Persimmon plc today announces Final Results for the year ended 31 December 2013

Highlights

- Underlying profit before tax* increased by 49% to £330m (2012: £222m**)
- Full year revenue up 21% to £2.1bn (2012: £1.7bn)
- Legal completions increased by 16% to 11,528 (2012: 9,903) and average selling price*** increased 4% to £181,861 (2012: £175,640)
- Operating margin* increased to 16.0% (2012: 12.9%**); with second half improvement to 16.6%
- Return on average capital employed* increased by 44% to 17.6% (2012: 12.2%)
- A further 17,735 plots of land acquired in the year bringing consented landbank to 74,407 representing 6.5 years supply
- Continued focus on the development of strategic land with 33% of replacement land successfully converted from the Group's strategic land portfolio
- Underlying basic earnings per share* increased by 47% to 83.3p (2012: 56.7p**)
- Net cash of £204m at 31 December 2013 (2012: £201m cash)
- Forward sales^ strongly ahead at over £1.4bn (2013: £1.0bn), an increase of 41%

Capital Return Plan

- First instalment of £228m (75p per share) under the Capital Return Plan paid 28 June 2013
- Success in meeting increased demand and growing the business has generated £231m of free cash before capital return payment and enabled an acceleration of the Capital Return Plan
    - 70p per share to be paid on 4 July 2014, being a part acceleration of the final planned payment of 115p per share in 2021
    - Planned 95p per share payment for 2015 reinstated in full
    - Payments of at least 10p per share to be made in both 2016 and 2018, part accelerated from the final planned payment for 2021.

*stated before exceptional items and goodwill impairment

**restated for amendment to IAS 19 : Employee Benefits

*** stated before fair value charge on shared equity sales

^ as at 24 February 2014

Nicholas Wrigley, Group Chairman, said: "Persimmon achieved a strong result for the year as we responded quickly to the increased customer demand that resulted from improved mortgage lending, the introduction of Help to Buy in April 2013 and the increase in consumer confidence as the UK returned to more meaningful economic growth. Our success in increasing build rates significantly in response, with second half volumes 30% ahead of those in the first six months, underpinned a robust overall performance.

"2013 was a year of excellent progress against our strategic plan and the strong growth of the business has underpinned an acceleration of the Capital Return Plan.

"The Group entered 2014 with a very strong forward order book and the early weeks of the spring selling season have been encouraging, with our weekly private sales rate per site being 22% ahead of last year for the first eight weeks. We anticipate a further year of encouraging sales growth in 2014."

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Analysts unable to attend in person may listen to the presentation live at 10:00am by using the details below:

Telephone number: 020 3427 1905

Password: Persimmon

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

CHAIRMAN'S STATEMENT

"Delivering growth and accelerating returns"

Results

I am pleased to report a strong set of results for the year ended 31 December 2013. Persimmon responded well to the significant increase in customer demand stimulated by the combination of increased lending by the major mortgage lenders, the introduction of Help to Buy by the Government in April 2013 and an improvement in the UK economic outlook, and delivered a significant increase in build volumes in the year.

The Group's strong response in increasing rates of new house construction enabled 11,528 sales to be legally completed, an increase of 16% over the prior year. This was made possible by a 30% increase in legal completions delivered in the second half of the year over the first half of 2013. All our staff across the UK have worked tremendously hard to meet these very demanding build programmes and to accelerate the continued growth of the business.

The Group's average selling price* increased by 4% to £181,861 (2012: £175,640) due to the continued gradual change in sales mix, with a greater proportion of larger traditional family houses being sold. House prices across our regional markets have responded to the usual range of regional economic influences and when these regional movements are aggregated for the Group as a whole our underlying average selling price was stable through the year.

Full year revenues increased by 21% over last year to reach £2.1bn and the Group also increased the value of its forward sales at 31 December 2013 by 41% to £908m (2012: £645m).

In parallel with the swift response to market growth, Persimmon continues to be focused on optimising the returns it generates for its shareholders. Improving the gross margin generated on sales is a critical driver of these returns. Underlying gross margins** for the full year of 20.2% were 270 basis points stronger than the prior year (2012: 17.5%). The quality of these returns improved further due to tight control over development costs, the drive for increased build productivity and our success in opening 175 new sites as we progressed through the year.

The improvement in overhead efficiency, as we continue to grow the business whilst controlling net operating expenses, has delivered an underlying operating margin** of 16.0%, 310 basis points ahead of the prior year (2012: 12.9% as restated***). Indeed, the operating margin in the second half of the year of 16.6% was 150 basis points stronger than the margin of 15.1% for the first half.

The increase in revenues coupled with the improvement in margins resulted in underlying operating profits** increasing 50% to £333m (2012: £223m as restated***), and underlying profit before tax** of £330m being 49% stronger than last year (2012: £222m as restated***). Underlying basic earnings per share** for the year of 83.3 pence is 47% higher than last year's 56.7 pence (as restated***).

We continued to invest in the future growth of the business by acquiring 17,735 plots of new land across 130 high quality locations during 2013. With the faster turn of our work in progress resulting from the strong increase in construction rates we have generated £231m of free cash before capital returns despite our land replacement running at 154% of current consumption. We are pleased to report 5,765 plots of the 17,735 new plots acquired were successfully converted from our strategic land portfolio. The Group now owns and controls 74,407 plots in its forward landbank.

Cash holdings at the year end totalled £204m (2012: £201m) reflecting our focus on delivering superior cash returns through maximising the cash efficiency of our land replacement operations, our trading and our build activities. Return on capital employed**** for 2013 was 17.6%, an improvement of 44% on the previous year's 12.2%.

Long term strategy and Capital Return Plan

The results for the year ended 31 December 2013 represent the delivery of the second year of our original nine-and-a-half year strategic plan launched in February 2012 and reflect significant progress against the original plan.

We remain determined to build Persimmon into a stronger, larger business over the long term, investing the appropriate level of capital in the asset platform to sustain the Group at its future larger scale. We remain committed to achieving this whilst maintaining the quality of our land replacement and minimising financial risk. This strategy is designed to deliver strong free cash generation through the housing cycle for the benefit of all our shareholders.

The strategic plan announced in February 2012 included a commitment to return £1.9 billion (£6.20 per share) of surplus capital to shareholders over nine-and-a-half years. On 28 June 2013 we paid £228m to shareholders representing the first instalment under the Capital Return Plan of 75p per share. As a result of the strong progress the Group has made, and against the backdrop of an improving housing market, the Board is recommending that the original Capital Return Plan schedule be accelerated.

At the AGM in April 2013, the Board indicated a payment of 10p per share would be accelerated into 2014 from the planned payment in 2015 (originally 95p per share). The Directors now plan to return 70p per share in 2014 and, rather than this payment being accelerated from the scheduled payment for 2015, it is to be a part acceleration of the 115p final planned payment due in 2021. In addition the original planned payment of 95p per share in 2015 is to be reinstated in full.

Following consultation with shareholders, the Board has also determined to make capital return payments of at least 10p per share in both 2016 and 2018, years in which a payment was not originally planned. These two new payments will be a further part acceleration of the 115p final planned payment due in 2021. The Board will determine the final value of these further instalments of the Capital Return Plan at the appropriate date, in light of the future progress of the business.

The capital return for 2014 of 70p per share will be made on Friday 4 July 2014. The Directors propose to offer shareholders the opportunity (wherever possible) to choose whether to receive the cash either as a return of capital or as dividend income by way of a B share/C share scheme in line with the process for the payment made in 2013. Full details of the B/C share proposal will be sent to shareholders, along with the AGM notice, on Monday 17 March 2014.

Outlook

The Group entered 2014 with a very strong forward order book of £908m of sales reserved and contracted, creating a strong platform for further sales growth in the new year.

