hedging contracts, including a cross currency interest rate swap with a principal amount of $104m, were cancelled resulting in an exceptional charge of £1.6m recognised in the statement of comprehensive income.

The total net cash payment in relation to the prepayment and cancellation of associated hedging contracts was £75.2m, including £1.4m of accelerated interest payments charged to underlying profit.

On 24 November 2010, a £322m Forward Start Revolving Credit Facility from the Group’s existing lenders became available for drawing. This facility is available until 31 March 2012. The Directors have assessed the future funding requirements of the Group and during the period when the facility is available the Group shows no significant use of the facility. Accordingly, of the remaining balance of unamortised costs, £8.2m has been written off as an exceptional charge in the statement of comprehensive income.

3. Tax

	2010 £m	2009 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**43.5**	8.2
Deferred tax relating to origination and reversal of temporary differences	**0.8**	(1.9)
Adjustments recognised in the current year in respect of prior years deferred tax	**(5.7)**	(2.6)
	(4.9)	(4.5)
	38.6	3.7

The charge for the year can be reconciled to the accounting profit as follows:

	2010 £m	2009 £m
Profit from continuing operations	**153.9**	77.8
Tax calculated at UK corporation tax rate of 28.0% (2009: 28.0%)	**43.1**	21.8
Accounting base cost not deductible for tax purposes	**0.1**	0.1
Goodwill impairment losses that are not deductible	**1.3**	1.1
Losses brought forward	**-**	(18.0)
Expenditure not allowable for tax purposes	**0.2**	1.3
Effect of change in rate of corporation tax	**(0.4)**	-
Adjustments in respect of prior years	**(5.7)**	(2.6)
Tax charge for the year recognised in profit or loss	**38.6**	3.7

In addition to the amount recognised in profit and loss, deferred tax of £7.9m was credited directly to other comprehensive income (2009: £19.3m credit), and £0.2m was recognised in equity (2009: £nil).

The Group has recognised deferred tax assets of £26.6m (2009: £22.3m) on the total pension deficit of £98.3m (2009: £79.6m of total deficit of £114.4m). The Group has not recognised deferred tax assets on c.£44m of tax losses carried forward (2009: c.£44m).

4. Dividends

	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the period:		
2010 interim dividend paid of 3.0p per share (2009: nil)	**9.0**	-
2010 proposed final dividend of 4.5p per share (2009: nil)	**13.6**	-

The proposed final dividend was approved by the Board of Directors on 28 February 2011 and is subject to the approval of shareholders at the Annual General Meeting. The proposed dividend has not been included as a liability as at 31 December 2010, in accordance with IAS 10 'Events After the Balance Sheet Date'. It will be paid on 14 June 2011 to shareholders who are on the register of members on 6 May 2011.

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 301.0m (2009: 300.3m).

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 302.9m (2009: 302.0m).

Underlying earnings per share excludes exceptional items and goodwill impairment. The earnings per share from continuing operations were as follows:

	2010	2009
Basic earnings per share	**38.3p**	24.7p
Underlying basic earnings per share	**24.8p**	2.1p
Diluted earnings per share	**38.1p**	24.5p
Underlying diluted earnings per share	**24.6p**	2.1p

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

	2010 **£m**	2009 £m
Underlying earnings attributable to shareholders	**74.5**	6.3
Exceptional items net of related taxation	**45.4**	71.8
Goodwill impairment	**(4.6)**	(4.0)
Earnings attributable to shareholders	**115.3**	74.1

6. Inventories

	2010 **£m**	2009 £m
Land	**1,575.8**	1,633.9
Work in progress	**413.5**	485.5
Part exchange properties	**32.8**	9.3
Showhouses	**51.1**	59.1
	2,073.2	2,187.8

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 2010. The impact of these reviews on the net realisable value of inventories is a net exceptional credit to the consolidated statement of comprehensive income of £80.2m (2009: £74.8m). An impairment of land and work in progress of £47.6m was recognised in the year (2009: £209.3m) and a reversal of £127.8m (2009: £284.1m) on inventories that were written down in a previous accounting period. These charges/reversal arose due to forecast selling prices and development costs on individual sites being higher or lower than previously estimated by management as a result of changing conditions, and/or development plans. Our approach to our net realisable value review has been consistent with that conducted at 31 December 2009.

