HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Building an even stronger business whilst sustaining industry-leading performance

Persimmon Plc today announces its half year results for the six months ended 30 June 2022.

- Strong demand - average private sales rate for the period c.1% ahead year on year, with robust forward sales position and re-iterate guidance of 14,500 -15,000 legal completions this year;
- 6,652 new home completions (2021: 7,406) as Group rebuilds its outlet position;
- Robust financial performance delivering industry-leading margins and ROCE;
- Strong customer service, build quality and efficiency;
- On track to achieve c.10% increase in active outlets by the end of the current year with 60 outlets opened in the period;
- 8,829 plots brought into the business across 37 locations – a replacement rate of over 130%;
- Returned £750m to shareholders by July 2022.

Highlights

	H1 2022	H1 2021
New home completions	6,652	7,406
New home average selling price	£245,597	£236,199
Total Group revenues[1]	£1.69bn	£1.84bn
New housing gross margin[2]	31.0%	30.9%
Profit before tax	£439.7m	£480.1m
Cash at 30 June	£0.78bn	£1.32bn
Owned and under control land holdings at 30 June	89,052 plots	85,771 plots
Current forward sales position	£2.32bn	£2.23bn
Capital return (per share)	125p (April 2022) 110p (July 2022)	125p (March 2021) 110p (August 2021)

Dean Finch, Group Chief Executive, said:

"Persimmon continues to perform well. We are making important progress in quality, service, land investment opportunities and efficiencies to build an even stronger business, while continuing to deliver the strong financial returns that Persimmon is renowned for. Demand for our attractively priced, high quality homes has remained robust, with our average private sales rates for the period being c.1% ahead year on year. Our customer satisfaction score[3] is currently 92%. We have some exciting new sites coming into the business at industry-leading margins, with a land replacement rate for the period of over 130% and expanded production in our own brick, tile and timber frame factories, is further enhancing our supply resilience and cost efficiency, enabling us to re-iterate our guidance of 14,500 – 15,000 legal completions for the full year.

"We are on track to achieve a c.10% increase in our active outlets by the end of the current year as we work to rebuild our outlet position after a land buying pause three years ago and are tackling the on-going challenges in the planning system. We are stepping up proactive engagement with local authorities, enhancing our approach to developing attractive communities and raising the bar on design to help mitigate planning challenges. We continue to expect our volume delivery to be significantly higher in the second half of the year.

"Our combination of compelling affordability and high levels of service and build quality, coupled with our well-located sites provides a uniquely strong and sustainable customer proposition. It is by strengthening this proposition further that we will achieve our ambition of becoming Britain's best homebuilder for both customers and shareholders, consistently delivering high quality homes, excellent customer service and industry-leading financial returns."

Building an even stronger business

Robust first half performance
- Robust first half performance against strong comparator – profit before tax of £439.7m (2021: £480.1m);
- Managing the balance of inflationary pressures effectively - housing gross margin[2] up on same period last year (31.0% vs 30.9%);
- Average private sales rate for the period was c.1% ahead year on year;
- Underlying return on average capital employed[4] of 30.9% (December 2021: 35.8%) – over the last 3 years the Group's underlying return on average capital employed has been 34.2% reflecting the sustained success of the business;
- 235p per share paid in respect of the year ended 31 December 2021.

Placing customers at the heart of our business
- Persimmon Way fully embedded across the business and operating well;
- HBF 8-week customer satisfaction score[3] currently 92%;
- Trustpilot score[5] improved by 30% since the start of the year;
- NHBC Reportable Items[6] improved by 25% since December 2020;
- Largest team of independent quality inspectors in the industry providing quality assurance on each of our homes;
- New product range, marketing rebrand and service enhancements are strengthening our offer to customers to meet their aspirations and earn their trust and loyalty;
- Our average private selling price of £267,325 is c.20% below the UK's national average selling price[7], demonstrating the enduring strength of our value offer to customers.

Building a strong platform for success
- High quality land holdings, with 89,052 plots owned and under control at 30 June 2022 (December 2021: 88,043), with a land cost to anticipated revenue ratio[8] of 12.2% (December 2021: 11.9%);
- Disciplined land replacement - 8,829 plots brought into the business across 37 locations at industry-leading margins;
- On track to achieve a c.10% increase in our active outlets by the end of the year, with 60 opened in the first half and around 70 forecast to open in the second half of the year, although on-going planning delays continue to present risk;
- Build rates improved by c.10% compared with pre-Covid levels;
- Continuing to invest in our people – around 90% of our site colleagues have achieved a relevant NVQ qualification (December 2020: 21%) and we have been recognised as a Top 100 Apprentice Employer.

Driving value
- BrickWorks, TileWorks and Space4 factories all increasing output, providing supply resilience and efficiency;
- Enhanced data and management tools introduced to drive greater consistency in build times and quality;
- Strengthened centralised procurement driving efficiencies and pooling shared resource to manage supply challenges.

Our communities
- Delivering homes around 30% more energy efficient than existing housing stock making them more cost efficient to run for our customers;
- Invested over £610m in local communities over the last 18 months, delivering 3,632 homes to our housing association partners;
- Continuing to protect leaseholders from the cost of cladding removal; five of our developments have secured EWS1 certificates. Proactively engaging with Management Companies and their agents on works required on all other identified developments built by Persimmon.

Outlook
- Demand is strong with the Group's average private sales rate in the period around 1% ahead year on year and a robust forward order book of £2.32bn;
- Robust start to the second half; average private sales rates for the first seven weeks 11% down year on year against a strong comparator and as we return to a more normal seasonal pattern, and up 8% on 2019 being the most recent, more typical trading year;
- Currently over 90% forward sold for the current year;
- Sales price inflation currently mitigating the cost inflation the industry is experiencing;
- Continue to target around 10% growth in outlets by the end of the current year, with enhanced placemaking and design approach and proactive local authority engagement expected to mitigate on-going planning challenges;
- Re-iterate our guidance of 14,500-15,000 completions for the full year;
- While near term uncertainties continue the longer-term fundamentals remain strong. Our work to become Britain's best homebuilder will build an even stronger and sustainable business delivering for customers and shareholders alike.

Footnotes

1 The Group's total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. Housing revenues are the revenues generated on the sale of newly built residential properties only.
2 Stated on new housing revenues of £1,633.7m (2021: £1,749.3m) and gross profits of £506.2m (2021: £540.5m).
3 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.
4 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before goodwill impairment of £5.5m (December 2021: £6.2m).
5 Trustpilot is a digital review platform open to the public. Scores are based on all of the service reviews received on the platform.
6 A Reportable Item is an area of non-compliance with NHBC standards. The item is rectified fully before completion of the home.
7 National average selling price for new build homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.
8 Land cost value for the plot divided by the anticipated future revenue of the new home sold.