The early weeks of the spring selling season have been encouraging, with our weekly private sales rate per site being 22% ahead of last year for the first eight weeks. Visitor numbers to our sites across the UK are 16% stronger than the prior year and cancellation rates remain at historically low levels of c.15% (2013: c.16%). Total forward sales are currently £1,424m for 2014, including legal completions taken so far this year, an increase of 41% on the previous year (2013: £1,010m). Selling prices have remained firm. The Group anticipates a further year of encouraging sales growth in 2014.

Board

As announced on 13 December 2013, David Jenkinson, North Division Chief Executive, has been appointed to the Board as an Executive Director. David brings a wealth of housebuilding experience to the executive and I welcome him to the Board.

The strong result for 2013 is an outperformance of our original long term plan and demonstrates the Group's ability to grow the business swiftly in response to increases in demand whilst improving the quality of shareholder returns. Management and staff have worked tirelessly to deliver this excellent progress. On behalf of the Board I would like to congratulate the whole Persimmon team, including our suppliers and contractors on delivering such a strong performance. Our management is focused on the successful growth of the business and I remain confident of further progress.

Nicholas Wrigley
Chairman
24 February 2014

*   Stated before fair value charge on shared equity sales
**   Stated before exceptional items and goodwill impairment
***   Restated for amendment to IAS19 "Employee Benefits"
**** 12 month rolling average and stated before exceptional items and goodwill impairment

CHIEF EXECUTIVE'S STRATEGIC REPORT

"Continued progress against our strategy"

Our Strategy

In February 2012 we launched a new long term strategy which identified four key features of the Persimmon business model as being of primary importance:

- The achievement and maintenance of an optimal scale for the business which enables our land replacement activity to be fulfilled most effectively;
- Prioritisation of strategic land investment and conversion to maximise shareholder returns over the long term;
- The maintenance of discipline over the level of capital employed within the business through the development cycle and the optimisation of the capital structure; and
- The creation of greater certainty over the value and timing of returns to shareholders.

The review concluded that Persimmon would return excess capital generated by the Group to its shareholders over the following nine-and-a-half years. This Capital Return Plan proposed the payment of £1.9bn (£6.20 per share) to shareholders over the life of the plan, providing strategic clarity and regular defined returns over the long term, whilst minimising financial risk through the housing cycle.

I am pleased to be able to report another significant year of progress against this strategy in 2013. The Group's performance for the year demonstrates that the successful achievement of our short term operational priorities is securing the delivery of our longer term strategic objectives, evidenced by the Board recommending an accelerated payment to shareholders of 70p in July 2014. There are many aspects of our performance for the year that contributed to our overall success but I believe the following are the most significant:

1. Legal completions for the year of 11,528 new homes were up 16% and since the launch of the new strategy sales volumes have increased by 23%. Within our 24 regional housebuilding businesses the Group has the capacity to deliver 14,000 to 15,000 new homes each year, providing an opportunity to grow sales volumes by up to 30% from current levels. Management remain keen to capture the increased efficiencies and cash generation that would be delivered from this larger scale of operation.

2. Total forward sales at 24 February 2014, including legal completions so far this year, reached £1.42bn, and were 41% stronger than at the same point last year (2013: £1.01bn).

3. We successfully opened 175 new sites during 2013 against a backdrop of what remains a difficult planning system in which to secure implementable detailed consents. Since the launch of the new strategy we have opened a total of 300 new sites and currently have a very strong network of 390 sites across all regions of the UK mainland.

4. The Group acquired 17,735 plots of new land during 2013, with c.33% successfully converted from our strategic land portfolio. Since the launch of the new strategy we have successfully converted over 11,300 plots from our strategic land portfolio and invested in a further 2,800 acres of strategic land.

   At 31 December 2013 approximately 44% of the plots held as owned or under our control within our forward consented landbank were previously part of our strategic land portfolio.

Since the launch of the new strategy we have acquired c.32,500 plots of new land to support the sustainable growth of the business. Our cash spend on land over this period totalled c.£890m. We continue to identify compelling opportunities for land investment to secure the future growth of the Group.

Land values remain generally stable across our regional markets and offer excellent returns for the future. However, we remain vigilant and should conditions change such that we assess values to be unsustainable, we will stand back from the market.

5. Return on Average Capital Employed* ("ROACE*") for the Group for 2013 improved a further 44% to 17.6% from 12.2% in 2012. Since the launch of the new strategy ROACE* has improved by over 110%.

   Instrumental in delivering this improvement is the increase in underlying operating margin** for the Group to 16.0% for 2013 (from 10.0% in 2011). In addition, the drive to realise swifter build delivery has supported our industry leading asset turn, with work in progress representing just 22% of 2013 revenues.

   This improvement in capital efficiency has been key in maintaining the Group's strong liquidity. Free cash generated before capital return in 2013 was £231m. Since the launch of the new strategy the Group has generated £410m of free cash before capital returns.

6. On 28 June 2013 we paid the first 75p per share instalment under the Capital Return Plan, amounting to £228m. We now propose a further acceleration of the original planned payments to include:

   - the payment of 70p per share on 4 July 2014, being a part acceleration of the 115p payment originally planned for 2021;
   - the reinstatement in full of the planned 95p per share in 2015;
   - payment of at least 10p in both 2016 and 2018, part-accelerated from the 115p payment originally planned for 2021, the value of which will be reviewed and proposed at the appropriate time.

   The revised schedule of payments under the Capital Return Plan will now be as follows:

Original Plan	New Plan	Original Plan Pence Per Share	New Plan Pence Per Share
28 June 2013	28 June 2013	75 paid	75 paid
	4 July 2014	-	70
30 June 2015	6 July 2015	95	95
	6 July 2016	-	10*
30 June 2017	6 July 2017	110	110
	6 July 2018	-	10*
30 June 2019	5 July 2019	110	110
30 June 2020	6 July 2020	115	115
30 June 2021	6 July 2021	115	25
Total		620	620

   * at least 10p – value to be reviewed in due course

   We believe this revised payment schedule creates further certainty over the value and timing of the return of surplus capital to our shareholders.

The UK housing market and trading

We experienced strengthening trading conditions as we progressed through 2013. This improving trend resulted from a combination of an increase in lending activity from the major mortgage lenders, the introduction of Help to Buy stimulus measures by the Government and the improvement in customer confidence as the UK economy returned to more meaningful growth.

Buying a new home was made more affordable during 2013 as mortgage lenders continued to increase the supply of higher loan to value mortgages at increasingly competitive rates. Monthly mortgage approval volumes improved by over 30% during 2013 to reach c. 72,000 in December and we anticipate mortgage lenders will continue to increase their lending support to customers through 2014. This improved availability of mortgage finance will be key to the expansion of industry output.

The introduction of the first element of the Help to Buy measures from 1 April 2013 injected additional momentum into the market during the traditionally stronger spring selling season. This 20% shared equity loan scheme has been fully supported by the major mortgage lenders with very competitive interest rates. We believe that these mortgages will remain the most attractive opportunity for customers to buy a new home during the three year life of the scheme. To date we have sold over 4,250 new homes to customers who have taken advantage of these arrangements, of which 2,203 legally completed in 2013.

Against this improving market backdrop our two private sale brands, Persimmon and Charles Church, have traded strongly. The Help to Buy 20% shared equity loan scheme is particularly attractive to first time buyers and supported Persimmon's revenue growth of 23% year on year, to £1.24bn (2012: £1.01bn). Our Persimmon brand offers a greater proportion of first time buyer house types to the market across the regions. Charles Church also delivered significant revenue growth of 15% year on year, to £635.4m (2012: £552.4m). During 2013, over 60% of the Group's revenues were generated in southern regional markets reflecting the distribution of our active site network and landbank and the greater weighting of Charles Church activity in these southern markets.

