Persimmon plc today announces Final Results for the year ended 31 December 2011.

Highlights

- Underlying pre-tax profits* increased 55% to £148.1m (2010: £95.5m)
- Full year revenue of £1.54bn (2010: £1.57bn)
- Legal completions steady at 9,360 (2010: 9,384) and average selling price** reduced by 2% to £166,142 (2010: £169,339) reflecting a greater proportion of first time buyer homes in the sales mix
- Operating margin* increased to 10.0% (2010: 8.2%); with second half improvement to 10.8%
- Strong cash generation of £119m with net cash of £41m at year end (2010: net borrowings of £51m)
- Healthy landbank, with c.14,300 plots acquired in the year, bringing the total of owned and controlled plots to c.63,300, representing over 6.5 years supply
- Continued focus on the development of strategic land with c.50% of replacement land successfully converted from the Group's strategic landbank
- Net assets per share increased by 5% to 608.6p (2010: 579.1p)
- Underlying basic earnings per share* increased by 48% to 36.8p (2010: 24.8p)
- Increased final dividend of 6.0p per share (2010: 4.5p per share), making a total of 10.0p for the year, an increase of 33%
- Strong forward sales of £927.4m (2010: £848.1m) – up 9.4%

*stated before exceptional items and goodwill charges

**stated before fair value charge on shared equity sales

Strategic review and long term Capital Return Plan

- Detailed strategy review that seeks to take full advantage of Persimmon's excellent prospects, while maintaining the Group's capital discipline
- Programme to return £1.9bn (£6.20 per share) of cash to shareholders by way of dividends over 9.5 years, from 2013 to 2021
- Group to remain largely ungeared throughout this period
- Strength of the Persimmon business model will support development of a stronger, larger business over the next decade while maximising return on capital employed and providing greater certainty of returns to shareholders
- We believe that successful execution of this strategy will optimise the financial performance of the business and enhance value for shareholders

Nicholas Wrigley, Group Chairman, said: "Underlying profit before tax grew by 55% during the year, as Persimmon's successful strategy of improving operating margins, investing in high quality land and generating surplus cash to pay down debt proved highly effective, despite difficult prevailing housing market conditions.

Looking ahead, we have made a strong start to the year, with forward sales up by 9.4% to £927 million. Visitor levels and reservations continue on an improving trend and, although we expect the UK housing market to remain difficult, Persimmon is in a strong position to meet this challenge.

In addition to the strong financial results we are reporting today I am pleased to announce the conclusion of a strategic review, which will see Persimmon return £1.9bn of cash to shareholders over the next 9.5 years, whilst maintaining a largely ungeared balance sheet. This new strategy sets

Persimmon on course to build a stronger, larger business and deliver enhanced shareholder returns over the next decade."

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Analysts unable to attend in person may listen to the presentation live at 9:00am by dialling +44 (0)20 7784 1036. A webcast of today's analyst presentation will be available on www.corporate.persimmonhomes.com this afternoon.

CHAIRMAN'S STATEMENT

The strategy we have consistently pursued over the last four years has again resulted in a significant improvement in Persimmon's results for the year ended 31 December 2011. Underlying profit before tax has increased by c. 55% and we now hold £41 million of cash balances, having generated £119 million of free cashflow over the year. We have continued to invest in high quality land with our higher margin strategic land holdings contributing an increased share of our replacement land requirements. Whilst we expect the UK housing market to remain challenging, with the constrained supply of mortgage credit continuing, the Group is in a strong position to deliver further improvements in returns for shareholders. We are therefore pleased to announce a long term capital return of £1.9 billion to shareholders over the next nine and a half years.

STRATEGY AND CAPITAL RETURN

Our stated strategy has been to deliver improving operating margins, invest in high quality land, increase profitability and generate surplus cash to pay down debt. This strategy has proved very successful on all of these measures.

The Board has conducted a detailed strategy review that seeks to take full advantage of Persimmon's excellent prospects, while maintaining the Group's capital discipline. Implementation of this strategy will support the development of the Group into a stronger, larger business over the next decade, while also maximising the return on capital employed and providing greater certainty of returns to shareholders.

This review has been conducted against the current market backdrop and is based on an assumption that, whilst the situation appears to be improving, the industry may remain constrained by the availability of mortgage credit.

The conclusion of this review is that it is important for the Company to maintain its record of controlled, profitable growth whilst recognising the timing of the development cycle. The Group will continue to focus on increasing margins, profitability and free cashflow, while ensuring that the land replacement needs of the business remain a priority. In addition, having reviewed the capital structure of the business, the Board has decided to commit to return surplus capital to shareholders, whilst maintaining a largely ungeared balance sheet.

Management will continue to balance improvement in margins with opportunities to grow sales volumes. The Group will continue to invest in its existing nationwide network of offices and retain the capacity to support good growth in sales volumes as market conditions allow. Similarly, we remain focused on investing in high quality land, the conversion of strategic land and optimising the landbank. The stronger cash margins delivered from strategic land will support the long term capital return strategy.

The Board has reviewed mechanisms for delivering surplus capital to shareholders and has concluded that the excess should be released to shareholders by way of dividends over a planned nine and a half year timeframe.

The plan to return £1.9 billion (£6.20 per share) by way of dividends commences in 2013 and ends in 2021. On completion of the Capital Return Plan, the Board anticipates that Persimmon will be achieving a greater level of sales activity, enhanced margins, and will possess the same robust capabilities that it holds today.

We believe that the successful execution of this strategy will optimise the financial performance of the business and enhance value for shareholders.

RESULTS

Sales revenues for the year ended 31 December 2011 were £1.54 billion (2010: £1.57 billion). Underlying pre-tax profits, stated before exceptional items and goodwill charges of £148.1 million, were 55% ahead of £95.5 million achieved in the prior year. Group profitability improved further in the second half of the year, with underlying operating margins of 10.8% compared with 9.0% in the first half. Full year underlying operating profits of £153.0 million were 19% ahead of the prior year (2010: £128.7 million), representing a full year operating margin of 10.0% (2010: 8.2%).

