

Chairman's Statement



Persimmon has once again delivered an excellent result during what has been a very challenging year. The results we announce today show a further improvement over the record results of the previous year.

Results

Pre-tax profits for the year ended 31 December 2007 were £585.1m (2006: £582.1m). These results are stated before a goodwill impairment charge of £2.4m (2006: stated before reorganisation costs of £15.4m). After charging goodwill, pre-tax profits were £582.7m which is a 2.8% increase on last year (2006: £566.7m after charging reorganisation costs). Earnings per share (after all charges) increased to 137.5p (2006: 133.8p).

As already reported, legal completions for 2007 were 15,905, a decrease of 4.8% on 2006, whilst average selling prices increased to £189,558 (2006: £188,129). Turnover for the year was £3.015bn, down 4% on the prior year.

Operating profit (after charging goodwill) increased to £654.9m (2006: £637.3m after reorganisation costs) and operating margins, already at an industry high level, increased to 21.7% (2006: 20.3%).

The increase in margins during the period reflects the strict disciplines we apply to all our costs. We also continued to benefit from the synergies achieved following the acquisition of Westbury. During 2007 we delivered annual synergy savings of over £50m which is above the target of £45m savings previously stated.

Another focus for our management continues to be strong cash control. We have generated net cash inflows from operations of £263m, despite investing an additional £427m in stocks and work in progress. This was due to a combination of investments in good quality land opportunities, particularly in the early part of the year, and an increase in work in progress as we increased outlets by c. 7%. Free cash inflow for the year before the payment of dividends and buyback of Persimmon shares was £67m.

Net borrowings at the year end were £721m representing a gearing level of 31% (2006: 33%). We achieved a return on average capital employed of 21.6% (2006: 23.1% after reorganisation costs).

Our landbank at 1 January 2008 consisted of 78,863 plots which were either owned or under control. This land has been acquired over a number of years at attractive prices and provides a strong asset base for our business. In addition we had a further 11,124 plots proceeding to contract.

We remain focused on progressing planning on numerous strategic land opportunities, and during the year this accounted for more than 50% of the plots we acquired. This successful strategy will allow us to continue to be very selective with regard to new land acquisitions.

As previously stated, we are proposing to increase the full year dividend by 10% this year to a total of 51.2p per share. This is the eleventh consecutive year we have grown the dividend. The interim dividend paid was 18.5p. Therefore the final dividend which will be payable on 25 April 2008 will be 32.7p per share. The full year dividend is well covered at 2.7 times.

Outlook

We came into 2008 with a forward sales order book of £603m. Since then reservations have been lower than the same strong period of 2007. Visitor levels have improved each week since the beginning of the year but conversion to sales ratios have remained challenging.

Understandably, potential purchasers are currently taking longer to make decisions about the timing of their house purchase. There remains an underlying demand and desire for new homes but we have been experiencing a period of a 'wait and see' approach. However, the negative customer reaction to the credit squeeze during the autumn now appears to be easing a little following recent interest rate reductions. Whilst mortgage lending has tightened, the new criteria are now more clearly understood and our good long term relationships with all the major lenders continue to work well. Encouragingly, cancellation rates have reduced since last autumn, and are now at more normal levels whilst weekly sales volumes have been gradually improving. New house selling prices across the UK are holding firm, although we expect incentives to continue to be offered and marketing costs to increase.

We are confident that the underlying supply and demand fundamentals for the house building industry will once again produce an upturn in market conditions. As planned, we continue to increase the number of partnership homes we are building in line with the Government's agenda.

Our order book for 2008, including legal completions to date, is now at c. £1.05bn (2007: £1.30bn). Whilst this is lower than the equivalent figure for 2007 it nevertheless represents a healthy level of sales at this early stage of the year. Comparatives will become less pronounced through the summer and autumn months following the slow down of sales from August 2007. Against the current backdrop we expect the timing of sales and completions this year to be more weighted to the second half of the year than usual.

During the autumn months we took the opportunity to review our build costs and overhead efficiency. By working closely with our suppliers and sub-contractors we have managed to reduce our input costs from the beginning of this year. We also announced in January the merger of some of our regional offices which resulted in the closure of 3 offices and associated redundancies. This increased overhead efficiency and the reduction in some of our build costs will assist in mitigating the impact of a more difficult housing market whilst setting a clear course for the medium and long term.

Traditionally the housing market has fluctuated as trading conditions, the general economy and interest rates change. Our management teams have experienced many years of these changing markets and have been using this experience to tackle the challenges and opportunities presented by the current market conditions. When confidence returns and sentiment improves we anticipate a return to a stronger market; in the meantime we remain cautious. However, with an experienced management team, strong balance sheet and excellent landbank we remain confident for the future.

Finally, I once again thank each and every one of our dedicated staff, advisers, suppliers and contractors for their assistance and hard work in achieving these results.

John White Group Chairman
25 February 2008

Affordable



Edge End Farm, Mitton, Staffordshire

Premium

Affordability and quality are key. Persimmon delivers a wide choice of lower cost houses and apartments as well as more aspirational yet affordable homes.



The Lawns, Stallington Village, Staffordshire