Persimmon plc today announces Final Results for the year ended 31 December 2012

Highlights

- Underlying profit before tax increased by 52% to £225.1m (2011: £148.1m)
- Full year revenue up 12% to £1.72bn (2011: £1.54bn)
- Legal completions increased by 6% to 9,903 (2011: 9,360) and average selling price* increased 6% to £175,640 (2011: £166,142)
- Operating margin** increased to 13% (2011: 10%); with second half improvement to 13.7%
- Return on capital employed increased by 47% to 12.2% (2011: 8.3%)
- A further c.14,800 plots acquired in the year bringing consented landbank to 68,200 representing 6.9 years supply
- Continued focus on the development of strategic land with c.38% of replacement land successfully converted from the Group's strategic landbank
- Underlying basic earnings per share** increased by 57% to 57.6p (2011: 36.8p)
- Net cash of £201m at 31 December 2012 (2011: £41m cash)
- Pre dividend cash generation of £179m
- Forward sales strongly ahead at over £1bn (2012: £927.4 million), an increase of 9%
- Management succession plan announced in January 2013. Mike Farley, Group Chief Executive to retire at AGM in April and will be succeeded by Jeff Fairburn, Group Managing Director

Capital Return Plan

- Excellent start to the delivery of the new long term strategy and a solid outperformance of initial expectations
- First cash return from long term capital return plan, 75p per share, to be paid on 28th June 2013, subject to shareholder approval

*stated before fair value charge on shared equity sales

**stated before exceptional items and goodwill impairment

Nicholas Wrigley, Group Chairman, said: "These strong results mark the completion of the first year of our new strategy and I'm pleased that at this early stage we are ahead of plan. The first cash return from the long term capital return plan, 75p per share, will be made on 28 June 2013.

"Persimmon has made excellent progress throughout the year increasing underlying pre-tax profitability by 52%, growing operating margins strongly to 13% and generating £179 million of free cash flow before dividends. We continue to see good value in the land market and acquired c.14,800 plots during the year, 38% of which were converted from our own strategic land bank.

"We have made a strong start to the new year, with forward sales reaching the £1 billion milestone, an increase of 9% on last year. Mortgage availability remains the key constraint to the housing market. However, there are some signs that lenders are embracing the Government's Funding for Lending scheme and we have seen some recent reductions in mortgage rates. We anticipate increasing our active outlet number to around 390 sites by the end of June, helping to increase the volume of new homes that the country needs."

For further information, please contact:

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Analysts unable to attend in person may listen to the presentation live at 10:30am by using the details below:

Telephone number: +44 (0)20 3140 8286

Password: Persimmon

A webcast of today's analyst presentation will be available on www.corporate.persimmonhomes.com this afternoon.

CHAIRMAN'S STATEMENT

RESULTS

Persimmon made an excellent start to the delivery of its new long term strategic plan in 2012. Legal completion of new homes increased by 6% to 9,903 (2011: 9,360) year on year at an average selling price of £175,640 (2011: £166,142) stated before the fair value charge on our shared equity sales. Revenues of £1.72 bn (2011: £1.54 bn) increased by 12%.

The Group's profitability continues to improve and gross margins for 2012 of 17.5% (2011: 14.5%) were 3% higher than the prior year. This growth in profitability was driven by the opening of 125 new sites throughout 2012 as planned, along with the continued focus on operational improvement which resulted in strong control over build costs. Maintenance of our overhead efficiency has ensured this gross margin improvement translated into the same 3% gain in underlying operating margin* which was 13.0% (2011: 10.0%). The trend of continuing improvement in profitability led to the delivery of underlying operating margin* of 13.7% in the second half of 2012. As a result the Group's underlying operating profit of £223.2m* (2011: £153.0m) is 46% ahead of the prior year and underlying profit before tax* of £225.1m (2011: £148.1m) is up 52%. Underlying basic earnings per share* increased by 57% from 36.8p to 57.6p.

We continued to see good value in the land market and acquired c. 14,800 plots of land during 2012. Approximately 38% of these plots were successfully converted from our strategic land bank. At 31 December 2012 we owned and controlled 68,200 plots in our forward land bank, further strengthening the platform for the future development of the business. We anticipate opening c. 90 new sites in the first half of 2013, a 40% increase on the first half of 2012.

The growth of the business in terms of both revenues and profitability delivered £179m of free cash inflow before dividends. This performance highlights the balance within our business model, maximising the cash efficiency of both our land replacement activity and our trading and build activity to deliver superior cash returns for our shareholders. As a result we held £201m of cash balances at 31 December 2012 (2011: £41m cash) further strengthening our liquidity.

LONG TERM STRATEGY

On 27 February 2012 the Board announced the adoption of a new long term strategy designed to deliver greater certainty of returns to shareholders. The strategy aims to return £1.9bn (£6.20 per share) of surplus capital to shareholders over a nine and a half year period ending in 2021, whilst at the same time building a stronger, larger business. Maintaining high quality land replacement through the housing cycle and maximising the conversion of strategic land assets into replacement plots within the Group's forward land bank will be critical to achieving this objective. The delivery of the strategy will be based upon strong free cash generation across the economic cycle, through the combination of achieving excellent levels of operating profitability and well judged land replacement. This will maximise our return on capital employed. At 31 December 2012 return on capital employed was 12.2%, a 47% improvement on last year's return of 8.3%. These results mark the completion of the first year of this strategic plan and represent a solid outperformance of our initial expectations.

CASH RETURN TO SHAREHOLDERS

The Board’s long term strategy includes the return of surplus capital of £1.9bn (£6.20 per share) to shareholders according to the following timetable:-

Latest Payment Date	Pence Per Share	Cash Payment to Shareholders (£m)
30 June 2013	75p	227
30 June 2015	95p	287
30 June 2017	110p	333
30 June 2019	110p	333
30 June 2020	115p	348
30 June 2021	115p	348
	620p	1,876

In accordance with the intended timetable, the Directors plan to return 75p in cash to shareholders for each ordinary share held at 6.00pm on 19 April 2013. This first payment will be made on 28 June 2013, subject to shareholders' approval.

Following consultation with our shareholders, the Directors propose to offer the opportunity for shareholders (wherever possible) to choose whether to receive the cash as either a return of capital or as dividend income. It is anticipated that the cash payment, which in total amounts to approximately £227m, will be returned by way of a B share/C share scheme. Full details of this B/C share proposal will be sent to shareholders, along with the AGM notice, on 18 March 2013.

OUTLOOK

With the close of the 2012 autumn sales season our forward order book at the start of 2013 was c. 5% higher year-on-year at £645m (2012: £615m). We expect pricing to remain stable during 2013.

Whilst the restricted availability of mortgage credit continues, there are some encouraging early signs of slight improvements both in terms of accessibility and affordability. Lenders appear to be embracing the Government’s Funding for Lending scheme, with increasing use of this facility reducing their funding costs and leading to some recent reductions in mortgage rates. We welcome the improved access to the housing market being supported by the Government through both the FirstBuy shared equity scheme for first time buyers and the NewBuy 5% deposit mortgage scheme for the wider new home market. We anticipate increasing our active outlet numbers to c. 390 sites by 30 June 2013 (from c. 375 currently) supporting the delivery of an increase in the number of new homes that we believe the country so desperately needs.