Our focus on optimising planning consents, maximising our selling prices and minimising our development costs delivered further underlying gross margin gains which we anticipate will continue.

Legal completions for the year were 9,360 (2010: 9,384) at an average selling price of £166,142 (2010: £169,339) stated before the fair value charge on our shared equity sales.

Net finance costs for the year were £4.9 million, £28.3 million lower than the prior year, reflecting lower average borrowings and strong cash generation. Our discipline controlling work in progress and overhead costs has supported the delivery of £163 million of cash from operations, whilst continuing to invest in our landbank. We expect to see further improvement in our return on capital employed of 8.3% for 2011 (2010: 6.9%) as we deliver our strategy in 2012.

The Group now owns and controls c. 63,300 plots of land which represents over six and a half years of supply. Persimmon has a well established record of delivering significant value through working with local planning authorities, landowners and local communities over the long term to achieve residential planning consents on high quality strategic land. This continued in 2011 with c. 50% of the c. 14,300 plots of land acquired through the year being converted from the c. 16,500 acres of strategic land that the Group either owns or has the option to purchase.

DIVIDENDS

The Board has considered the underlying profitability and cash generation for the past year, together with current trading and outlook and has decided to recommend an increased final dividend of 6.0 pence per share (2010: 4.5 pence). This final dividend will be paid on 15 June 2012 to shareholders on the Register on 11 May 2012. The resulting total dividend for the year of 10.0 pence will be 33% higher than last year (2010: 7.5 pence) and will be covered 3.7x 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 2012.

The payment of future dividends is incorporated in the Capital Return Plan.

OUTLOOK

With the return of the traditional seasonality to the housing market in 2011, we achieved improved sales rates through the autumn, resulting in a healthy forward order book at the end of the year. The £615 million of forward sales carried into 2012 was 9% higher than for the previous year and places us in a strong position for the first half of 2012.

The encouraging improvement in visitor levels and reservations noted first in the Autumn of 2011 has so far continued into 2012. Our weekly private sales rate per site is c. 22% ahead of the prior year over the first eight weeks of 2012. We currently have total forward sales of c. £927.4 million (2010: £848.1 million) for 2012, including legal completions taken so far this year which is 9% up on the previous year. Prices remain stable and we have seen some further improvement in gross margins for reservations taken in early 2012.

BOARD

David Thompson, Persimmon's Senior Independent Director, will stand down from the Board at the conclusion of our forthcoming AGM in April. David joined Persimmon in 1999 as a non-executive Director and has served the Board and its Committees with great distinction and dedication and has been a tremendous asset to the Company for over 12 years.

As previously announced, I am pleased to report that Mark Preston was appointed as non-executive Director with effect from 9 January 2012. Mark (44), a chartered surveyor, is the Group Chief Executive of Grosvenor Group Limited, an appointment he took up in 2008. Mark brings valuable experience and expertise to the Board to complement the existing team.

In addition, again as previously announced, with effect from 9 January 2012 Jeff Fairburn (45), was promoted to Group Managing Director with responsibility for Group operational functions and management of the Group's strategic land portfolio. Jeff joined Persimmon in 1989 and was appointed to the Board on 1 June 2009. He will continue as North Division Chief Executive.

2011 has been another year of significant achievement for Persimmon. This success is the result of the hard work, dedication and loyalty of all our staff. On behalf of the Board I would like to congratulate our management and employees for all their efforts and I look forward to their future success in the execution of our new strategy.

Nicholas Wrigley
Chairman

27 February 2012

CHIEF EXECUTIVE'S REVIEW

Our Strategy

Persimmon has a long term record of delivering industry leading returns. Since the onset of the global financial crisis in 2007 the Group has pursued a strategy designed to protect the value of shareholders' equity in the business. This strategy of improving operating margins and targeting profitable growth of the business has proved very effective in the prevailing market conditions. We have delivered significant cash inflows through this period, resulting in cash balances of £41 million at 31 December 2011. Continued investment in high quality land and working relentlessly to improve the quality of the existing land portfolio have been central elements of this strategy over the last four years. Over this period we have invested c. £1 billion in acquiring c. 32,000 plots of land, c. 40% of which have been successfully pulled through from our strategic landbank. This conversion of strategic land is a defining feature of the Persimmon business model and will, we believe, provide excellent returns for the business in the future.

From these firm foundations and against a backdrop of a stable housing market, we are in a strong position from which to consider options for the delivery of value to shareholders over the long term. In performing our analysis we have paid particular attention to the impact of the following factors on the Persimmon business model:

a) maintenance of an optimal scale for the business, which allows land investment activity to be performed most effectively;

b) the extent of strategic land investment and conversion required to maximise shareholder returns over the long term;

c) discipline over the quantity of capital employed within the business through the development cycle and the capital structure; and,

d) creation of greater certainty over the value and timing of returns to shareholders.

The conclusion of the review is a long term plan that capitalises on the strength of the Persimmon business model to return excess capital to shareholders while also ensuring that the business remains sufficiently well-capitalised to fund its future growth.

The Board is therefore proposing a return of £1.9 billion (£6.20 per share) to shareholders over the next nine and a half years according to the following timetable.

	Pence Per Share	Dividends (£m)
30 June 2013	75	226.5
30 June 2015	95	286.9
30 June 2017	110	332.2
30 June 2019	110	332.2
30 June 2020	115	347.3
30 June 2021	115	347.3
	620	1,872.4

In preparing the Capital Return Plan, full consideration has been taken of the timing of the working capital needs of the business, the availability of bank facilities and the need to ensure that appropriate headroom is available to support the Group's development based on a zero debt model.
The capital return programme will provide shareholders with strategic clarity and regular defined returns over the long term, while ensuring Persimmon can maintain its track record of controlled, profitable growth.

The UK Housing Market and Trading

During 2011 our focus on both improving profitability and healthy cash generation again delivered strong results for the Group. Our three brands, Persimmon, our family housing brand, Charles Church, our premium brand, and Westbury Partnerships, our social housing brand, have all performed well.

The UK housing market experienced challenging conditions throughout 2011. The shortage of mortgage credit, the Government's austerity measures and continuing poor general economic conditions in the UK all combined to create a tough trading environment.