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There will be an analyst and investor presentation at 09.00 today, hosted by Group Chief Executive, Dean Finch and Chief Financial Officer, Jason Windsor.

Analysts unable to attend in person may listen live via conference call by registering using the link below:

https://register.vevent.com/register/BIeec490705a9148279d0424360eec3206

The presentation can be viewed via the webcast using the link below:

https://edge.media-server.com/mmc/p/x3tot3oz

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

CHIEF EXECUTIVE'S REVIEW

Building an even stronger business

Overview

The business has performed well in the period. Demand has been strong, with the Group's average private weekly sales rate running at around 1% ahead year on year. In the period, we delivered 6,652 homes (2021: 7,406 homes) as we build up our outlet position whilst maintaining our disciplined approach to land investment opportunities. The Group's average selling price of £245,597 (2021: £236,199) has increased by 4% year on year resulting in housing revenue of £1.63bn (2021: £1.75bn). The Group's housing gross margin[1] was ahead of last year (31.0% vs 30.9%) as we managed the cost inflationary pressures impacting our industry effectively and underlying housing operating margin[2] was 27.0% (2021: 27.6%) reflecting the lower first half volumes on the rate of overhead recovery. The Group generated a profit before tax of £439.7m (2021: £480.1m) in the period.

We are continuing to deliver an industry-leading financial performance whilst building an even stronger business for the future. During the period, we delivered higher quality homes at improved levels of build efficiency. The Group's average build rates per site were around 10% higher than pre-Covid levels and our customer satisfaction survey score[3] continues to achieve a five-star rating. We are identifying exciting land investment opportunities whilst maintaining our disciplined approach. Our active outlet position is growing and the business remains on track to achieve a c.10% improvement in outlet numbers by the end of the year, despite the significant delays the industry is facing in achieving planning consents. Our off-site manufacturing facilities continue to provide both efficiency and resilience in supply, augmented by a strengthened and enhanced group procurement function.

We are building an even stronger business that will sustainably deliver the high quality homes our customers and stakeholders expect, while maintaining the industry-leading financial performance that underpins our superior shareholder returns.

Building sustained success

Earlier this year we launched a new Mission, Vision and Values statement to guide the next stage of our development. Our Mission is to build homes customers can rely on at prices they can afford. To achieve this our Vision is to be Britain's leading homebuilder, with quality and customer service at its heart, building the best value homes on the market in sustainable and inclusive communities. Our five Values provide the behaviours that will help us achieve this Mission and Vision: customer focused; value driven; team work; social impact; and excellence always.

We have a clear strategy to build an even stronger business while protecting Persimmon's great strengths. Reflecting the progress we have already made, I have refreshed and renewed the five priorities for the business that I launched shortly after I joined:

- Build quality: our ambition has grown from "build right, first time, every time" to trusted to deliver five-star homes consistently;
- Reinforcing trust: in seeking to build a compelling brand we will place customers at the heart of our business, trusted to deliver the best value homes customers can be proud of;
- Disciplined growth: maintain our stringent appraisal, investing in high quality land in the right areas;
- Industry-leading financial performance: sustain our industry-leading margins and returns and drive healthy profit and cash;
- Supporting sustainable communities: actively part of the net zero carbon economy transition, the communities we operate in and efforts to widen opportunity.

These enhanced ambitions and renewed priorities are not ends in themselves. They recognise that Persimmon has an important role to play in society, including as a responsible company and employer. It is by strengthening our ability to consistently deliver high quality and service that we will sustain Persimmon's industry-leading financial performance. In the next section I will explain the progress we have made and the further opportunities ahead.

Building an even stronger business

There are five key features of the business that will continue to drive our industry-leading performance and returns. First, quality and service remain our priorities and reflect our determination to bring the customer into the heart of the business. Second, a relentless focus on driving value helps underpin both our unique value proposition and strong returns. Third, our experienced management teams across the business are driving our new ambitions across the country. Fourth, our disciplined land replacement strategy is being augmented by site planning and design standards that deliver attractive communities and engagement with local authorities to drive timely outlet openings. And, fifth, maintaining the Group's strong financial position is crucial.

Customers at the heart of our business - quality and service

We are placing customers at the heart of our business and I am determined to continue to drive improvements in build quality and customer service. This is key to our continued success and will deliver efficiencies across the Group.

The Persimmon Way, the Group's construction excellence programme is fully embedded within the business and driving real results for our customers. We were delighted to be awarded a five-star rating in the annual HBF survey for the first time in Persimmon's history and have continued to track ahead of the five-star threshold for this survey year (current score: 92%[3]). Further encouraging evidence of our progress is provided by our 9 month HBF customer satisfaction score[3] currently indicating a 25% improvement over the last two survey years. Our Trustpilot score[4] has also improved markedly, increasing by 30% since the start of the year.

Our team of 62 independent inspectors, which we believe to be the largest of its type in the industry, provides quality assurance at key stages of the build process for each home that we deliver. Working with the local management teams as an independent challenge they are helping to drive real improvement, with NHBC Reportable Items[5] improving by 25% over the last eighteen months. We are embedding our new approach through independent assurance and analysis to help drive improved standards. Construction Quality Reviews (CQR) are now conducted by the NHBC, analysing the root cause of any quality issues. Our CQR score is currently running nearly 3% ahead of last year's average. We are conducting an external audit of the Persimmon Way's implementation across all of our businesses to identify key learnings and share best practice across the Group. Our 'Building a Safer Future Charter Champion' accreditation involves thorough reviews of our approach across all of our businesses and is progressing well. Three of our site managers recently achieved the NHBC's coveted Pride in the Job Awards.

Our average private selling price of £267,325 is currently c. 20%[6] below the market average. In striving to consistently deliver high build quality and service excellence, we are seeking to offer customers best value they can trust. Our new product range, enhanced service and improved marketing is seeking to deliver options that meet customers' aspirations at whatever stage of home buying they are at. We want to earn customers' trust and then keep it through repeat sales for them and those they recommend us to.

FibreNest, our ultrafast full fibre broadband provider, continues to provide our customers with an important service. It currently has c.25,000 customers across over 310 sites.

Driving value

Alongside continually striving to build at a better quality more consistently, we are always seeking to drive value. The Group's build rates are around 10% higher than pre-Covid levels. As planned, we are expanding our vertical integration capabilities and driving efficiencies. The Group's Space4 factory provides us with an excellent advantage as timber frame homes can be built over 20% faster than traditionally built houses, and help mitigate challenges around the availability of some trades. In the period, 35% of the homes we delivered used timber frames. We have been actively reviewing where we can expand the use of timber frame construction. It is pleasing therefore that our Space4 factory has seen a 20% increase in its forward order book at the end of June, compared to the same time last year. We have recently submitted our pre-application plans to the local authority for our new Space4 factory and are targeting a full planning submission by the end of the year, to further increase production in the coming years.