Since the start of 2013 sales have been encouraging and our weekly private sales rate per site is c. 3% ahead of last year over the first eight weeks of the year. Customer interest in our sites, as evidenced by our web site activity, is at an all time high. During the early weeks of 2013 visitor traffic to our sites is c. 4% higher than for the prior year. Cancellation rates so far in 2013 of c. 16% remain at historically low levels. We currently have total forward sales of £1,010.3m (2012: £927.4 million) for 2013, including legal completions taken so far this year, which is 9% up on the prior year.

This strength in our forward order book gives us confidence that our underlying operating margins will continue to improve towards our medium term target of 15%-17%, albeit the pace of improvement will be at a slower rate than that we have recently experienced.

BOARD

As announced on 8 January 2013 Mike Farley is to retire at the Company's AGM in April 2013 with Jeff Fairburn, Group Managing Director, succeeding him as Group Chief Executive.

I would like to take this opportunity on behalf of the Board to thank Mike Farley for the very significant contribution he has made to the success of Persimmon over almost thirty years with the Group, the last seven of which as our Group Chief Executive. He led the business with great distinction and has established a very strong management team. He leaves a business with a very clear strategy and a robust platform from which its future success will be secured. We congratulate Mike on his many achievements and wish him a happy and fulfilling retirement.

Neil Davidson, who has been a non-executive director for nine years, will also retire from the Board at the AGM. We thank Neil for his valuable contribution to the Company.

As also announced on 8 January 2013 Nigel Greenaway, the South Division Chief Executive, was appointed to the Board as an executive Director, and Marion Sears was appointed as a non-executive Director. We welcome them both to the Board.

2012 represents a great start to the delivery of Persimmon's long term strategy. The results for the year stand as testimony to the determination and hard work of all Persimmon management and employees. On behalf of the Board I thank all the Persimmon team, including its advisors and contractors, for their efforts and dedication and I remain confident of our future success.

NICHOLAS WRIGLEY
CHAIRMAN
22 February 2013

* Presented before goodwill impairment and exceptional items

CHIEF EXECUTIVE'S REVIEW

OUR STRATEGY

I am very pleased with the performance of the Group during 2012 against the backdrop of what remains a challenging market. This robust result provides the first demonstration of how our short term operational priorities are underpinning the delivery of the key objectives of our long term strategic plan.

A key longer term objective is to grow our business to an optimal larger scale. The Group has the capacity to complete c. 14,000 homes per annum from its current 24 regional offices. We increased the volume of new home legal completions by 6% in 2012, a solid performance in the context of the current mortgage market and prevailing economic conditions.

Disciplined land replacement activity is key to maximising long term returns to shareholders and we took the opportunity during the year to acquire a further c. 14,800 plots of replacement land which offer excellent returns for the business in the future. The land market remains generally stable but we are prepared to stand back from this market if we are unable to achieve acceptable returns.

Our continued focus on ensuring that the conversion of our strategic land delivers the maximum supply of forward plots will support the delivery of superior shareholder returns over the long term. Of the new land acquired approximately 38% has been converted from our strategic landbank. We believe this land represents the most profitable and cash efficient asset for a house builder.

Good progress was also made towards our medium term objective of returning to underlying operating margins of 15% to 17%, with underlying operating margins in the second half of 2012 reaching 13.7% (2011 H2: 10.8%). In the current market, which is characterised by generally stable house prices across the UK, this continued margin improvement results from ensuring that our replacement land always fulfils our return requirements and also from the relentless pursuit of operational improvement. Our focus remains on optimising our planning consents, on eliminating costs from our business wherever possible, and on innovating to improve the quality of our new homes for our customers.

The Group's continued ability to generate strong free cashflow is fundamental to our long term capital return programme. With £179 million of free cash inflow pre dividends generated during the year and cash balances of £201 million at 31 December 2012, the Group's performance against these key metrics has been excellent.

The strength of the Group's financial position at 31 December 2012 is testimony to the success of our strategy and will facilitate the scheduled payment of the first element of the capital return plan in June 2013. Return on capital employed at 31 December 2012 was 12.2%, a 47% improvement on the prior year's return of 8.3%. Improvement in returns will continue with the capital discipline that is embedded within our long term strategy.

THE UK HOUSING MARKET AND TRADING

Tough trading conditions in the UK housing market persisted throughout 2012. The market remained constrained, reflecting the impact of the shortage of mortgage credit, job insecurity and the continued squeeze of real disposable incomes, which combined to depress consumer confidence. However, mortgage payments currently account for c. 26% of disposable income compared with the long term average of 36%. During 2012 we saw a gradual improvement in the mortgage market, with an increase in the overall number of products available and some small improvement in mortgage interest rates progressively through the year. In addition, average mortgage loan to value ratios improved through 2012 to reach c. 81%, which whilst low by historic standards, is a significant increase from c. 75% on average in 2009/2010.

Against this backdrop, our two private sale brands Persimmon and Charles Church, traded well. Charles Church, in particular, is well positioned in current market conditions given its appeal to customers that typically enjoy greater access to mortgage credit. We have made a significant investment in Charles Church sites in recent years to capture this market advantage. Charles Church revenues increased by 28% in 2012 over the prior year, with Persimmon delivering a 9% increase in turnover. During 2012, c. 60% of the Group's revenues were generated in southern regional markets reflecting the overall distribution of the Group's landbank and the greater exposure of Charles Church to these markets.

In addition, our Westbury Partnerships business delivered 1,686 new homes to our housing association partners (2011: 1,789 new homes) and continues to build on its strengths in the social housing market place.

The return of the traditional trading seasonality we experienced in 2011 continued in 2012 with stronger sales in spring and autumn. Our private sale reservation rates for the first half were c. 17.6% ahead of the prior year, and 1.5% ahead in the second half, the second half outperforming particularly strong comparatives of the prior year. We saw some temporary impact on visitor numbers to both our web sites and our development sites around both the Queen's Diamond Jubilee and the London Olympics but overall visitor levels outpaced the levels of last year. Our web site traffic for the year was over 20% up on 2011 and visitor numbers to our developments were 5% stronger.

First time home buyers are finding it particularly difficult to enter the market due to the absence of higher loan-to-value mortgage products. The level of deposit required from a first time buyer as a percentage of income has doubled over the last five years from 38% to 76%. In response, we have continued to support our customers by offering to retain an equity share in their property. We also continued to use the FirstBuy shared equity product launched by the Government in mid-2011 to support the housing market and help boost economic growth. The FirstBuy scheme is proving popular with customers, accounting for c. 16% of our total legal completions for 2012. We reduced the number of shared equity sales in the second half of the year to c. 21% of total sales supported against c. 32% in the first six months. Approximately 26% of our legal completions for the year were sold with a retained equity share.

The FirstBuy scheme was refreshed with additional funding in September 2012 and the FirstBuy2 scheme was launched in December 2012. As a result we were successful in securing funding to support c. 3,000 first time buyers to enter the market. We had c. 290 FirstBuy customers in forward sales at 31 December 2012.

An additional Government sponsored initiative, the 5% deposit NewBuy mortgage, was launched in March 2012. After a slow start we have seen more lenders join this scheme and NewBuy is now gaining additional market share as mortgage rates for this product improve.