However, despite this backdrop we saw the return of the traditional seasonality of the market, with healthier levels of sales reservations being taken in spring and autumn. Our private sales reservation rates were c. 4% ahead of the prior year in the first half of 2011 and c. 11% ahead in the second six months.

We continued to experience strong visitor levels to our websites through the year with customers taking advantage of our internet based property search tools to identify their preferred new home. Visitors to our development sites were c. 6% ahead of the prior year. Cancellation rates continued to run at a historically low level of c. 18%.

Despite forward sales at the start of the year being 11% behind that of 2010, we legally completed 4,439 new homes in the first half of 2011, just 5% below the prior year (2010: 4,657 new homes).

Difficulty in securing mortgage credit remains the key constraint on the market. We have observed some gradual improvement during the year, with a small increase in the availability of mortgage products with slightly reduced levels of deposit requirement. Whilst mortgage approvals increased gradually through the year to c. 53,000 in December 2011 (c. 25% up on December 2010), the average monthly approvals for 2011 remain c. 43% lower than the long run average of c. 87,000 approvals.

A significant increase in mortgage availability will be required to support a sustainable improvement in industry output levels from the c. 110,000 new homes per year currently being produced.

To help address these funding challenges we continued to support customers in buying a new home by offering to retain an equity share in their property. Approximately 26% of our legal completions in 2011 were sold with an element of equity retained. FirstBuy, the Government's shared equity initiative, was launched in partnership with the industry on 1 July 2011, to help first time buyers to purchase a new home. Under the FirstBuy scheme the Government supports an equal share of retained equity in partnership with the developer, to assist a qualifying first time buyer to purchase a newly built home.

The Group was successful in securing c. £35 million of FirstBuy funding to offer c. 2,100 first time buyer units across 290 developments nationwide. This initiative has been well received and we have secured over 900 reservations to date. In addition, we have seen a c. 30% increase in first time buyer visitors to our development sites. Our investment in shared equity receivables held at fair value increased to £164 million (2010: £115 million) at 31 December 2011.

Our legal completions in the second half of 2011 of 4,921 new homes were 4% ahead of the prior year (2010: 4,727 units), resulting in full year volumes of 9,360 in line with the previous year (2010: 9,384 units). For the full year we legally completed 60% of our new homes in southern markets and 40% in northern markets including Scotland.

The combination of improved private sales rates and continued strong sales to our housing association partners enabled us to strengthen our forward order book at the end of 2011, with forward revenues of £615 million, an increase of 9% on the prior year (2011: £565 million).

Selling prices remained stable throughout the year. The Group's 2011 average selling price of £166,142* was 2% lower than the prior year. This small reduction was due to a change in sales mix with the Group's sales including a greater proportion of smaller units at lower price levels, in part driven by the success of the FirstBuy initiative. We believe the stability of new home prices reflects the resilient underlying demand for new accommodation in the UK together with the continued shortage of supply in the wider market place.

We have again been successful in increasing the utilisation of our part exchange facilities. Our part exchange process allows customers to proceed with confidence in the knowledge that the purchase of their new home is going to be successfully completed. At 31 December 2011 the value of our part exchange second hand homes had increased modestly to £39 million (2010: £33 million).

Profitability

We maintained a focus on the basics of good housebuilding, concentrating on the maximisation of the development value of our land assets whilst exercising strong control over development costs and overhead expenses. I am particularly pleased to see the benefits of all this hard work deliver a further improvement in underlying operating margins, which increased to 10.0% for the year. The improvement accelerated in the second half to 10.8%, up from 9.0% in the first half of the year. We expect a further improvement in the current year and continue to believe that the business can return to operating margins of 15 - 17% over the medium term.

Cash Generation

Our strategy of maximising selling prices and minimising costs has again resulted in strong underlying cash generation. This enables us to invest in high quality new land and establishes greater liquidity for the business. After accommodating our working capital requirements we generated £119 million of free cash in the year which has resulted in the Group holding cash balances of £41 million at 31 December 2011.

It is important to note that the Group has generated £163 million of cash inflows from operations before working capital needs. We have funded the investment in sales incentives of deferred shared equity receivables and part exchange properties through a reduction in the Group's other working capital requirements.

We remain singularly focused on the consistent delivery of healthy free cash inflows which is fundamental to the long term commitment we have proposed to shareholders to return £1.9 billion of capital over the next nine and a half years.

Land

An essential ingredient to our sustained delivery of industry leading returns and cashflows is securing high quality replacement land. A key element of the Persimmon business model over many years has been to secure interests in land which we promote through the planning system over the long term.

Our strategic landbank of c. 16,500 acres has consistently provided a significant proportion of our replacement land requirements. 2011 is yet another good example of this approach working in practice, with c. 50% of our replacement land of c. 14,300 plots successfully converted from our strategic landbank. Our strategic land portfolio is well balanced across the country with 60% in southern markets and 40% in northern markets including Scotland.

Persimmon prides itself on its record of success in working proactively with all local stakeholders to deliver housing developments that local communities are keen to support. Approximately 37% of our consented landbank was previously held within our strategic land portfolio. Our strategic landbank promises to deliver significant value to the business over many years to come.

At 31 December 2011 we held a consented landbank of c. 63,300 plots. Whilst this currently represents over six and a half years forward land supply, our longer term objective remains to return to a five year supply. We expect to achieve this through both the expansion of our output as the market allows and the selective replacement of the plots we legally complete each year. In the event we experience a greater degree of success with the conversion of strategic land, this will allow us greater discretion in our open market land acquisition activities. It is this approach to land replacement which supports the Group's delivery of superior cash returns over the long term.

Corporate Responsibility

At the heart of our organisation is the objective to provide the best possible product, service and experience to all our customers. We have increased our investment in staff training right across the business in a drive to continually improve the delivery of our new homes to our customers. Whilst we are pleased to report that customer satisfaction surveys indicate that 91% of our customers would recommend us to a friend (2010: 93%) we are striving for improvements in our approach and processes to make further progress as our business develops in the future. We are confident that the independent HBF survey of customer satisfaction in 2012 will recognise the progress we are making.

