

**TUESDAY 24 AUGUST 2010**  
**HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010**

- Revenues 27% higher at £776.6m (2009: £611.8m)
- Legal completions increased by 16% to 4,657 (2009: 4,006)
- Average selling price\* 8.6% higher at £168,936 (2009: £155,524)
- Underlying operating margin\*\* of 8.0% (2009: 1.6%) – underlying performance continues to be amongst the strongest in the sector. Reported operating margin of 16.9% (2009: 6.0%) after exceptional items
- Reported pre-tax profit\*\*\* of £101.4m (2009: £9.8m)
- Underlying pre-tax profits\*\* of £39.4m (2009: loss of £16.7m)
- Due to improving underlying performance, further exceptional release of surplus inventory net realisable value provision of £70.7m (2009: £27.9m)
- Continued strong cash generation: £185.6m cash generated from operations (2009: £152.8m) - net borrowings\*\*\*\* reduced to £122.1m (2009: £494.2m)
- Dividend restored – interim dividend of 3.0 pence per share
- Net assets per share increased by 9.7% to 565.1p (30 June 2009: 515.1p)
- Strong liquidity supported ongoing optimisation of the Group's debt portfolio: reduction in syndicated loan facility from £600m to £350m and early repayment of over £100m of Senior Loan Notes
- Strong forward sales at 24 August of c.£912m (December 2009: c.£638m) at similar margins to those achieved in the first half: c.95% sold up for the current year
- Total land holdings in line with December 2009 – Owned & under control landbank of 58,957 plots – 4,263 plots added since December 2009, including 1,297 plots from our strategic land portfolio
- Joint venture with St Modwen to initially develop 2,000 plots over the next few years, and 3,663 plots proceeding to contract where terms agreed

\* Calculated from nominal value of turnover – before fair value charge on shared equity sales

\*\* Stated before goodwill impairment and exceptional items

\*\*\* Stated after goodwill impairment and exceptional items

\*\*\*\* Stated before finance lease obligations and financing transaction costs

John White, Group Chairman, said: “Overall, whilst we currently remain cautious, we are optimistic about the future of our business. We have a strong balance sheet, excellent cash generation, national coverage and an experienced management team.”

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Analysts wishing to remotely listen to the presentation at 10:30am may dial +44 (0) 207 138 0817. A webcast of today's analyst presentation will be available on [www.corporate.persimmonhomes.com](http://www.corporate.persimmonhomes.com) this afternoon.

## CHAIRMAN'S STATEMENT

Persimmon has traded well during the six month period to 30 June 2010. New home legal completions have increased by 16% and average selling prices by 8.6%. Turnover is up 27% with significantly increased profits, whilst debt and gearing have been reduced considerably. Looking ahead we have a healthy forward sales position and an excellent landbank. The Board therefore proposes to recommence the payment of an Interim Dividend.

### **RESULTS**

During the six month period to 30 June 2010 Persimmon legally completed 4,657 homes (H1 2009: 4,006 homes) at an average selling price\* of £168,936 (H1 2009: £155,524), generating a sales revenue of £776.6 million (H1 2009: £611.8 million). Pre-tax profit for the period was £101.4 million (H1 2009: £9.8 million).

These results include a net exceptional credit of £63.6 million (H1 2009: £27.9 million). This is largely in respect of inventory net realisable value ("NRV") provision release of £70.7 million (H1 2009: £27.9 million) offset by net costs of £7.1 million incurred on early redemption of US Senior Loan Notes.

We retain £288.4 million of NRV provisions which will be either utilised or released at some point in the future, in the light of prevailing trading conditions.

As previously stated, our strategy during the period has been to continue to focus on margin improvement and debt reduction.

Whilst reported operating profit was £131.2 million (H1 2009: £36.5 million) with an operating margin of 16.9% (H1 2009: 6.0%), underlying operating profit\*\* (stated before goodwill impairment and exceptional items) was £62.1 million (H1 2009: £10.0 million) representing an increase in underlying operating margin to 8.0% (H1 2009: 1.6%).

During the first half of the year we have generated £185.6 million cash inflows from operations and reduced total net borrowings at 30 June 2010 to £122.1 million (2009: £494.2 million). Net finance costs for the period were £22.7 million (H1 2009: £26.7 million).

Reported basic earnings per share were 26.6p (H1 2009: 3.3p per share). Net assets per share increased to 565.1p (30 June 2009: 515.1p; 31 December 2009: 540.2p).

