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## Directors' Report

The Directors present their Annual Report and the financial statements for the year ended 31 December 2008.

### Principal activities

Persimmon Plc is the holding company of the Persimmon Group of companies (the 'Group') and is a public company, listed on the London Stock Exchange. 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, Westbury Partnerships, City Developments 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 21 and in the Key Performance Indicators shown on pages 2 and 21 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. Details of the financial risk management objectives, policies and associated risk exposure are given in note 22 to the financial statements.

### Results and dividend payment

The Group's revenue was £1,755.1m and its loss before taxation was £780.0m.

As a result of the continued focus on conserving cash due to the current market conditions, the Board does not recommend the payment of a final dividend this year. This will result in a total dividend of 5p per share for the year (2007: 51.2p), being the interim dividend which was paid to shareholders on 17 October 2008.

### Post balance sheet event

On 27 February 2009, the Company reached agreement with its syndicate of banks providing the current revolving credit facility on amendments to the amount, terms and conditions of its existing credit facilities. The Company has also agreed a new revolving credit facility. This Forward Start Facility of £322m will become available for drawing on 24 November 2010 on the maturity of the existing facility and matures on 31 March 2012. Full documentation has been signed relating to these facilities and the amended terms and conditions become final upon the private placement investor documentation being signed.

In addition, on 27 February 2009 the Company reached agreement in principle with its private placement investors on amendments to the terms and conditions of its existing credit facilities. The full amendment documentation is currently in the process of being finalised, and whilst not without risk the Directors believe that this process will be completed promptly. The Directors remain confident that should the need arise alternative funding arrangements can be made.

Taken together, the Company will have committed funding lines of £1,085m at the outset of these arrangements (26 February 2009: £1,235m), reducing to £560m during 2011. On the basis of the Company's working capital projections, the Directors believe that these new facilities provide ample headroom and support for the continuing effective management of the business.

### Directors and Directors' interests

The Directors of the Company and their biographical details are shown on page 23. All of the Directors served for the whole of the year except Richard Pennycook who was appointed to the Board on 14 March 2008. None of the Directors have any contracts of significance with the Company. Details of the executive Directors' service contracts are given in the Remuneration Report on page 30.

The beneficial and non-beneficial interests of the Directors in the shares of the Company at 31 December 2008 and as at the date of this report are disclosed in the Remuneration Report on page 32. Details of the interests of the Directors in share options and awards of shares can be found on pages 32 and 33 within the same Report.

In accordance with the Company's Articles of Association, John White, David Thompson and Nicholas Wrigley will retire by rotation at the Company's Annual General Meeting on 23 April 2009 and, being eligible, offer themselves for re-election.

Hamish Leslie Melville is standing for annual re-election in accordance with provision A.7.2 of the Combined Code on Corporate Governance 2006, as he has served on the Board in excess of nine years. The Directors' reasons for supporting his re-election are set out on page 35 of the Corporate Governance Report.

### 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.

Directors' Report continued

## Significant 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 2 March 2009:

Name	Number of ordinary shares	Percentage	Nature of holding
Allianz SE	18,098,600	6.03%	Direct & Indirect
Lloyds Banking Group plc	16,117,168	5.37%	Direct & Indirect
Templeton Foreign Fund	15,276,482	5.09%	Indirect
AXA SA	14,923,488	4.97%	Direct & Indirect
D H Davidson & family	14,577,539	4.87%	Direct
Prudential plc group of companies	12,005,262	3.99%	Direct
Legal & General Group Plc	11,946,417	3.97%	Direct
Credit Suisse Securities (Europe) Limited	11,023,568	3.67%	Direct
Barclays Global Investors	10,698,064	3.54%	Indirect

## 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 syndicated loan facility agreement dated 24 November 2005, as amended and restated by further agreement on 27 February 2009, 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. Similar provisions apply to the Forward Start Facility dated 27 February 2009 disclosed in notes 2 and 34 to the accounts.
- Under the private placement of senior loan notes detailed in note 20 to the financial statements (the 'Loan Notes'), the holders of the Loan Notes have an option upon being notified by the Company within five 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.

## Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various financial and economic factors affecting the performance of the Group. Each of the Group's operating businesses maintains employee relations and consults employees as appropriate to its own particular needs.

Regrettably in view of the significant downturn in the housing markets the Group had to carry out a large redundancy programme during 2008 which included several operating business closures. During the year all employees involved in redundancy programmes have been afforded full consultation in accordance with current employment legislation.

The Company makes various benefit schemes available to employees, including a Save As You Earn Scheme which encourages the involvement of employees in the Company's performance. 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 2008 was 47 days (2007: 51 days).

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Directors' Report continued

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## Charitable and political donations

The Group as a whole has made donations of £89,000 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](http://www.persimmonhomes.com). No political donations were made during the year.

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## Acquisition of own shares

At the Annual General Meetings held on 19 April 2007 and 24 April 2008 shareholders granted the Company authority to purchase up to an aggregate of 29,926,110 and 29,989,731 of its own shares respectively.

During the year ended 31 December 2008 the Company purchased 250,000 ordinary shares using the authority granted on 19 April 2007, with a nominal value of £25,000 representing 0.08% of the issued ordinary share capital (excluding treasury shares) as at 2 March 2009, for a consideration (including expenses) of £1,715,160. 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 that time. During the year under review, 290,378 treasury shares were transferred to employees to satisfy the exercise of share options/awards under the Group's various share schemes for a total consideration of £1,833,995.

At 31 December 2008 the Company had authority to purchase up to 29,989,731 of its own shares. This authority expires on 23 April 2009 and a resolution to renew this authority will be put to shareholders at the Annual General Meeting.

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## Annual General Meeting

The Annual General Meeting will commence at 12 noon on Thursday 23 April 2009 at 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.

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## Auditors

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

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## 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. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

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## Articles of Association

The following description summarises certain provisions of the current Articles of Association of the Company (last amended by special resolution on 24 April 2008 (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. A copy of the Articles of Association may be obtained by writing to the Group Company Secretary at the Registered Office.

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.

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## Share capital

The Company has one class of share, being ordinary shares with a nominal value of 10p each. At 2 March 2009 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 24 to the financial statements.

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 shareholders' rights. At the AGM on 24 April 2008, shareholders gave the Directors authority to issue shares up to an aggregate nominal amount of £6,240,856 and to disapply pre-emption rights on the issue of shares up to an aggregate nominal amount of £1,512,957. These authorities will expire at the conclusion of the Annual General Meeting on 23 April 2009.

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Directors' Report continued

## Votes of members

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On a show of hands each member (being an individual) present in person or by one or more proxies has in total one vote and each member (being a corporation) present by either one or more proxies, or one or more duly authorised representatives (or both) has in total one vote.

On a poll, each member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share of which he is the holder.

Details of employee share schemes are set out in note 24 and note 31 to the financial statements. The Trustee of the Persimmon Employee Benefit Trust may vote or abstain as it sees fit.

All issued shares in the Company are fully paid and therefore there are currently no restrictions on 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 not less than 48 hours before the time for holding the meeting.

## Dividends and distributions

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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

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Any member may transfer their shares 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

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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. At each Annual General Meeting one third of the Directors shall retire from office and shall be eligible for reappointment. In any event 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. A non-executive Director who has been in office for more than nine years consecutively shall retire at each Annual General Meeting and shall be eligible for 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

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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 and Articles of Association, 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, buy back shares with the approval of shareholders, appoint and remove Directors and recommend and declare dividends.

## Directors' Responsibility

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The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations. Further details are provided on page 38.

By order of the Board

**Neil Francis** Group Company Secretary  
2 March 2009