HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014
TUESDAY 19 AUGUST 2014

Persimmon plc today announces half year results for the six months ended 30 June 2014.

Highlights

- Underlying profit before tax* increased 57% to £212.9m (2013: £135.3m)
- Revenue up 33% to £1.2bn (2013: £0.9bn)
- Legal completions increased 28% to 6,408 new homes sold (2013: 5,022), average selling price increased 4.3% to £186,970 (2013: £179,199)
- Further expansion of underlying operating margin* to 17.7% (2013: 15.1%), an increase of 260bps
- Return on average capital employed* increased 54% to 21.7% (2013: 14.1%)
- Strong land investment with 14,251 plots of land secured in the period bringing consented landbank to 82,250 plots
- Continued success in securing planning consent for the Group's strategic land bank with 3,702 plots converted in the period, backed by a strengthening pipeline
- Accelerating net free cash flow generation of £122.0m in the period (2013: £74.5m)
- Net cash of £326.3m at 30 June 2014 (2013: £48.1m)
- Underlying basic earnings per share* increased 61% to 54.8p (2013: 34.1p)
- Current forward sales** 22% ahead at over £1.53bn (2013: £1.26bn)
- Second payment of surplus capital under the Capital Return Plan of £214m (70p per share) paid 4 July 2014

*stated before exceptional items and goodwill impairment

**as at 18 August 2014

Jeff Fairburn, Group Chief Executive, said: "Persimmon has produced another strong performance in the first half of 2014, taking advantage of the current market opportunities to deliver growth whilst strengthening the financial position of the business.

As we have entered the traditionally slower summer trading weeks, we have been encouraged by our private sale reservation rate since 1 July which is currently running 9% ahead of the same period last year.

These results demonstrate the ability of the Group to successfully execute its operational objectives to deliver the ten year strategic plan launched in 2012. We remain confident of Persimmon's continued successful development."

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Analysts unable to attend in person may listen to the presentation live at 09:30am by using the details below:

Telephone number: +44(0)20 3427 0503

Password: Persimmon

Webcast link: http://www.media-server.com/m/p/qqq6z6o9

(An archived webcast of today's analyst presentation will be available on www.corporate.persimmonhomes.com this afternoon.)

HALF YEAR REPORT – TUESDAY 19 AUGUST 2014

CHAIRMAN'S STATEMENT

Persimmon produced another strong performance in the first half of 2014, taking advantage of the current market opportunities to deliver growth whilst strengthening the financial position of the business.

These results demonstrate the ability of the Group to successfully execute its operational objectives to deliver the ten year strategic plan launched in 2012. The Group remains focussed on further well-timed land investment to deliver high quality returns and a stronger business through to the end of 2021, whilst also paying £1.9 billion of surplus capital to shareholders. In the first half of 2014 underlying profit before tax* increased by 57% to £212.9 million (2013: £135.3 million), underlying operating margins* progressed to 17.7% (2013: 15.1%), cash balances totalled £326.3 million at the end of June (2013: £48.1 million) and our consented land bank increased to 82,250 plots (December 2013: 74,407 plots).

Management of the key drivers of sustained value creation and cash generation through the housing cycle is of critical importance in fulfilling our strategic plan. Over the twelve month period ended 30 June 2014 the Group invested £561 million in land whilst also generating £278 million of free net cash inflow before capital returns, equivalent to c. 91 pence per share. The second payment of surplus capital under our Capital Return Plan of 70 pence per share, or £214 million, was made on 4 July 2014.

RESULTS

Legal completions for the first six months of 2014 increased by 28% over the prior year to 6,408 new homes (2013: 5,022). Total revenues of £1,198.1 million (2013: £899.9 million) increased by 33% with an average selling price 4.3% higher at £186,970 (2013: £179,199). We experienced better market conditions in the first half of 2014 supporting improved prices and sales rates. Our private sales rate for the first six months of 2014 was 17% ahead of the prior year (2014: c. 0.65 of a sale per site per week; 2013: c. 0.56) supported by the Government's introduction of the Help to Buy shared equity scheme on 1 April 2013.