### **DIVIDEND**

The Board is pleased to announce that it intends to pay an Interim Dividend of 3.0p per share (H1 2009: Nil). The recommencement of dividends is underpinned by an improvement in the underlying trading performance of the Group over the last twelve months, the associated cash generation and a strong balance sheet.

The dividend will be paid on 14 December 2010 to Shareholders on the Register on 5 November 2010. The directors will be offering a dividend reinvestment plan ("DRIP") and the latest election date for the DRIP is 23 November 2010.

The level of future dividends will be assessed in light of the underlying earnings of each financial period, balance sheet flexibility and the Board's assessment of the strength of current trading and future prospects.

## **CURRENT TRADING**

Following a period of strong sales through the spring, housing market activity has slowed, as expected, over the last few weeks as we entered the normally quieter summer period. The current order book including legal completions since 1 July 2010 is c. £912 million (31 December 2009: £638 million).

As already stated, sales revenues in the first half are up by c. 27% therefore we are in a strong position to achieve our internal target of an increase of c. 10% of sales revenue for the full year compared to 2009. We are currently 95% sold up for 2010 with a further 1,700 homes already reserved to carry forward into 2011.

The sales in the forward order book for 2010 completions are at similar margins to those achieved in the first half of 2010 whilst c. 65% of those forward sales are contracted (2009: 45%). We continue to focus on achieving the best possible selling price for our new homes rather than increasing volumes.

Our forward sales position at this point in the year is in line with our normal target of having all sales reserved for the full year before the end of September.

We have new sites in excellent locations opening in the autumn which, along with a launch of new marketing campaigns, will assist in maintaining sales levels. An improvement in mortgage availability would provide further support, although we have not factored this into our expectations.

Given the tight credit conditions customers have continued to find our shared equity offer attractive during the period. Part exchange is being increasingly requested demonstrating customers' growing confidence in the valuations of their existing homes being offered in the market.

Build costs are firmly under control at the lower prices we have negotiated over the last two years. These lower input costs are helping us to rebuild and sustain higher margins. Overall our build costs have reduced by c. 14% from their peak.

## **PENSIONS**

As a result of our continuing review of the provision of pension benefits within the Group, we have decided that, within the defined benefit pension scheme, future accrual will be based on career average salaries rather than final salary prior to retirement. This change to the basis of future pension accrual commenced on 1 July 2010 and is designed to reduce the Group's exposure to increases in the cost of future accrual of benefits in the scheme.

## **LAND**

At 30 June 2010 our landbank consisted of a total of 58,957 plots owned and under control.

We have added 4,263 plots for mainly traditional housing in the first half with over 50% in southern markets. We also have a further 3,663 plots on which we have agreed terms and are proceeding to contract.

In addition, as recently announced, we have entered into a joint venture with St Modwen to initially develop 2,000 plots over the next few years. This joint venture also provides the opportunity for further schemes to be added as and when planning permissions are achieved.

Land creditors at 30 June 2010 remain consistent at £203 million (2009: £196 million). Whilst we have significant balance sheet capacity we are remaining very selective in our land purchase commitments at present.

### **CAPITAL STRUCTURE**

As part of the ongoing maintenance of the Group's capital structure and in response to the Group's excellent liquidity and continued strong cash generation, we have taken the opportunity to rebalance the cash and credit resources available to the Group whilst maintaining appropriate headroom.

We have reduced the Group's commitments under its Syndicated Credit Facility and repaid drawn funds from our Senior Loan Note portfolio. Our Syndicated Facility now provides £350 million of committed funding having been reduced by £250 million on 8 March 2010. We repaid £48.0 million of Senior Loan Notes as scheduled in April 2010 and in June 2010 we prepaid £102.3 million, which was scheduled for repayment in April 2013. In addition, in July 2010 we prepaid a further £72.1 million of Senior Loan Notes scheduled for repayment in November 2010.

These actions will reduce the Group's net funding costs over future periods and we will continue to review our future requirements.

### **OUTLOOK**

We plan to open 75 new sites over the next few months which will maintain the strength of our outlet network. Of these new sales outlets, over 50% will be in the South, where the market is strongest. This is a reflection of the emphasis we have implemented in acquiring proportionally more land in our southern businesses over the last two years.

The availability of mortgage credit continues to be constrained. Mortgage lenders remain cautious in their risk appetite but are increasingly supportive of new home purchasers. The clarification of the details of the Coalition Government's spending plans to be announced in October will create greater certainty which may help to improve sentiment further within the UK housing market.

We expect annual volume growth of new home sales to continue to be steady in line with any general improvement in the economy.

Overall, whilst we currently remain cautious, we are optimistic about the future of our business. We have a strong balance sheet, excellent cash generation, national coverage and an experienced management team.

