

Directors' Report

The Directors present their Annual Report and the Financial Statements for the year ended 31 December 2007.

Principal activities

The principal activity of the Group is house building, 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 8 to 35 and in the Key Performance Indicators shown on the inside front cover and pages 24, 25, 28 and 32 to 35 of this Annual Report.

A description of the Group's future prospects, research and development, 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 £3,014.9m and £582.7m respectively. An interim dividend of 18.5p per share was paid to shareholders on 19 October 2007 and it is proposed to pay a final dividend of 32.7p per share on 25 April 2008 to shareholders on the register at the close of business on 7 March 2008, making a total for the year of 51.2p per share (2006: 46.5p). A dividend reinvestment plan, which enables shareholders to invest their dividends in ordinary shares, is available in respect of the final dividend and the final date for receipt of elections is 4 April 2008. Further details are available from our Registrars, whose contact details can be found on page 96.

Going concern

After making due enquiries, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Directors and Directors' interests

The Directors of the Company during the whole of 2007 were Messrs White, Farley, Killoran, Bryant, Leslie Melville, Thompson, Davidson and Wrigley. Their biographical details are shown on page 37. Adam Applegarth was also a Director of the Company during 2007 until he resigned on 29 October 2007. 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 2007 and as at the date of this report are disclosed in the Remuneration Report on page 47. Details of the interests of the Directors in share options and awards of shares can be found on pages 46 and 47 within the same Report.

Substantial shareholdings

The Company has been notified, pursuant to Disclosure & Transparency Rule 5, of the following interests of 3% or more of the voting rights of the Company as at 25 February 2008:

	Number of ordinary shares	Percentage	Nature of holding
Lloyds TSB Group Plc	27,331,571	9.11%	Indirect
AXA SA	16,397,639	5.46%	Direct & Indirect
Prudential plc group of companies	15,423,763	5.14%	Direct
D H Davidson and family	14,577,539	4.86%	Direct
Legal & General Group Plc	12,544,056	4.18%	Direct
Barclays PLC	11,919,582	3.97%	Indirect

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 34 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 of the Group.

The Company makes various benefit schemes available to employees, including a Save As You Earn Scheme. All permanent employees are encouraged to participate, subject to having six months' service at the date of invitation.

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.

Creditor payment policy

The Group agrees payment with its trade creditors and other suppliers on an individual contract basis at the time the goods and services are ordered rather than following a standard code. The policy is to abide by the agreed terms once 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 2007 was 51 days (2006: 50 days).

Charitable and political donations

The Group as a whole has made donations of £210,000 to charitable organisations during the year. Further details of the Company's community involvement and charitable activities can be found in the Sustainability Report on our website at www.persimmonhomes.com. No political donations were made during the year.

Qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions

The Company has not issued any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision.

Acquisition of own shares

At the Annual General Meeting held on 19 April 2007, shareholders granted the Company authority to purchase up to an aggregate of 29,926,110 of its own shares. During the year ended 31 December 2007 the Company purchased 2,444,118 ordinary shares under this authority, with a nominal value of £244,412 representing approximately 0.81% of the issued ordinary share capital (excluding treasury shares) as at 25 February 2008, for a consideration (including expenses) of £22,308,471. The shares were purchased as part of the share buyback programme initiated on 22 October 2007 and are all held in treasury. The Directors implemented the share buyback programme because they considered the weakness in share prices of companies within the house building sector provided an attractive opportunity for the Company to purchase its own shares. At 31 December 2007, the Company had authority to purchase a further 27,481,992 of its own shares. This authority expires on 24 April 2008 and a resolution to renew the authority will be put to shareholders at the next Annual General Meeting.

Annual General Meeting

The Annual General Meeting will commence at 12 noon on Thursday 24 April 2008 at the Voltigeur Suite, York Racecourse, The Knavesmire, York. The notice of the meeting and an explanation of the ordinary and 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 (as defined by section 234ZA(3) of the Companies Act 1985) 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.

Directors' Report continued

Articles of Association

The following description summarises certain provisions of the current Articles of Association of the Company (last amended by special resolution on 21 April 2005 (the 'Articles') and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together the 'Companies Acts')). This is a summary only and the relevant provisions of the Companies Acts and Articles should be consulted if further information is required.

Share capital

Structure

The Company has one class of share, being ordinary shares with a nominal value of 10p each. At 25 February 2008 the issued share capital of the Company was 302,591,431 (including shares held in Treasury) ordinary shares with a nominal value of £30,259,143. Further details are provided in note 23 to the Financial Statements.