We continue to deliver the targeted improvements in profitability, returns and cash generation. Underlying gross margins** improved by 220 basis points over the prior year to 21.9% (2013: 19.7%). Our success in opening 175 new sites last year and 90 new sites in the first half of this year has refreshed our strong outlet network whilst continuing to reduce the cost of land recoveries on legal completions. We remain focussed on mitigating build cost pressures and working with our supply chain partners and site teams to deliver efficient build costs. The Group's underlying operating profit* of £212.5 million (2013: £136.3 million) is 56% stronger than the prior year reflecting an operating margin* of 17.7% (2013: 15.1%) which has increased by 260 basis points over last year. Underlying return on average capital employed*** of 21.7% is 54% stronger than the prior year (2013: 14.1%) which not only reflects the Group's improved profitability but also the continued capital discipline exercised by management.

All our brands experienced an increase in legal completions year on year. In the private sale market, Persimmon, our family housing brand, delivered 1,066 more new homes in the first half of 2014 against the prior year, an increase of 36% to 4,048 new homes sold, whilst our higher value Charles Church brand increased sales by 20% to 1,372 new homes. Westbury Partnerships increased sales to the Group's housing association partners by 10%, delivering 988 new homes in the first half of the year.

The Group's swift and significant increase in production has been supported by our Space4 manufacturing facility. This modern method of construction has enabled Persimmon to secure greater efficiencies in resourcing and site activities supporting the delivery of our build programmes. Space4 increased its output of insulated panel frames to construct 2,483 new homes in the first half of the year, a 37% increase over the first half of 2013.

The strength of the underlying trading of the Group in the first half of 2014 resulted in a 61% increase in basic earnings per share* to 54.8 pence (2013: 34.1 pence).

The combination of strong trading and capital discipline resulted in a total capital value per share generated in the first six months of the year of 53.4 pence. This is an increase of 64% over the value generated in the first half of 2013 (32.6 pence per share). A liability of 70 pence per share totalling £214 million was recognised at 30 June 2014 for the second payment under the Capital Return Plan which was paid on 4 July 2014. This resulted in a decrease in reported net assets per share at 30 June of 15.4 pence to 656.0 pence from 671.4 pence at 31 December 2013.

RETURNS TO SHAREHOLDERS

Our long term strategy is to deliver superior shareholder value through the housing cycle. This value will be delivered by growing the Group to optimal scale as markets develop and requires disciplined, well-judged capital deployment through the cycle. Management has given a long term commitment to shareholders that they will receive capital that is considered as surplus to the needs of the reinvestment requirements of the business through the cycle. This commitment is to return £6.20 per share, or £1.9 billion of capital, to shareholders over a ten year period to June 2021.

The first two payments of surplus capital totalling £1.45 per share, or £442 million, were made on 28 June 2013 and on 4 July this year. The third scheduled payment is 95 pence per share, or c. £290 million, in July 2015. This will be finalised and announced with the 2014 Full Year results of the Group scheduled for Tuesday 24 February 2015.

LAND

A critical part of our long term strategy is to invest in the business at the appropriate point in the housing cycle to deliver superior shareholder value through the cycle. During the first half of 2014 the open market for land has offered attractive investment opportunities that will produce excellent returns in the future. We acquired a total of 10,549 new plots in the open market across 68 sites in the period. These outlets will ensure the Group is able to maintain a high quality, broad spread of active development sites across our regional markets to deliver new homes that local communities are keen to acquire. The strength of our outlet network remains a top priority as it provides the platform for the Group's future operations.

In addition, the Group continues to focus on the conversion of its high quality strategic land portfolio into land with a residential planning consent. Housing plots converted from strategic land provide a very important source of land that will deliver excellent returns to complement our open market activity. In the first half of the year we added a further c. 1,750 acres of land to our strategic land portfolio which totalled c. 16,900 acres at 30 June 2014. We successfully converted 3,702 plots from our strategic land bank in the first half of 2014 on 20 outlets. Our land and planning teams are working very hard with local communities and local planning authorities to enable a start to be made on sites as quickly as possible. The opening of new sites remains a key challenge for the whole industry and represents an important constraint on the further expansion in new home construction across the UK.