In addition, through new analytical approaches and data-based management tools we are identifying areas for focus and opportunities for sharing best practice in build programmes across the business to continue to secure improvements.

Each of our off-site manufacturing facilities, BrickWorks, TileWorks and Space4, provide a resilience of supply alongside good cost efficiency. We are on track to expand production within BrickWorks by nearly 20% this year, with around 10% of further growth to come next year. Our TileWorks factory is projected to increase output by around 40% this year alone.

Our strengthened central procurement team has helped use our Group-wide purchasing power to secure enhanced deals with key suppliers and supported regions experiencing specific material issues by sharing available resources, including from centrally-held contingency stock on key at-risk items.

Land and planning

Our well-established strategy of disciplined land investment, acquiring sites with embedded industry-leading margins in areas of high demand, has continued. In the first six months of the year we brought 8,829 plots into the business, across 37 locations. Since 1 January 2021, we have brought around 30,000 plots across c.140 sites into our already strong land holdings, a replacement rate of around 140%. At 30 June 2022, the Group had 89,052 owned and under control plots (December 2021: 88,043), with a land cost to anticipated revenue ratio[7] of 12.2% (December 2021: 11.9%).

While we have been strengthening our land pipeline, the combination of strong demand in 2020 and 2021, with lower land additions in 2019 and 2020, meant we were operating from a relatively low number of outlets at the start of the year. We remain on track to open around 70 outlets in the second half of the year, growing our position by around 10% over the course of the year, providing a robust platform for the future.

It remains the case, however, that the delays and increasing complexity in the planning system are impacting our ability to open new outlets as promptly as we would like. We previously highlighted the impact of Natural England's nutrient neutrality guidance across the industry, with c.120,000 plots currently stalled in England. The Government's recent statement on the issue does not appear to offer the short-term clarity the industry hoped for, so we continue to see around 1,500 of our plots affected, a number that is likely to grow until a resolution is found. Around 90% of the Group's 2023 volume delivery has planning consent, with around 75% with detailed planning permission. Our operational teams are working hard to secure the remaining consents required and this will be an important factor in determining our 2023 volume delivery.

We have stepped-up our approach to working with local authorities and communities to secure planning consents as quickly as possible. Our new housing range and 'Placemaking Framework', which sets out planning and design techniques to develop attractive communities, provide local teams with enhanced tools to meet customer needs and local planning authority requirements. A new stakeholder engagement team is proactively engaging local authorities across the country to identify how we can help them deliver their key objectives. We are offering support on nutrient neutrality to help interested local authorities identify solutions and deal with the challenge and unlock permissions.

Strong financial position
Whilst building an even stronger business, we have continued to deliver an industry-leading performance and maintained Persimmon's high quality land holdings and healthy liquidity. After returning £399m to shareholders and investing £416m in high quality land opportunities, the Group held £0.78bn of cash at 30 June 2022 (December 2021: £1.25bn) with deferred land commitments of £135m to the end of the current year, providing a robust balance sheet to support resilient shareholder returns and provide a platform for disciplined growth. Underlying return on average capital employed[8] was 30.9% (December 2021: 35.8%), further demonstrating the strength of the business.

Experienced teams
Persimmon has highly experienced teams across the Group and the new management structure introduced at the beginning of the year is working well. We are determined to become an employer of choice and attract more of the best talent from across the industry. It is pleasing, therefore, that our recent Employee Survey's engagement score was 83%, up 5 points from last year and 11 points above our benchmark group. Our annual July pay reviews saw awards reflecting the unique cost of living challenges, with those on lower incomes receiving proportionately the highest increases.

We continue to increase our investment in training with a Learning Management System in place for all colleagues, as well as enhanced tailored training for specific areas. Around 90% of site management colleagues have received an NVQ qualification appropriate to their role (December 2020: 21%); 127 sales colleagues have completed the Sales Excellence programme in conjunction with the Institute of Sales Professionals. We were delighted to recently be recognised as a Top 100 Apprentice Employer and have invested in an academy in Bridgend alongside the local college to provide on-site classrooms for brickwork and joinery apprentices. This is a model we are looking to extend further.

I would also like to welcome Jason Windsor, our new Chief Financial Officer. Jason joined us from Aviva in mid-July. His wealth of experience from other industries complements the deep knowledge in the existing management team, further strengthening our operational leadership. I look forward to working with Jason in the years ahead.

Our communities
We recognise that as a responsible company we have an important role to play in society. We remain proud of our leadership in pledging 18 months ago to protect leaseholders from the cost of cladding removal and five of our developments have already secured successful EWS1 certificates. While we are in active discussions with the HBF and government to convert the commitments made in April's Developer Pledge into a legal document and resolve areas of current uncertainty, we continue to proactively engage with Management Companies and their agents on works required on all other identified developments built by Persimmon.

Building on our Germany Beck project, we have recently secured planning permission for a second Zero Carbon home at a site in Malmesbury. This is an example of our determination to develop building techniques and technology that meets the sustainability challenge in a way that is cost effective for customers. Our Priory Green and Moorland Grove sites are heated through the use of air source heat pumps demonstrating our drive to improve sustainability across our business. In addition, our homes are already around 30% more energy efficient than the existing housing stock, a gap that is likely to only increase and become even more important as cost of living pressures become ever more pressing.

Outlook
The UK housing market is strong with demand exceeding supply, relatively low interest rates (despite the recent rises) and good levels of mortgage availability. The Group's average private sales rates for the period were strong, c.1% ahead of last year. We have made a robust start to the second half; whilst the Group's average private sales rate for the first seven weeks is 11% down year on year as we return to more normal seasonal trading patterns, it is 8% up on 2019 being the most recent, more typical trading year and our cancellation levels remain low. Sales price inflation is currently mitigating the cost inflation the industry is experiencing. The current value of our forward sales is £2.32bn, with 10,542 homes (2021: 11,140), 5,992 of which are sold into the private market (2021: 6,471). The Group is over 90% forward sold for the full year. The average selling price of new homes forward sold to owner occupiers was c.£284,000, c.12% ahead of the prior year (2021: c.£253,000).

We re-iterate our year end volume expectations of delivering 14,500 to 15,000 units with forecast full year profit in line with our expectations. While risks remain, we expect to continue to grow our outlet position, opening around 70 outlets in the next six months, providing a robust platform for the future.

