

# Chairman's Statement

It gives me great pleasure to report another record set of results for the Persimmon Group. 2006 was an exceptional year for Persimmon. During the year we completed the acquisition of Westbury, legally completed 16,701 homes, achieved a record underlying pre-tax profit of £582.1 million, increased our land bank to over 80,000 plots owned and under control, whilst reducing debt ahead of our original projections.

Turnover for the year was £3.14 billion (2005: £2.29 billion). Pre-tax profit of £582.1 million (before reorganisation costs) was 17.5% ahead of the prior year (2005: £495.4 million). Basic earnings per share were 137.5p (2005: 118.4p) an increase of 16%.

Operating profits (before reorganisation costs) increased by 23.7% to £652.7 million (2005: £527.8 million). These operating profits resulted in an increase in operating margins in the second half of the year to 21.6% from 19.9% achieved in the first half. Operating margins for the full year were maintained at the top end of industry levels at 20.8% (2005: 23.1%) despite the dilution created by the lower margin sites acquired with Westbury in January 2006.

The benefits of the actions we have taken to maximise synergy savings and increase efficiencies following the acquisition of Westbury are reflected in the improvement in these margins. We have realised synergy benefits of c. £32 million during 2006 and are confident that we will deliver annual synergy savings in excess of £45 million from 2007 onwards.

Net borrowings (excluding finance leases) at the year end were £661 million; a gearing level of 33% (2005: 16%). This is significantly lower than the c. 80% gearing level immediately following the acquisition of Westbury and well below the year end target of 50% we set ourselves originally.

Net cash inflow from operations for the year was very strong at £793 million (2005: £347 million) generated from a combination of the realisation of operating profits and the release of cash from tighter working capital control of the acquired Westbury assets. As a result free cash inflow (before the payment of the remaining consideration for the Westbury acquisition) amounted to £523 million (2005: £109 million).

At the same time we have increased our land bank to 80,085 plots which compares with c. 78,000 plots immediately following the acquisition and the 63,336 plots owned and under control on 1 January 2006. Whilst the land market has remained competitive, we have continued to acquire land at attractive prices, particularly in the latter months of 2006. Our total land bank including plots proceeding to contract is 94,655.

This strong land bank, along with our large strategic land holdings which, as previously stated, is set to deliver over 30,000 consented plots over the next three years, will ensure that the business continues to prosper. We are confident that the percentage of plots sourced through the strategic land portfolio over the next few years will increase to a much higher level than the c. 25% we have achieved in recent years.

In the light of our performance during 2006 and our expectations for the years ahead, we are proposing to increase the final dividend to 32.7p, an increase of 72% on 2005 (19.0p), which will be payable on 20 April 2007 to shareholders on the Register on 9 March 2007. Once again we are offering a scrip dividend alternative, however this will be replaced in the future with a dividend reinvestment plan. When added to the interim dividend for 2006 of 13.8p per share the total dividend payable for the year will be 46.5p. This represents an increase for the full year dividend of 50%. This is the second time in three years we have increased our dividend by 50%. Indeed, over the last five years dividends have increased at a compound rate of 27.7%. As a reflection of the Board's continued confidence in the future of the business we have reduced the dividend cover to a level of 2.9x. Looking ahead, we still intend to maintain our policy of a progressive payout to shareholders.