At 30 June 2014 we had 82,250 plots of land owned and under control (2013: 70,716 plots) supporting the continued growth in output of the Group in the future. Within this consented land bank, 43% of these total plots were previously held as strategic land which will support the Group's delivery of strong margins in the future.

CURRENT TRADING

We have now entered the traditionally slower summer trading weeks. However, we are encouraged by our private sale reservation rate since 1 July which is currently running 9% ahead of the same period last year despite the stronger prior year comparatives created by the market reaction to the introduction of the Help to Buy shared equity scheme from 1 April 2013.

Visitors to our sites continue to run ahead of last year's levels and cancellation rates remain at the lower levels we have experienced over the last few years.

The value of our current forward sales, including legal completions from 1 July 2014, of £1.53 billion is 22% ahead of the position at the same point last year. We have over 5,500 new homes sold forward into the private sale market which is 22% ahead of the prior year with an average selling price of c. £206,700, a 3.2% increase. We anticipate returning to a more normal pattern to the delivery of our legal completions this year with c. 48% having been legally completed in the first six months.

OUTLOOK

We anticipate that mortgage lenders will continue to actively develop their participation in the UK mortgage market over the medium term. A return to growth in monthly mortgage approvals in June this year, which was 14% ahead of the prior year level, is encouraging. We welcome the continued discipline of mortgage lenders against the backdrop of the ongoing improvement in the UK's wider economic performance which is supporting increased confidence in our regional markets. Disciplined lending in support of a keen appetite to purchase newly built homes from both first time buyers and existing home owners provides the opportunity for the housebuilding industry to increase construction activity.

The Group demonstrated its ability to respond to these improving market conditions by delivering a substantial 26% increase in new homes delivered to customers over the twelve months to 30 June 2014. The Group remains focussed on fully utilising its operational gearing in achieving growth which in turn is delivering improved profitability and cash generation. We are confident that Persimmon can take advantage of this opportunity through increasing the conversion of its high quality strategic land, by working hard to open up new development sites in partnership with local communities as soon as possible and by capturing further improvement in sales rates as markets develop. We remain focussed on achieving the best value for every new home that we sell and believe that our rate of sale in the private owner occupier market still has scope to improve to return to our optimal level of an average of c. 7 new homes sold every ten weeks on each of our active developments through the year. We will continue to offer a broad mix of house types for sale at affordable prices tailored to our customer preferences in our regional markets.

We anticipate opening c. 100 new development sites during the second half of 2014 and remain committed to increasing build rates to fulfil the demand from our customers promptly. We are currently selling from just over 380 development outlets and anticipate this will remain stable for the remainder of the year. Our Space4 factory continues to increase its productivity and output in support of the continued increase in build activity. We are actively building on all sites where we have an implementable detailed planning consent and we are creating a significant number of new jobs as production increases. Our apprentices and trainees across our nationwide office network are enjoying meeting the challenges created by the increased activity and are providing a valuable contribution to the progress of the Group by focussing on the basics of good housebuilding.

The results for the first half of 2014 represent an excellent further step forward in achieving our strategic objectives. Whilst we remain vigilant about the continued challenges facing our markets emanating from events both at home and abroad I remain confident of Persimmon's continued successful development. This confidence is borne out of the dedication and commitment of all our employees across the UK and on behalf of the Board I would like to thank all our staff for their contribution and achievements.