In addition, our partnership housing business, Westbury Partnerships, delivered 2,121 new homes to our housing association partners across the UK, an increase of 26% year on year (2012: 1,686 homes). Our continued hard work in bringing new sites through into development enabled us to offer our housing association partners the newly built houses they need for lower income families in their communities.

The traditional seasonality of the market was maintained in 2013, with the spring sales season being stronger than the autumn. Our private sale reservation rate in the first half of 2013 was c.4% stronger than the second half, even with the Help to Buy shared equity loan offer only being available from 1 April 2013. The additional interest that this created can be seen in the significant improvement in the second half private sale rate, which was up c.39% over the prior year, compared with a year on year improvement of 12% in the first half. We reacted swiftly to this sales reservation improvement, quickly increasing our rate of construction to ensure our customers received delivery of their new home within appropriate lead times.

The initial challenges we faced during the period with respect to labour and material resource management gradually receded through the second half of the year. Indeed, the action we have been taking over the last two years to increase the number of apprentices and graduate trainees recruited into the business has proved to be of great benefit in helping us manage the significant increase in activity successfully.

We continued to support our customers with our own shared equity loans and in partnership with the Government under the FirstBuy Scheme in England in the first quarter of the year. FirstBuy was subsequently replaced by the Help to Buy scheme in England. Scotland and Wales have now introduced a similar offering to Help to Buy, from late 2013 and early 2014 respectively, and we expect to see the full benefit of these schemes this year.

Legal completion volumes in the first half of the year were 7% stronger than last year at 5,022 new homes (2012: 4,712 new homes) despite our carried forward volumes at the start of the year being on a par with the previous year. We opened 90 new sites in the first half of the year to maintain our active outlet network at 385 sites. This factor, together with the improvement in our private sales rates, supported the 12% growth in our forward order volumes at 30 June 2013 over the previous year. Legal completions in the second half of the year reached 6,506 new homes, 30% stronger than those delivered in the first six months. Reflecting the 39% year on year growth in private sales rates in the second half, forward order volumes at 31 December increased by 28%, providing a robust platform for sales delivery into 2014.

The Group's average selling price for the first half was £179,199, 5% ahead of the prior year, due to the increased proportion of slightly larger family housing in the mix of sales. This mix effect continued through the second half where the average selling price of £182,286 was 3% ahead year on year.

Selling prices in each regional market have been influenced by normal regional economic factors. On opening up new sites we have experienced pent up demand and have set pricing levels as appropriate. Taken as a whole, the Group's underlying average selling price has remained stable for the year. Customer sentiment has improved through the year and we have been able to reduce our marketing incentives marginally in support of the sales reservations we have secured.

The availability of part exchange facilities has remained attractive to our customers, helping them to secure their home move in what has been a slower second hand market. For the year as whole 24% of our customers took advantage of the convenience of this part exchange offer (2012: 25%). Part exchange take up reduced slightly in the second half to 21% compared with 27% in the first half, as the Help to Buy measures gained greater popularity in the market.

On 8 October 2013 the Government accelerated the launch of the second phase of the Help to Buy measures, introducing Government mortgage indemnity guarantees for higher loan to value mortgages across the whole of the UK housing market. Whilst it remains too early to assess the full impact of this scheme, we anticipate that sales supported by these mortgages may increase if greater competition among lenders reduces interest rates over coming months. More recently some lenders have decided to offer their own higher loan to value mortgage products outside the Help to Buy scheme generating additional choice for customers and creating more competition. Should existing owner occupiers look to move home in greater numbers then the availability of these mortgage products should facilitate an improvement in overall housing transaction volumes, with the new homes market benefitting as these housing chains complete.

Profitability

Our underlying operating margin** improved by 310 basis points year on year to 16.0%. In the second half of 2013 we achieved a margin of 16.6%. We remain focused on maximising the returns from all our developments through optimising planning opportunities and exercising strong control over our development costs and overheads. The significant increase in our build activity has been supported by skilful management of our build programmes, the introduction of a greater proportion of standard house types and increasing use of the timber frame construction solution manufactured by our Space4 factory. Our swift response to the improvement in sales rates has increased productivity and efficiency across the business but has naturally placed greater demands on our land, construction and procurement teams. We are confident that we will be able to maintain our strong site network despite the faster consumption rate being achieved through sales. Indeed, we anticipate opening 90 new sites in the first half of 2014. Our partners in our supply chain are focused on supporting our continued growth, the benefits of which they will share.

We anticipate securing underlying operating margins over the next 12 months which will grow beyond the 17% upper level of the medium term target range which we set two years ago.

Cash generation

Maximising the cash efficiency of our operations to secure strong liquidity through the housing cycle is at the core of our long term strategy. During 2013 we generated £231m of free cash before capital returns which delivered £204m of cash balances at 31 December 2013.

Despite the investment in additional work in progress to deliver the significant increase in sales year on year, the improvement in asset turn, combined with the cash efficiency of our land replacement activity and the expansion in our cash margins, has allowed us to invest in substantial new land holdings at a rate of 154% of 2013 consumption. This was assisted by a £66m expansion in land creditors to £306m (2012: £240m). This allows the continued growth of the business to be financed through the generation of cash inflows from operations before working capital requirements, which totalled £346m in 2013, without reducing cash resources available to shareholders.

Our business processes are designed to deliver the cash efficiencies upon which the delivery of the Capital Return Plan depends. The further enhancement of the Capital Return Plan demonstrates the confidence that we hold in the continued ability of our operational approach to underpin the delivery of our long term strategy.

We will remain disciplined with respect to our capital needs through the housing market cycle which will maximise the return on the capital invested in the business, the success of this approach being demonstrated by an improvement in the rate of return to 17.6% in 2013 (2012: 12.2%).

Land

The land market across our regional businesses offered excellent opportunities for high quality land replacement through 2013. We acquired over 17,700 new plots of land in the year at margins that meet or exceed our minimum investment requirements. At 2013 output volumes, our owned and controlled landbank at 31 December 2013 of 74,407 plots represents c.6.5 years of supply, which is reduced from 6.9 years at the same point last year. This is in line with our long term strategy of reducing our forward supply to nearer five years at optimal levels of output. The anticipated further growth of the business in conjunction with the ongoing exercise of investment discipline by management will continue to bring the required capital efficiency to our land holdings.

Strategic land investment and promotion remains a key feature of our operational model. We successfully obtained planning permission for 5,765 plots of land from our strategic land portfolio in 2013, representing c.33% of total new land replacement. We also acquired interests over a further c.1,800 acres of strategic land which we believe will secure a detailed planning consent after we demonstrate its sustainable qualities through the normal planning application processes. We have substantial numbers of applications for residential land use submitted with the planning authorities across our regional businesses and remain confident that the current strategic land portfolio of c.16,300 acres will yield in excess of 100,000 forward plots for future development by the business. We believe the new National Planning Policy Framework is improving the efficiency of the UK planning process. This policy is important in ensuring the housebuilding industry gains sufficient confidence in the sustainability of the required level of land supply to support the much needed growth in supply of newly built homes.

Corporate responsibility

Corporate responsibility remains fully integrated into the Group's business model.

High levels of customer care and satisfaction are key objectives of our operational approach. We are continuing to improve our policies and procedures to ensure they remain fit for purpose during this period of rapid growth in sales and build rates. We engage in detailed benchmarking exercises which allow all our management teams across the Group to adopt best practice processes in sales, development and new home design, construction and after-sales customer care and support. We invested over £38m in new community facilities during 2013 (2012: £33m) including the provision of sports facilities, schools and education contributions and public open spaces which facilitates the integration of our new developments as part of larger sustainable communities. During 2013 we again received a 4 star rating in the external customer satisfaction surveys conducted for the industry by the National House Building Council and the House Building Federation (2012: 4 star).