Our long landbank has excellent planning consents and we continue to secure a high quality supply of new development opportunities, which will underpin growth in profitability in the future.

The results for the first half of the year clearly demonstrate the hard work and dedication of all our employees throughout the business. On behalf of the Board I would again like to thank our staff for all their efforts. I look forward to their continued success in the future in driving the Group forward.

\* Stated before fair value charge on shared equity sales (2010: £10.2 million, 2009: £11.2 million)

\*\* Stated before goodwill impairment (2010: £1.6 million, 2009: £1.4 million) and exceptional items (2010: £70.7 million, 2009: £27.9 million)

**PERSIMMON PLC**  
**Condensed consolidated statement of comprehensive income (unaudited)**  
**For the six months to 30 June 2010**

Continuing operations	Note	Six months to 30 June 2010			Six months to 30 June 2009			Year to 31 December 2009		
		Before exceptional items £m	Exceptional items (Note 3) £m	Total £m	Before exceptional items £m	Exceptional items (Note 3) £m	Total £m	Before exceptional items £m	Exceptional items (Note 3) £m	Total £m
<b>Revenue</b>		776.6	-	<b>776.6</b>	611.8	-	611.8	1,420.6	-	1,420.6
Cost of sales		(681.0)	70.7	<b>(610.3)</b>	(571.6)	27.9	(543.7)	(1,297.0)	74.8	(1,222.2)
<b>Gross profit</b>		95.6	70.7	<b>166.3</b>	40.2	27.9	68.1	123.6	74.8	198.4
Other operating income		3.9	-	<b>3.9</b>	5.4	-	5.4	8.8	-	8.8
Operating expenses		(38.7)	-	<b>(38.7)</b>	(36.5)	-	(36.5)	(78.7)	-	(78.7)
Share of results of jointly controlled entities		(0.3)	-	<b>(0.3)</b>	(0.5)	-	(0.5)	(0.5)	-	(0.5)
<b>Profit from operations before impairment of intangible assets</b>		62.1	70.7	<b>132.8</b>	10.0	27.9	37.9	57.2	74.8	132.0
Impairment of intangible assets		(1.6)	-	<b>(1.6)</b>	(1.4)	-	(1.4)	(4.0)	-	(4.0)
<b>Profit from operations</b>		60.5	70.7	<b>131.2</b>	8.6	27.9	36.5	53.2	74.8	128.0
Finance income		2.2	7.4	<b>9.6</b>	2.3	-	2.3	4.8	-	4.8
Finance costs		(24.9)	(14.5)	<b>(39.4)</b>	(29.0)	-	(29.0)	(55.0)	-	(55.0)
<b>Profit / (loss) before tax</b>		37.8	63.6	<b>101.4</b>	(18.1)	27.9	9.8	3.0	74.8	77.8
Tax (charge) / credit	4	(3.5)	(17.8)	<b>(21.3)</b>	5.2	(5.2)	-	(0.7)	(3.0)	(3.7)
<b>Profit / (loss) after tax</b> (all attributable to equity holders of the parent)		34.3	45.8	<b>80.1</b>	(12.9)	22.7	9.8	2.3	71.8	74.1
<b>Other comprehensive (expense) / income</b>										
Effective portion of changes in fair value of cash flow hedges		0.6	-	<b>0.6</b>	(0.6)	-	(0.6)	(0.8)	-	(0.8)
Net actuarial losses on defined benefit pension scheme	10	(17.9)	-	<b>(17.9)</b>	(26.1)	-	(26.1)	(29.0)	-	(29.0)
Tax credit on other comprehensive (expense) / income	4	14.6	-	<b>14.6</b>	7.5	-	7.5	19.3	-	19.3
<b>Other comprehensive (expense) / income for the period, net of tax</b>		(2.7)	-	<b>(2.7)</b>	(19.2)	-	(19.2)	(10.5)	-	(10.5)
<b>Total recognised income / (expense) for the period</b>		31.6	45.8	<b>77.4</b>	(32.1)	22.7	(9.4)	(8.2)	71.8	63.6
<b>Earnings per share</b> <sup>i</sup>										
Basic	5			<b>26.6p</b>			3.3p			24.7p
Diluted	5			<b>26.5p</b>			3.3p			24.5p
<b>Non-GAAP measures - Underlying earnings per share</b> <sup>ii</sup>										
Basic	5			<b>12.0p</b>			(3.8p)			2.1p
Diluted	5			<b>11.9p</b>			(3.8p)			2.1p