NewBuy made up c. 4% of our private sales for 2012, with the majority being legally completed in the second half of the year. At 31 December 2012 we had c. 170 NewBuy sales within our forward orders.

With forward sales volumes at the start of 2012 being 13% higher than the prior year, we legally completed 4,712 new homes in the first six months of the year, c. 6% ahead of the previous year (2011: 4,439). In the second half of the year we legally completed 5,191 new homes, c. 5% up on the prior year (2011: 4,921). As a result full year volumes of 9,903 were c. 6% ahead year on year. The second half private sales rate was 1.5% up on 2011 which combined with stable outlet numbers to deliver a c. 5% increase in forward order revenues at 31 December 2012 of £645m (2011: £615m) providing a strong start to 2013.

Our average selling price* in the first half of the year of £171,206 was c. 7% stronger than last year (2011: £160,583) primarily due to an increase in the proportion of larger family homes in the sales mix. This mix effect continued in the second half where our average selling price* was £176,199, 5% up on 2011 (£167,080). Underlying prices remained generally stable throughout the year, with the lack of supply in the market mitigating the constrained level of customer activity.

Through the second half of 2012 we increased the utilisation of our part exchange facilities, helping customers to move home and avoid the frustration of this slower market. Approximately 25% of our private customers took advantage of the convenience of our part exchange offer during the year (2011: c. 18%), with c. 29% in the second half. In December 2012 all lenders followed the lead of Santander in supporting part exchange transactions in combination with the NewBuy mortgage which will help existing home owners to move on in the market as we progress through 2013.

PROFITABILITY

We have continued to pursue the key drivers of profit improvement across the business. The hard work involved in maximising the returns delivered from all our development land, from optimising planning to controlling development costs and overheads, is a true team effort. By continuing to set ambitious targets we have secured further excellent improvement in our underlying operating margins to a level of 13.0% for the year (2011: 10.0%) and reaching 13.7% in the second half. Our forward order margins at 31 December 2012 point to continued progress which has been confirmed over the first few weeks of 2013. We believe we will return to operating margins in the range of 15% to 17% over the next twelve to eighteen months, subject to market conditions, in line with our strategic objectives.

CASH GENERATION

During 2012 we generated £179m of free cash (pre dividends) resulting in the Group holding cash balances of £201m at 31 December 2012.

Whilst our land creditor obligations have increased by £40 million in the year to £240 million (2011: £200 million) the improvement in our cash margins and cash efficient land replacement activity has allowed us to not only invest in a significant supply of new land for the future, but also to assist over 2,500 customers to acquire a new home with a reduced deposit through the use of our shared equity facilities. Our shared equity receivables of £203 million at 31 December 2012 (2011: £164m) will provide significant cash inflows over future periods as these homeowners move home in greater numbers.

The delivery of cash returns to our shareholders with greater certainty lies at the heart of our long term strategy. The cash efficiency of our operations and land replacement activity will underpin the planned £1.9bn capital return to our shareholders. The disciplined approach to our working capital needs will maximise return on capital employed through the cycle. This is demonstrated by the fact the Group has generated £231m of cash inflows from operations before working capital requirements, allowing us to fund our investment in shared equity and part exchange property sales incentives without depleting cash made available to shareholders.

The business processes that have delivered our significant year end cash balances have underwritten the proposed payment of the first capital return of £227m (75p per share) on 28 June 2013 and provide confidence that the subsequent capital payments will be made.

LAND

2012 was an excellent period for high quality land replacement, with all the c. 14,800 new plots of land secured during the year meeting or exceeding our required investment return hurdle rates. Our forward land bank of 68,200 plots provides 6.9 years of supply at current levels of output. We anticipate that the growth in our output volume will eventually lead to a reduction in the length of our landbank to an optimal level of c. five years of supply.

As part of our land replacement strategy, on 8 October 2012 we acquired Hillreed Homes, a builder of high quality family homes in the South East of England, for £35m. The acquisition of Hillreed and its extensive landbank of c. 1,600 plots demonstrates our commitment to the continued growth of the business in line with our long term strategic objectives.

Of the c. 14,800 forward plots acquired in the year c. 38% were converted from our strategic land bank. The cash efficiency of strategic land conversion is reflected both in the reduction in cash absorbed on land acquisition, where we can acquire c. 7 strategic plots for every 3 plots purchased on the market, and in the additional cash released on legal completions, which amounts to over £30m per annum at our current level of sales volume.

Our strategic land bank of c. 16,100 acres has consistently contributed a substantial proportion of our replacement plots, with c. 40% of the current consented landbank comprising plots that were previously held as strategic land. We continue to invest in new strategic land to support this process, with, for example, c. 1,800 potential strategic plots acquired with Hillreed Homes.

Our strategic land investment is widely distributed in support of the balance of our nationwide footprint, with 59% located in southern markets and 41% in northern markets, including Scotland. These strategic long term interests in land which we promote through the planning system are a fundamental pillar of the Persimmon business model.

CORPORATE RESPONSIBILITY

Customer satisfaction remains a key focus of our strategy. During 2012 we implemented new procedures to improve our overall service to customers, in particular our after sales service. We have taken the decision this year to report on external customer satisfaction surveys carried out for the industry by the NHBC and HBF. During 2012 we received a 4* rating with 84% of our customers being willing to recommend us to a friend (2011: 85%). We aspire to achieve the highest 5* status and we will be redoubling our efforts to reach this target.

Providing a safe and healthy working environment for all our employees remains our top priority. During 2012 we saw a significant improvement in safety on our construction sites, with the number of RIDDORs (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reported down to 53 (2011: 90), a reduction of 41%. New worker engagement procedures we introduced during 2011/12 and the combined efforts of our senior management, site construction teams and subcontractors are designed to continue this improvement.

The Group has supported many national and local charities throughout its history. During 2012, as part of our 40th birthday celebrations, we decided to focus our main charitable efforts on our Charity House Competition where we donated a new home worth £250,000 to a small local charity. We were overwhelmed with interest from over 3,000 charities. Ultimately 24 charities were shortlisted and following more than 130,000 public votes, we were pleased to announce the Harley Staples Cancer Trust based in Leicester as the winning charity with the other 23 charities each receiving a donation as well.

Preservation and care for the environment is central to our operations. As a measure of the sustainability and efficiency of our housebuilding operations, we seek to minimise the amount of waste we generate for each home we build whilst maximising the waste we recycle. During the year we reduced the amount of waste generated per home built by 3.0% to 6.4 tonnes. More importantly, of the waste generated we were able to recycle 88%, an increase of 4% over the prior year (2011: 84%).

The development of our employees' skills is fundamental to the success of our business. We have continued to make a significant investment in our staff, delivering 4,621 training days through 2012 (2011: 3,507 training days) throughout the business. In addition, we have expanded our recruitment of school leavers and graduates to develop the housebuilding managers of the future. I am confident that the further growth of Persimmon will provide them with excellent opportunities to develop their careers.