With the significant increase in site activity associated with the drive to increase rates of construction we have been working very hard to ensure continuity of a safe and healthy working environment for all our employees. We experienced a reduction in the number of RIDDORs (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reported in 2013 to 48 (2012: 53) despite the significant increase in build rates. The Group continues to work closely with the Health and Safety Executive to ensure the correct standards are achieved through the active management of operations by our senior management, our construction teams and our site based sub-contractors.

Sustainability of our operations is determined by both the design of our developments and house types, and our construction processes and efficiencies. Our “fabric first” approach to new home construction resulted in a standard energy efficiency rating for all our new homes sold in 2013 of 83 out of 100 which is substantially ahead of the UK housing stock average rating of 53 out of 100. We further improved our environmental care performance during the year, reducing the average waste generated per home sold to 5.7 tonnes, an 11% improvement year on year (2012: 6.4 tonnes). In addition we increased the proportion of waste which we recycled to 90% (2012: 88%). The preservation and improvement of the environment remains an integral part of our approach to residential development creating environments in which people wish to live.

The Group is committed to a process of continuous training for its staff to develop the essential skills that underpin the delivery of our operational objectives. The number of apprentices and trainees in the Group has increased to 277 during 2013 and we provided over 4,400 training days to our employees. We are particularly keen to ensure that the Group offers advancement opportunities to all our staff on merit, as we believe the UK housebuilding industry offers great opportunity for a fulfilling and rewarding career.

Current trading outlook

Trading conditions improved in 2013. We experienced an increase in customer confidence borne out of improving economic performance, increased lending activity by the mortgage lenders and Government support. We expect this trend will continue in 2014 albeit at a more modest pace given the progress made in 2013.

The early weeks of the spring market have been encouraging. We have opened 40 of the 90 new sites planned for the first half of 2014 and are experiencing good demand at these excellent locations.

Our forward sales revenue including legal completions in the first eight weeks of 2014 is 41% ahead of last year at £1.42bn (2013: £1.01 bn). Our private sale reservation rate over this period has been 22% stronger than the prior year, accepting that the Help to Buy measures were not introduced until 1 April 2013 and the prior year comparables therefore exclude any support from these measures. We continue to secure c.35% of our private sale reservations with mortgages linked to the Help to Buy shared equity loan scheme.

Our forward order book indicates a further improvement in profitability as we progress through 2014. This will be supported as we open up new sites and focus on achieving further efficiencies and operational improvements.

We believe our cash generation will remain strong and will support further investment to underpin the growth of the business. Continued strong liquidity and careful management of the land investment cycle will help create greater certainty over the delivery of the Capital Return Plan payments.

I am pleased with the progress the Group has made in 2013. Furthermore, I am greatly encouraged by the energy, imagination and dedication of the whole Persimmon team from which I draw a great deal of confidence for the future of the business. I would like to thank them for all their efforts and hard work. We will concentrate on taking advantage of the many opportunities to develop the business and we will continue to focus on delivering new homes in good quality locations which provide environments in which our customers wish to live. I am confident of the Group’s future success.

Jeff Fairburn
Group Chief Executive
24 February 2014

*	12 month rolling average and stated before exceptional items and goodwill impairment
**	Stated before exceptional items and goodwill impairment

OPERATIONAL PERFORMANCE REVIEW

"Operational objectives target strong performance"

Persimmon delivered a strong performance in 2013 as the Group focused on capturing the benefits of improving rates of sale whilst opening new outlets in excellent locations of proven housing demand.

From 1 January 2013 the Group was reorganised to support the delivery of further operational improvements across the country, from strategic land identification and promotion, through to construction programming and house type design. Our operational management teams have the opportunity to learn from their combined experience in markets to further improve performance. There is a good balance to the distribution of the operational footprint across the regions with our twenty-four separate housebuilding businesses. The financial performance of the Group benefits from this spread of operations which mitigates market risk.

During 2013 the Group continued to make substantial investments in high quality replacement land across the country, the total consented landbank increasing by 9% over the year to reach 74,407 plots owned and under control at 31 December 2013.

The financial results for 2013, together with the financial position of the business at the year-end, demonstrate the strong progress the Group has made. These results also point to the exciting opportunities available to the Group's four brands, Persimmon and Charles Church in the private sale market, Westbury Partnerships in the Housing Association market place, and our Space4 business, which is the largest automated timber frame manufacturer in the UK.

Persimmon

Our Persimmon business delivered 6,830 new homes in 2013, an increase of 16% on the prior year (2012: 5,883 new homes). Total revenues* of £1.25bn increased by 22% year on year. Persimmon is focused on the sale of traditional family housing, on developments which typically provide the widest choice of house types in a single location, to cater for the needs of first-time buyers and customers looking for larger homes to accommodate growing family needs.

The average selling price* of a Persimmon home in 2013 was £182,899, 4.9% ahead year on year due to the sales mix moving towards a slightly greater proportion of larger homes being sold.

Our regional markets within the North delivered 57% of Persimmon's total sales in 2013 (2012: 56%) at an average selling price* of £161,188 (2012: £161,896). Selling prices have been influenced by the usual regional market factors and we have been pleased with the levels of demand we have experienced on opening up new developments across the country. The average selling price* for our regional markets in the South was £211,523 (2012: £190,345). The highest average selling price* was achieved by our Shires region for the second year running, at £228,619 (2012: £204,545) with significant sales contributions coming from larger homes sold from sites at Oxford and Bushey, Hertfordshire. The lowest average selling price* was for our Yorkshire region at £153,973 (2012: £152,879) with good levels of sales from developments at Hull and Scunthorpe.

Persimmon sales volumes increased significantly in the second half of the year over the first half supported by the introduction of the Government's Help to Buy scheme and increased availability of mortgage credit. More notable increases were secured in our Scottish and Yorkshire regions, 63% and 44% up respectively and in our Shires and Wales regions which were 39% and 34% up respectively. These significant increases in legal completion volumes were only secured through the rapid response of all management teams in increasing production rates. Whilst programming and resourcing this increase in build activity has been challenging we are pleased with the progress the business achieved in 2013.

The Persimmon forward consented landbank at 31 December 2013 totalled 49,232 plots owned and under control, representing 7.2 years of forward supply at 2013 consumption rates. This forward supply has shortened through the year from 7.6 years at December 2012 due to the strong increase in the rate of sales and land usage and despite robust land replacement in the year. We have acquired 11,447 plots of new land in 2013. The anticipated future growth in Persimmon sales volumes will continue to deliver improvements in asset efficiency which will support strong liquidity and increased returns on capital.

Whilst we have continued to be active in the open land market we have enjoyed significant success in converting our high quality strategic land across the UK. In our Essex region we successfully gained planning consent for 333 plots at Harlow and in our North Midlands region we secured consent for a 110 unit scheme at Market Harborough, Leicestershire. In addition, we were successful with planning for a 150 unit development at Brundall, East Anglia and for 44 plots at a site at Easingwold in North Yorkshire. These further examples of successful strategic land delivery demonstrate the benefits of our planning capabilities and skills in contributing high value land in support of the delivery of superior shareholder returns over the long term. This also requires continued identification and investment in new strategic land for future conversion.

We have sustained our investment in our strategic land operations and over the last five years have successfully converted over 23,000 plots from our strategic land portfolio into our forward consented landbank. This represents c.43% of all land replacement acquired over this period and will support superior future cash generation from our operations.

Our joint operations with St. Modwen continued to grow in 2013. We delivered 150 new home legal completions from the existing seven active sites spread from Sunderland in the North East to Llandarcy in Wales and Uxbridge in the South East, up from 56 in 2012. We continue to work with St. Modwen to identify potential new locations which will secure appropriate investments for the Group.