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 2010 review, £433.1m (2009: £752.3m) 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	**2010** **£m**	2009 £m
(Decrease)/increase in net cash and cash equivalents		**(11.2)**	160.9
Decrease in debt and finance lease obligations		**227.8**	174.3
Financing transaction costs		-	21.4
Decrease in net debt from cash flows		**216.6**	356.6
Non-cash movements		**(15.5)**	(6.1)
Decrease in net debt		**201.1**	350.5
Net debt at 1 January		**(250.7)**	(601.2)
Net debt at 31 December	8	**(49.6)**	(250.7)

8. Analysis of net debt

	Note	2010 £m	Cash flow £m	Other non-cash movements £m	2009 £m
Cash and cash equivalents		**126.8**	(11.2)	-	138.0
US, UK and EU senior loan notes due within one year		**(47.3)**	124.3	(56.2)	(115.4)
US, UK and EU senior loan notes due after more than one year		**(156.8)**	102.3	40.6	(299.7)
Other loan notes due within one year		**(1.2)**	0.5	-	(1.7)
Forward currency swaps		**27.5**	-	16.2	11.3
Finance lease obligations		**(0.6)**	0.7	(0.1)	(1.2)
Financing transaction costs		**2.0**	-	(16.0)	18.0
Net debt at 31 December	7	**(49.6)**	216.6	(15.5)	(250.7)

9. Retirement benefit obligation

At 31 December 2010 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.

Inflationary growth assumptions

In July 2010 the UK Government announced its intention to pass legislation amending the statutory revaluation of pension scheme benefits and increases to pensions in payment under defined benefit pension schemes from RPI to CPI measures. After reviewing UITF Abstract 48 the Directors have considered whether any reduction in pension liabilities has arisen at the balance sheet date as a result of the ministerial announcement. This change will affect the Persimmon Scheme and the Prowting Scheme by reducing the deficit in the schemes and therefore the net liability recognised in the balance sheet.

The Group's current obligations to active members within the pension schemes is to revalue CARE benefits at RPI with a cap of 2.5%. The Group's obligations in respect of deferred members and pensioners are complex, given the merger of multiple schemes with differing member rights into the Persimmon scheme, following various acquisitions. The Directors' estimate that the pension deficit would be reduced by circa £5m (post tax) at 31 December 2010 in relation to those deferred members where there is no RPI obligation when calculating the deferred member pension liability revaluation. This actuarial gain has not been credited to other comprehensive income in the year as the Directors believe that all pension obligations require detailed review in light of the finalised legislation. The Directors have continued to apply prudent inflationary assumptions in relation to benefit increases.

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

	2010 £m	2009 £m
Current service cost	**3.2**	3.2
Curtailment credit	**(0.9)**	-
Interest cost	**21.3**	19.3
Expected return on scheme assets	**(18.4)**	(13.8)
Total (included in staff costs)	**5.2**	8.7
Actuarial (gain)/loss recognised in other comprehensive income	**(2.5)**	29.0
Total defined benefit scheme loss recognised	**2.7**	37.7

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

	2010 £m	2009 £m
Present value of funded obligations	**(403.1)**	(387.3)
Fair value of scheme assets	**304.8**	272.9
Deficit in the scheme and net liability in the balance sheet	**(98.3)**	(114.4)

10. 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:

Risk	Impact	Mitigation
Strategy	The Board has adopted its present strategy as it believes it is the one most likely to add the greatest value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may have been more appropriate.	The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.
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 shared equity to enable buyers without large deposits to purchase our homes.
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.
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.

Statement of Directors' Responsibilities

The Statement of Directors' Responsibilities is made in respect of the full Annual Report financial statements not the extracts from the financial statements required to be set out in this Announcement.

The 2010 Annual Report and Accounts comply with the United Kingdom's Financial Services Authority Disclosure and Transparency Rules in respect of the requirement to produce an annual financial report.

The Directors confirm that to the best of our knowledge:

- The Group and Parent Company financial statements, contained in the 2010 Annual Report and Accounts, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

- The Business Review, contained in the 2010 Annual Report and Accounts, 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.

The Directors of Persimmon plc and their functions are listed below:

John White	Group Chairman
Mike Farley	Group Chief Executive
Mike Killoran	Group Finance Director
Jeff Fairburn	North Division Chief Executive
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

By order of the Board

Mike Farley	Mike Killoran
Group Chief Executive	Group Finance Director

28 February 2011

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