<sup>i</sup> Earnings per share is calculated in accordance with IAS 33 'Earnings Per Share'

<sup>ii</sup> Underlying earnings per share excludes exceptional items and goodwill impairment

**PERSIMMON PLC**  
**Condensed consolidated balance sheet (unaudited)**  
**As at 30 June 2010**

	Note	30 June 2010 £m	30 June 2009 Restated £m	31 December 2009 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		258.7	263.2	260.4
Property, plant and equipment		30.2	36.0	32.0
Investments accounted for using the equity method		3.0	3.4	3.3
Available for sale financial assets		91.8	47.2	68.0
Trade and other receivables		2.4	4.8	3.6
Forward currency swaps	9	26.7	15.7	20.8
Deferred tax assets		47.8	14.0	27.9
		<b>460.6</b>	<b>384.3</b>	<b>416.0</b>
<b>Current assets</b>				
Inventories	7	2,156.3	2,374.0	2,187.8
Trade and other receivables		56.2	64.1	50.2
Forward currency swaps	9	9.6	-	-
Cash and cash equivalents	9	129.3	0.3	138.0
Assets held for sale		3.3	5.7	3.6
		<b>2,354.7</b>	<b>2,444.1</b>	<b>2,379.6</b>
<b>Total assets</b>		<b>2,815.3</b>	<b>2,828.4</b>	<b>2,795.6</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings		(151.0)	(385.2)	(283.0)
Trade and other payables		(91.4)	(101.1)	(77.2)
Forward currency swaps	9	-	(9.5)	-
Deferred tax liabilities		(23.4)	(26.5)	(24.1)
Retirement benefit obligation	10	(125.4)	(116.3)	(114.4)
		<b>(391.2)</b>	<b>(638.6)</b>	<b>(498.7)</b>
<b>Current liabilities</b>				
Interest bearing loans and borrowings		(122.4)	(93.7)	(117.0)
Trade and other payables		(502.5)	(471.9)	(464.5)
Forward currency swaps	9	(2.6)	(2.5)	(9.5)
Current tax liabilities		(94.4)	(74.2)	(82.7)
		<b>(721.9)</b>	<b>(642.3)</b>	<b>(673.7)</b>
<b>Total liabilities</b>		<b>(1,113.1)</b>	<b>(1,280.9)</b>	<b>(1,172.4)</b>
<b>Net assets</b>		<b>1,702.2</b>	<b>1,547.5</b>	<b>1,623.2</b>
<b>EQUITY</b>				
Ordinary share capital issued		30.3	30.3	30.3
Share premium		233.6	233.6	233.6
Hedge reserve		-	(0.4)	(0.4)
Other non-distributable reserve		281.4	281.4	281.4
Retained earnings		1,156.9	1,002.6	1,078.3
<b>Total equity</b>		<b>1,702.2</b>	<b>1,547.5</b>	<b>1,623.2</b>

**PERSIMMON PLC**  
**Condensed consolidated statement of changes in equity (unaudited)**  
**For the six months to 30 June 2010**

	Share capital	Share premium	Hedge reserve	Other non distributable reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
<b>6 months ended 30 June 2010:</b>						
Balance at 31 December 2009	30.3	233.6	(0.4)	281.4	1,078.3	1,623.2
Profit for the period	-	-	-	-	80.1	80.1
Other comprehensive income / (expense)	-	-	0.4	-	(3.1)	(2.7)
<b>Transactions with owners:</b>						
Exercise of share options/share awards	-	-	-	-	0.3	0.3
Share-based payment and taxation thereon	-	-	-	-	1.6	1.6
Other reserve movement	-	-	-	-	(0.3)	(0.3)
<b>Balance at 30 June 2010</b>	<b>30.3</b>	<b>233.6</b>	<b>-</b>	<b>281.4</b>	<b>1,156.9</b>	<b>1,702.2</b>
<b>6 months ended 30 June 2009:</b>						
Balance at 31 December 2008	30.3	233.6	0.1	281.4	1,009.8	1,555.2
Profit for the period	-	-	-	-	9.8	9.8
Other comprehensive expense	-	-	(0.5)	-	(18.7)	(19.2)
<b>Transactions with owners:</b>						
Exercise of share options/share awards	-	-	-	-	0.2	0.2
Share-based payment and taxation thereon	-	-	-	-	0.9	0.9
Other reserve movement	-	-	-	-	0.6	0.6
<b>Balance at 30 June 2009</b>	<b>30.3</b>	<b>233.6</b>	<b>(0.4)</b>	<b>281.4</b>	<b>1,002.6</b>	<b>1,547.5</b>
<b>Year ended 31 December 2009:</b>						
Balance at 31 December 2008	30.3	233.6	0.1	281.4	1,009.8	1,555.2
Profit for the year	-	-	-	-	74.1	74.1
Other comprehensive expense	-	-	(0.5)	-	(10.0)	(10.5)
<b>Transactions with owners:</b>						
Exercise of share options/share awards	-	-	-	-	0.2	0.2
Own shares purchased	-	-	-	-	(0.2)	(0.2)
Share-based payment and taxation thereon	-	-	-	-	3.6	3.6
Other reserve movement	-	-	-	-	0.8	0.8
<b>Balance at 31 December 2009</b>	<b>30.3</b>	<b>233.6</b>	<b>(0.4)</b>	<b>281.4</b>	<b>1,078.3</b>	<b>1,623.2</b>