We continue to focus on build quality and site management. Congratulations go to four site managers Richard Channon, Mark Thomas, Ray Winney and Lee Tysoe for winning a Seal of Excellence Award in the NHBC Pride in the Job Quality Awards in 2011.

We continue to work with local communities in improving local environments and to try and achieve as low an impact in our development activities as possible. Our waste management systems continue to minimise the amount of waste we produce and maximise the proportion of waste we recycle. During 2011 the quantity of waste we produced decreased to 6.6 tonnes per new home sold (2010: 6.9 tonnes) and we recycled 84% of the total waste produced (2010: 82%). This resulted in a 14.5% reduction in the actual quantity of waste being sent to landfill per home sold to 1.06 tonnes (2010: 1.24 tonnes).

Our health and safety performance remains a priority for the Group. Over a number of years we have seen a great improvement, with the number of reportable incidents (RIDDORs) substantially reducing. However, more recently, this trend has reversed due to increased production on our sites. As a result we are looking to improve not only the health and safety culture amongst our employees and subcontractors, but we have also implemented changes to our policies and procedures. Through our worker engagement initiative we are carrying out extensive training and communications with both our management teams and our supply chain workforce to reinforce our commitment to improving our health and safety performance.

Current Trading Outlook

Customer interest in the early weeks of 2012 has started at better levels than for the same period in the prior year. As indicated in our Trading Update on 9 January 2012 we have continued to refresh our outlet network and have brought forward c. 390 active sites into 2012, having opened 25 new sites in the last quarter of 2011.

Visitor levels to our developments are c. 10% higher than for the prior year over the first eight weeks. Cancellation rates over the same period have remained at historically low levels of c. 18% and our weekly private sale net reservation rate per site is c. 22% ahead. This is an encouraging start to 2012.

We anticipate that trading conditions will remain difficult in the current year but Persimmon is in a strong position to meet the challenge.   We welcome the Government's further recent announcement detailing plans for the introduction of NewBuy, a new 95% loan-to-value mortgage product, this spring. This has the potential to allow a greater number of home buyers across the country to purchase a newly built home with a deposit of 5%. We expect that this will prove attractive in encouraging a greater number of purchasers to re-enter the UK housing market. As one of the UK's leading housebuilders we will fully support this scheme through our sales and marketing initiatives and the construction activity on our developments.

Our current forward sales revenue, including legal completions for the first eight weeks of 2012, is c. £927 million, 9.4 % higher than at the same point last year (2011: £848.1 million). Forward sales volumes are 6,509 units (2011: 5,758 units) with an average selling price of £142,482 (2011: £147,282). These strong forward sales, together with our extensive outlet network (with another c. 60 new sites to open in the first half of 2012), supported by our further investment in work in progress on site, provide a solid platform for our sales activity for the current year.

We expect to deliver further margin improvement in the current year as new sites enter production and we continue to drive forward further cost efficiencies. This increased profitability will enhance the generation of underlying free cash inflows which will support the long term Capital Return Plan.

M P Farley
Group Chief Executive

27 February 2012

* stated before shared equity fair value adjustment to revenue

OPERATIONAL PERFORMANCE REVIEW

Persimmon

The Persimmon business legally completed 5,643 homes in 2011, 2.6% lower than the prior year. However, second half volumes were 7.7% higher than for the first half, a good recovery from the impact of the depleted forward sales brought into the year due to the flat autumn market in 2010.

Average selling price for the year of £167,582 (before shared equity fair value adjustment) was 2.8% lower than the prior year due to a change in sales mix, with a greater proportion of smaller houses being sold compared with the prior year, in part due to the introduction of the Government's FirstBuy shared equity initiative.

The North Division successfully grew volumes by 1.5% year on year to 1,996 legal completions at stable selling prices, the average selling price for the year being £160,766. Our North East businesses delivered good growth with sales revenue up 11% year on year and legal completions were 17% ahead.

We have continued to enjoy success in pulling through strategic land in the North with notable outcomes at Whinmoor in West Yorkshire with a detailed planning consent for 200 new homes, and at Carlisle in the North West for 150 units. The National Planning Policy Framework as drafted will provide the opportunity to make good progress with planning applications that enjoy solid local support.

The Central Division again delivered the highest number of legal completions within the Persimmon business with 2,012 new homes, despite volumes being 7% lower than the prior year. Average selling price for 2011 was £170,117, 3.7% lower than last year, although we saw improvement in the second half of the year to £173,667 due to a change in sales mix. The Shires region delivered the highest average selling price for the year at £216,012, selling a greater proportion of larger units, in particular from sites at Milton Keynes, Uxbridge and Stotfold.

The Central Division added to its long record of converting strategic land including a 145 unit scheme at Oundle in Northamptonshire and 178 new homes at Redditch. These new sites will deliver strong margins for the Division in the future.

The South Division legal completions were similar to the prior year at 1,635 units. Good progress was made in the second half of the year with 6.7% higher volumes than in the first six months. Our standard house type portfolio has proved particularly effective in ensuring the South Division can offer an excellent choice of house types across its outlets. Whilst the average selling price for the year of £172,784 is 4.4% lower than last year this was again due to the greater number of smaller units being sold in the year.

We again enjoyed good success in securing planning permission on strategic land. The 783 unit scheme at Crawley near Gatwick and 1,650 plots secured at Plymstock in the South West will provide key anchor sites for the Division in the future.

Our joint venture with St. Modwen continued with the first legal completions made this year in Birmingham. We are now operating on a further two sites and have five sites awaiting planning consent that will commence in 2012.

Charles Church

Charles Church continued its record of outperformance growing sales by 6.9% year on year to 1,928 legal completions, and increasing total revenues by 5.0%. Average selling prices remained resilient at £225,251 for the year.

The Charles Church business has proved to be particularly robust as its customers tend to have greater access to mortgage credit to support the purchase of their home. Charles Church sales in 2011 have grown to 21% of the Group’s volumes compared to 19% last year. Legal completions in the second half of the year were 22% higher than the first half.

