

Chairman's Statement

It is well documented that 2008 was the most challenging period encountered in the housing market in recent history. During the year we have restructured our business significantly across the whole of the UK and have recently agreed new and amended credit facilities to provide further stability as we move forward through these difficult markets.

Results

Turnover for the year ended 31 December 2008 was £1.755bn (2007: £3.015bn) with underlying pre-tax profits of £126.6m (2007: £585.1m). These profits are stated before exceptional charges and goodwill impairment.

As previously reported, legal completions for 2008 were 10,202, a reduction of 36% on last year (2007: 15,905). The average selling price of homes completed was £172,994, a decrease of 8.7% (2007: £189,558), stated before the IAS 18 adjustment to reduce turnover by £9.8m to fair value the deferred element of shared equity sales receipts (2007: £nil). Underlying operating profit (before exceptional charges and goodwill impairment) was £198.3m, an operating margin of 11.3% (2007: 21.8%).

As announced in our Interim Management Statement on 27 October 2008, we have carried out a detailed review of the net realisable value of our tangible assets, primarily relating to land and work in progress. This review of land and work in progress has now been completed and has resulted in an exceptional non cash charge of c. £650m in line with our previous guidance.

In addition, we have performed our annual impairment review of the value of intangible assets. The deterioration in market conditions has resulted in a non cash impairment of goodwill of £201m. This is largely as a result of the impact on the anticipated value of long term strategic land holdings associated with previous acquisitions. The value of intangible assets will continue to be reviewed on an annual basis in line with market conditions. Current year total exceptional charges reduced net assets per share at 31 December 2008 by 243p to 518p.

The total pre-tax loss for the year after all exceptional charges and goodwill impairment was £780m (2007: profit £582.7m).

Throughout 2008 we have constantly monitored our overhead levels and expenditure to ensure that our financial position remains strong. We have generated good net cash inflow from operations of £211m since 30 June 2008 (H2 2007: £122m) when our earlier actions began to take most effect. Net borrowings at the year end were £599m (2007: £721m).

On 27 February 2009 we successfully agreed new terms and conditions with our banking partners and private note holders for the amendment of our existing credit facilities. We have also agreed terms for a new Forward Start Facility of £322m which matures on 31 March 2012. These amended and new facilities will provide committed funding lines of £1,085m at the outset of these arrangements, reducing to £560m during 2011. We expect these facilities to provide ample headroom and support for the effective management of the business over the next few years. The full documentation relating to these credit facilities is currently in the process of being finalised and a further announcement will be made when it has been signed.



John White, Group Chairman

The interest cost of the amended and new facilities is at an estimated blended interest rate of c. 6.4%, an increase of c. 2.8% on previous arrangements.

The covenants associated with these amended and new facilities are appropriate for the current market conditions and our strategy of focusing on cash generation. We therefore continue to apply tight control over all expenditure. In support of this strategy Persimmon will not pay a dividend for 2009. We will continue to review future dividend policy as appropriate in the light of trading conditions.

As already stated in our Trading Update on 8 January 2009 the Board is not proposing a final dividend for the year ended 31 December 2008. An interim dividend of 5.0p was paid on 17 October 2008. The total dividend for 2008 will therefore be 5.0p (2007: 51.2p).

Land

We have reported on several occasions that we have remained very cautious on land acquisitions since Autumn 2007. Our landbank at 31 December 2008 consisted of 69,279 plots which were either owned or under control (2007: 78,863 plots). We expect to reduce our land holding further during 2009 as we complete house sales throughout the year. Land creditors at 1 January 2009 were £314m of which c. £175m will be paid during 2009. Our approach to future land acquisition will depend upon the opportunity and trading environment we encounter at that time.

At some stage land will once again become an increasingly attractive asset to control when house building volumes increase to meet underlying supply requirements. We therefore continue to manage carefully our significant strategic land holdings of c. 20,000 acres. These land holdings will provide a large number of plots for development at some time in the future, generally at a discount to market prices set at the time of development. This will provide a good platform for growth of the business at that time.

Outlook

Forward sales at 1 January 2009 were £458m (2008: £603m). Since then weekly sales volumes have been ahead of our expectations and we currently have a total sales order book for 2009, including legal completions to date, of c. £698m (2008: £1,050m). This has put us in a good position to achieve our short term objectives for cash generation and balance sheet strength.

We believe the combination of lower interest rates and an improvement in affordability will assist in increasing first time buyer activity, although the threat of increased unemployment remains a concern.

We are determined to continue to focus on the basic disciplines of keeping costs to a minimum, conserving cash and reacting quickly to the market challenges and changes as they occur.

We consider that 2009 is likely to be another difficult year, but we believe that we will eventually see an upturn in the housing market. We are confident that our business is well positioned to react to take advantage of growth in our markets as they improve in the future.

Finally, I would like to express the Board's appreciation of David Bryant's service as a Main Board Director of Persimmon Plc. David has decided to retire at the end of 2009 and therefore will step down from the Board at the forthcoming AGM on 23 April 2009.

David joined the Company in 1985 and has been a Board member for eighteen years, during which time he has contributed greatly to the success and growth of Persimmon. David will continue his Board responsibilities until 30 June 2009 and thereafter continue in his capacity as Chairman of the Eastern Region until the end of the year.

I would also once again thank our many loyal and hard working staff and employees for their support through these most difficult and testing times.

John White Group Chairman
2 March 2009