CURRENT TRADING OUTLOOK

We expect trading conditions in the UK housing market to remain challenging but believe that the Group is in a robust position to continue its progress. To further strengthen key processes within the Group we have consolidated the three divisions of the business into two, a North Division and South Division from 1 January 2013. Each division will hold twelve regional operating businesses. We believe this internal reorganisation will ensure we capture the full benefits of best practice and business improvement in support of delivering our strategic objectives.

We have made a good start to the year. We have already opened 45 of the c. 90 sites planned for the first half of 2013 and anticipate our outlet network increasing by c. 5% to 390 sites by mid year. Our private net reservation rate per site for the opening weeks of 2013 is c. 3% ahead of the strong comparative of the prior year.

We welcome the Government initiatives to support customer activity through FirstBuy and NewBuy. The Government's £80bn Funding for Lending scheme should also support an increase in mortgage lending at more attractive interest rates. From a slow start in Q4 2012 we anticipate this scheme will support a further gradual improvement in the mortgage market through 2013, mitigating to some extent the impact of the continuing uncertain economic conditions.

Our forward sales revenue including legal completions in the first eight weeks of 2013, is c. 9% ahead of the prior year at £1,010.3m (2012: £927.4 million). We remain confident of further progress in profitability as we open the planned new sites and seek out further cost efficiencies and improvements. We expect to continue to provide shareholders with clear visibility with regard to the future payments under the capital return plan.

This represents my last review of the Group as Chief Executive prior to my retirement at the Company’s AGM in April. I would like to record my thanks to my colleagues for their support over many many years at Persimmon. I wish Jeff and the team all good luck in the future and I remain confident that they will continue with the successful delivery of our long term strategy.

The Group has made excellent progress towards the objectives of its long term plan in the first twelve months of its implementation, providing a solid foundation for continued progress in the years ahead.

MIKE FARLEY
GROUP CHIEF EXECUTIVE
22 February 2013

* Stated after fair value charge on shared equity sales

OPERATIONAL PERFORMANCE REVIEW

PERSIMMON

Total revenues from the sale of new Persimmon homes increased by c. 9% in 2012 compared with the prior year. We continue to see healthy demand for our traditional house types in attractive locations right across the country. Our Persimmon business legally completed 5,883 homes in 2012, c. 4% ahead of last year.

Whilst selling prices were generally stable through 2012 we experienced an increase in the Persimmon average selling price of c. 4% to £174,368 (2011: £167,582). This increase reflects a change in sales mix with a slightly higher proportion of larger family homes in the Persimmon sales during 2012.

We experienced robust customer interest in our North Division, accounting for the largest number of legal completions across the business as a whole in 2012 with 2,236 new homes sold, an increase of c. 12% year on year. Average selling prices in the North reduced by c. 2% reflecting our focus on bringing through new developments offering homes at affordable prices. We remain flexible and responsive to the changing needs of our customers in all our regional markets.

The North Division has again capitalised on its planning skills with notable successes in converting strategic land into detailed planning consents for 250 new homes at Bamber Bridge and 175 units at Poulton-le-Fylde in West Lancashire. These schemes met the sustainable criteria set out in the new National Planning Policy Framework.

The Central Division delivered slightly lower legal completions in 2012 with 1,940 new homes sold, 4% down on last year. This reflects the sale of a greater number of larger family homes in the sales mix which led to the Division's average selling price of £186,525 increasing 10% year on year. Within the Central Division, the Shires region achieved the highest average selling price of the entire Persimmon business, at £245,267 with significant sales of higher value homes from developments at Little Chalfont, Oxford and Bracknell.

The Central Division's forward land bank of 14,514 plots was added to by successful pull through of strategic land in a number of locations, most notably for 189 new homes near Newark in Nottinghamshire and 125 units at Solihull in the West Midlands. These sites will deliver strong cash margins for the business over future years.

The South Division delivered 29% of the Persimmon business volumes with 1,707 new homes sold across southern regional markets including Wales. Legal completions increased by 15% in the second half over the first half of 2012 principally due to the uplift in new homes sold by the Western region, to approximately 500 units in the second half of the year. New developments opened in Plymouth, Exeter and Swindon saw good levels of activity further demonstrating resilient demand in these attractive locations.

South Division revenues of over £312m increased by 11% year on year reflecting the 4% overall increase in legal completions against the prior year as well as a 6% increase in average selling price to £183,092 (2011: £172,784). This increase in average selling price was again due to the greater proportion of larger family homes in the sales mix, in particular in the Southern region which delivered an average selling price of £197,860 (2011: £177,016) supported by good levels of higher value sales from developments at Hellingley and Leybourne.

Our high quality strategic land in the South Division has again proved successful in gaining detailed planning consents including a 111 unit scheme at Four Marks in Hampshire, and most notably at Taunton in Somerset for a development of 1,370 new homes and a scheme of 1,650 units on the old aerodrome at Weston-Super-Mare south-west of Bristol. The successful delivery of these land parcels further demonstrates the benefits of promoting strategic land through the planning system in adding significant value to the business for shareholders over the long term.

Over the last five years from 2008 the Group has added over 18,000 plots of consented land to the forward land bank from strategic sources. This represents c. 38% of all replacement plots acquired over this five year period which will continue to support superior cash returns from the business.

We have continued to work jointly with St. Modwen in identifying new developments which provide suitable investments for the Group. During 2012 we sold a total of 113 homes from sites in Birmingham, Sunderland and Llanwern, east of Newport, in Wales as part of the joint venture. We have a further five joint developments in production which will deliver their first legal completions during 2013 together with an additional site progressing through planning.

CHARLES CHURCH

Our Charles Church business had another strong year in 2012, increasing legal completions by 21% to 2,334 new homes (2011: 1,928). Revenue growth of 28% was supported by a 6% increase in average selling price to £238,072 (2011: £225,251). Legal completions in the second half of the year increased by 8% over the first half reflecting the increasing appeal of the Charles Church product.

Charles Church is supported by a forward consented land bank of 10,624 plots, an increase of 26% over the prior year which represents 4 years of future supply. Whilst the Charles Church business has excellent visibility regarding its future land supply, its land bank will remain shorter than that for Persimmon. This policy ensures the return on capital delivered by the Charles Church business is maximised whilst recognising the generally slower rate of sales achieved on a Charles Church development given the higher selling prices.

We introduce both Charles Church and Persimmon brands onto the same development where our market research indicates good local appetite for the product. This strategy maximises our overall rates of sale and asset turn.

The purchase of Hillreed Homes in October 2012 added a substantial number of consented plots of land and attractive strategic land to our South East business. Hillreed new homes typically have a sales value of around £350,000 in the Kent and Sussex regional markets.

WESTBURY PARTNERSHIPS

Westbury Partnerships delivered 1,686 new homes to our housing association partners during 2012 (2011: 1,789 new homes). Due to the timing of contract completion the second half delivery of 935 units was 25% up on the first half of the year, being in line with the second half of 2011. Our partnership housing business continues to play an important part in the delivery of sustainable developments across the country, representing c. 17% of the Group's total volumes in 2012.

The Partnership management team have continued to build on our strong relationships with the Homes & Community Agency in England (HCA) to support the delivery of the Government sponsored FirstBuy shared equity scheme and the earlier Kickstart programmes.

