

Persimmon Homes (South West) Limited

**Directors' report and financial
statements**

Registered number 929585

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The company's principal activity is that of residential building and development.

Business review

The directors are satisfied with the performance of the company in the current economic climate.

On 31 December 2000 the business and trading assets (including beneficial title to land assets) of Persimmon Homes (South West) Limited were transferred to Persimmon Homes Limited at book value.

On the same date an agency and management agreement was also entered into with Persimmon Homes Limited.

Dividends

An interim dividend of £9,286,000 was paid during the year.

The directors do not propose the payment of a final dividend.

Policy and practice on payment of creditors

The company's policy and practice for the payment of most of its trade creditors is to follow the CBI's Prompt Payment Code (copies available from the CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU). For other suppliers, payment terms are agreed when goods and services are ordered, and payment is made according to those terms. The company's average creditor payment period at 31 December 2000 was 63 days (*1999: 45 days*).

Directors and directors' interests

The directors who held office during the year and to the date of this report were as follows:

J White	(Chairman)
D G Bryant	(resigned 21 August 2000)
G Grewer	
J H Pendlebury	
J R Hunt	(resigned 28 April 2000)
S J Roche	
A N Morgan	
K E Calvert	
MP Farley	(appointed 21 August 2000)

None of the directors has an interest in the shares of the company.

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The directors who held office at the end of the financial year had the following interests in the ordinary shares of 10p each of the ultimate parent company, Persimmon plc, as recorded in the register of directors' share and debenture interests:

	Interest at 31 December 2000	Number of shares			Interest at 1 January 2000
Ordinary shares					
J H Pendlebury	2,832				2,662
		Number of options during the year			
		Exercised	Granted	Lapsed	
Share options					
J H Pendlebury	105,000		15,000		90,000
S J Roche	45,000		5,000		40,000
A N Morgan	45,000		5,000		40,000
K E Calvert	20,000		-		20,000
SAYE share options					
S J Roche	6,247		1,142		5,105
K E Calvert	6,190		-		6,190
JH Pendlebury	1,142		1,142		-

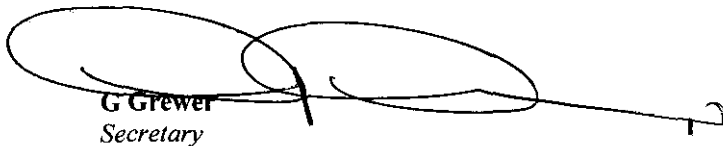
The interests of J White, MP Farley and G Grewer are disclosed in the directors' report of the ultimate parent company.

The share options held are exercisable from October 1999 to April 2009 at prices ranging from 158p to 239.5p.

Auditors

Pursuant to Section 386 of the Companies Act 1985, an elective resolution to dispense with the obligation to appoint auditors annually was passed on 20 October 1992.

By order of the board


G Grewer
 Secretary

Persimmon House
 Fulford
 YORK
 YO19 4FE

28 February 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors confirm that:

- suitable accounting policies have been selected and then applied consistently;
- judgements and estimates have been made that are reasonable and prudent;
- applicable accounting standards have been followed; and
- the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW

Report of the auditors to the members of Persimmon Homes (South West) Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 February 2001

Profit and loss account
for the year ended 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Turnover			
Continuing operations		32,332	704
Cost of sales		(26,431)	(668)
		<hr/>	<hr/>
Gross profit		5,901	36
Net operating expenses		(1,951)	(636)
		<hr/>	<hr/>
Operating profit/(loss)			
Continuing operations		3,950	(600)
Net interest (payable)/receivable	2	(3)	1
Income from investments		8,172	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	3	12,119	(599)
Tax on ordinary activities	6	(1,194)	209
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation			
Dividends	7	10,925 (9,286)	(390) -
		<hr/>	<hr/>
Balance transferred to/(from) reserves	14	1,639	(390)
		<hr/>	<hr/>

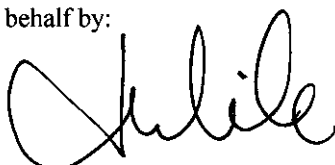
No separate statement of total recognised gains and losses has been presented as the company has no recognised gains or losses other than the result for the year as shown above.

There is no material difference between the profit on ordinary activities before taxation and the result for the year stated above, and their historic cost equivalents.