Charles Church

Total revenues* from sales of Charles Church new homes increased by 15% to £637.5m (2012: £555.7m). We experienced good levels of demand across the regions for our Charles Church house types, which typically offer larger accommodation in high quality locations. Legal completions increased by 10% year on year to 2,577 new homes (2012: 2,334 new homes). Legal completion volumes in the second half of 1,437 new homes grew strongly, being 26% higher than in the first half of the year.

There is a broad geographic spread to our Charles Church site network with two thirds of total legal completion volumes being delivered in southern markets. We tailor the delivery of the Charles Church product to local markets where our research and experience has identified strong customer demand for the product. In addition, by introducing both the Charles Church and Persimmon brands jointly onto appropriate developments we can maximise our sales rates and asset turn whilst providing a compelling offer to the broadest cross-section of customers helping to mitigate market risk. For example, we expect Charles Church to deliver strong sales from Harlow in Essex, one of the large strategic land successes in the year.

At the end of December 2013 Charles Church held 4.2 years of consented forward land at 2013 levels of sales, being 10,715 plots owned and under control. Whilst the number of plots held increased by 7% year on year, forward years cover shortened slightly from the 4.3 years held in December 2012 due to the strong increase in legal completions in 2013. The anticipated further growth of Charles Church volumes will continue to improve the asset efficiency of the business in line with overall Group strategy. The length of the Charles Church landbank is deliberately shorter than that for Persimmon to compensate for the generally slower rate of sale of Charles Church homes, which reflects its higher selling prices. This policy ensures that the return on capital employed in the business is maximised.

Strategic land support is a key feature of the Charles Church business. Of the 3,248 plots of new land introduced into the business in 2013 over 40% was sourced from the successful conversion of previously held strategic land, including consent for 180 plots at Rothley north of Leicester and for a 480 unit development at Burgess Hill north of Brighton. Charles Church now holds c.41% of its forward consented landbank from ex-strategic sources, which will provide further strong support to the business over coming years.

Westbury Partnerships

Our Westbury Partnerships business has very strong relationships with the Homes & Community Agency ("HCA") in England and the Housing Agencies in Scotland and Wales, and is working hard to support greater access to the housing market for their local communities. We believe that by delivering healthy increases in the volume of newly built homes across the UK mainland we are providing a meaningful contribution to the rehabilitation of the broader UK economy. During 2013, 528 legal completions were delivered with support from the Government's FirstBuy scheme. This was replaced by the introduction of the Help to Buy shared equity scheme on 1 April 2013. Under the Help to Buy scheme 2,203 new homes were legally completed in 2013 with over 2,050 homes reserved and exchanged for future delivery.

A specific focus of our Partnerships management team is to work closely with housing associations to deliver well designed affordable housing to the benefit of lower income occupiers. Our Westbury Partnerships business delivered 2,121 new homes (2012: 1,686 new homes) to our housing association partners during 2013. This is an increase of 26% on the prior year and represents c.18% of the Group's total output in 2013 (2012: c.17%). By capturing these opportunities our Westbury business plays a key part in the delivery of sustainable residential development across the country in line with the objectives of the National Planning Policy Framework. A key strength of the Partnership business is the visibility of new outlet openings that our regional management teams continue to secure through the local planning processes across the regions. This allows the Partnership management team to promote the sale of the affordable housing element of each development to our housing association partners at an early stage. We believe that our well designed affordable housing will continue to attract strong interest across all tenures. Westbury Partnerships will lead the further development of the Group's participation in this very important market area.

Westbury Partnerships also leads the Group's engagement in the Government's Affordable Housing Programme ("AHP") which is focused on the construction of low cost homes across the regions. Through close consultation with the HCA, the Group has agreed a commitment to construct 378 homes supported by funding of £4.0m as part of the AHP. During 2013 94 new homes were delivered from sites at East Trowbridge near Bath, Walton-le-Dale near Preston and Victoria Park in Stockton-on-Tees, 77 of which are to be made available at lower assisted rental levels with 17 homes for shared ownership. In 2014 we anticipate over 150 additional new homes will be delivered under this scheme across 8 separate sites.

The Group also participates in the Government's Delivery Partner Panels ("DPPs") which are the primary route through which the Government is seeking to dispose of public land. The Partnership's management team leads our participation under the DPPs and we anticipate that the Group will secure a number of opportunities as the Government pushes ahead with its disposal plans.

Space4

Space4 is the Group's closed-panel timber frame manufacturing business. Timber frames manufactured by Space4 are sold into the Group's housebuilding businesses for the construction of new homes in both the private sale and housing association markets. This modern method of construction achieves very high levels of thermal efficiency with its "fabric first" approach, making it ideal to meet the more demanding construction standards being required of residential developers as building regulations are improved to support the delivery of zero carbon objectives for all newly built homes over the medium term.

Space4 increased its output by c.27% year on year to over 4,200 new home kits (2012: 3,310 kits) in response to the sharp increase in demand experienced from Q2 2013. The Group's housebuilding businesses are continuing to use Space4 product in increasing volumes to capture the build efficiencies available on site through the utilisation of this construction system. The system allows the swift delivery of the finished home through improvements in resource planning, supporting both shorter customer lead times and a more rapid asset turn in our housebuilding operations.

The Space4 management team, in conjunction with the Group's housebuilding experts, continue to trial and test alternative materials and processes to secure additional manufacturing efficiencies and performance, as well as working with our logistics partners to optimise the all-in cost to our development sites.

We are encouraged by the responsiveness of the Space4 factory to our higher build volumes and anticipate further increases in Space4 output to support the Group's growth over the coming years. The Space4 facility currently has capacity to produce c.8,000 timber frame kits annually, which offers significant future potential.

Net finance costs, cash flow and funding

Net finance cost for 2013 was £3.5m (2012: £1.0m as restated**). The increase of £2.5m year on year is primarily from the interest charge on the financial liability to the Group's pension scheme resulting from the asset backed funding transaction undertaken on 21 December 2012. This charge totalled £2.9m for the year.

The Group experienced strong liquidity through 2013 reflecting the active management of the timing of key cash flows. Utilisation of the Group's revolving credit facilities was limited to periods of peak working capital requirement, particularly during the second half of the year following the payment of the first Capital Return Plan payment of £227.9m on 28 June 2013.

The Group generated £231m of free cash flow before the Capital Return in the year. Average cash balances for the first half of the year were c.£100m with average borrowings in the second half of c.£10m. The payment of the first Capital Return of surplus capital during the year reflects the capital discipline which lies at the core of the Group's long term strategy. This discipline will continue to prioritise a secure financial position for the Group, the appropriate level of reinvestment in the business to support future return generation, and superior cash returns to shareholders. The Group ended the year with £204m of cash balances.

Balance Sheet

The total net assets of the Group increased by £52m during 2013 to £2,046m (2012: £1,994m). This 3% increase largely reflects the capital discipline which lies at the heart of the Group's long term strategy, with the bulk of the Group's after tax earnings of £257.2m being returned to shareholders by way of the first payment of surplus capital under the Capital Return Plan. This payment was made via a B/C share plan. This share plan allowed each shareholder to elect to receive the payment of 75 pence per share either as income (as a dividend) or as capital (as an allotment and redemption of B shares). Shareholders elected to take £151.2m as dividends and £76.7m in cash redeemed B shares as capital, a total Capital Return Plan payment of £227.9m. The retained earnings were added to by an after tax remeasurement gain of £5.8m associated with the pension scheme surplus of £23.5m and share based payments of £17.0m.

This capital discipline, together with the strong improvement in operating profit, resulted in the underlying return on capital employed for 2013 improving by 44% to 17.6% (from 12.2% for 2012).

Net assets per share increased to 671.4 pence, an increase of 2% year on year (2012: 658.2 pence).