Westbury Partnerships led the Group's engagement in the Government's 2011 – 2015 Affordable Rent programme which is focussed on supporting increased production of social housing throughout the country. The Group has secured funding of over £12m to assist the delivery of c. 900 new social units over the next two years from developments which will provide a further c. 1,150 homes for the private market. This programme has already been instrumental in delivering 95 homes on sites at East Trowbridge, Wiltshire and at Maresfield, Sussex during 2012. In addition, during January 2012 we successfully completed the West Wiltshire Private Finance Initiative (PFI) for the delivery of 240 houses. This PFI includes the development of land owned by both the local authority and the Group for social housing as part of a new approach supporting the expansion of affordable housing supply.

We are convinced that our well designed affordable housing will continue to experience strong demand across all tenures and our Westbury Partnerships business is in an excellent position to further develop the Group's participation in this important market area.

SPACE4

Our Space4 business has made further good progress during 2012. The Group has procured 98% of Space4 production volume during the year. Space4 has sold over 3,300 new home kits, an increase of 2% year on year whilst also commissioning a new wall production line to support the further growth of the business over future years. This patented closed-panel timber frame system for the construction of new homes is proving increasingly competitive as its production volumes increase bringing an associated improvement in cost efficiencies.

The Space4 management team continues to pursue process improvements in partnership with the Group's housebuilding teams to deliver additional opportunities to reduce build costs and improve site margins. The production of floor cassettes is now complemented by the supply of an alternative loose fit flooring system which has improved overall on-site construction processes and costs.

The adoption of a "fabric first" approach to achieving the more exacting thermal efficiency standards encompassed within the improvement to building regulation in support of achieving future zero carbon objectives has doubled demand for Space4's enhanced thermal wall range. We anticipate the use of this system will continue to increase as the demands of building regulations increase in the future.

NET FINANCE COSTS, CASHFLOW AND FUNDING

Net underlying finance income for 2012 was £1.9m (2011: £4.9m net finance cost). This improvement of £6.8m year on year resulted from the combination of active cash flow management influencing the timing of key cashflows and the strong liquidity generated progressively through the year. This had the effect of limiting the call upon the Group's credit facilities to the periods of peak working capital need in April/May and October/November.

The reduction in interest paid to lenders has resulted in net finance income, principally due to the interest accretion associated with our shared equity receivables of £8.7m (2011: £7.4m).

Average cash balances for the first half of the year were c. £20m and c. £80m for the second six months. We generated £179m of free cash flow pre dividends ending the year with £201m of cash holdings.

BALANCE SHEET

The total net assets of the Group increased by £155m during the year to £1,994m at December 2012 (2011: £1,839m). This increase reflects the retained profit for the year, the post tax decrease in pension deficit of £8m and the payment of the final dividend for 2011 of £18m. Net assets per share increased by 8% to 658.2p (2011: 608.6p). Underlying return on capital employed for 2012 was 12.2% (2011: 8.3%).

The book value of the Group's land at 31 December 2012 was £1,496m, an increase of £12m on last year (2011: £1,484m). This increase reflects the acquisition of c. 14,800 plots of replacement land during the year together with the net write back of £2.8m of our stock impairment provision.

We have again reviewed the carrying value of our land and work in progress for impairment at the year end. In line with last year, generally stable prices and achieved cost improvements have resulted in a net reversal of previous impairments of £2.8m (2011: £13.3m). This is recognised as a net exceptional credit in the income statement for reasons of consistency of presentation. This net credit reflects a gross reversal of £23.8m (2011: £66.2m) and additional requirement of £21.0m (2011: £52.9m) across our owned land portfolio. At 31 December we retained an impairment provision of £151.3m which we consider appropriate in the context of the continued difficult market conditions. Further details on our approach to inventory impairment is disclosed in the Notes to the Accounts in our Accounting Policies at note 2, our Critical Accounting Judgements at note 3, Exceptional Items at note 6, and Inventories at note 18.

The value of our investment in work in progress of £443m is £15m higher than the prior year (2011: £428m). As always, we have continued to exercise tight control over build activity on site, investing primarily for the delivery of new homes already sold and held in our forward order book. At 31 December 2012 we were holding 464 units of finished stock on our sites to support our sales activity and speed delivery of finished units to our customers. We ensure we achieve a rate of asset turn of our work in progress of c. 4x a year. We believe this industry leading performance supports superior cash generation and return on capital employed for our shareholders and minimises operational and financial risk.

Through the year the Group has pursued a number of pension scheme liability management exercises which were successful in delivering a reduction in the long term risk profile associated with the scheme's liabilities. In addition, on 21 December 2012 the Group provided £58m of asset backed funding to the Persimmon Pension Scheme ("the Pension Scheme"). The asset backed funding is recognised as an asset of the Pension Scheme for the benefit of scheme members and reduces the pension deficit by its value. At 31 December 2012 the pension deficit was £4m (2011: £60m). A financial liability of £58m with respect to this asset backed funding is recognised on the Group's balance sheet which reflects the net present value of future cash payments that will be made into the scheme over a fifteen year period. The Pension Scheme has a security interest in a portion of the Group's shared equity receivables should the Group be unable to meet the cash payments under the funding agreement. These arrangements remain available to provide additional support to the Pension Scheme in future periods if required. Further details are disclosed in note 29 to the Accounts, Retirement Benefit Obligations.

TREASURY POLICY AND RELATED RISKS

The Group's long term strategy is to minimise financial risk whilst pursuing its strategic objectives. This involves the maintenance of a capital structure which supports the growth of the business in the future whilst ensuring the financial position of the business remains robust. Our focus on strong cash flow management will ensure the Group remains a going concern to deliver the planned returns to shareholders and meet all its liabilities as they fall due whilst optimising the cost of the capital employed in the business.

The combination of retention of annual earnings, payment of shareholder capital returns, and adjustments to the Group's equity and debt and cash management facilities allows the Group the flexibility it requires to ensure the business has the appropriate funding support for it to successfully execute its operational plans. The strategy announced in early 2012 to return £1.9bn of surplus capital to shareholders over the period to 2021 demonstrates the Board's long term commitment to capital discipline through the economic cycle with the ultimate focus on delivering excellent cash returns to shareholders in a low risk manner.

Financial risks that confront the business include credit risk, debt capital market pricing risk, liquidity risk and interest rate volatility. In the current market the Board intends to remain highly liquid and gearing will be used only to support short term working capital needs within the annual trading cycle. The Group retains £300m of committed unsecured credit facilities maturing 31 March 2016 in support of this policy.

The Group maintains strong internal reporting disciplines for monitoring and forecasting cash flows to allow early identification of potential risks supporting prompt action to be taken. Long term business modelling was key in the design of the capital return plan and the long term strategy of the business and will ensure appropriate credit facilities are in place throughout.

The Group employs a well developed risk management programme with dedicated resource focussed on mitigating the impact of risk on the operational and financial performance of the business. Operational management are integral to addressing risk that the Group faces on a day to day basis.

The Group does not use derivative financial instruments for speculative purposes. Details of the Group's financial instruments are disclosed in notes 20 and 22 to the financial statements.

SUMMARY

2012 has been a further year of solid achievement for the business with improvements in profitability and cash generation leading to a very strong financial position at the close of the year. Our challenge is to raise our aim even higher and deliver a performance in 2013 and subsequent years that will be regarded as even stronger.