We are mindful of the scope for further interest rate raises as well as the broader economic challenges recently set out by the Governor of the Bank of England, alongside the wider industry challenges including the withdrawal of Help to Buy. The longer-term fundamentals of the UK housing market, however, remain strong. We will continue to focus on consistently delivering high quality homes and high standards of service, earning our customers' trust and loyalty in meeting their aspirations. Through the work we are doing in building an even stronger business, we are confident in our continued success, protecting and enhancing Persimmon's great strengths and driving sustainable industry-leading returns for shareholders.

Dean Finch
Group Chief Executive
16 August 2022

Footnotes

1 Stated on new housing revenues of £1,633.7m (2021: £1,749.3m) and gross profits of £506.2m (2021: £540.5m).
2 Stated on new housing revenue of £1,633.7m (2021: £1,749.3m) and underlying profit from operations of £440.7m (2021: £483.0m) calculated before goodwill impairment of £3.2m (2021: £3.9m).
3 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.
4 Trustpilot is a digital review platform open to the public. Scores are based on all of the service reviews received on the platform.
5 A Reportable Item is an area of non-compliance with NHBC standards. The item is rectified fully before completion of the home.
6 National average selling price for new build homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.
7 Land cost value for the plot divided by the anticipated future revenue of the new home sold.
8 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before goodwill impairment of £5.5m (December 2021: £6.2m).

FINANCIAL REVIEW

Strong trading
Trading has been strong in the period with good levels of customer demand and cancellation rates remaining at historic lows throughout. The Group generated total revenues[1] of £1.69bn (2021: £1.84bn), with new housing revenue of £1.63bn (2021: £1.75bn).

Legal completions, as anticipated, were lower than the prior year and reflect delays in achieving planning consents on our new outlet openings. The Group delivered 6,652 new homes (2021: 7,406) at an average selling price of £245,597 (2021: £236,199) which is 4% higher year on year, reflecting the underlying strength of demand in the UK housing market.

The Group delivered 5,553 new homes to its private owner occupier customers (2021: 6,104) at an average selling price 3.5% higher than a year ago (2022: £267,325; 2021: £258,220), reflecting both improvement in selling prices achieved and the mix of homes sold in the period. To supplement this, the Group delivered 1,099 homes to our housing association partners (2021: 1,302) at an average selling price of £135,813 (2021: £132,959).

The increased prices achieved in the period have mitigated the impact of cost inflation of around 8 – 10%, with an increase in the Group's housing gross margin[2] compared with 2021 (2022: 31.0%; 2021: 30.9%). The Group's gross profit delivery for the period of £506.2m (2021: £540.5m) continues to be supported by the Group's well established land replacement strategy, with land cost recoveries[3] of 11.9% of new housing revenue for the period (2021: 14.1%).

Underlying housing operating margin[4] of 27.0% has been impacted by operating deleverage due to the reduced levels of completions (2021: 27.6%). Underlying operating profit[5] for the Group was £440.7m (2021: 483.0m).

The Group generated a profit before tax of £439.7m in the period (2021: £480.1m).

Robust balance sheet
The Group has a robust balance sheet with high quality land holdings, strong levels of work in progress investment and healthy levels of liquidity. The Group remains committed to investing in its future with, since 31 December 2021, land investment increasing by £304.6m to over £2.10bn and work in progress investment increasing by £172.0m to £1.23bn at 30 June 2022.

At 30 June 2022, the Group had work in progress of c.4,400 equivalent units of new home construction (December 2021: c.4,100), reflecting our c.10% increase in build rates compared with pre-Covid levels and with a focus on improving our stock position to increase availability and choice for our customers. The Group remains in a strong position to deliver a resilient closing stock position at the end of 2022 whilst achieving its targeted growth in output.

The Group's defined benefit net pension asset has increased to £209.4m at 30 June 2022 (December 2021: £148.8m) mainly reflecting gains through changes in assumptions to discount and inflation rates that have decreased the value placed on the schemes liabilities offset in part by falling asset values. Total equity decreased to £3,613.8m from £3,625.2m at 31 December 2021. Reported net assets per share of 1,131.7p represents a 0.4% decrease from 1,135.7p at 31 December 2021. Underlying return on average capital employed[6] as at 30 June was 30.9% (December 2021: 35.8%), demonstrating the resilience of the business and the investment made to support future growth and returns. Underlying basic earnings per share[5] for the first six months of 2022 was 107.5p, a 13.2% decrease compared to the prior period (2021: 123.8p).

High quality land holdings
The Group has continued to maintain its disciplined approach to land investment, identifying opportunities to acquire land in areas where new housing is most needed and in areas where people wish to live and work.

During the period the Group increased its owned and under control land holdings to 89,052, from 88,043 plots at 31 December 2021, with 37,771 of these plots benefitting from a detailed planning consents and are under development.

The Group brought 8,829 plots into the business across 37 locations throughout the UK with 3,626 of these plots converted from our strategic land portfolio. At 30 June 2022, Persimmon's owned land holdings of 72,036 plots (2021: 66,708 plots) have an overall proforma gross margin[7] of c.33% and a cost to revenue ratio of 11.8%[8] (2021: 11.4%).

To supplement these land holdings, the Group has c.13,300 acres of strategic land in its portfolio with the potential to deliver up to 100,000 new homes. This includes excellent visibility over c.30,500 plots of which c.21,050 being plots held under option that are proceeding through planning. The remaining c.9,450 plots are controlled and allocated in local plans.

During the period the Group incurred land spend of £415.9m, including £137.4m of payments in satisfaction of deferred land commitments.

Healthy liquidity

The Group had a cash balance of £0.78bn at 30 June 2022 (December 2021: £1.25bn) with land creditors of £493.8m (December 2021: £407.6m), of which £135.2m is expected to be paid by the end of the year. The Group generated £451.1m of cash from operating activities in the period (2021: £491.8m), before returning £399.0m surplus capital to shareholders and investing £387.7m in working capital (being principally c.£215m in net land and £172.0m in net work in progress). This investment in land and work in progress along with the Group's healthy liquidity will provide further opportunity to continue to support the future growth of the business.

In addition, the Group has an undrawn Revolving Credit Facility of £300m which has a 4 year term out to 31 March 2026.

Footnotes

1 The Group's total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. New housing revenues are the revenues generated on the sale of newly built residential properties only.

2 Stated on new housing revenues of £1,633.7m (2021: £1,749.3m) and gross profits of £506.2m (2021: £540.5m).

3 Land cost value for the plot divided by the revenue of the new home sold.

4 Stated on new housing revenue of £1,633.7m (2021: £1,749.3m) and underlying profit from operations of £440.7m (2021: £483.0m) calculated before goodwill impairment of £3.2m (2021: £3.9m).

5 Stated before goodwill impairment of £3.2m (2021: £3.9m).

6 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before goodwill impairment of £5.5m (December 2021: £6.2m).