Balance sheet
at 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Fixed assets			
Tangible assets	8	-	308
		<hr/>	<hr/>
Current assets			
Debtors	9	41,852	6,154
Cash at bank and in hand		-	1,973
		<hr/>	<hr/>
Creditors due within one year	10	41,852 (36,791)	8,127 (4,849)
		<hr/>	<hr/>
Net current assets		5,061	3,278
		<hr/>	<hr/>
Total assets less current liabilities		5,061	3,586
Creditors due after more than one year	11	-	(164)
		<hr/>	<hr/>
Net assets		5,061	3,422
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	13	5,061	5,061
Profit and loss account	14	-	(1,639)
		<hr/>	<hr/>
Equity shareholders' funds	15	5,061	3,422
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 28 February 2001 and were signed on its behalf by:



J White
Director

Notes

(forming part of the financial statements)

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The company is exempt from the requirement of Financial Reporting Standard 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Persimmon plc, and its cash flows are included within the consolidated cash flow statement of that company.

The company is exempt, under section 228 of the Companies Act 1985, from the requirement to prepare group accounts.

Depreciation

Depreciation on tangible fixed assets is provided using the straight line method to write off the cost, less estimated residual value, over the following number of years:

Plant, fixtures and fittings -	3 to 5 years
Freehold buildings -	50 years

No depreciation is charged on freehold land.

Leases

Assets financed by means of a finance lease are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on such assets is charged to the profit and loss account in accordance with the accounting policy above over the lease term.

The interest element of payments to leasing companies is calculated on a straight line basis over the lease term and charged to the profit and loss account.

Amounts payable under operating leases are charged to work in progress or net operating expenses on a straight line basis over the lease term.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value, after deducting deposits received. Land includes undeveloped land and land under development but excludes land being developed under licence agreements and land option payments. Work in progress, showhouses and Business Expansion Scheme ("BES") assets comprise direct materials, labour costs, site overheads, associated professional charges and other attributable overheads.

Notes (continued)

1 Principal accounting policies (continued)

Turnover

Turnover represents the total sales value of legally completed properties in the United Kingdom, excluding land sales and part exchange properties. Turnover and profit on sales are recognised upon legal completion. Turnover does not include properties sold to BES companies until the schemes mature. The properties are held in the balance sheet at their original cost with the associated sale proceeds treated as advances.

Interest

Interest is written off to the profit and loss account as incurred.

Taxation

Provision is made for tax on taxable profit, payments from group undertakings for the surrender of taxation losses and for deferred tax which is likely to crystallise in the foreseeable future.

Pension costs

Pension costs are accounted for on the basis of charging the expected costs of providing pensions over the period during which the company benefits from the employees' services.

2 Net interest payable/(receivable)

	2000 £000	1999 £000
Interest payable and similar charges		
On bank overdrafts wholly repayable within five years	39	29
Finance charges payable in respect of finance leases	17	16
	<hr/>	<hr/>
	56	45
Other interest receivable	(53)	(46)
	<hr/>	<hr/>
	3	(1)
	<hr/>	<hr/>

Notes (continued)

3 Profit on ordinary activities before taxation

	2000 £000	1999 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditor's remuneration:		
Audit	5	-
Non audit	-	-
Depreciation:		
Owned assets	114	55
Assets held under finance leases	157	40
Operating lease:		
Plant hire	400	-
Other	10	10
<i>after crediting</i>		
Profit on sale of land	(268)	-
Rent receivable	(1)	13

4 Remuneration of directors

	2000 £000	1999 £000
Directors' emoluments	322	431

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £180,000 (1999: £155,000). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £53,000 (1999: £42,000).

	Number of directors	
	2000	1999
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	4	5
The number of directors who exercised share options was	-	-
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	4	5

Notes (continued)

5 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year was 79 (1999: 5).

Staff costs (for the above persons):

	2000 £000	1999 £000
Wages and salaries	1,726	34
Social security costs	144	3
Other pension costs	111	2
	<u>1,981</u>	<u>39</u>

6 Tax on ordinary activities

	2000 £000	1999 £000
UK corporation tax at 30% (1999: 30.25 %)	1,194	(209)
	<u>1,194</u>	<u>(209)</u>

7 Dividends

	2000 £000	1999 £000
Equity shares		
Interim dividend paid	9,286	-
	<u>9,286</u>	<u>-</u>

Notes (continued)