We continue to successfully introduce both the Charles Church and Persimmon brands onto joint sites where appropriate, which increases our sales rates and return on capital in these locations.

We continue to invest in new land for Charles Church in the South East and have acquired sites where we will be selling new homes with an average selling price in excess of £1 million.

Westbury Partnerships

Our Partnerships business has delivered a similar volume of affordable homes to our housing association partners year on year at 1,789 units.

Whilst the provision of social housing is undergoing significant restructuring by the current Government our average selling price has remained stable when compared to the prior year at £97,899.

The Government’s root and branch review of social housing incorporates the housing benefit system as well as the reform of historical tenancy arrangements, allocation rules, rental levels and financing.

Our Westbury Partnerships business continues to develop in this evolving environment. We are progressively rolling out the Westbury Partnership brand across our regional businesses which will give us greater flexibility at an operational level and will further help develop the experience and capabilities necessary to provide the required level of service to our social housing partners.

We are pleased with the progress our partnership team has made in further strengthening the position of our partnership business. We were successful in securing c. £20 million of funding to support the delivery of 1,985 affordable homes nationwide under the Government’s affordable housing programme in December 2011. These new homes will be built and occupied over the three years to March 2015. We have also been successful with the West Wiltshire Private Finance Initiative (PFI) for the provision of 240 houses on 8 sites. This PFI is unique as it involves the provision of land by both the local authority and private developer and will set the agenda for new ways of providing affordable housing in the future.

We believe demand for well designed social housing will continue to be robust. The Westbury Partnerships business is particularly well positioned with good forward visibility as we open new larger strategic sites.

Space4

Space4, our factory producing our patented closed-panel timber frame system for the construction of new homes, continues to make solid progress. During 2011 Space4 sold over 3,250 new home kits, a 19% increase on the prior year. Group companies procured 98% of Space4 volume.

With the increase in production and further process improvement, the Space4 management team has increased its efficiency of operation and provided our operational businesses further opportunity to reduce their build costs and deliver improved site margins.

During the year we have invested in an additional wall production line, with commissioning targeted for the end of February 2012. This will provide additional capacity and resilience of operations in support of Group new home sales. We are already providing new product developments to fulfil the requirements of the new Building Regulations which are to be introduced in 2013 with respect to the thermal quality of new homes built.

Net Finance Costs, Cashflow and Borrowings

For 2011 net underlying finance costs were £4.9 million (2010: £33.2 million), £28.3 million lower than last year. This significant reduction in net finance costs resulted from the strong free cash generation in the year and the early repayment of our remaining Senior Loan Notes.

Total free cashflow after interest and tax for the year was £119 million (2010: £226 million). Average borrowings for the first six months of the year (net of cash balances) were £91 million and £52 million for the second half. We ended the year with £41 million of cash balances.

In response to the Group's strong liquidity, on 25 March 2011 we used cash balances to prepay US Senior Loan Notes due between 2013 and 2016 with a face value of $151 million and UK Senior Loan Notes due 2021 with a face value of £51 million. This gave rise to an exceptional charge to the income statement of £16.9 million. At the same time we cancelled associated hedging contracts resulting in an exceptional gain of £7.1 million to the income statement.

Dividends

The Board of Directors has recommended a final dividend of 6.0 pence per share (2010: 4.5 pence) based upon the performance of the business in 2011 and current market conditions, an increase of 33% on the prior year. The 2011 dividend of 10.0 pence per share is covered 3.7x by underlying after tax profits, and is 33% higher than the prior year. The payment of future dividends is incorporated in the Capital Return Plan announced by the Board today.

Balance Sheet

The total net assets of the Group increased by £95 million during the year to £1,839 million at December 2011 (2010: £1,744 million). Net assets per share increased to 608.6 pence, an increase of 5% on last year (2010: 579.1 pence), reflecting the retained profit for the year, the post tax reduction in pension deficit of £5 million, the payment of the final dividend for 2010 and the interim dividend for 2011 totalling £25.6 million.

Underlying return on average capital employed increased to 8.3% from 6.9% last year.

At 31 December 2011 the book value of the Group's land was £1,484 million (2010: £1,576 million). This reduction of £92 million on the prior year reflects the disciplined replacement of land through the year together with the net write back of £13.3 million of stock impairment provision.

We have again reviewed the value of our land and work in progress for impairment at the year end. As selling prices remained reasonably stable through the year there was a net reversal of previous impairments due to some modest cost improvements. This gave rise to a net exceptional credit of £13.3 million to the income statement which includes a gross reversal of c. £66.2 million and an additional requirement of c. £52.9 million across our owned land portfolio. At 31 December 2011 we retained an impairment provision of c. £191 million. We remain confident that our assessment of the carrying value of our land and work in progress is realistic in the context of the difficult market conditions we face.

Further details covering 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.

Treasury Policy and Related Risks

As disclosed earlier in relation to our strategic review one of our key considerations is the maintenance of a capital structure which optimises our cost of capital and which ensures that the business remains a going concern to support the delivery of returns to shareholders whilst enabling the Group to pay its liabilities as they fall due.

The Group manages its capital structure by changing the level of dividends paid to shareholders, issuing or repurchasing share capital and arranging debt and cash management facilities to meet liability payments. Head Office arranges all borrowing facilities and invests cash deposits at competitive rates with high quality institutions. Head Office manages the drawn credit lines of each operating business within overall facility limits.

On 1 April 2011 the Group agreed a new £300 million syndicated 5 year Credit Facility which matures on 31 March 2016.

The Group's operations and debt financing can expose it to a number of financial risks including changes to debt market pricing, credit risk, interest rates and liquidity risks. Liquidity risk is fully addressed through securing flexible credit facilities with an extended maturity profile from a variety of sources. In the current market the Board has concluded that to remain highly liquid is the strongest position for the business. Gearing will be carried only on a short term basis for annual working capital requirements.

We exercise a detailed system for regularly reporting and forecasting the cashflows of the business to ensure risks are promptly identified and action taken. We have undertaken long term business modelling to support the design of the capital return to shareholders which will ensure relevant facilities are arranged at the appropriate time.