7 Estimated weighted average gross margin based on assumed revenues and costs at 30 June 2022 and normalised output levels.

8 Land cost value for the plot divided by the anticipated future revenue of the new home sold.

PERSIMMON PLC
Condensed Consolidated Statement of Comprehensive Income
For the six months to 30 June 2022 (unaudited)

	Note	**Six months to 30 June 2022**	Six months to 30 June 2021	Year to 31 December 2021
		Total £m	Total £m	Total £m
Total revenue	3	**1,688.6**	1,840.8	3,610.5
Cost of sales		**(1,182.4)**	(1,300.3)	(2,526.7)
Gross profit		**506.2**	540.5	1,083.8
Other operating income		**6.2**	4.8	6.4
Operating expenses		**(74.9)**	(66.2)	(129.7)
Profit from operations		**437.5**	479.1	960.5
Analysed as:				
Underlying operating profit		**440.7**	483.0	966.7
Impairment of intangible assets		**(3.2)**	(3.9)	(6.2)
Finance income		**4.6**	3.4	9.9
Finance costs		**(2.4)**	(2.4)	(3.6)
Profit before tax		**439.7**	480.1	966.8
Analysed as:				
Underlying profit before tax		**442.9**	484.0	973.0
Impairment of intangible assets		**(3.2)**	(3.9)	(6.2)
Tax	4	**(99.9)**	(88.9)	(179.6)
Profit after tax (all attributable to equity holders of the parent)		**339.8**	391.2	787.2
Other comprehensive income				
Items that will not be reclassified to profit:				
Remeasurement gains on defined benefit pension schemes	12	**59.4**	65.8	83.3
Tax	4	**(16.7)**	(16.0)	(24.8)
Other comprehensive income for the period, net of tax		**42.7**	49.8	58.5
Total recognised income for the period		**382.5**	441.0	845.7
Earnings per share				
Basic	5	**106.5p**	122.6p	246.8p
Diluted	5	**105.9p**	122.1p	245.6p

PERSIMMON PLC
Condensed Consolidated Balance Sheet
As at 30 June 2022 (unaudited)

	Note	**30 June 2022 £m**	30 June 2021 £m	31 December 2021 £m
Assets				
Non-current assets				
Intangible assets		**176.2**	177.9	175.6
Property, plant and equipment		**107.6**	93.4	99.0
Investments accounted for using the equity method		**0.3**	0.3	0.3
Shared equity loan receivables	8	**32.4**	35.9	35.7
Trade and other receivables		**0.6**	3.0	0.6
Deferred tax assets		**9.7**	10.7	9.7
Retirement benefit assets	12	**209.4**	116.7	148.8
		536.2	437.9	469.7
Current assets				
Inventories	7	**3,402.7**	2,815.6	2,920.7
Shared equity loan receivables	8	**7.9**	13.1	9.9
Trade and other receivables		**151.5**	139.2	123.9
Current tax assets		**32.5**	12.8	21.4
Cash and cash equivalents	11	**782.0**	1,315.2	1,246.6
		4,376.6	4,295.9	4,322.5
Total assets		**4,912.8**	4,733.8	4,792.2
Liabilities				
Non-current liabilities				
Trade and other payables		**(267.6)**	(190.5)	(203.4)
Deferred tax liabilities		**(74.0)**	(41.5)	(54.6)
Partnership liability		**(18.9)**	(23.1)	(23.8)
		(360.5)	(255.1)	(281.8)
Current liabilities				
Trade and other payables		**(863.6)**	(830.8)	(807.0)
Partnership liability		**(5.6)**	(5.5)	(5.5)
Legacy buildings provision	9	**(69.3)**	(75.0)	(72.7)
		(938.5)	(911.3)	(885.2)
Total liabilities		**(1,299.0)**	(1,166.4)	(1,167.0)
Net assets		**3,613.8**	3,567.4	3,625.2
Equity				
Ordinary share capital issued		**31.9**	31.9	31.9
Share premium		**25.6**	22.9	24.9
Capital redemption reserve		**236.5**	236.5	236.5
Other non-distributable reserve		**276.8**	276.8	276.8
Retained earnings		**3,043.0**	2,999.3	3,055.1
Total equity		**3,613.8**	3,567.4	3,625.2

PERSIMMON PLC
Condensed Consolidated Statement of Changes in Shareholders' Equity
For the six months to 30 June 2022 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Other non-distributable reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2022:						
Balance at 1 January 2022	**31.9**	**24.9**	**236.5**	**276.8**	**3,055.1**	**3,625.2**
Profit for the period	-	-	-	-	339.8	339.8
Other comprehensive income	-	-	-	-	42.7	42.7
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(399.0)	(399.0)
Issue of new shares	-	0.7	-	-	-	0.7
Share-based payments	-	-	-	-	4.4	4.4
Balance at 30 June 2022	**31.9**	**25.6**	**236.5**	**276.8**	**3,043.0**	**3,613.8**
Six months ended 30 June 2021:						
Balance at 1 January 2021	**31.9**	**22.3**	**236.5**	**276.8**	**2,950.9**	**3,518.4**
Profit for the period	-	-	-	-	391.2	391.2
Other comprehensive income	-	-	-	-	49.8	49.8
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(398.7)	(398.7)
Issue of new shares	-	0.6	-	-	-	0.6
Share-based payments	-	-	-	-	6.1	6.1
Balance at 30 June 2021	**31.9**	**22.9**	**236.5**	**276.8**	**2,999.3**	**3,567.4**
Year ended 31 December 2021:						
Balance at 1 January 2021	**31.9**	**22.3**	**236.5**	**276.8**	**2,950.9**	**3,518.4**
Profit for the year	-	-	-	-	787.2	787.2
Other comprehensive income	-	-	-	-	58.5	58.5
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(749.6)	(749.6)
Issue of new shares	-	2.6	-	-	-	2.6
Share-based payments	-	-	-	-	8.1	8.1
Balance at 31 December 2021	**31.9**	**24.9**	**236.5**	**276.8**	**3,055.1**	**3,625.2**

PERSIMMON PLC
Condensed Consolidated Cash Flow Statement
For the six months to 30 June 2022 (unaudited)