Nicholas Wrigley

Chairman

18 August 2014

* stated before exceptional items (2014:£nil, 2013:£0.8m) and goodwill impairment (2014:£4.0m, 2013:£3.2m)

** stated before exceptional items (2014:£nil, 2013:£0.8m)

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

Condensed Consolidated Statement of Comprehensive Income
For the six months to 30 June 2014 (unaudited)

	Note	**Six months to 30 June 2014**	Six months to 30 June 2013			Year to 31 December 2013		
		Total £m	Before exceptional items £m	Exceptional items (note 3) £m	Total £m	Before exceptional items £m	Exceptional items (note 3) £m	Total £m
Revenue		**1,198.1**	899.9	-	899.9	2,085.9	-	2,085.9
Cost of sales		**(936.2)**	(722.2)	0.8	(721.4)	(1,664.6)	14.1	(1,650.5)
Gross profit		**261.9**	177.7	0.8	178.5	421.3	14.1	435.4
Other operating income		**3.1**	8.3	-	8.3	10.0	-	10.0
Operating expenses		**(56.5)**	(52.9)	-	(52.9)	(104.8)	-	(104.8)
Profit from operations before impairment of intangible assets		**212.5**	136.3	0.8	137.1	333.1	14.1	347.2
Impairment of intangible assets		**(4.0)**	(3.2)	-	(3.2)	(6.6)	-	(6.6)
Profit from operations		**208.5**	133.1	0.8	133.9	326.5	14.1	340.6
Finance income		**7.6**	5.7	-	5.7	11.3	-	11.3
Finance costs		**(7.2)**	(6.7)	-	(6.7)	(14.8)	-	(14.8)
Profit before tax		**208.9**	132.1	0.8	132.9	323.0	14.1	337.1
Tax	4.1	**(45.7)**	(31.8)	(0.2)	(32.0)	(76.6)	(3.3)	(79.9)
Profit after tax (all attributable to equity holders of the parent)		**163.2**	100.3	0.6	100.9	246.4	10.8	257.2
Other comprehensive income/(expense)								
Items that will not be reclassified to profit:								
Remeasurement gains/(losses) on defined benefit pension schemes	11	**0.2**	(2.5)	-	(2.5)	6.6	-	6.6
Tax	4.2	**-**	0.6	-	0.6	(0.8)	-	(0.8)
Other comprehensive income/(expense) for the period, net of tax		**0.2**	(1.9)	-	(1.9)	5.8	-	5.8
Total recognised income for the period		**163.4**	98.4	0.6	99.0	252.2	10.8	263.0
Earnings per share [i]								
Basic	5	**53.5p**			33.3p			84.7p
Diluted	5	**53.4p**			33.0p			84.2p
Non-GAAP measures - Underlying earnings per share [ii]								
Basic	5	**54.8p**			34.1p			83.3p
Diluted	5	**54.7p**			33.9p			82.8p

[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
Condensed Consolidated Balance Sheet
At 30 June 2014 (unaudited)

	Note	**30 June 2014 £m**	30 June 2013 £m	31 December 2013 £m
Assets				
Non-current assets				
Intangible assets		**233.9**	241.4	237.9
Property, plant and equipment		**32.7**	30.9	31.8
Investments accounted for using the equity method		**3.0**	3.0	3.0
Available for sale financial assets	8	**210.9**	211.5	215.4
Trade and other receivables		**8.8**	6.5	8.2
Deferred tax assets		**23.4**	17.9	19.1
Retirement benefit assets	11	**40.0**	-	23.5
		552.7	511.2	538.9
Current assets				
Inventories	7	**2,273.6**	2,098.6	2,194.9
Trade and other receivables		**99.7**	77.2	83.9
Cash and cash equivalents		**326.3**	48.1	204.3
Assets held for sale		**0.9**	1.0	0.9
		2,700.5	2,224.9	2,484.0
Total assets		**3,253.2**	2,736.1	3,022.9
Liabilities				
Non-current liabilities				
Trade and other payables		**(179.3)**	(147.2)	(163.7)
Deferred tax liabilities		**(25.7)**	(20.8)	(22.4)
Partnership liability		**(46.1)**	(48.7)	(50.1)
Retirement benefit obligations	11	**-**	(2.1)	-
		(251.1)	(218.8)	(236.2)
Current liabilities				
Trade and other payables		**(689.0)**	(548.7)	(637.9)
Capital Return liability	6	**(214.0)**	-	-
Partnership liability		**(5.3)**	(5.3)	(5.3)
Current tax liabilities		**(87.3)**	(89.7)	(98.0)
		(995.6)	(643.7)	(741.2)
Total liabilities		**(1,246.7)**	(862.5)	(977.4)
Net assets		**2,006.5**	1,873.6	2,045.5
Equity				
Ordinary share capital issued		**30.6**	30.4	30.5
Share premium		**101.3**	157.7	160.0
Capital redemption reserve		**76.7**	76.7	76.7
Other non-distributable reserve		**281.4**	281.4	281.4
Retained earnings		**1,516.5**	1,327.4	1,496.9
Total equity		**2,006.5**	1,873.6	2,045.5