We believe that our cash resources and committed credit facilities provide adequate headroom and will support the development of the business in the future.

Persimmon pursues a well established risk management programme that is designed to limit the impact of other risks on the Group's financial performance. The Group does not use derivative financial instruments for speculative purposes. Details of the Group's financial instruments are disclosed in Notes 20 and 22 to the financial statements.

Summary

The performance of the business in 2011 has been robust and results from our focus on improving profits and cash generation. Persimmon is now in an enviable position with excellent asset backing and strong liquidity.

As key aspects of our markets change our management teams continue to adapt to take opportunities as they present themselves. We support the National Planning Policy Framework as currently drafted and consider the presumption in favour of sustainable development is necessary if the industry is to expand its output to build the new homes that the country needs whilst simultaneously creating new employment opportunities.

We look forward to rising to the challenges ahead both in further developing our business and in delivering the benefits of our operational success as enhanced returns to shareholders via the Capital Return Plan.

We are proud of the achievements of all our staff which result from their dedication, imagination and hard work. We thank all our teams for their contribution to the continued success of Persimmon.

Mike Farley
Group Chief Executive

27 February 2012

Mike Killoran
Group Finance Director

27 February 2012

The Chairman's Statement, Chief Executive's Review and Operational Performance Review in this Final Results announcement contain certain forward looking statements. These statements have been prepared by the Directors in good faith based on information available to them up to the time of their approval. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors that could cause actual outcomes and results to be materially different.

PERSIMMON PLC
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	Note	2011 Before exceptional items £m	2011 Exceptional items (note 2) £m	2011 **Total £m**	2010 Before exceptional items £m	2010 Exceptional items (note 2) £m	2010 Total £m
Continuing operations							
Revenue		1,535.0	-	**1,535.0**	1,569.5	-	1,569.5
Cost of sales		(1,312.0)	13.3	**(1,298.7)**	(1,374.7)	80.2	(1,294.5)
Gross profit		223.0	13.3	**236.3**	194.8	80.2	275.0
Other operating income		8.9	-	**8.9**	10.9	-	10.9
Operating expenses		(83.3)	-	**(83.3)**	(81.8)	-	(81.8)
Share of results of jointly controlled entities		-	-	-	0.2	-	0.2
Profit from operations before impairment of intangible assets		153.0	13.3	**166.3**	128.7	80.2	208.9
Impairment of intangible assets		(4.4)	-	**(4.4)**	(4.6)	-	(4.6)
Profit from operations		148.6	13.3	**161.9**	124.1	80.2	204.3
Finance income		7.5	7.1	**14.6**	6.0	7.4	13.4
Finance costs		(12.4)	(16.9)	**(29.3)**	(39.2)	(24.6)	(63.8)
Profit before tax		143.7	3.5	**147.2**	90.9	63.0	153.9
Tax	3	(37.3)	(0.9)	**(38.2)**	(21.0)	(17.6)	(38.6)
Profit after tax (all attributable to equity holders of the parent)		106.4	2.6	**109.0**	69.9	45.4	115.3
Other comprehensive income							
Net gain on cash flow hedges		-	-	-	0.6	-	0.6
Actuarial gains on defined benefit pension schemes	9	7.8	-	**7.8**	2.5	-	2.5
Tax	3	(3.0)	-	**(3.0)**	7.9	-	7.9
Other comprehensive income for the year, net of tax		4.8	-	**4.8**	11.0	-	11.0
Total recognised income for the year		111.2	2.6	**113.8**	80.9	45.4	126.3
Earnings per share [i]							
Basic	5			**36.1p**			38.3p
Diluted	5			**35.9p**			38.1p
Non-GAAP measures - Underlying earnings per share [ii]							
Basic	5			**36.8p**			24.8p
Diluted	5			**36.5p**			24.6p

[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
At 31 December 2011

	Note	**2011 £m**	2010 £m
Assets			
Non-current assets			
Intangible assets		**250.8**	255.5
Property, plant and equipment		**28.7**	29.1
Investments accounted for using the equity method		**3.0**	2.8
Available for sale financial assets		**164.0**	115.2
Trade and other receivables		**2.7**	3.0
Forward currency swaps	8	**-**	20.4
Deferred tax assets		**25.2**	38.6
		474.4	464.6
Current assets			
Inventories	6	**2,003.4**	2,073.2
Trade and other receivables		**52.8**	50.0
Forward currency swaps	8	**-**	7.1
Cash and cash equivalents	8	**41.0**	126.8
Assets held for sale		**2.0**	2.9
		2,099.2	2,260.0
Total assets		**2,573.6**	2,724.6
Liabilities			
Non-current liabilities			
Loans and borrowings	8	**-**	(155.5)
Trade and other payables		**(94.0)**	(122.0)
Deferred tax liabilities		**(19.6)**	(21.8)
Retirement benefit obligation	9	**(59.5)**	(98.3)
		(173.1)	(397.6)
Current liabilities			
Loans and borrowings	8	**(0.1)**	(48.4)
Trade and other payables		**(482.4)**	(463.3)
Current tax liabilities		**(78.7)**	(71.3)
		(561.2)	(583.0)
Total liabilities		**(734.3)**	(980.6)
Net assets		**1,839.3**	1,744.0
Equity			
Ordinary share capital issued		**30.3**	30.3
Share premium		**233.6**	233.6
Other non-distributable reserve		**281.4**	281.4
Retained earnings		**1,294.0**	1,198.7
Total equity		**1,839.3**	1,744.0

PERSIMMON PLC
Consolidated Statement of Changes in Shareholders' Equity
As at 31 December 2011

	Share capital £m	Share premium £m	Hedge reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2010	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**
Profit for the year	-	-	-	-	109.0	109.0
Other comprehensive income	-	-	-	-	4.8	4.8
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(25.6)	(25.6)
Exercise of share options/share awards	-	-	-	-	(1.1)	(1.1)
Share-based payments	-	-	-	-	4.7	4.7
Satisfaction of share options from own shares held	-	-	-	-	3.5	3.5
Balance at 31 December 2011	**30.3**	**233.6**	**-**	**281.4**	**1,294.0**	**1,839.3**