8 Tangible fixed assets

	Land and Buildings £000	Plant £000	Fixtures and fittings £000	Total £000
Cost				
At 1 January 2000	-	391	108	499
Additions	120	122	23	265
Disposals	-	(65)	-	(65)
Transfers to Persimmon Homes Limited	(120)	(448)	(131)	(699)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2000	-	129	62	191
Charge for year	120	103	48	271
On disposals	-	(28)	-	(28)
Transfers to Persimmon Homes Limited	(120)	(204)	(110)	(434)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2000	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	-	262	46	308
	<hr/>	<hr/>	<hr/>	<hr/>
Finance leases included in the above:				
Net book value				
At 31 December 2000	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	-	248	-	248
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Debtors

	2000 £000	1999 £000
Trade debtors	-	268
Secured loans	-	3
Amounts owed by group undertakings	41,852	4,847
Corporation tax	-	1,030
Prepayments and accrued income	-	6
Other debtors	-	-
Licensed land prepayments	-	-
	<u>41,852</u>	<u>6,154</u>

All debtors are due within one year.

10 Creditors due within one year

	2000 £000	£000	1999 £000	£000
Obligations under finance leases		-		85
Trade creditors		-		2,351
Land creditors		-		-
Amounts owed to group undertakings		36,791		2,044
Other creditors including taxation and social security:				
Other taxes and social security	-		51	
	<u>-</u>		<u>51</u>	
Taxation and social security	-		51	
Other creditors	-		237	
	<u>-</u>		<u>237</u>	
Accruals and deferred income		-		288
		-		81
		<u>36,791</u>		<u>4,849</u>

Notes (continued)

11 Creditors due after more than one year

	2000 £000	1999 £000
Obligations under finance leases	-	164

The following amounts are repayable by instalments:

	2000 £000	1999 £000
Finance leases		
Between one and two years	-	84
Between two and five years	-	80
	-	164

12 Deferred tax

There is no potential liability for deferred tax.

13 Called up share capital

	2000 £000	1999 £000
<i>Authorised, allotted, called up and fully paid</i>		
5,060,874 Ordinary shares of £1 each	5,061	5,061

14 Reserves

	Profit and loss account £000
At 1 January 2000	(1,639)
Retained profit for the year	1,639
At 31 December 2000	-

Notes (continued)

15 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Profit for the financial year	10,925	(390)
Dividends	(9,286)	-
Net addition to shareholders' funds	1,639	(390)
Opening shareholders' funds	3,422	3,812
Closing shareholders' funds	5,061	3,422

16 Contingent liabilities

The company has given an unlimited cross guarantee in respect of the bank overdrafts of certain other group companies. At 31 December 2000 the overdrafts amounted to £5,073,000 (1999: £8,858,000).

The company together with fellow subsidiaries has guaranteed bank loans made to Persimmon plc; the amount outstanding at the year end was £123,998,000 (1999: £131,891,000).

In the normal course of business, the company has given counter-indemnities in respect of performance bonds and financial guarantees.

The company has entered into certain licence agreements with third parties, which give it the right to build and sell houses on land owned by the third party. Upon legal completion the house purchaser makes a land payment to the third party and the balance of the sales proceeds is paid to the company. In some instances, the company may guarantee minimum aggregate land payments at appropriate dates. If it becomes necessary to make advance payments to the licensor, amounts paid are included as prepayments in the balance sheet and are subsequently recovered on the sale of the properties.

17 Commitments

(i) At 31 December 2000, there were no capital commitments contracted for but not provided in the financial statements (1999: £Nil).

(ii) At 31 December 2000 annual commitments under non-cancellable operating leases were as follows:

	2000		1999	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring within one year	-	-	-	48
Expiring between two and five years inclusive	-	-	-	36
Expiring in over five years	-	-	10	-
	<u>-</u>	<u>-</u>	<u>10</u>	<u>84</u>

Notes *(continued)*

18 Pension scheme

The company is a member of a group operated pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary. The most recent valuation was at 1 July 2000. The assumptions which have the most significant effect on the results of the valuation are shown in the financial statements of the ultimate parent company, Persimmon plc.

The total pension cost for the company was £111,000 (1999: £2,000).

19 Related party disclosures

The company is controlled by Persimmon plc, its ultimate parent company.

20 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Persimmon plc.

The consolidated financial statements of Persimmon plc are available to the public and may be obtained from:

The Company Secretary
Persimmon plc
Persimmon House
Fulford
YORK
YO19 4FE