**PERSIMMON PLC**  
**Condensed consolidated cash flow statement (unaudited)**  
**For the six months to 30 June 2010**

	Note	Six months to 30 June 2010 £m	Six months to 30 June 2009 Restated £m	Year to 31 December 2009 £m
<b>Cash flows from operating activities:</b>				
Profit for the period		<b>80.1</b>	9.8	74.1
Adjustments for:				
Tax charge recognised in profit or loss	4.1	<b>21.3</b>	-	3.7
Finance income		<b>(2.2)</b>	(2.3)	(4.8)
Finance costs		<b>24.9</b>	29.0	55.0
Depreciation charge		<b>2.4</b>	3.4	6.3
Amortisation of intangible assets		<b>0.1</b>	0.1	0.3
Impairment of intangible assets		<b>1.6</b>	1.4	4.0
Share of results of jointly controlled entities		<b>0.3</b>	0.5	0.5
Profit on disposal of property, plant and equipment		<b>(0.5)</b>	-	(0.6)
Share-based payment charge		<b>1.5</b>	0.9	3.6
Exceptional items		<b>(63.6)</b>	(27.9)	(74.8)
Other non-cash items		<b>(0.1)</b>	1.5	3.5
Operating cash flows before movements in working capital		<b>65.8</b>	16.4	70.8
Movements in working capital:				
Decrease in inventories		<b>102.2</b>	268.4	501.5
Increase in trade and other receivables		<b>(26.9)</b>	(13.1)	(16.9)
Increase / (decrease) in trade and other payables		<b>44.5</b>	(118.9)	(164.5)
Cash generated from operations		<b>185.6</b>	152.8	390.9
Interest paid		<b>(33.1)</b>	(24.7)	(45.9)
Interest received		<b>7.9</b>	0.9	7.8
Tax (paid) / received		<b>(15.5)</b>	-	0.3
<b>Net cash generated from operating activities</b>		<b>144.9</b>	129.0	353.1
<b>Cash flows from investing activities:</b>				
Received in respect of jointly controlled entities		-	-	0.1
Purchase of property, plant and equipment		<b>(1.7)</b>	(0.3)	(1.2)
Proceeds from sale of property, plant and equipment		<b>1.6</b>	0.3	4.8
<b>Net cash (used in) / generated from investing activities</b>		<b>(0.1)</b>	-	3.7
<b>Cash flows from financing activities:</b>				
Repayment of borrowings		<b>(153.5)</b>	(105.1)	(173.1)
Financing transaction costs		-	(21.3)	(21.4)
Finance lease principal payments		-	(0.6)	(1.2)
Own shares purchased		-	-	(0.2)
<b>Net cash used in financing activities</b>		<b>(153.5)</b>	(127.0)	(195.9)
<b>(Decrease) / increase in net cash and cash equivalents</b>	8	<b>(8.7)</b>	2.0	160.9
Net cash and cash equivalents at beginning of period		<b>138.0</b>	(22.9)	(22.9)
<b>Net cash and cash equivalents at end of period</b>	9	<b>129.3</b>	(20.9)	138.0



## Notes to the condensed consolidated half year financial statements (unaudited)

### 1. Basis of preparation

The half year financial statements for the six months to 30 June 2010 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union. The half year financial statements are unaudited, but have been reviewed by the auditors whose report is set out below. This report should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial year ended 31 December 2009 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- IFRS 3 Revised (Business Combinations) and IAS 27 Revised (Consolidated and Separate Financial Statements). These standards have been endorsed by the EU and change the accounting for business combinations and transactions with non-controlling interests. While these revised standards are applicable for periods beginning on or after 1 July 2009, they are only to be applied prospectively and so there is no restatement of transactions prior to the effective date and no material impact in the six months to 30 June 2010.
- Improvements to IFRSs: in April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective from 1 January 2010, did not have any impact on the financial position or performance of the Group.