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 2011

	Note	**2011 £m**	2010 £m
Cash flows from operating activities:			
Profit for the year		**109.0**	115.3
Tax charge recognised in profit or loss	3	**38.2**	38.6
Finance income		**(7.5)**	(6.0)
Finance costs		**12.4**	39.2
Depreciation charge		**3.8**	4.5
Amortisation of intangible assets		**0.3**	0.3
Impairment of intangible assets		**4.4**	4.6
Share of results of jointly controlled entities		**-**	0.5
Profit on disposal of property, plant and equipment		**(0.4)**	(1.3)
Loss on disposal of assets held for sale		**-**	0.1
Share-based payment charge		**4.2**	3.4
Exceptional items	2	**(3.5)**	(63.0)
Other non-cash items		**2.5**	1.5
		163.4	137.7
Movements in working capital:			
Decrease in inventories		**83.0**	194.8
Decrease in trade and other receivables		**7.9**	5.5
(Decrease)/increase in trade and other payables		**(42.6)**	25.9
Increase in available for sale financial assets		**(48.8)**	(47.2)
Cash generated from operations		**162.9**	316.7
Interest paid		**(10.9)**	(30.1)
Payments on cancellation of swaps		**-**	(1.6)
Make-whole fees on early redemption of senior loan notes	2	**(15.3)**	(13.4)
Interest received		**0.2**	1.4
Receipts on cancellation of swaps	2	**7.1**	7.4
Tax paid		**(22.1)**	(54.9)
Net cash inflow from operating activities		**121.9**	225.5
Cash flows from investing activities:			
Investment in existing jointly controlled entities		**(0.2)**	-
Purchase of property, plant and equipment		**(4.0)**	(3.3)
Proceeds from sale of property, plant and equipment		**1.1**	3.0
Proceeds from sale of assets held for sale		**0.6**	0.4
Net cash (outflow)/inflow from investing activities		**(2.5)**	0.1
Cash flows from financing activities:			
Repayment of borrowings		**(41.4)**	(52.7)
Early redemption of senior loan notes		**(136.4)**	(174.4)
Financing transaction costs		**(3.7)**	-
Finance lease principal payments		**(0.5)**	(0.7)
Share options consideration		**2.4**	-
Dividends paid		**(25.6)**	(9.0)
Net cash outflow from financing activities		**(205.2)**	(236.8)
Decrease in net cash and cash equivalents	7	**(85.8)**	(11.2)
Cash and cash equivalents at the beginning of the year		**126.8**	138.0
Cash and cash equivalents at the end of the year	8	**41.0**	126.8

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 2011, 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 2011 or 2010, but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies, and those for 2011 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 2012.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review 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 fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis 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 and IFRICs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs and IFRICs 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.

- IAS 24 (revised) Related Party Disclosures. This modifies the definition of a related party and simplifies disclosures for government-related entities. This has had no impact on the Group’s financial statements.
- Amendment to IAS 32 Classification of Rights Issues addresses the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. The Group is not currently involved in any arrangements that would fall within the scope of the amendments.
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement relates to the treatment of early payment of contributions to cover minimum funding requirements of a pension scheme. This has no relevance to the Group in the current period.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. This provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. The Group is not currently involved in any transactions of this nature.
- Improvements to IFRSs: in May 2010 the International Accounting Standards Board issued its third omnibus of amendments to its standards, which were designed to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project. The improvements focus on areas of inconsistency in IFRSs or where clarification of wording is required. The adoption of these amendments, which are effective from 1 January 2011, did not have any impact on the reporting of the financial position or performance of the Group.

The Group has not applied the following revised IFRS that is EU endorsed but not yet effective:

- Amendment to IFRS 7 Financial Instruments: Disclosures – Transfer of Financial Assets. Effective for annual periods beginning on or after 1 July 2011.

The Group is currently considering the implications of this amendment. It is 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 £13.3m (2010: £80.2m). Further details are provided 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 25 March 2011 the Group used cash and committed credit facilities to prepay, with an applicable make-whole amount, US and UK Senior Loan Notes due between 2013 and 2021, with face values of $151m and £51m. The prepayment resulted in an exceptional charge to the statement of comprehensive income of £16.9m, including £1.6m write-off of unamortised arrangement fees.

At the same time associated hedging contracts, including cross currency interest rate swaps with a principal amount of $151m, were cancelled resulting in an exceptional gain of £7.1m in the statement of comprehensive income.

The total net cash payment in relation to the prepayment and cancellation of the loan notes and associated hedging contract was £145.9m.

Management anticipate cost savings over future periods to February 2021 which significantly exceed the initial cost.

3. Tax

	2011 £m	2010 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**34.4**	43.5
Adjustments in respect of prior years	**(4.9)**	-
	29.5	43.5
Deferred tax relating to origination and reversal of temporary differences	**7.4**	0.8
Adjustments recognised in the current year in respect of prior years deferred tax	**1.3**	(5.7)
	8.7	(4.9)
	38.2	38.6

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

	2011 £m	2010 £m
Profit from continuing operations	**147.2**	153.9
Tax calculated at UK corporation tax rate of 26.5% (2010: 28.0%)	**39.0**	43.1
Accounting base cost not deductible for tax purposes	**0.4**	0.1
Goodwill impairment losses that are not deductible	**1.2**	1.3
Expenditure not allowable for tax purposes	**1.8**	0.2
Effect of change in rate of corporation tax	**(0.6)**	(0.4)
Adjustments in respect of prior years	**(3.6)**	(5.7)
Tax charge for the year recognised in profit or loss	**38.2**	38.6

In addition to the amount recognised in profit and loss, deferred tax of £3.0m was debited directly to other comprehensive income (2010: £7.9m credit), and £0.5m was recognised in equity (2010: £0.2m).

The Group has recognised deferred tax assets of £14.9m (2010: £26.6m) on the total pension deficit of £59.5m (2010: £98.3m).