We remain committed to the realisation of the potential of the business both in the short term and in the future through our focus on the basics of good housebuilding delivering new homes that our customers enjoy living in, in communities that are both vibrant and sustainable. This will result in the successful delivery of both the planned capital returns and also a larger stronger business for the benefit of shareholders in the long term. The land portfolio owned and controlled by the Group and our extensive strategic land interests provide an excellent platform for the execution of this strategy.

All our staff continue to work tirelessly in pursuit of the best possible outcome for the Group. We believe these results reflect their hard work, creativity and dedication. On behalf of the Board we thank all our employees for their efforts and look forward to their future success in fulfilling the Group's strategic plans.

MIKE FARLEY
GROUP CHIEF EXECUTIVE
22 February 2013

MIKE KILLORAN
GROUP FINANCE DIRECTOR
22 February 2013

PERSIMMON PLC
Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	**2012** Before exceptional items £m	**2012** Exceptional items (note 2) £m	**2012** Total £m	2011 Before exceptional items £m	2011 Exceptional items (note 2) £m	2011 Total £m
Continuing operations							
Revenue		**1,721.4**	**-**	**1,721.4**	1,535.0	-	1,535.0
Cost of sales		**(1,419.5)**	**2.8**	**(1,416.7)**	(1,312.0)	13.3	(1,298.7)
Gross profit		**301.9**	**2.8**	**304.7**	223.0	13.3	236.3
Other operating income		**10.1**	**-**	**10.1**	8.9	-	8.9
Operating expenses		**(94.9)**	**-**	**(94.9)**	(83.3)	-	(83.3)
Profit from operations before impairment of intangible assets		**223.2**	**2.8**	**226.0**	153.0	13.3	166.3
Impairment of intangible assets		**(6.1)**	**-**	**(6.1)**	(4.4)	-	(4.4)
Profit from operations		**217.1**	**2.8**	**219.9**	148.6	13.3	161.9
Finance income		**9.2**	**-**	**9.2**	7.5	7.1	14.6
Finance costs		**(7.3)**	**-**	**(7.3)**	(12.4)	(16.9)	(29.3)
Profit before tax		**219.0**	**2.8**	**221.8**	143.7	3.5	147.2
Tax	3	**(50.9)**	**(0.7)**	**(51.6)**	(37.3)	(0.9)	(38.2)
Profit after tax (all attributable to equity holders of the parent)		**168.1**	**2.1**	**170.2**	106.4	2.6	109.0
Other comprehensive (expense)/income							
Actuarial (losses)/gains on defined benefit pension schemes	9	**(10.5)**	**-**	**(10.5)**	7.8	-	7.8
Tax	3	**2.5**	**-**	**2.5**	(3.0)	-	(3.0)
Other comprehensive (expense)/income for the year, net of tax		**(8.0)**	**-**	**(8.0)**	4.8	-	4.8
Total recognised income for the year		**160.1**	**2.1**	**162.2**	111.2	2.6	113.8
Earnings per share [i]							
Basic	5			**56.3p**			36.1p
Diluted	5			**55.7p**			35.9p
Non-GAAP measures – Underlying earnings per share [ii]							
Basic	5			**57.6p**			36.8p
Diluted	5			**57.0p**			36.5p

[i] Earnings per share is calculated in accordance with IAS 33 ‘Earnings Per Share’.

[ii] Underlying earnings per share excludes exceptional items and goodwill impairment.

PERSIMMON PLC

Consolidated Balance Sheet

At 31 December 2012

	Note	**2012 £m**	2011 £m
Assets			
Non-current assets			
Intangible assets		**244.5**	250.8
Property, plant and equipment		**29.9**	28.7
Investments accounted for using the equity method		**3.0**	3.0
Available for sale financial assets		**202.9**	164.0
Trade and other receivables		**4.5**	2.7
Deferred tax assets		**13.4**	25.2
		498.2	474.4
Current assets			
Inventories	6	**2,051.0**	2,003.4
Trade and other receivables		**47.3**	52.8
Cash and cash equivalents	8	**201.5**	41.0
Assets held for sale		**1.1**	2.0
		2,300.9	2,099.2
Total assets		**2,799.1**	2,573.6
Liabilities			
Non-current liabilities			
Trade and other payables		**(128.6)**	(94.0)
Deferred tax liabilities		**(20.7)**	(19.6)
Partnership liability		**(52.5)**	-
Retirement benefit obligations	9	**(4.1)**	(59.5)
		(205.9)	(173.1)
Current liabilities			
Loans and borrowings		**-**	(0.1)
Trade and other payables		**(535.9)**	(482.4)
Partnership liability		**(5.3)**	-
Current tax liabilities		**(58.3)**	(78.7)
		(599.5)	(561.2)
Total liabilities		**(805.4)**	(734.3)
Net assets		**1,993.7**	1,839.3
Equity			
Ordinary share capital issued		**30.3**	30.3
Share premium		**234.2**	233.6
Other non-distributable reserve		**281.4**	281.4
Retained earnings		**1,447.8**	1,294.0
Total equity		**1,993.7**	1,839.3

PERSIMMON PLC

Consolidated Statement of Changes in Shareholders' Equity

As at 31 December 2012

	Share capital £m	Share premium £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2011	30.3	233.6	281.4	1,198.7	1,744.0
Profit for the year	-	-	-	109.0	109.0
Other comprehensive income	-	-	-	4.8	4.8
Transactions with owners:					
Dividends on equity shares	-	-	-	(25.6)	(25.6)
Exercise of share options/share awards	-	-	-	(1.1)	(1.1)
Share-based payments	-	-	-	4.7	4.7
Satisfaction of share options from own shares held	-	-	-	3.5	3.5
Balance at 31 December 2011	**30.3**	**233.6**	**281.4**	**1,294.0**	**1,839.3**
Profit for the year	-	-	-	170.2	170.2
Other comprehensive expense	-	-	-	(8.0)	(8.0)
Transactions with owners:					
Dividends on equity shares	-	-	-	(18.2)	(18.2)
Issue of new shares	-	0.6	-	-	0.6
Own shares purchased	-	-	-	(0.5)	(0.5)
Exercise of share options/share awards	-	-	-	(0.7)	(0.7)
Share-based payments	-	-	-	9.6	9.6
Satisfaction of share options from own shares held	-	-	-	1.4	1.4
Balance at 31 December 2012	**30.3**	**234.2**	**281.4**	**1,447.8**	**1,993.7**

The other non-distributable reserve arose prior to transition to IFRSs and relates to the issue of ordinary shares to acquire the shares of Beazer Group Plc in 2001.