	Note	**Six months to 30 June 2022**	Six months to 30 June 2021	Year to 31 December 2021
		£m	£m	£m
Cash flows from operating activities:				
Profit for the period		**339.8**	391.2	787.2
Tax charge	4	**99.9**	88.9	179.6
Finance income		**(4.6)**	(3.4)	(9.9)
Finance costs		**2.4**	2.4	3.6
Depreciation charge		**7.5**	7.2	14.5
Impairment of intangible assets		**3.2**	3.9	6.2
Share-based payment charge		**5.9**	4.7	6.4
Net imputed interest income		**1.2**	1.1	6.1
Other non-cash items		**(4.2)**	(4.2)	(7.9)
Cash inflow from operating activities		**451.1**	491.8	985.8
Movement in working capital:				
(Increase)/decrease in inventories		**(477.2)**	90.5	(9.8)
Increase in trade and other receivables		**(31.2)**	(55.3)	(59.5)
Increase in trade and other payables		**113.3**	49.1	37.4
Decrease in shared equity loan receivables		**7.4**	9.2	18.9
Cash generated from operations		**63.4**	585.3	972.8
Interest paid		**(2.6)**	(2.6)	(3.7)
Interest received		**1.4**	1.3	1.9
Tax paid		**(109.5)**	(92.2)	(186.2)
Net cash (outflow)/inflow from operating activities		**(47.3)**	491.8	784.8
Cash flows from investing activities:				
Joint venture net funding movement		**-**	1.8	1.8
Acquisition of a subsidiary		**(0.2)**	-	-
Purchase of property, plant and equipment		**(13.7)**	(9.3)	(20.9)
Proceeds from sale of property, plant and equipment		**0.7**	0.5	0.9
Net cash outflow from investing activities		**(13.2)**	(7.0)	(18.2)
Cash flows from financing activities:				
Lease capital payments		**(1.8)**	(1.8)	(3.3)
Payment of Partnership liability		**(4.0)**	(3.8)	(3.8)
Share options consideration		**0.7**	0.6	2.6
Dividends paid	6	**(399.0)**	(398.7)	(749.6)
Net cash outflow from financing activities		**(404.1)**	(403.7)	(754.1)
(Decrease)/increase in net cash and cash equivalents	11	**(464.6)**	81.1	12.5
Cash and cash equivalents at the beginning of the period		**1,246.6**	1,234.1	1,234.1
Cash and cash equivalents at the end of the period	11	**782.0**	1,315.2	1,246.6

Notes

1. Basis of preparation

The half year condensed financial statements for the six months to 30 June 2022 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with UK adopted International Accounting Standard ("IAS") 34 Interim Financial Reporting. 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 2021, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted IFRS.

The comparative figures for the financial year ended 31 December 2021 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 2021, as described in those financial statements.

The following relevant UK endorsed new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2022:

- Amendments to IFRS 1 First-time Adoption of IFRS; IFRS 9 Financial Instruments; IAS 41 Agriculture; and Annual Improvements to IFRS 2018 - 2020
- Amendments to IAS 37 Onerous Contracts
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IFRS 3 Reference to the Conceptual Framework

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

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

- IFRS 17 Insurance Contracts, including Amendments to IFRS 17 and Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The Group is currently considering the implication of these amendments with the expected impact upon the Group being limited to disclosures if applicable.

Going concern

The Group has performed well in the six months ended 30 June 2022. Persimmon's long-term strategy, which recognises the risks associated with the housing cycle by maintaining operational flexibility, investing in high quality land, minimising financial risk and deploying capital at the right time in the cycle, has equipped the business with strong liquidity and a robust balance sheet.

The Group delivered 6,652 new homes (2021: 7,406) and generated profit before tax of £439.7m (2021: £480.1m) in the period. At 30 June 2022, the Group had a strong balance sheet with £782.0m of cash (2021: £1,315.2m), high quality land holdings and land creditors of £493.8m (December 2021: £407.6m). In addition, the Group has an undrawn Revolving Credit Facility of £300m, which has a four year term out to 31 March 2026.

The Group's forward order book, including legal completions taken in the second half, is c.4% stronger than 2021.

The Directors have reviewed the Group's principal risks, see note 13 of this announcement, and determined that there are no new principal risks facing the business to those disclosed in the financial statements for the year ended 31 December 2021. The Directors considered the impact of these risks on the going concern of the business when approving these full year financial statements for the Group.

Given the Group's trading performance during the first six months of the year, together with its strong sales rates and forward sales position, the Directors believe that the comprehensive review performed for the viability statement included in the Group's Annual Report 2021 remains relevant and valid.

In addition, the Directors have assessed the impact of a severe but plausible downside scenario for the housing market, from the date of this announcement to 31 December 2023, on the resilience of the Group. This scenario assumes a c.44% reduction in volumes and a c.14% reduction in average selling prices through to 31 December 2023 along with the likely effectiveness of mitigating actions that would be executed by the Directors. The combined impact results in a c.51% fall in the Group's housing revenues. The assumption used in this scenario reflects the experience management gained during the Global Financial Crisis from 2007 to 2010, it being the worst recession seen in the housing market since World War Two. Throughout this scenario, the Group maintains substantial liquidity with a positive cash balance and no requirement to access the Group's £300m Revolving Credit Facility.

Having considered the continuing strength of the UK housing market, the sales rates being achieved by the Group, the resilience of the Group's average selling prices, the Group's scenario analysis and significant financial headroom, 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.

Estimates and judgements

The preparation of these half year condensed financial statements requires management to make judgements and estimations of uncertainty at the balance sheet date. The key areas where judgements and estimates are significant to the financial statements are land and work in progress (see note 7), shared equity loan receivables (see note 8 and note 10), goodwill, brand intangibles, provisions and pensions as disclosed in note 3 of the Group's annual financial statements. The estimates and associated assumptions are based on management expertise and historical experience and various other factors that are believed to be reasonable under the circumstances.

Goodwill and brand intangibles

The key sources of estimation uncertainty in respect of goodwill and brand intangibles are disclosed in notes 3 and 13 of the Group's annual financial statements for the year ended 31 December 2021.

The goodwill allocated to the Group's acquired strategic land holdings is further tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining strategic land holdings, taking account of historic experience and market conditions. This review resulted in an underlying impairment charge of £3.2m recognised during the period. This impairment charge reflects ongoing consumption of the acquired strategic land holdings and is consistent with prior years.

2. Segmental analysis

The Group 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. Revenue

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Revenue from the sale of new housing	**1,633.7**	1,749.3	3,449.7
Revenue from the sale of part exchange properties	**50.9**	89.2	155.4
Revenue from the provision of internet services	**4.0**	2.3	5.4
Revenue from the sale of goods and services as reported in the statement of comprehensive income	**1,688.6**	1,840.8	3,610.5

4. Tax

Analysis of the tax charge for the period

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Tax charge comprises:			
UK corporation tax in respect of the current period	**98.6**	91.5	181.2
Adjustments in respect of prior years	**-**	(3.8)	(8.3)
	98.6	87.7	172.9
Deferred tax relating to origination and reversal of temporary differences	**1.3**	1.2	5.4
Adjustments recognised in the current year in respect of prior years' deferred tax	**-**	-	1.3
	1.3	1.2	6.7
	99.9	88.9	179.6

The Group's overall effective tax rate for the period of 22.2% is higher than the mainstream corporation tax rate of 19%, and reflects the additional 4% Residential Property Developer Tax ("RPDT") on profits arising from residential property activity with effect from 1 April 2022. This additional tax rate was enacted in the current period and accordingly the effective tax rate includes the effect of revaluing deferred tax assets and liabilities at this higher rate. The RPDT will add to the increased mainstream corporation tax rate of 25% which is legislated to take effect from April 2023.