Rights attached to shares

Shares may be issued with such preferred, deferred or other rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine (or failing such determination as the Directors may decide), subject to the provisions of the Companies Acts and other shareholders' rights.

Unissued shares are under the control of the Directors who may allot, grant options over, or otherwise dispose of them to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Articles, the Companies Acts and other shareholders' rights.

Details of employee share schemes are set out in note 23 and note 30 to the Financial Statements. The Trustee of the Persimmon Employee Benefit Trust may vote or abstain as it sees fit.

Votes of members

Every member present in person (or being a corporation represented by a duly authorised representative (who is not otherwise a member) under section 375 Companies Act 1985), shall subject to any provisions contained in the Articles have one vote on a show of hands. On a poll every member who is present by person or, being a corporation represented as aforesaid or by proxy shall have one vote for every share

of which the member is the holder. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names of the holders appear in the Register of Members in respect of the share.

Restrictions on voting

No member (whether in person or by proxy) shall, unless the Directors otherwise determine, be entitled to vote or to exercise any other right of membership at any General Meeting in respect of any share held by the member unless all calls or other sums presently payable by the member in respect of that share in the Company have been paid.

In addition, no member shall be entitled to vote until he has complied with a direction notice served on him after failure to provide information concerning interest in those shares required by the Company under the relevant provisions of the Companies Act 1985.

Deadlines for voting rights

Votes may be exercised in person, by proxy, or in relation to corporate members by a corporate representative. The deadline for delivering either written or electronic proxy forms is 48 hours before the time for holding the meeting.

Dividends and distributions

The Company may by Ordinary Resolution declare dividends not exceeding the amount recommended by the Directors, subject to the provisions of the Companies Acts. The Directors may pay interim dividends and any fixed rate dividend whenever the financial position of the Company, in the opinion of the Directors, justifies its payment.

All dividends and interest shall belong and be paid (subject to any lien of the Company) to those members whose names shall be on the Register of Members at the record date fixed in accordance with the Articles notwithstanding any subsequent transfer or transmission of shares.

Transfer of shares

Any member may transfer their shares by transfer in writing in any usual or common form or in any other form acceptable to the Directors and permitted by the Companies Acts and the UK Listing Authority.

Appointment and replacement of Directors

Directors shall be no less than two and no more than fifteen in number. Directors may be appointed by the Company by ordinary resolution or by the Board of Directors. A Director appointed by the Board of Directors holds office until the next following Annual General Meeting and is then eligible for election by the members.

Each Director shall retire from office at the first Annual General Meeting following his appointment and shall be eligible for reappointment; thereafter each Director shall retire from office and shall be eligible for reappointment at the Annual General Meeting held in the third year following his last reappointment.

The Company may by special resolution remove any Director before the expiration of his term of office.

The office of Director shall be vacated if (a) he resigns by notice in writing to the Company; (b) he offers in writing to resign and the Directors resolve to accept such offer; (c) a bankruptcy order or an interim order is made against him or he makes any arrangement or composition with his creditors generally; (d) he is, or may be, suffering from mental disorder; (e) he is absent from meetings of the Directors for six successive months without the permission of the Directors; (f) he becomes prohibited by law from acting as a Director; or (g) he is removed from office pursuant to the Articles.

Powers of the Directors

The business of the Company shall be managed by the Directors who may exercise all the powers of the Company, subject to the Company's Memorandum of Association and Articles, the Companies Acts and any directions given by the Company in general meeting. In particular the Directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove Directors and recommend and declare dividends.

Amendment of the Company's Articles of Association

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Acts by way of special resolution. A resolution will be put to the Annual General Meeting to be held on 24 April 2008 to adopt new Articles. Details of the specific changes being proposed are set out in full in the explanatory notes to the separate notice convening the Annual General Meeting.

Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:-

- Under the £800m syndicated loan facility agreement dated 24 November 2005, all amounts become due and payable under the terms of the facility if any person or group of persons acting in concert gains control of the Company.
- Under the private placement of senior loan notes detailed in note 19 to the Financial Statements (the 'Loan Notes'), the holders of the Loan Notes have an option (upon being notified by the Company within 5 business days of the change of control) to require the Company to prepay the Loan Notes held by each holder. If the holders exercise this option, the amount of prepayment is the principal amount of the Loan Note together with interest accrued thereon to the date of the prepayment. The date of prepayment must be within 65 days of the change of control.
- Control has the same meaning as S416 Income and Corporation Taxes Act 1988 and acting in concert has the meaning given to it in the City Code on Takeovers and Mergers.
- Change of control is deemed to occur if at any time any person, or group of persons acting in concert, acquires control of the Company.

By order of the Board

Neil Francis Group Company Secretary
25 February 2008