PERSIMMON PLC
Consolidated Cash Flow Statement
For the year ended 31 December 2012

	Note	**2012 £m**	2011 £m
Cash flows from operating activities:			
Profit for the year		**170.2**	109.0
Tax charge recognised in profit or loss	3	**51.6**	38.2
Finance income		**(9.2)**	(7.5)
Finance costs		**7.3**	12.4
Depreciation charge		**3.9**	3.8
Amortisation of intangible assets		**0.2**	0.3
Impairment of intangible assets		**6.1**	4.4
Profit on disposal of property, plant and equipment		**(0.1)**	(0.4)
Share-based payment charge		**5.7**	4.2
Exceptional items	2	**(2.8)**	(3.5)
Other non-cash items		**(1.5)**	2.5
Cash inflow from operating activities		**231.4**	163.4
Movements in working capital:			
(Increase)/decrease in inventories		**(40.9)**	83.0
Decrease in trade and other receivables		**13.6**	7.9
Increase/(decrease) in trade and other payables		**75.2**	(42.6)
Increase in available for sale financial assets		**(38.9)**	(48.8)
Cash generated from operations		**240.4**	162.9
Interest paid		**(2.5)**	(10.9)
Make-whole fees on early redemption of senior loan notes		**-**	(15.3)
Interest received		**0.5**	0.2
Receipts on cancellation of swaps		**-**	7.1
Tax paid		**(56.6)**	(22.1)
Net cash inflow from operating activities		**181.8**	121.9
Cash flows from investing activities:			
Investment in existing jointly controlled entities		**-**	(0.2)
Purchase of property, plant and equipment		**(4.4)**	(4.0)
Proceeds from sale of property, plant and equipment		**0.2**	1.1
Proceeds from sale of assets held for sale		**0.4**	0.6
Net cash outflow from investing activities		**(3.8)**	(2.5)
Cash flows from financing activities:			
Repayment of borrowings		**-**	(41.4)
Early redemption of senior loan notes		**-**	(136.4)
Financing transaction costs		**-**	(3.7)
Finance lease principal payments		**(0.1)**	(0.5)
Own shares purchased		**(0.5)**	-
Share options consideration		**1.3**	2.4
Dividends paid		**(18.2)**	(25.6)
Net cash outflow from financing activities		**(17.5)**	(205.2)
Increase/(decrease) in net cash and cash equivalents	7	**160.5**	(85.8)
Cash and cash equivalents at the beginning of the year		**41.0**	126.8
Cash and cash equivalents at the end of the year	8	**201.5**	41.0

Notes

1. Basis of preparation

The results for the year have been prepared on a basis consistent with the accounting policies set out in the Persimmon Plc Annual Report for the year ended 31 December 2012.

The preparation of the financial statements in conformity with the Group's accounting policies requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reported period. Whilst these estimates and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ from those estimates.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies, and those for 2012 will be delivered in due course. The auditor, KPMG Audit Plc, has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with IFRS as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to send its Annual Report 2012 to shareholders in March 2013.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review in the Annual Report and the financial statements and notes. The Directors believe that the Group is well placed to manage its business risks successfully. The principal risks that may impact the Group’s performance and their mitigation are outlined in note 10. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

The following revised IFRSs have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements. Other new standards and interpretations have no significant impact on the Group:

- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets. Introduces a presumption that for any asset valued using the fair value model in IAS 40 Investment Property, the carrying amount will be recovered through sale, rather than use, for deferred tax measurement purposes. No assets held by the Group at 31 December 2012 are valued in this way.

- Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets. Requires additional disclosures around transfers of financial assets including any risks that remain with an entity which has transferred any such asset. This has no relevance to the Group in the current period.

The Group has not applied the following new and revised IFRSs that are EU endorsed but not yet effective:

- Amendments to IAS 19 Employment Benefits.
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income.
- Amendments to IAS 27 Separate Financial Statements.
- Amendments to IAS 28 Investments in Associates and Joint Ventures.
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities.
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.
- IFRS 10 Consolidated Financial Statements.
- IFRS 11 Joint Arrangements.
- IFRS 12 Disclosure of Interests in Other Entities.
- IFRS 13 Fair Value Measurement.

The Group is currently considering the implications of these standards. With the exception of Amendments to IAS 19 Employment Benefits it is anticipated that the impact of these standards will be minimal and principally relate to amendment and extension of current disclosures.

Amendments to IAS 19 Employment Benefits, effective 1 January 2013, will restrict the assumed actuarial returns on assets to the pension scheme discount rate. This will increase the reported net finance costs of the scheme. The impact of the new standard on the reported profit before tax for the year ended 31 December 2012 would be a reduction of £3.5m.

2. Exceptional items

Impairment of inventories

During the year, the Group reviewed the net realisable value of its land and work in progress carrying values of its sites. This resulted in a net reversal of the previous write-down of inventories of £2.8m (2011: £13.3m). Further details are provided in note 6.

Amended financing arrangements

On 25 March 2011 the Group used cash and committed credit facilities to prepay, with an applicable make-whole amount, US and UK Senior Loan Notes due between 2013 and 2021, with face values of $151m and £51m. The prepayment resulted in an exceptional charge to the statement of comprehensive income of £16.9m, including £1.6m write-off of unamortised arrangement fees.

At the same time associated hedging contracts, including cross currency interest rate swaps with a principal amount of $151m, were cancelled resulting in an exceptional gain of £7.1m in the statement of comprehensive income.

The total net cash payment in relation to the prepayment and cancellation of the loan notes and associated hedging contract was £145.9m.

3. Tax

	2012 **£m**	2011 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**41.4**	34.4
Adjustments in respect of prior years	**(6.0)**	(4.9)
	35.4	29.5
Deferred tax relating to origination and reversal of temporary differences	**15.6**	7.4
Adjustments recognised in the current year in respect of prior years deferred tax	**0.6**	1.3
	16.2	8.7
	51.6	38.2

The charge for the year can be reconciled to the accounting profit as follows:

	2012 **£m**	2011 £m
Profit from continuing operations	**221.8**	147.2
Tax calculated at UK corporation tax rate of 24.5% (2011: 26.5%)	**54.3**	39.0
Accounting base cost not deductible for tax purposes	**1.3**	0.4
Goodwill impairment losses that are not deductible	**1.5**	1.2
Expenditure not allowable for tax purposes	**0.1**	1.8
Effect of change in rate of corporation tax	**(0.2)**	(0.6)
Adjustments in respect of prior years	**(5.4)**	(3.6)
Tax charge for the year recognised in profit or loss	**51.6**	38.2

In addition to the amount recognised in profit and loss, deferred tax of £2.5m was credited directly to other comprehensive income (2011: £3.0m debit), and £3.9m was recognised in equity (2011: £0.5m).

The Group has recognised deferred tax assets of £0.9m (2011: £14.9m) on the total pension deficit of £4.1m (2011: £59.5m).

4. Dividends/Return of cash

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the period:		
2011 interim dividend paid of 4.0p per share	**-**	12.1
2011 final dividend paid of 6.0p per share	-	18.2
2013 proposed return of cash of 75.0p per share	**227.1**	-

The Company plans to return 75p in cash to shareholders for each ordinary share held at 6.00pm on 19 April 2013. The payment will be made on 28 June 2013, subject to shareholder approval.

The Directors propose to offer the opportunity for shareholders (wherever possible) to choose whether to receive the cash as a return of capital or as dividend income. It is anticipated the cash payment will be returned by way of a B share/C share scheme. Full details of this B/C share proposal will be sent to shareholders, along with the AGM notice, on 18 March 2013.

5. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the Employee Benefit Trusts and treasury shares, all of which are treated as cancelled, which were 302.6m (2011: 301.3m).