#### *Going concern*

After making due enquiries, and in accordance with the FRC's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated half year financial statements.

#### *Change of accounting presentation*

In the six months ended 31 December 2009, the Group changed its accounting presentation to include forward land, including options and fees, within inventories upon inception, with a corresponding change in trade and other receivables. Comparative data at 30 June 2009 has been re-presented accordingly, the effect of which is to increase the value of land and decrease the amount of trade and other receivables by £66.4m.

### 2. Segmental analysis

The Group's operating segments have similar economic characteristics, products, construction processes and types of customers, and meet the aggregation criteria of IFRS 8 in full. Consequently, the Group has aggregated its geographic operations into one reportable segment which is housebuilding in the United Kingdom.

### 3. Exceptional items

#### Impairment of inventories

At 30 June 2010, the Group reviewed the net realisable value of its land and the work in progress carrying-values of its sites. This resulted in a net reversal of previous write-downs of £70.7m (2009: £27.9m). Further details are provided in note 7.

#### Amended financing arrangements

In the context of the Group's strong liquidity and cash generation, management have continued to review the value and cost of credit facilities available to the Group in line with the Group's existing treasury management policies. Given prevailing low market returns on the Group's significant cash deposits, management have taken action to optimise its debt portfolio.

On 21 June 2010 the Group used cash balances to prepay, with an applicable make-whole amount, US Senior Loan Notes due 16 April 2013 with a face value of \$160m. The prepayment resulted in an exceptional charge to the statement of comprehensive income of £14.5m.

At the same time, associated hedging contracts, including a cross currency interest rate swap with a principal amount of \$160m, were cancelled resulting in an exceptional gain of £7.4m recognised in the statement of comprehensive income.

The total net cash payment in relation to the prepayment and cancellation of associated hedging contracts was £109.3m.

Management anticipate the cost savings over future periods to April 2013 will significantly exceed the initial net cost.

### 4. Taxation

	Six months to 30 June 2010 £m	Six months to 30 June 2009 £m	Year to 31 December 2009 £m
<b>4.1 Income tax recognised in profit or loss</b>			
UK corporation tax in respect of the current period	27.2	-	8.2
Deferred tax charge / (credit) relating to origination and reversal of temporary differences	1.9	-	(1.9)
Adjustments recognised in the current year in respect of prior period deferred tax	(7.8)	-	(2.6)
	<b>(5.9)</b>	-	<b>(4.5)</b>
<b>Tax charge for the period recognised in profit or loss</b>	<b>21.3</b>	-	<b>3.7</b>
<b>4.2 Deferred tax recognised in other comprehensive expense</b>			
Recognised on actuarial losses on pension scheme	(14.8)	(7.4)	(19.0)
Related to hedged senior loan notes	0.2	(0.1)	(0.3)
	<b>(14.6)</b>	<b>(7.5)</b>	<b>(19.3)</b>
<b>4.3 Deferred tax recognised directly in equity</b>			
<b>Arising on transactions with equity participants</b>			
Related to equity-settled transactions	(0.1)	-	-

As at 30 June 2010, the Group has recognised deferred tax assets on temporary deductible differences, giving rise to the prior year deferred tax credit of £7.8m.

It has also recognised a deferred tax asset on the pension scheme deficit amounting to £35.1m (2009: £9.4m), which has given rise to the credit of £14.8m within other comprehensive expense. It has not recognised a deferred tax asset relating to tax losses (2009: £nil).

The emergency budget on 22 June 2010 announced that the UK Corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. This will reduce the Group's future current tax charge accordingly.

## 5. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Employee Share Ownership Trust, the Employee Benefit Trust and treasury shares, all of which are treated as cancelled, giving a figure of 300.9m (June 2009: 300.2m, December 2009: 300.3m)

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, giving a figure of 302.5m (June 2009: 301.0m, December 2009: 302.0m)

Underlying earnings per share excludes exceptional items and impairment of intangible assets.