PERSIMMON PLC
Condensed Consolidated Statement of Changes in Shareholders' Equity
For the six months to 30 June 2014 (unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Six months ended 30 June 2014:						
Balance at 31 December 2013	30.5	160.0	76.7	281.4	1,496.9	2,045.5
Profit for the period	-	-	-	-	163.2	163.2
Other comprehensive income	-	-	-	-	0.2	0.2
Transactions with owners:						
Allotment of B/C shares	-	(60.0)	-	-	-	(60.0)
Dividends on equity shares	-	-	-	-	(154.0)	(154.0)
Issue of new shares	0.1	1.3	-	-	-	1.4
Exercise of share options/share awards	-	-	-	-	(0.7)	(0.7)
Share-based payments	-	-	-	-	10.3	10.3
Satisfaction of share options from own shares held	-	-	-	-	0.6	0.6
Balance at 30 June 2014	**30.6**	**101.3**	**76.7**	**281.4**	**1,516.5**	**2,006.5**
Six months ended 30 June 2013:						
Balance at 31 December 2012	30.3	234.2	-	281.4	1,447.8	1,993.7
Profit for the period	-	-	-	-	100.9	100.9
Other comprehensive expense	-	-	-	-	(1.9)	(1.9)
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	0.1	0.2	-	-	-	0.3
Own shares purchased	-	-	-	-	(0.7)	(0.7)
Exercise of share options/share awards	-	-	-	-	(1.1)	(1.1)
Share-based payments	-	-	-	-	9.1	9.1
Satisfaction of share options from own shares held	-	-	-	-	1.2	1.2
Balance at 30 June 2013	**30.4**	**157.7**	**76.7**	**281.4**	**1,327.4**	**1,873.6**
Year ended 31 December 2013:						
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**

PERSIMMON PLC
Condensed Consolidated Cash Flow Statement
For the six months to 30 June 2014 (unaudited)