At 31 December 2013 the carrying value of the Group's land assets was £1,637m, an increase of £141m over the prior year (2012: £1,496m). This reflects further strong investment in acquiring over 17,700 consented plots during the year and the net write back of a stock impairment provision by £14.1m (2012: £2.8m).

The Board has reviewed the carrying value of land and work in progress for impairment at the year end adopting identical principles to prior years. With stability of selling prices experienced throughout 2013, the Board concluded that the element of provision which was being held to cover potential future price weakness of 6% should be released now that conditions have provided greater confidence in current pricing. The net exceptional credit on the face of the income statement of £14.1m reflects a gross reversal of provision no longer required of £22.0m and additional requirement of £7.9m. Of the £22.0m gross reversal, £13.3m is in relation to provision for future price weakness no longer required. At the year end we retained an impairment provision of £102.8m (2012: £151.3m) which we consider appropriate given our assessment of the land and work in progress carrying values in the context of current market uncertainties and their potential impact on both future revenues and direct costs. Note 2 Exceptional items and Note 6 Inventories include further details of our approach to inventory impairment.

At 31 December 2013 the value of our investment in work in progress totalled £463.5m (2012: £443.1m). This level of work in progress represented just 22% of 2013 revenues (2012: 26%) reflecting the strong level of control exercised by management over site activity against a backdrop of a large step up in construction activity. This industry leading asset turn performance is a key ingredient in supporting superior cash generation and return on capital. Management will continue to use strong production control to minimise operational and financial risk.

The Group's "Available for sale financial assets" represent deferred receivables from shared equity loans provided to our customers. The carrying value of this receivables portfolio was £215.4m at 31 December 2013 (2012: £202.9m). With the introduction of the Government sponsored Help to Buy measures across the market in 2013 the Group anticipates a much reduced need from customers for this Persimmon sponsored support. Further details regarding these assets are disclosed in Note 7.

During 2012 and 2013 the Group executed a number of pension scheme liability management measures as well as undertaking an asset backed funding transaction on 21 December 2012. In addition to the contributions paid into the scheme, these measures have provided additional security to all members of the Group's defined benefit pension schemes. The Group has adopted the Amendments to IAS19 Employee Benefits from 1 January 2013 as explained in Note 1. At 31 December 2013 the Group had a net pension asset of £23.5m (2012: net pension liability £4.1m). The Group's liability associated with the asset backed funding transaction undertaken in late 2012 is £55.4m (2012: £57.8m) and is recognised as a "Partnership Liability" in the Group balance sheet.

Treasury policy and related risks

The long term strategy of the Group requires management to maintain flexibility between investment in the asset base of the business and the delivery of cash returns to shareholders. The requirement for flexibility recognises the cyclicality of the UK housing market. We believe this will support the successful development of the business through the market cycle over the long term, whilst ensuring the financial position of the Group remains strong and superior returns are delivered for our shareholders.

The disciplined approach to risk mitigation and strong cash flow management will ensure the Group is able to pay its liabilities as they fall due securing the Group's strength as a going concern, underpinning its ability to deliver the planned shareholder returns.

The long term strategy announced in early 2012 which undertakes to return £1.9bn of surplus capital to shareholders demonstrates the Board's commitment to capital discipline through the housing cycle. Indeed, the acceleration of these payments underlines the Board's commitment to remain flexible in striking the appropriate balance over time as the business and markets develop. The generation of increased annual earnings, adjustments to the Group's equity and debt and cash management facilities, and changes to the planned shareholder capital returns provides flexibility which will allow management the appropriate level of capital support through the housing cycle to execute its operational programmes.

The Group faces a number of financial risks including credit risk, liquidity risk, interest rate volatility and debt capital market pricing risk. The Board remains focused on maintaining strong liquidity with gearing being used only to support short term working capital needs as determined by the Group's annual trading pattern. A small group of banks with whom we have long term relationships provide the Group with a £300 million revolving credit facility for working capital purposes. This facility is available for a five year term maturing 31 March 2016.

The Group's disciplined approach to risk management is supported by strong internal reporting procedures which are structured for the early identification of potential risks as they arise. Monitoring and forecasting processes enable management to take prompt action to control and mitigate risks as identified. These shorter term measures operate within the context of our longer term business modelling which sets the longer term parameters by which our strategy will be delivered.

The Group employs dedicated risk management resources within a well developed risk management programme which targets the strengthening of key controls in the business to mitigate the impact of risk on the operational and financial performance of the Group. Operational management are at the forefront of the Group's processes which address the risks the business faces daily.

The Group does not use derivative financial instruments for speculative purposes. Details of the Group's financial instruments are included in Note 7.

Summary

The Group has performed strongly in 2013. Management increased build rates rapidly from the second quarter of the year to levels that satisfied the significant increase in customer demand and accelerated the Group's growth plans. We remain firmly of the opinion that so long as our customers receive the appropriate level of lending support then we will be able to deliver the new homes they wish to buy in high quality locations.

The growth in output and substantial new land investment committed in 2013 for the future demonstrates the ambition of the Group for the further successful development of Persimmon over future years. The Group enjoys a very strong financial position with excellent strategic land holdings with improving prospects of planning success, and generates significant free cash inflows with which to successfully develop this land in the future. This will deliver superior cash returns to our shareholders over the long term.

The rapid rate of growth achieved in 2013 has been secured whilst overcoming a number of important challenges. These challenges have only been addressed by each of our businesses remaining firmly focused on the customer in everything we do. We are particularly pleased with the strength of team spirit across our business, with colleagues working hard to support each other effectively and efficiently in delivering new homes to our customers promptly.

On behalf of the Board we thank all the Persimmon team for all their hard work and look forward to their continued success in the future.

Mike Killoran
Group Finance Director
24 February 2014

* Stated before fair value charge on shared equity sales
** Restated for amendment to IAS19 "Employee Benefits"

PERSIMMON PLC
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	Note	2013 Before exceptional items £m	2013 Exceptional items (note 2) £m	2013 Total £m	Restated (note 1) 2012 Before exceptional items £m	Restated (note 1) 2012 Exceptional items (note 2) £m	Restated (note 1) 2012 Total £m
Revenue		**2,085.9**	**-**	**2,085.9**	1,721.4	-	1,721.4
Cost of sales		**(1,664.6)**	**14.1**	**(1,650.5)**	(1,419.5)	2.8	(1,416.7)
Gross profit		**421.3**	**14.1**	**435.4**	301.9	2.8	304.7
Other operating income		**10.0**	**-**	**10.0**	10.1	-	10.1
Operating expenses		**(104.8)**	**-**	**(104.8)**	(95.6)	-	(95.6)
Profit from operations before impairment of intangible assets		**333.1**	**14.1**	**347.2**	222.5	2.8	225.3
Impairment of intangible assets		**(6.6)**	**-**	**(6.6)**	(6.1)	-	(6.1)
Profit from operations		**326.5**	**14.1**	**340.6**	216.4	2.8	219.2
Finance income		**11.3**	**-**	**11.3**	9.2	-	9.2
Finance costs		**(14.8)**	**-**	**(14.8)**	(10.2)	-	(10.2)
Profit before tax		**323.0**	**14.1**	**337.1**	215.4	2.8	218.2
Tax	3	**(76.6)**	**(3.3)**	**(79.9)**	(50.0)	(0.7)	(50.7)
Profit after tax (all attributable to equity holders of the parent)		**246.4**	**10.8**	**257.2**	165.4	2.1	167.5
Other comprehensive income/(expense)							
Items that will not be reclassified to profit:							
Remeasurement gains/(losses) on defined benefit pension schemes	10	**6.6**	**-**	**6.6**	(6.9)	-	(6.9)
Tax	3	**(0.8)**	**-**	**(0.8)**	1.6	-	1.6
Other comprehensive income/(expense) for the year, net of tax		**5.8**	**-**	**5.8**	(5.3)	-	(5.3)
Total recognised income for the year		**252.2**	**10.8**	**263.0**	160.1	2.1	162.2
Earnings per share [i]							
Basic	5			**84.7p**			55.4p
Diluted	5			**84.2p**			54.9p
Non-GAAP measures – Underlying earnings per share [ii]							
Basic	5			**83.3p**			56.7p
Diluted	5			**82.8p**			56.2p