The earnings per share from continuing operations were as follows:

	<b>Six months to 30 June 2010</b>	Six months to 30 June 2009	Year to 31 December 2009
Basic earnings per share	<b>26.6p</b>	3.3p	24.7p
Underlying basic earnings / (loss) per share	<b>12.0p</b>	(3.8p)	2.1p
Diluted earnings per share	<b>26.5p</b>	3.3p	24.5p
Underlying diluted earnings / (loss) per share	<b>11.9p</b>	(3.8p)	2.1p

The calculation of the basic and diluted earnings per share is based upon the following data:

	<b>Six months to 30 June 2010</b>	Six months to 30 June 2009	Year to 31 December 2009
	<b>£m</b>	£m	£m
Underlying earnings / (loss) attributable to shareholders	<b>35.9</b>	(11.5)	6.3
Exceptional items net of related taxation	<b>45.8</b>	22.7	71.8
Goodwill impairment – utilisation of strategic land holdings	<b>(1.6)</b>	(1.4)	(4.0)
<b>Earnings attributable to shareholders</b>	<b>80.1</b>	9.8	74.1

## 6. Dividends

	Six months to 30 June 2010 £m	Six months to 30 June 2009 £m	Year to 31 December 2009 £m
<b>Dividends paid:</b>			
No final dividend for the year ended 31 December 2009 (2008: nil)	-	-	-
No Interim dividend for the six months to 30 June 2009 (2008: 5.0p)	-	-	-
<b>Total dividend</b>	-	-	-
<b>Dividends proposed:</b>			
Interim dividend for the six months to 30 June 2010 of 3.0p per share (2009: nil)	<b>9.0</b>	-	-

## 7. Inventories

	30 June 2010 £m	30 June 2009 Restated £m	31 December 2009 £m
Land	<b>1,610.6</b>	1,744.3	1,633.9
Work in progress	<b>471.1</b>	553.1	485.5
Part exchange properties	<b>17.9</b>	11.4	9.3
Showhouses	<b>56.7</b>	65.2	59.1
<b>Total inventories</b>	<b>2,156.3</b>	2,374.0	2,187.8

At 30 June 2010, the Group conducted a further review of the net realisable value of its land and work in progress portfolio. The impact of this review on the net realisable value provision is an exceptional credit to the statement of comprehensive income of £70.7m (2009: £27.9m). The total impairment of land and work in progress recognised during the half year was £40.7m (2009: £121.4m) and a reversal of £111.4m (2009: £149.3m) on inventories that were written down in a previous accounting period. Our approach to our net realisable value review has been consistent with that conducted at 31 December 2009 which was fully disclosed in the financial statements for the year ended on that date.

The key judgements in estimating the future net present realisable value of a site were the estimation of likely sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site-by-site basis based upon existing market conditions. If the UK housing market were to improve/deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required.

Following this review £550.2m (2009: £904.6m) of inventories are valued at fair value less costs to sell rather than at historical cost.

## 8. Reconciliation of net cash flow to net debt

	Note	Six months to 30 June 2010 £m	Six months to 30 June 2009 £m	Year to 31 December 2009 £m
(Decrease) / increase in net cash and cash equivalents		(8.7)	2.0	160.9
Decrease in debt and finance lease obligations		153.5	105.7	174.3
Financing transaction costs		-	21.3	21.4
Decrease in net debt from cash flows		144.8	129.0	356.6
Non-cash movements		(4.5)	(2.7)	(6.1)
Decrease in net debt		140.3	126.3	350.5
Net debt at beginning of period		(250.7)	(601.2)	(601.2)
<b>Net debt at end of period</b>	9	<b>(110.4)</b>	(474.9)	(250.7)

## 9. Analysis of net debt

	Note	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Cash and cash equivalents		129.3	0.3	138.0
Bank overdrafts		-	(21.2)	-
Net cash and cash equivalents		129.3	(20.9)	138.0
Bank loans		-	(35.0)	-
US and UK senior loan notes due within one year		(120.5)	(69.3)	(115.4)
US, UK & EU senior loan notes due after more than one year		(163.1)	(369.9)	(299.7)
Other loan notes due within one year		(1.5)	(2.8)	(1.7)
Forward currency swaps		33.7	3.7	11.3
Finance lease obligations		(1.2)	(1.8)	(1.2)
Financing transaction costs		12.9	21.1	18.0
<b>Net debt at end of period</b>	8	<b>(110.4)</b>	(474.9)	(250.7)

### Amended financing arrangements

During the half year, management continued to rebalance the Group's cash and debt portfolio taking advantage of its strong liquidity and cash generation whilst maintaining appropriate headroom within its total cash and credit resource levels.

The Group's Syndicated Credit Facility which matures on 24 November 2010 has remained undrawn throughout the half year. On 8 March 2010 the Group reduced commitments under this facility by £250m to £350m with a resultant saving in commitment fees. The Group's £322m Forward Start Facility which commences from 24 November 2010 is unaffected.