	Note	**Six months to 30 June 2014 £m**	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Cash flows from operating activities:				
Profit for the period		**163.2**	100.9	257.2
Tax charge	4.1	**45.7**	32.0	79.9
Finance income		**(7.6)**	(5.7)	(11.3)
Finance costs		**7.2**	6.7	14.8
Depreciation charge		**2.7**	2.2	4.5
Impairment of intangible assets		**4.0**	3.2	6.6
Profit on disposal of property, plant and equipment		**-**	(0.1)	(0.1)
Profit on disposal of assets held for sale		**-**	(0.1)	(0.1)
Share-based payment charge		**7.1**	5.2	10.3
Exceptional items		**-**	(0.8)	(14.1)
Other non-cash items		**(0.8)**	(0.5)	(2.2)
Cash inflow from operating activities		**221.5**	143.0	345.5
Movements in working capital:				
Increase in inventories		**(78.7)**	(46.8)	(129.8)
Increase in trade and other receivables		**(8.6)**	(25.3)	(26.6)
Increase in trade and other payables		**47.5**	21.2	105.3
Decrease/(increase) in available for sale financial assets		**4.5**	(8.6)	(12.5)
Cash generated from operations		**186.2**	83.5	281.9
Interest paid		**(3.8)**	(1.7)	(2.9)
Interest received		**0.3**	0.9	0.9
Tax paid		**(54.3)**	(0.4)	(38.3)
Net cash inflow from operating activities		**128.4**	82.3	241.6
Cash flows from investing activities:				
Purchase of property, plant and equipment		**(3.6)**	(3.2)	(6.6)
Proceeds from sale of property, plant and equipment		**-**	0.1	0.3
Proceeds from sale of assets held for sale		**-**	0.2	0.2
Net cash outflow from investing activities		**(3.6)**	(2.9)	(6.1)
Cash flows from financing activities:				
Financing transaction costs		**(1.7)**	-	-
Payment of Partnership Liability		**(2.5)**	(4.5)	(4.5)
Own shares purchased		**-**	(0.7)	(3.0)
Share options consideration		**1.4**	0.3	2.7
B Share Redemption		**-**	(76.7)	(76.7)
Dividends paid		**-**	(151.2)	(151.2)
Net cash outflow from financing activities		**(2.8)**	(232.8)	(232.7)
Increase/(decrease) in net cash and cash equivalents	10	**122.0**	(153.4)	2.8
Cash and cash equivalents at the beginning of the period		**204.3**	201.5	201.5
Cash and cash equivalents at the end of the period		**326.3**	48.1	204.3

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

1. Basis of preparation

The half year condensed financial statements for the six months to 30 June 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union. The half year financial statements are unaudited, but have been reviewed by the auditors whose report is set out at the end of this report. This report should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial year ended 31 December 2013 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

- IFRS 10: Consolidated Financial Statements plus subsequent amendments
- IFRS 11: Joint Arrangements plus subsequent amendments
- IFRS 12: Disclosure of Interests in Other Entities plus subsequent amendments
- IAS 27: Separate Financial Statements plus subsequent amendments
- IAS 28: Investments in Associates and Joint Ventures
- Amendments to IAS 32: Financial Instruments: Presentation – 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
- IFRIC Interpretation 21 Levies

The effects of the implementation of these standards have been limited to disclosure amendments.

Going concern

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

2. Segmental analysis

Following changes to the Group Executive Board towards the end of 2013 the Group now has only one reportable operating segment, being housebuilding within the UK, under the control of the Executive Board. The Executive Board has been identified as the Chief Operating Decision Maker as defined under IFRS 8: Operating Segments.

3. Exceptional items

Impairment of inventories

At 30 June 2014, the Group reviewed the net realisable value of its land and work in progress carrying values of its sites. This review did not give rise to an exceptional credit or debit to the consolidated statement of comprehensive income (2013: £0.8m credit). Further details are provided in note 7.

4. Tax

4.1 Analysis of the tax charge for the period

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Tax charge comprises:			
UK corporation tax in respect of the current period	**43.6**	32.5	78.9
Adjustments in respect of prior periods	**-**	(0.6)	(0.9)
	43.6	31.9	78.0
Deferred tax relating to origination and reversal of temporary differences	**2.1**	0.1	2.0
Adjustments recognised in the current period in respect of prior periods deferred tax	**-**	-	(0.1)
	2.1	0.1	1.9
	45.7	32.0	79.9

4.2 Deferred tax recognised in other comprehensive income

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Recognised on remeasurement gains/(losses) on pension schemes	**-**	(0.6)	0.8

4.3 Deferred tax recognised directly in equity

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Arising on transactions with equity participants			
Related to equity-settled transactions	**(3.2)**	(3.9)	(6.7)

As at 30 June 2014, the Group has recognised deferred tax assets on deductible temporary differences at 20%, the rate enacted at the end of the reporting period.

The Autumn statement, published on 5 December 2012, announced that the rate of UK corporation tax would fall to 21% on 1 April 2014, with a proposed further 1% reduction from 1 April 2015. These rate reductions were substantively enacted on 2 July 2013.

5. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period (excluding those held in the employee benefit trusts and any treasury shares all of which are treated as cancelled) which were 304.8m (June 2013: 303.3m, December 2013: 303.7m).