[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
As at 31 December 2013

	Note	**2013 £m**	2012 £m
Assets			
Non-current assets			
Intangible assets		**237.9**	244.5
Property, plant and equipment		**31.8**	29.9
Investments accounted for using the equity method		**3.0**	3.0
Available for sale financial assets		**215.4**	202.9
Trade and other receivables		**8.2**	4.5
Deferred tax assets		**19.1**	13.4
Retirement benefit assets	10	**23.5**	-
		538.9	498.2
Current assets			
Inventories	6	**2,194.9**	2,051.0
Trade and other receivables		**83.9**	47.3
Cash and cash equivalents	9	**204.3**	201.5
Assets held for sale		**0.9**	1.1
		2,484.0	2,300.9
Total assets		**3,022.9**	2,799.1
Liabilities			
Non-current liabilities			
Trade and other payables		**(163.7)**	(128.6)
Deferred tax liabilities		**(22.4)**	(20.7)
Partnership liability		**(50.1)**	(52.5)
Retirement benefit obligations	10	**-**	(4.1)
		(236.2)	(205.9)
Current liabilities			
Trade and other payables		**(637.9)**	(535.9)
Partnership liability		**(5.3)**	(5.3)
Current tax liabilities		**(98.0)**	(58.3)
		(741.2)	(599.5)
Total liabilities		**(977.4)**	(805.4)
Net assets		**2,045.5**	1,993.7
Equity			
Ordinary share capital issued		**30.5**	30.3
Share premium		**160.0**	234.2
Capital redemption reserve		**76.7**	-
Other non-distributable reserve		**281.4**	281.4
Retained earnings		**1,496.9**	1,447.8
Total equity		**2,045.5**	1,993.7

PERSIMMON PLC
Consolidated Statement of Changes in Shareholders' Equity
As at 31 December 2013

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2012	30.3	233.6	-	281.4	1,294.0	1,839.3
Profit for the year (restated)	-	-	-	-	167.5	167.5
Other comprehensive expense (restated)	-	-	-	-	(5.3)	(5.3)
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**
Profit for the year	-	-	-	-	257.2	257.2
Other comprehensive income	-	-	-	-	5.8	5.8
Transactions with owners:						
Allotment of B/C shares	-	(76.7)	-	-	-	(76.7)
Redemption and cancellation of B/C shares	-	-	76.7	-	(76.7)	-
Dividends on equity shares	-	-	-	-	(151.2)	(151.2)
Issue of new shares	0.2	2.5	-	-	-	2.7
Own shares purchased	-	-	-	-	(3.0)	(3.0)
Exercise of share options/share awards	-	-	-	-	(1.2)	(1.2)
Share-based payments	-	-	-	-	17.0	17.0
Satisfaction of share options from own shares held	-	-	-	-	1.2	1.2
Balance at 31 December 2013	**30.5**	**160.0**	**76.7**	**281.4**	**1,496.9**	**2,045.5**

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 2013

	Note	**2013 £m**	2012 Restated £m
Cash flows from operating activities:			
Profit for the year		**257.2**	167.5
Tax charge	3	**79.9**	50.7
Finance income		**(11.3)**	(9.2)
Finance costs		**14.8**	10.2
Depreciation charge		**4.5**	3.9
Amortisation of intangible assets		**-**	0.2
Impairment of intangible assets		**6.6**	6.1
Profit on disposal of property, plant and equipment		**(0.1)**	(0.1)
Profit on disposal of assets held for sale		**(0.1)**	-
Share-based payment charge		**10.3**	5.7
Exceptional items	2	**(14.1)**	(2.8)
Other non-cash items		**(2.2)**	(0.8)
Cash inflow from operating activities		**345.5**	231.4
Movements in working capital:			
Increase in inventories		**(129.8)**	(40.9)
(Increase)/decrease in trade and other receivables		**(26.6)**	13.6
Increase in trade and other payables		**105.3**	75.2
Increase in available for sale financial assets		**(12.5)**	(38.9)
Cash generated from operations		**281.9**	240.4
Interest paid		**(2.9)**	(2.5)
Interest received		**0.9**	0.5
Tax paid		**(38.3)**	(56.6)
Net cash inflow from operating activities		**241.6**	181.8
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(6.6)**	(4.4)
Proceeds from sale of property, plant and equipment		**0.3**	0.2
Proceeds from sale of assets held for sale		**0.2**	0.4
Net cash outflow from investing activities		**(6.1)**	(3.8)
Cash flows from financing activities:			
Finance lease principal payments		**-**	(0.1)
Payment of Partnership Liability		**(4.5)**	-
Own shares purchased		**(3.0)**	(0.5)
Share options consideration		**2.7**	1.3
B Share Redemption		**(76.7)**	-
Dividends paid		**(151.2)**	(18.2)
Net cash outflow from financing activities		**(232.7)**	(17.5)
Increase in net cash and cash equivalents	8	**2.8**	160.5
Cash and cash equivalents at the beginning of the year		**201.5**	41.0
Cash and cash equivalents at the end of the year	9	**204.3**	201.5

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 2013.

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 Group's statutory accounts for the years ended 31 December 2013 or 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies, and those for 2013 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 2013 to shareholders on 17 March 2014.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report 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 11. 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 new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013:

- Amendments to IAS 19: Employee Benefits
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
- Amendments to IFRS 13: Fair Value Measurement
- Amendments to IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities
- Annual improvements to IFRSs 2009-2011 Cycle

With the exception of IAS 19: Employee Benefits the effects of the implementation of these standards have been limited to disclosure amendments.

The amendments to IAS 19 affect the allowable actuarial assumptions in calculation of the annual expense of defined benefit pension schemes. In particular the actuarial assumptions in relation to asset returns are limited to the discount rate applied to liabilities. As a result of the changes the accounting charge for the year ended 31 December 2012 has been increased by £3.6m. Basic earnings per share for 2012 have been restated and reduced by 0.9p per share as a result. Were the previous IAS 19 requirements applied to the year ended 31 December 2013 we estimate profit before tax would have been £5.4m higher, with basic earnings per share increased to 86.0p.

In implementing these changes the Group has also reviewed its accounting policies in relation to the expensing of defined benefit pension scheme costs. Previously all expenses in relation to provision of long term employee benefits were charged as an operating expense. However, to more appropriately reflect the nature of the costs the Group will now charge/credit the net finance cost/income element of such benefits as a finance expense/income. Following this change (and reflecting the increased net finance cost/reduced net finance income associated with Amendment to IAS 19: Employee Benefits) £2.9m of expense has been reclassified for the year ending 31 December 2012 (2013: £0.1m income). As required equal adjustments have been made to the remeasurement gains and losses within other comprehensive income/expense. Shareholders' equity remains as previously reported as do the previously reported balance sheets.

The Group has not applied the following amendments to standards which are EU endorsed but not yet effective:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosures of Interests in Other Entities
- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- Amendments to IAS 32: Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities
- Amendments to IAS 36: Recoverable Amount Disclosures for non-Financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

The Group is currently considering the implication of these standards, however it is anticipated the impact of these standards on the financial position and performance of the Group will be minimal and effects will principally relate to amendment and extension of current disclosures.

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 £14.1m (2012: £2.8m). Further details are provided in note 6.