4. Dividends

	2011 £m	2010 £m
Amounts recognised as distributions to equity holders in the period:		
2011 interim dividend paid of 4.0p per share (2010: 3.0p)	**12.1**	**9.0**
2011 proposed final dividend of 6.0p per share (2010: 4.5p paid)	**18.1**	**13.6**

The proposed final dividend was approved by the Board of Directors on 27 February 2012 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 2011, in accordance with IAS 10 'Events After the Balance Sheet Date'. It will be paid on 15 June 2012 to shareholders who are on the register of members on 11 May 2012.

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 Benefit Trusts and treasury shares, all of which are treated as cancelled, which were 301.3m (2010: 301.0m).

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 303.2m (2010: 302.9m).

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

	2011	2010
Basic earnings per share	**36.1p**	38.3p
Underlying basic earnings per share	**36.8p**	24.8p
Diluted earnings per share	**35.9p**	38.1p
Underlying diluted earnings per share	**36.5p**	24.6p

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

	2011 £m	2010 £m
Underlying earnings attributable to shareholders	**110.8**	74.5
Exceptional items net of related taxation	**2.6**	45.4
Goodwill impairment	**(4.4)**	(4.6)
Earnings attributable to shareholders	**109.0**	115.3

6. Inventories

	2011 £m	2010 £m
Land	**1,484.2**	1,575.8
Work in progress	**427.8**	413.5
Part exchange properties	**39.1**	32.8
Showhouses	**52.3**	51.1
	2,003.4	2,073.2

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 2011. 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 £13.3m (2010: £80.2m). A reversal of £66.2m (2010: £127.8m) on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £52.9m (2010: £47.6m) were recognised in the year. This reversal/charge 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 2010.

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 2011 review, £318.6m (2010: £433.1m) 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	2011 £m	2010 £m
Decrease in net cash and cash equivalents		**(85.8)**	(11.2)
Decrease in debt and finance lease obligations		**178.3**	227.8
Decrease in net debt from cash flows		**92.5**	216.6
Non-cash movements		**(2.0)**	(15.5)
Decrease in net debt		**90.5**	201.1
Net debt at 1 January		**(49.6)**	(250.7)
Net cash/(debt) at 31 December	8	**40.9**	(49.6)

8. Analysis of net debt

	Note	2011 £m	Cash flow £m	Other non-cash movements £m	2010 £m
Cash and cash equivalents		**41.0**	(85.8)	-	126.8
US, UK and EU senior loan notes due within one year		**-**	40.2	7.1	(47.3)
US, UK and EU senior loan notes due after more than one year		**-**	136.4	20.4	(156.8)
Other loan notes due within one year		**-**	1.2	-	(1.2)
Forward currency swaps		**-**	-	(27.5)	27.5
Finance lease obligations		**(0.1)**	0.5	-	(0.6)
Financing transaction costs		**-**	-	(2.0)	2.0
Net cash/(debt) at 31 December	7	**40.9**	92.5	(2.0)	(49.6)

9. Retirement benefit obligations

At 31 December 2011 the Group operated three employee pension schemes, namely a stakeholder scheme and two defined benefit schemes. Actuarial gains and losses in the defined benefit schemes 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 December 2010 the UK Government passed 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. As disclosed in the financial statements for the year ended 31 December 2010, the Group's obligations in respect of deferred members and pensioners are complex, due to the merger of multiple schemes with differing member rights into the Persimmon Scheme, following various acquisitions. No gain was recognised at 31 December 2010 as the Directors were reviewing all pension obligations in detail to assess the effect of this change. During the period to 31 December 2011 the Group has concluded its review of the rights to inflationary pension increase of its different groups of scheme members. Where it has been concluded that there is no RPI obligation the actuarial assumptions have been amended to a CPI measure. The resulting gain of £32.5m from this change in assumption has been included within the actuarial gain recognised within other comprehensive income during the period.

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

	2011 £m	2010 £m
Current service cost	**2.8**	3.2
Curtailment credit	**-**	(0.9)
Interest cost	**21.5**	21.3
Expected return on scheme assets	**(19.8)**	(18.4)
Total (included in staff costs)	**4.5**	5.2
Actuarial gain recognised in other comprehensive income	**(7.8)**	(2.5)
Total defined benefit scheme (gain)/loss recognised	**(3.3)**	2.7

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

	2011 £m	2010 £m
Present value of funded obligations	**(392.6)**	(403.1)
Fair value of scheme assets	**333.1**	304.8
Deficit in the scheme and net liability in the balance sheet	**(59.5)**	(98.3)

10. Principal Risks

The Group's financial and operational performance is subject to a significant number of risks. These risks are subject to continual assessment by management to mitigate and minimise their effect on our business. There are also many risks which are outside of our control which can affect our business. The principal risks facing our business are:

Risk	Impact	Mitigation
Strategy	The Board has adopted its new 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 be 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 unemployment, 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 with small 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 causing us to incur substantial costs and prohibit or restrict land development and construction. Non compliance could also result in damage to the Company's reputation.	We operate comprehensive management systems to ensure regulatory compliance and reduction in reputational risk, particularly relating to the health and safety of our workforce, customers and visitors. We hold a landbank sufficient to provide security of supply for short term requirements.
Capital requirements	Our ability to continue to manage our business may depend 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 an appropriate mixture of medium and long term debt facilities and bonding lines to ensure sufficient funds and bonding are available to support operations. The Group regularly reviews its forecast capital requirements to ensure these facilities are sufficient to support anticipated demands.

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 2011 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.

We confirm that to the best of our knowledge:

- The Group and Parent Company financial statements, contained in the 2011 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, which forms part of the Directors' Report contained in the 2011 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:

Nicholas Wrigley	Chairman
Mike Farley	Group Chief Executive
Mike Killoran	Group Finance Director
Jeff Fairburn	Group Managing Director and North Division Chief Executive
David Thompson	Senior Independent Director
Richard Pennycook	Non-executive Director
Neil Davidson	Non-executive Director
Jonathan Davie	Non-executive Director
Mark Preston	Non-executive Director

By order of the Board

Mike Farley	Mike Killoran
Group Chief Executive	Group Finance Director

27 February 2012

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