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the period, giving a figure of 305.6m (June 2013: 305.6m, December 2013: 305.5m).

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

	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
Basic earnings per share	**53.5p**	33.3p	84.7p
Underlying basic earnings per share	**54.8p**	34.1p	83.3p
Diluted earnings per share	**53.4p**	33.0p	84.2p
Underlying diluted earnings per share	**54.7p**	33.9p	82.8p

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

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Underlying earnings attributable to shareholders	**167.2**	103.5	253.0
Exceptional items net of related taxation	**-**	0.6	10.8
Goodwill impairment	**(4.0)**	(3.2)	(6.6)
Earnings attributable to shareholders	**163.2**	100.9	257.2

6. Dividends/Return of capital

At the AGM on 16 April 2014 the shareholders approved the second payment of the Capital Return Plan being £214.0m (or 70p per share) by way of a B share/C share scheme.

On 23 June 2014 the company allotted 85.7m redeemable preference shares with a nominal value of 70p each (the “B Shares”) and 220.1m non-cumulative preference shares with a nominal value of 0.0001p each (the “C Shares”) by way of a bonus issue utilising share premium, as detailed in the shareholder circular dated 17 March 2014.

As at 30 June 2014 the Group balance sheet includes a Capital Return liability including £60.0m in relation to the B Share Capital and £154.0m in relation to shareholder approved dividends payable on the C shares.

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Return of capital to B shareholders on 4 July 2014 of 70p per share (2013: 75p)	**60.0**	76.7	76.7
Dividend to C shareholders on 4 July 2014 of 70p per share (2013: 75p)	**154.0**	151.2	151.2
Total return to shareholders	**214.0**	227.9	227.9

After the balance sheet date, on 4 July 2014, all B shares were redeemed and subsequently cancelled on the payment of 70p per share. On the same date a dividend of 70p per share was paid to all holders of C shares. Following this payment all C shares were reclassified as Deferred Shares. The Deferred Shares were subsequently purchased on 7 July 2014 for an aggregate consideration of 1p and then cancelled on the same day. The capital redemption reserve was increased by £60.0m after the balance sheet date in respect of these cancellations, with a corresponding reduction in the profit reserve.

There were no similar liabilities held on the balance sheet at either 30 June 2013 or 31 December 2013, the 2013 return of capital being settled on 28 June 2013.

7. Inventories

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Land	**1,707.3**	1,538.4	1,636.6
Work in progress	**477.6**	460.9	463.5
Part exchange properties	**45.5**	50.4	45.5
Showhouses	**43.2**	48.9	49.3
	2,273.6	2,098.6	2,194.9

As set out in note 3, at 30 June 2014 the Group conducted a further review of the net realisable value of its land and work in progress portfolio. This review did not give rise to an exceptional credit or debit to the consolidated statement of comprehensive income (2013: £0.8m credit). Our approach to the net realisable value review has been consistent with that conducted at 31 December 2013 which was fully disclosed in the financial statements for the year ended on that date.

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

Following this review £109.3m (2013: £184.7m) of inventories are valued at fair value less costs to sell rather than at historical cost.

8. Available for sale financial assets

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Available for sale financial assets at beginning of period	**215.4**	202.9	202.9
Additions	**1.6**	9.0	14.7
Settlements	**(12.8)**	(5.3)	(12.9)
Gains (Finance income)	**6.7**	4.9	10.7
Available for sale financial assets at end of period	**210.9**	211.5	215.4

There have been no gains/losses recognised in other comprehensive income other than those recognised through finance income in profit and loss. Of the gains recognised in finance income for the period £4.3m (2013: £4.5m) was unrealised.

9. 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:

	30 June 2014 Level 3 £m	30 June 2013 Level 3 £m	31 December 2013 Level 3 £m
Available for sale financial assets	**210.9**	211.5	215.4

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 (2013: 10 years) and discount rate of 8% (2013: 8%) based on current observed market interest rates 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 assessable in advance, the resulting change in security value may affect the credit risk associated with the counterparty, influencing fair value further.