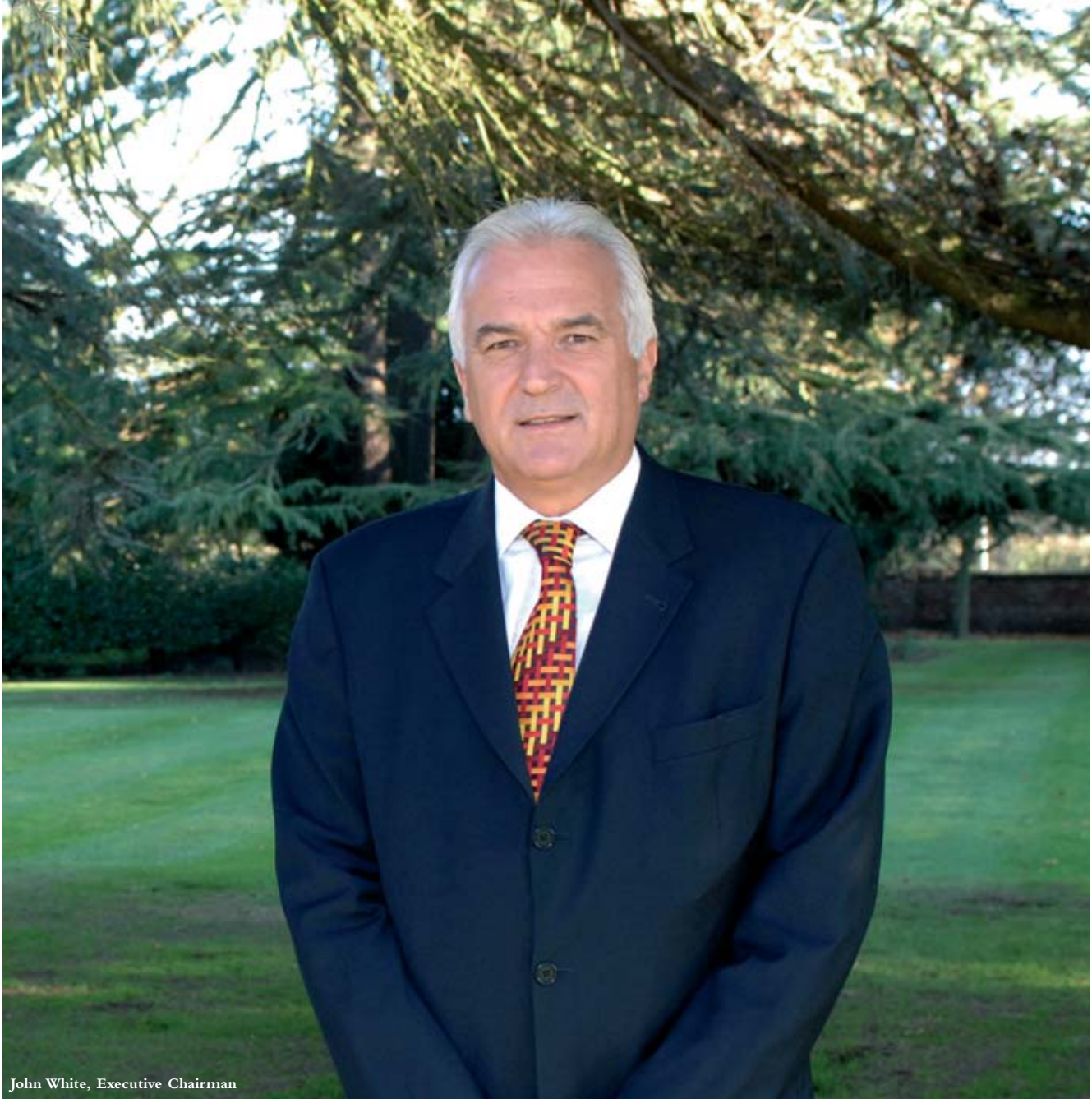
Our balance sheet and free cash flow remain strong providing full flexibility to invest in any suitable opportunities.

The first few weeks' sales of 2007 have been encouraging. Currently we have total sales revenue for 2007 of c. £1.3 billion which is 4% ahead of the very strong forward order book held in 2006 and the highest level it has ever been at this stage of the year. We will be operating from a higher number of new outlets over the next few months when compared with the same period of 2006, when we were working through to completion a large number of old Westbury sites. We therefore expect sales to move further ahead of the prior year over the next few months ensuring a satisfactory start to 2007.

We have a great team with many years of experience. We will, as always, monitor the backdrop to our industry carefully, remain flexible in our approach to all aspects of our business and react to opportunities as they arise. We remain confident both of the underlying strength of the housing market and in our ability to grow our business over future years whilst continuing to reward our shareholders.

I would like to thank our staff for all their hard work during such an exciting and demanding year.

**John White** Executive Chairman  
23 February 2007



John White, Executive Chairman



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