3. Tax

	2013 £m	2012 Restated £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**78.9**	41.4
Adjustments in respect of prior years	**(0.9)**	(6.0)
	78.0	35.4
Deferred tax relating to origination and reversal of temporary differences	**2.0**	14.7
Adjustments recognised in the current year in respect of prior years deferred tax	**(0.1)**	0.6
	1.9	15.3
	79.9	50.7

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

	2013 £m	2012 Restated £m
Profit from continuing operations	**337.1**	218.2
Tax calculated at UK corporation tax rate of 23.25% (2012: 24.5%)	**78.4**	53.4
Accounting base cost not deductible for tax purposes	**0.7**	1.3
Goodwill impairment losses that are not deductible	**1.5**	1.5
Expenditure not allowable for tax purposes	**0.1**	0.1
Effect of change in rate of corporation tax	**0.2**	(0.2)
Adjustments in respect of prior years	**(1.0)**	(5.4)
Tax charge for the year recognised in profit or loss	**79.9**	50.7

The applicable corporation tax rate has reduced from the prior year in line with corporation tax rates effective from 1 April 2012 (24%) and 1 April 2013 (23%). Further corporation tax rates enacted on 2 July 2013 effective from 1 April 2014 (21%) and 1 April 2015 (20%) have been reflected in deferred tax calculations.

In addition to the amount recognised in profit or loss, deferred tax of £0.8m was debited directly to other comprehensive income/expense (2012 restated: £1.6m credit), and £6.7m was recognised in equity (2012: £3.9m).

The Group has recognised deferred tax liabilities of £4.7m (2012: assets of £0.9m) on the total pension surplus of £23.5m (2012: deficit of £4.1m).

4. Dividends/Return of cash

	2013 £m	2012 £m
Amounts recognised as distributions to equity holders in the period:		
2011 final dividend paid of 6.0p per share	**-**	18.2
2013 return of capital to B shareholders of 75.0p per share	**76.7**	-
2013 dividend to C shareholders of 75.0p per share	**151.2**	-
2014 proposed return of cash of 70.0p per share	**213.3**	-

The Company plans to return 70p (2013: 75p) in cash to shareholders for each ordinary share held at 6.00pm on 4 June 2014. The payment will be made on 4 July 2014, 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. 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 17 March 2014.

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 303.7m (2012: 302.6m).

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 305.5m (2012: 305.4m).

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

	2013	2012 Restated
Basic earnings per share	**84.7p**	55.4p
Underlying basic earnings per share	**83.3p**	56.7p
Diluted earnings per share	**84.2p**	54.9p
Underlying diluted earnings per share	**82.8p**	56.2p

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

	2013 £m	2012 Restated £m
Underlying earnings attributable to shareholders	**253.0**	171.5
Exceptional items net of related taxation	**10.8**	2.1
Goodwill impairment	**(6.6)**	(6.1)
Earnings attributable to shareholders	**257.2**	167.5

6. Inventories

	2013 £m	2012 £m
Land	**1,636.6**	1,495.7
Work in progress	**463.5**	443.1
Part exchange properties	**45.5**	58.6
Showhouses	**49.3**	53.6
	2,194.9	2,051.0

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 2013. 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 £14.1m (2012: £2.8m). A reversal of £22.0m (2012: £23.8m) on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £7.9m (2012: £21.0m) 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 2012.

Net realisable provisions held against inventories at 31 December 2013 were £102.8m (2012: £151.3m).

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 2013 review, £139.0m (2012: £234.5m) of inventories are valued at fair value less costs to sell rather than at historical cost.

7. Financial instruments

In aggregate, the fair value of financial assets and liabilities are not materially different from their carrying value.

Financial assets and liabilities carried at fair value are categorised within the hierarchical classification of IFRS 7 Revised (as defined within the standard) as follows:

	2013	2012
	Level 3	Level 3
	£m	£m
Available for sale financial assets	**215.4**	202.9

Available for sale financial assets

Available for sale financial assets are carried at fair value. The fair value is determined by reference to the rates at which they could be exchanged by knowledgeable and willing parties. Fair value is determined by discounting forecast cash flows for the residual period of the contract by a risk adjusted rate.

There exists an element of uncertainty over the precise final valuation and timing of cash flows arising from these assets. As a result the Group has applied inputs based on current market conditions and the Group's historic experience of actual cash flows resulting from such arrangements. These inputs are by nature estimates and as such the fair value has been classified as level 3 under the fair value hierarchy laid out in IFRS 13: Fair Value Measurement.

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration from inception to settlement of 10 years (2012: 10 years) and discount rate 8% (2012: 8%) based on current observed market interest rates offered to private individuals on secured second loans.

The discounted forecast cash flow calculation is dependant upon the estimated future value of the properties on which the available for sale financial assets are secured. Adjustments to this input, which might result from a change in the wider property market, would have a proportional impact upon the fair value of the asset. Furthermore, whilst not easily accessible in advance, the resulting change in security value may affect the credit risk associated with the counterparty, influencing fair value further.

8. Reconciliation of net cash flow to net cash

	2013	2012
	£m	£m
Increase in net cash and cash equivalents	**2.8**	160.5
Decrease in debt and finance lease obligations	**-**	0.1
Increase in net cash from cash flows	**2.8**	160.6
Non-cash movements	**-**	-
Increase in net cash	**2.8**	160.6
Net cash at 1 January	**201.5**	40.9
Net cash at 31 December	**204.3**	201.5

9. Analysis of net cash

	2013	Cash flow	2012
	£m	£m	£m
Cash and cash equivalents	**204.3**	2.8	201.5
Net cash at 31 December	**204.3**	2.8	201.5

10. Retirement benefit assets/obligations

As at 31 December 2013 the Group operated three employee pension schemes, being a defined contribution stakeholder scheme and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income/expense within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2013 **£m**	2012 Restated £m
Current service cost	**2.8**	2.9
Administrative expense	**0.7**	0.7
Past service credit	**-**	(2.7)
Settlement cost	**-**	1.2
Pension cost recognised as operating expense	**3.5**	2.1
Interest cost	**18.4**	18.6
Return on assets recorded as interest	**(18.5)**	(15.7)
Pension cost recognised as net finance (credit)/cost	**(0.1)**	2.9
Total defined benefit pension cost recognised in profit or loss	**3.4**	5.0
Remeasurement (gains)/losses recognised in other comprehensive income/expense	**(6.6)**	6.9
Total defined benefit scheme (gain)/loss recognised	**(3.2)**	11.9

The amounts included in the balance sheet arising from the Group's obligations in respect of the Pension Schemes are as follows:

	2013 **£m**	2012 £m
Fair value of Pension Scheme assets	**456.8**	402.1
Present value of funded obligations	**(433.3)**	(406.2)
Net pension asset/(liability)	**23.5**	(4.1)

11. Principal risks

Risk	Impact	Mitigation
Strategy	The Board has adopted its 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. Any 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 control the level of build undertaken by closely managing our work in progress levels. We carry out extensive due diligence prior to our land investment decisions to capture best returns. 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 schemes 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 Group'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 to medium 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 demand.

Statement of Directors' Responsibilities

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

The 2013 Annual Report and Accounts comply with the United Kingdom's Financial Conduct 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 Group and Parent Company financial statements, contained in the 2013 Annual Report and Accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report/Directors' Report, 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; and
- the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's business model, performance and strategy.

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

Nicholas Wrigley	Chairman
Jeff Fairburn	Group Chief Executive
Mike Killoran	Group Finance Director
Nigel Greenaway	South Division Chief Executive
David Jenkinson	North Division Chief Executive
Richard Pennycook	Senior Independent Director
Jonathan Davie	Non-Executive Director
Mark Preston	Non-Executive Director
Marion Sears	Non-Executive Director

By order of the Board

Jeff Fairburn	**Mike Killoran**
Group Chief Executive	Group Finance Director

24 February 2014

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