10. Reconciliation of net cash flow to net cash

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Increase/(decrease) in net cash and cash equivalents	**122.0**	(153.4)	2.8
Decrease in debt and finance lease obligations	**-**	-	-
Increase/(decrease) in net cash from cash flows	**122.0**	(153.4)	2.8
Non-cash movements	**-**	-	-
Increase/(decrease) in net cash	**122.0**	(153.4)	2.8
Net cash at beginning of period	**204.3**	201.5	201.5
Net cash at end of period	**326.3**	48.1	204.3

11. Retirement benefit assets/obligations

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

	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m	Year to 31 December 2013 £m
Current service cost	**1.4**	1.4	2.8
Administrative expense	**0.5**	0.8	0.7
Pension cost recognised as operating expense	**1.9**	2.2	3.5
Pension cost recognised as net finance credit	**(0.7)**	-	(0.1)
Total defined benefit pension cost recognised in profit or loss	**1.2**	2.2	3.4
Remeasurement (gains)/losses recognised in other comprehensive income/expense	**(0.2)**	2.5	(6.6)
Total defined benefit scheme loss/(gain) recognised	**1.0**	4.7	(3.2)

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

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Fair value of Pension Scheme assets	**482.5**	419.8	456.8
Present value of funded obligations	**(442.5)**	(421.9)	(433.3)
Net pension asset/(liability)	**40.0**	(2.1)	23.5

An update on the 31 December 2013 IAS 19 valuation, adjusted for current market conditions, has been obtained from the schemes' actuary as at 30 June 2014 and has been used as the basis for these figures.

12. Related parties

There are no disclosable related party transactions (as required by DTR 4.2.8R) during the period (2013: nil).

13. Seasonality

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

Principal risks

Risk	Impact	Mitigation
Regulatory compliance	Our business is subject to extensive regulations principally relating to planning and the environment. Our obligations to comply with legislation and increasing demands from local authorities may result in delays causing us to incur additional costs and prohibit or restrict land development and construction. Any significant change to government policies affecting the UK housing market resulting from political change associated with the vote for Scottish independence in September 2014 and the general election in 2015 could lead to a change in housing market conditions.	We hold a landbank sufficient to provide security of supply for short to medium term requirements and engage continuously with planning stakeholders.
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 decrease demand for new homes, which could have a material effect on our revenues and profits and result in the impairment of asset values.	We tightly control the level of build undertaken and closely manage 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 regional economic fluctuations.
Mortgage availability	Restrictions in the market availability of mortgages for our customers could reduce demand for our homes and affect revenues and profits.	We ensure land investment, construction activity and overhead costs are matched to our level of sales.
Health & Safety	The health and safety of our employees, subcontractors and members of the public on our construction sites is of paramount importance to us. The risk of accidents on our sites could result in reputational damage and financial penalties.	We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group Health and Safety Department, to minimise risks on site.
Resources	Rapid expansion in UK housebuilding has driven an increase in demand for both materials and labour which may cause costs to increase ahead of expectations.	We closely monitor build progression, enabling us to manage and react to any supply chain issues. We operate in-house apprentice recruitment and training programs to support increased labour supply.
Strategy	The Board has adopted its strategy as it believes it is the one most likely to add the greatest value sustainably 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.

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

Statement of Directors' responsibilities in respect of the Half Year Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting

- the Half Year Report includes a fair review of the information required by:

    - DTR 4.2.7R being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

    - DTR 4.2.8R being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Persimmon Plc are:

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
Group Chief Executive

Mike Killoran
Group Finance Director

18 August 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.

Independent Review Report to Persimmon Plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the Condensed consolidated statement of comprehensive income, Condensed consolidated balance sheet, Condensed consolidated statement of changes in shareholders' equity, Condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Iain Moffatt

For and on behalf of KPMG LLP

Chartered Accountants
1 The Embankment, Neville Street
Leeds LS1 4DW
18 August 2014