Diluted earnings per share is calculated by dividing the profit for the year 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 305.4m (2011: 303.2m).

Underlying earnings per share excludes exceptional items and goodwill impairment. The earnings per share from continuing operations were as follows:

	2012	2011
Basic earnings per share	**56.3p**	36.1p
Underlying basic earnings per share	**57.6p**	36.8p
Diluted earnings per share	**55.7p**	35.9p
Underlying diluted earnings per share	**57.0p**	36.5p

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

	2012 £m	2011 £m
Underlying earnings attributable to shareholders	**174.2**	110.8
Exceptional items net of related taxation	**2.1**	2.6
Goodwill impairment	**(6.1)**	(4.4)
Earnings attributable to shareholders	**170.2**	109.0

6. Inventories

	2012 **£m**	2011 £m
Land	**1,495.7**	1,484.2
Work in progress	**443.1**	427.8
Part exchange properties	**58.6**	39.1
Showhouses	**53.6**	52.3
	2,051.0	2,003.4

As set out in note 2, the Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2012. The impact of these reviews on the net realisable value of inventories is a net exceptional credit to the consolidated statement of comprehensive income of £2.8m (2011: £13.3m). A reversal of £23.8m (2011: £66.2m) on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £21.0m (2011: £52.9m) were recognised in the year. This reversal/charge arose due to forecast selling prices and development costs on individual sites being higher or lower than previously estimated by management as a result of changing conditions, and/or development plans. Our approach to our net realisable value review has been consistent with that conducted at 31 December 2011.

The key judgements in estimating the future net present realisable value of a site was 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 or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required.

Following the 2012 review, £234.5m (2011: £318.6m) of inventories are valued at fair value less costs to sell rather than at historical cost.

7. Reconciliation of net cash flow to net cash/(debt)

	2012 **£m**	2011 £m
Increase/(decrease) in net cash and cash equivalents	**160.5**	(85.8)
Decrease in debt and finance lease obligations	**0.1**	178.3
Increase in net cash/decrease in net debt from cash flows	**160.6**	92.5
Non-cash movements	**-**	(2.0)
Increase in net cash/decrease in net debt	**160.6**	90.5
Net cash/(debt) at 1 January	**40.9**	(49.6)
Net cash at 31 December	**201.5**	40.9

8. Analysis of net cash

	2012 **£m**	Cash flow £m	2011 £m
Cash and cash equivalents	**201.5**	160.5	41.0
Finance lease obligations	**-**	0.1	(0.1)
Net cash at 31 December	**201.5**	160.6	40.9

9. Retirement benefit obligations

At 31 December 2012 the Group operated three employee pension schemes, being a stakeholder scheme and two defined benefit schemes. Actuarial gains and losses in the defined benefit schemes are recognised in full as other comprehensive income/expense through the statement of comprehensive income. All other pension scheme costs are reported as operating expenses in the statement of comprehensive income.

The amounts recognised in the statement of comprehensive (expense)/income are as follows:

	2012 £m	2011 £m
Current service cost	**2.8**	2.8
Past service credit	**(2.7)**	-
Settlement cost	**1.2**	-
Interest cost	**18.6**	21.5
Expected return on scheme assets	**(18.5)**	(19.8)
Total (included in staff costs)	**1.4**	4.5
Actuarial losses/(gains) recognised in other comprehensive (expense)/income	**10.5**	(7.8)
Total defined benefit scheme loss/(gain) recognised	**11.9**	(3.3)

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

	2012 £m	2011 £m
Present value of funded obligations	**(406.2)**	(392.6)
Fair value of scheme assets	**402.1**	333.1
Deficit in the scheme and net liability in the balance sheet	**(4.1)**	(59.5)

Asset Backed Funding

On 21 December 2012 Persimmon Plc made a one-off cash contribution of £57.8m to the Persimmon Plc Pension & Life Assurance Scheme (the 'Persimmon Scheme'). The Persimmon Scheme used these funds to invest in an interest in Persimmon Scottish Limited Partnership, which has undertaken to provide fixed cash payments to the Persimmon Scheme to meet its liabilities over a fifteen year period.

10. Principal Risks

The Group's financial and operational performance is subject to a significant number of risks. These risks are subject to continual assessment by management to mitigate and minimise their effect on our business. There are also many risks which are outside of our control which can affect our business. The principal risks facing our business are:

Risk	Impact	Mitigation
Strategy	The Board has adopted its new strategy as it believes it is the one most likely to add the greatest value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.
National and regional economic conditions	The housebuilding industry is sensitive to changes in unemployment, interest rates and consumer confidence. Further deterioration in economic conditions may significantly decrease demand and pricing for new homes, which could have a material effect on our business revenues, margins and profits and result in the impairment of asset values.	We minimise the level of speculative build undertaken by closely controlling our work in progress levels. We carry out extensive due diligence prior to our land investment decisions to capture best margins. We monitor our geographical spread to mitigate the effects of local microeconomic fluctuations.
Mortgage availability	Any restrictions in the market availability of mortgages for our customers could reduce demand for our homes and affect revenues, margins and profits.	We ensure construction is matched to our level of sales. We can use shared equity to enable buyers with small deposits to purchase our homes.
Regulatory compliance	Our business is subject to extensive and complex laws and regulations principally relating to planning, the environment and health and safety. Our obligations to comply with legislation can result in delays causing us to incur substantial costs and prohibit or restrict land development and construction. Non compliance could also result in damage to the Company's reputation.	We operate comprehensive management systems to ensure regulatory compliance and reduction in reputational risk, particularly relating to the health and safety of our workforce, customers and visitors. We hold a landbank sufficient to provide security of supply for short term requirements.
Capital requirements	Our ability to continue to manage our business may depend on our ability to access capital on appropriate terms. We could be adversely affected by a change in our credit rating or disruption in the capital markets resulting in credit facilities not being available. We also require access to bonding facilities to secure planning, road and sewer agreements for our developments.	The Group actively maintains an appropriate mixture of medium and long term debt facilities and bonding lines to ensure sufficient funds and bonding are available to support operations. The Group regularly reviews its forecast capital requirements to ensure these facilities are sufficient to support anticipated demands.

Statement of Directors' Responsibilities

The Statement of Directors' Responsibilities is made in respect of the full Annual Report and the financial statements not the extracts from the financial statements required to be set out in this Announcement.

The 2012 Annual Report and financial statements comply with the United Kingdom's Financial Services Authority Disclosure and Transparency Rules in respect of the requirement to produce an annual financial report.

We confirm that to the best of our knowledge:

- The financial statements, contained in the 2012 Annual Report and financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

- The Business Review, which forms part of the Directors' Report contained in the 2012 Annual Report and financial statements, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of Persimmon Plc and their functions are listed below:

Nicholas Wrigley	Chairman
Mike Farley	Group Chief Executive
Jeff Fairburn	Group Managing Director
Mike Killoran	Group Finance Director
Nigel Greenaway	South Division Chief Executive
Richard Pennycook	Senior Independent Director
Neil Davidson	Non-executive Director
Jonathan Davie	Non-executive Director
Mark Preston	Non-executive Director
Marion Sears	Non-executive Director

By order of the Board

Mike Farley	Mike Killoran
Group Chief Executive	Group Finance Director

22 February 2013

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