Deferred tax recognised in other comprehensive income

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Recognised on remeasurement charges on pension schemes	**16.7**	16.0	24.8

Tax recognised directly in equity

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Arising on transactions with equity participants			
Current tax related to equity settled transactions	**-**	-	0.1
Deferred tax related to equity settled transactions	**1.5**	(1.4)	(1.8)
	1.5	(1.4)	(1.7)

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 trust) which were 319.2m (June 2021: 319.0m; December 2021: 319.0m).

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 320.8m (June 2021: 320.2m; December 2021: 320.2m).

Underlying earnings per share excludes the legacy buildings provision charge and goodwill impairment. The earnings per share from continuing operations were as follows:

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
Basic earnings per share	**106.5p**	122.6p	246.8p
Underlying basic earnings per share	**107.5p**	123.8p	248.7p
Diluted earnings per share	**105.9p**	122.1p	245.6p
Underlying diluted earnings per share	**106.9p**	123.3p	247.6p

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

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Underlying earnings attributable to shareholders	**343.0**	395.1	793.4
Goodwill impairment	**(3.2)**	(3.9)	(6.2)
Earnings attributable to shareholders	**339.8**	391.2	787.2

At 30 June 2022 the issued share capital of the Company was 319,317,641 ordinary shares (30 June 2021: 319,100,222; 31 December 2021: 319,206,474 ordinary shares).

6. Dividends

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Amounts recognised as distributions to capital holders in the period:			
2020 dividend to all shareholders of 125p per share paid 2021	**-**	398.7	398.7
2020 dividend to all shareholders of 110p per share paid 2021	**-**	-	350.9
2021 dividend to all shareholders of 125p per share paid 2022	**399.0**	-	-
Total capital return to shareholders	**399.0**	398.7	749.6

On 1 April 2022 125p per share (or £399.0m) of surplus capital was returned to shareholders as an interim cash dividend in respect of the financial year 31 December 2021.

On 8 July 2022 110p per share (or £351.1m) of surplus capital was returned to shareholders as an interim cash dividend in respect of the financial year 31 December 2021.

In total, 235p per share of surplus capital has been returned to shareholders during 2022 in respect of the financial year 31 December 2021. There will be no further distributions to shareholders in relation to the financial year 31 December 2021.

7. Inventories

	30 June 2022	30 June 2021	31 December 2021
	£m	£m	£m
Land	**2,102.8**	1,701.0	1,798.2
Work in progress	**1,226.1**	1,046.0	1,054.1
Part exchange properties	**27.2**	23.9	24.8
Showhouses	**46.6**	44.7	43.6
	3,402.7	2,815.6	2,920.7

The Group has conducted a further review of the net realisable value of its land and work in progress portfolio at 30 June 2022. Our approach to this review has been consistent with that conducted at 31 December 2021 and was fully disclosed in the financial statements for the year ended on that date. The key judgements and estimates in determining the future net realisable value of the Group's land and work in progress portfolio are future sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis. There is currently no evidence or experience in the market to inform management that expected selling prices used in the valuations are materially incorrect.

Net realisable value provisions held against inventories at 30 June 2022 were £15.0m (30 June 2021: £20.3m; 31 December 2021: £18.6m). Following the review, £3.8m of inventories are valued at fair value less costs to sell rather than historical cost (30 June 2021: £4.6m; 31 December 2021: £4.1m).

8. Shared equity loan receivables

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Shared equity loan receivables at beginning of period	**45.6**	56.2	56.2
Settlements	**(7.4)**	(9.2)	(18.9)
Gains	**2.1**	2.0	8.3
Shared equity loan receivables at end of period	**40.3**	49.0	45.6

All gains/losses have been recognised through finance income in profit and loss for the period of which £0.2m was unrealised (June 2021: £0.4m; December 2021: £4.2m).

9. Legacy buildings provision

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Legacy buildings provision at beginning of period	**72.7**	75.0	75.0
Provision utilised in the period	**(3.4)**	-	(2.3)
Legacy buildings provision at end of period	**69.3**	75.0	72.7

In 2020 we made a commitment that no leaseholder living in a building we had developed, including all those above 11 metres, should have to cover the cost of cladding removal. As part of this commitment, we created a £75.0m provision to cover the cost of any necessary works. Work has been ongoing throughout 2022 at a cost of £3.4m (2021: £2.3m). The provision at 30 June 2022 remains management's best estimate of the costs of completing works to ensure fire safety on the remaining affected buildings under direct ownership and on those under third party ownership we have developed. As a result no further charge to the Statement of Comprehensive Income has been made in the period. These estimates may change over time as further information is assessed, remedial works progress and the interpretation of fire safety regulations further evolves. This is a highly complex area with judgements and estimates in respect of the cost of the remedial works and the scope of the properties requiring remedial works may change should regulation further evolve.

10. 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 2022 Level 3	30 June 2021 Level 3	31 December 2021 Level 3
	£m	£m	£m
Shared equity loan receivables	**40.3**	49.0	45.6

Shared equity loan receivables

Shared equity loan receivables represent loans advanced to customers secured by way of a second charge on their new home. They 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 of the loans from inception to settlement of ten years (2021: ten years) and a discount rate of 5% (2021: 5%) based on current observed market interest rates offered to private individuals on secured second loans.

The discounted forecast cash flow calculation is dependent upon the estimated future value of the properties on which the shared equity loans 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.

11. Reconciliation of net cash flow to net cash and analysis of net cash

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Cash and cash equivalents at beginning of period	**1,246.6**	1,234.1	1,234.1
(Decrease)/increase in net cash equivalents in cash flow	**(464.6)**	81.1	12.5
Cash and cash equivalents at end of period	**782.0**	1,315.2	1,246.6
IFRS 16 lease liability	**(9.8)**	(8.9)	(8.8)
Net cash at end of period	**772.2**	1,306.3	1,237.8

Net cash is defined as cash and cash equivalents, bank overdrafts, lease obligations and interest bearing borrowings.