On 21 June 2010, the Group used cash balances to prepay US Senior Loan Notes due 16 April 2013 with a face value of \$160m. See note 3 for further details.

In July 2010, the Group made a further prepayment of US Senior Loan Notes due 9 November 2010 with a face value of \$104m. Further details are provided in note 13.

## 10. Retirement benefit obligation

The amounts recognised in income are as follows:

	<b>Six months to 30 June 2010 £m</b>	Six months to 30 June 2009 £m	Year to 31 December 2009 £m
Current service cost	<b>1.8</b>	1.7	3.2
Curtailment credit	<b>(0.9)</b>	-	-
Interest cost	<b>10.7</b>	9.7	19.3
Expected return on scheme assets	<b>(9.1)</b>	(7.0)	(13.8)
Total (included in staff costs)	<b>2.5</b>	4.4	8.7
Net actuarial losses recognised in other comprehensive expense	<b>17.9</b>	26.1	29.0
<b>Total defined benefit scheme loss recognised</b>	<b>20.4</b>	30.5	37.7

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

	<b>30 June 2010 £m</b>	30 June 2009 £m	31 December 2009 £m
Present value of funded obligations	<b>(395.1)</b>	(347.8)	(387.3)
Fair value of scheme assets	<b>269.7</b>	231.5	272.9
<b>Deficit in the scheme and net liability in the balance sheet</b>	<b>(125.4)</b>	(116.3)	(114.4)

An update on the 31 December 2009 IAS 19 valuation, adjusted for current market conditions has been obtained from the scheme's actuary as at 30 June 2010, which has been used as the basis for these figures.

During the period the continuing provision of pension benefits to members of the Group's main defined benefit pension scheme, the Persimmon Plc Pension and Life Assurance Scheme ("The Persimmon Scheme"), has been reviewed. On 30 June 2010 future final salary related benefit accruals ceased and were replaced with a career average revalued earnings based benefit accrual with effect from 1 July 2010. This change is designed to control the Group's exposure to the cost of future accrual of benefits. The Persimmon Scheme has been closed to new members since 2001.

## 11. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

## 12. Seasonality

In common with the rest of the UK housebuilding industry, the Group experiences the highest level of sales in spring and autumn, which also results in peaks and troughs in the Group's working capital profile. Therefore, any economic weakness which affects the peak selling seasons can have a disproportionate impact on the reported results.

### **13. Events after the balance sheet date**

On 16 July 2010 the Group prepaid, with an applicable make-whole amount, US Senior Loan Notes due 9 November 2010 with a face value of \$104m. The prepayment will result in a charge of £1.9m to the statement of comprehensive income.

At the same time, a cross currency interest rate swap with a principal amount of \$104m was cancelled. There were no gains or losses arising.

The total cash payment in relation to the prepayment and cancellation of associated hedging contracts was £75.2m.

The interest savings accruing to the Group in the period to November 2010 are expected to exceed the initial cost.

## Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on page 17 of the Group's Annual Report and Accounts 2009 and have not changed. These include: poor economic conditions, disruption in the capital markets and restrictions on mortgage availability. Further details regarding assessment of the risks and current market conditions are included within the Chairman's Statement in this Half Year Report. A copy of the Group's Annual Report and Accounts 2009 is available on the Group's website at [www.corporate.persimmonhomes.com](http://www.corporate.persimmonhomes.com).

The Chairman's statement and the above section on principal risks and uncertainties comprise the Company's interim management report.

## Statement of Directors' Responsibilities in respect of the Half Year Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- the Half Year Report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Persimmon Plc are:

John White	Group Chairman
Mike Farley	Group Chief Executive
Mike Killoran	Group Finance Director
Jeff Fairburn	North Division Chief Executive
David Thompson	Senior Independent Director
Neil Davidson	Non-Executive Director
Nicholas Wrigley	Non-Executive Director
Richard Pennycook	Non-Executive Director
Jonathan Davie	Non-Executive Director

By order of the Board

Mike Farley  
Group Chief Executive

Mike Killoran  
Group Finance Director

23 August 2010

The Group's annual financial reports, half year reports and interim management statements are available from the Group's website at [www.corporate.persimmonhomes.com](http://www.corporate.persimmonhomes.com).



## **Independent Review Report to Persimmon Plc**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the Condensed consolidated statement of comprehensive income, Condensed consolidated balance sheet, Condensed consolidated statement of changes in shareholders' equity, Condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

**David Morrill**

**For and on behalf of KPMG Audit Plc**

Chartered Accountants  
1 The Embankment, Neville Street  
Leeds LS1 4DW  
23 August 2010