

Directors' Report



The Directors present their Annual Report and the financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITY

The principal activity of the Group is house building, all of which is carried out within England, Wales and Scotland and is unchanged from last year. The Group trades under the brand names of Persimmon

Homes, Charles Church, City Developments, Westbury Partnerships and Space4.

BUSINESS REVIEW

A review of the development and performance of the Group's business during the year and the position at the end of the year may be found in the Business Review on pages 6 to 31. A description of the Group's future prospects, the principal risks and uncertainties facing the business and details of any financial instruments are also contained within the Business Review.

RESULTS AND DIVIDEND PAYMENT

The Group's revenue and profit before taxation were £3,141.9 million and £566.7 million respectively.

An interim dividend of 13.8p per share was paid to shareholders on 20 October 2006 and it is proposed to pay a final dividend of 32.7p per share on 20 April 2007 to shareholders on the register at the close of business on Friday 9 March 2007, making a total for the year of 46.5p per share (2005: 31.0p). The Directors are offering shares in lieu of cash for the final dividend. However the scrip dividend alternative will be replaced with a dividend reinvestment plan in the future.

DIRECTORS AND DIRECTORS' INTERESTS

The current Directors of the Company and their biographical details are shown on pages 34 and 35. All of these Directors served for the whole of the year except Nicholas Wrigley who was appointed on 1 February 2006 and was subsequently re-elected a Director of the Company at the Annual General Meeting on 20 April 2006. Duncan Davidson and Sir Chips Keswick retired as Directors on 21 April 2006 and John Millar retired as a Director on 30 April 2006. None of the Directors have any contracts of significance with the Company.

The beneficial and non-beneficial interests of the Directors in the shares of the Company at 31 December 2006 and as at the date of this report are disclosed in the Remuneration Report on page 43. Details of the interests of the Directors in share options and awards of shares can be found on pages 44 and 45 within the same report.

GOING CONCERN

After making enquiries, the Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to prepare the financial statements on a going concern basis.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified, or is aware of, the following interests of 3% or more of the issued ordinary share capital of the Company and/or of 3% or more of the voting rights of the issued ordinary share capital of the Company, both as at 23 February 2007.

	Number of ordinary shares	Percentage of issued share capital
Scottish Widows Inv. Partnership	25,796,108	8.62%
Barclays Global Investors	23,274,405	7.78%
D H Davidson and family	14,577,539	4.87%
M & G Investment Mgt	12,512,924	4.18%
Pioneer Investment Mgt (IRE)	12,156,462	4.06%
Baillie Gifford & Co	11,533,833	3.85%
Legal & General Inv. Mgt	11,425,596	3.82%
Jupiter Asset Management	8,983,038	3.00%

EMPLOYEE INVOLVEMENT

The importance of good relations and communications with employees is fundamental to the continued success of our business. Each of the Group's 36 operating businesses maintains employee relations and consults employees as appropriate to its own particular needs. Internal Group magazines are published twice a year and distributed to all employees to ensure that they are kept well informed of the performance and objectives of the Group.

The Company makes various benefit schemes available to employees, including a Save As You Earn Scheme. All employees are encouraged to participate, subject to eligibility.

EQUAL OPPORTUNITIES

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

HEALTH & SAFETY

Health & Safety is a key issue for the Group. We are committed to ensuring the Health & Safety of our employees, subcontractors, customers, visitors to our sites and members of the public who may be affected by our work activities. We had no convictions by the Health & Safety Executive in 2006. Further information can be found in the Corporate Responsibility report on page 31.

CREDITOR PAYMENT POLICY

The Group agrees payment with its trade creditors and other suppliers on an individual contract basis when goods and services are ordered rather than following a standard code. The policy is to abide by those agreed terms whenever it is satisfied that the goods or services have been provided in accordance with the contract terms and conditions. The Company's average creditor payment period at 31 December 2006 was 50 days (2005: 46 days).

CHARITABLE AND POLITICAL DONATIONS

The Group as a whole has made donations of £251,000 to charitable organisations during the year. Further details of the Company's community involvement and charitable activities can be found in the Corporate Responsibility Report on our website at www.persimmonhomes.com

No political donations were made during the year.

AUTHORITY TO PURCHASE OWN SHARES

At the Annual General Meeting held in April 2006, shareholders granted the Company authority to purchase up to an aggregate of 29,510,022 of its own shares. No shares have been purchased to date under this authority, which expires at the conclusion of the forthcoming Annual General Meeting. A resolution to renew this authority will be put to shareholders at the Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting will commence at 12 noon on Thursday 19 April 2007 at the Voltigeur Suite, York Racecourse, The Knavesmire, York. In addition to the normal business of the Annual General Meeting the Directors have proposed four additional resolutions. The notice of the meeting and an explanation of the special business is given in the accompanying circular.

AUDITORS

A resolution for the reappointment of the auditors, KPMG Audit Plc, will be proposed at the Annual General Meeting.

AUDIT STATEMENT

The Directors who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Neil Francis Group Company Secretary
23 February 2007