12. Retirement benefit assets

As at 30 June 2022 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income 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:

	Six months to 30 June 2022	Six months to 30 June 2021	Year to 31 December 2021
	£m	£m	£m
Current service cost	**0.9**	0.9	2.0
Administrative expense	**0.2**	0.1	0.6
Pension cost recognised as operating expense	**1.1**	1.0	2.6
Interest income on net defined benefit asset	**(1.4)**	(0.4)	(0.7)
Pension cost recognised as a net finance credit	**(1.4)**	(0.4)	(0.7)
Total defined benefit pension (income)/cost recognised in profit or loss	**(0.3)**	0.6	1.9
Remeasurement gains recognised in other comprehensive expense	**(59.4)**	(65.8)	(83.3)
Total defined benefit scheme gain recognised	**(59.7)**	(65.2)	(81.4)

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

	30 June 2022	30 June 2021	31 December 2021
	£m	£m	£m
Fair value of pension scheme assets	**658.4**	714.2	751.9
Present value of funded obligations	**(449.0)**	(597.5)	(603.1)
Net pension asset	**209.4**	116.7	148.8

The increase in the net pension asset to £209.4m (December 2021: £148.8m) is largely due to an increase in long-term corporate bond yields increasing the discount rate assumption applied to scheme obligations to 3.9% (December 2021: 1.9%) offset by falling asset values.

13. Principal risks

1. Pandemic risk			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: Medium **Change from year end:** Decrease	The potential for increased rates of transmission, further variants of Covid-19 or a new pandemic occurring in the UK, could have significant impacts across the Group's operations. These could include: - Increased health and safety risk to our workforce, our customers and the wider public. - Disruption to build programmes and delays in sales, due to staff absences and material and labour supply issues. - Economic downturn, with reduced consumer confidence, demand and pricing for new homes, thereby affecting revenues, margins, profits and cash flows and impairment of asset values.	The Group can draw upon extensive Board and management experience from the response to the initial Covid-19 outbreak. During this outbreak, robust and comprehensive policies and procedures were developed under the supervision of the Health, Safety and Environment Department. These procedures allow for safe continuity of operations under various pandemic conditions, if required. Remote working capabilities are in place, facilitated through enhanced use of technology. This supports continuity of operations in the event of ongoing or future pandemic conditions. The risks associated with increased use of remote working are mitigated through a combination of IT controls and user awareness training. Potential disruption of supply is mitigated through centralised procurement and management of key materials. The vertical integration afforded by use of our own Brickworks, Space4 and Tileworks production provides further mitigation for some critical materials.	The successful Covid-19 vaccination programme and the government's removal of remaining restrictions, have reduced the immediate risks associated with the pandemic. These positive evolutions have allowed the Group to retire its Covid-19 policy and supporting procedures. Measures are still in place to reduce the spread of respiratory infections in the workplace, and are set out in the Group's new Health and Wellbeing Standards. The Group retains its strong balance sheet, high liquidity and robust financial disciplines, which ensure we are well placed to manage challenges should further Covid-19 variants or other pandemic conditions materialise.

2. Strategy			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: Low **Change from year end:** No change	The Group's strategy has been developed by the Board as the most appropriate approach to successfully deliver the Group's purpose and ambition and generate optimal sustainable value for all stakeholders. As political, economic and other conditions evolve, the strategy currently being pursued may cease to be the most appropriate approach. If the Group's strategy is not effectively communicated to our workforce and / or engagement and incentive measures are inappropriate, operational activities may not successfully deliver the Group's strategic objectives.	The Group's strategy is agreed by the Board at an annual strategy meeting. The strategy undergoes a continuous and iterative process of review and adaptation at Board meetings and in response to the evolution of conditions in which the Group operates. The Board engages with all stakeholders to ensure the strategy is understood and effectively communicated. For example, an Employee Engagement Panel, Diversity and Inclusion Council and employee engagement surveys are in place to monitor the cultural health of the organisation and ensure strategy is understood and implemented.	Our well-established strategy continues to reflect a firm understanding of the risks associated with the economic cycle and the housing market. Through minimising associated financial risk and judging the deployment of capital at the right time in the cycle, the Group has safeguarded its strong balance sheet and maintained its positioning for continued future success.

3. National and regional economic conditions			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: High **Change from year end:** No change	The housebuilding industry is sensitive to changes in the economic environment, including unemployment levels, interest rates and consumer confidence. Deterioration in economic conditions, including increasing interest rates, lower consumer confidence as well as those brought about by factors such as the continued effects of the Covid-19 pandemic and the war in Ukraine, could affect demand and pricing for new homes. This has the potential to affect our revenues, margins, profits and cash flows and potential impairment of asset values. Economic conditions in the land market may adversely affect the availability of a sustainable supply of land at appropriate levels of return.	The Group's long-term strategy is focused on the cyclical nature of the housing market and minimising financial risk, maintaining operational and financial flexibility and judging the timing of capital deployment through the cycle. The Board monitors lead indicators on the future direction of the UK housing market to enable informed management of exposure to potential market disruption. Pricing structures are regularly reviewed to reflect local market conditions. The Group's geographical spread is continuously monitored to help mitigate the effects of regional economic fluctuations. In line with the Group's strategy, levels of build on site are closely monitored and land investment decisions are subject to comprehensive due diligence processes to ensure the most effective deployment of capital possible.	The Board and our operational management teams have continued to monitor the economic environment closely throughout the year, with particular focus on the impact of inflationary pressures within our supply chain. Despite these challenges, market conditions remain positive, with strong demand for housing and resilience in selling prices. The longer-term fundamentals of the housing market remain strong.

4. **Government policy**			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: High **Change from year end:** No change	Changes to government policy have the potential to impact on several aspects of our strategy and operational performance. For example, the forthcoming withdrawal of the Help to Buy scheme in 2023, amendments to planning regulations and the recent government requirement to pay a contribution to a fund to cover the cost of fire safety remediation works, could have an adverse effect on revenues, margins, tax charges and asset values. The Department for Levelling Up, Housing and Communities (DLUHC) has demanded that residential property developers take a lead in the funding and rectification of unsafe cladding and fire safety issues on buildings over 11 metres in height constructed in the last 30 years. The government asked developers to sign a pledge committing to pay for all the necessary remediation on buildings they constructed. The government has also required developers to make additional contributions to an industry-wide scheme that protects all leaseholders from paying towards any works. To reinforce this demand, the government has introduced through the Building Safety Act, a 'Building Industry Scheme'. Membership of this scheme will be determined by the government, based on the developer's commitments and actions to rectify cladding and fire safety related issues on buildings it has developed. The government has indicated they would use the powers conferred through the amendments to block planning and building control permissions for	Government policy in relation to the housing market is monitored closely. Consistency of policy formulation and application remains supportive of the housebuilding industry as a whole, encouraging continued substantial investment in land, work in progress and skills to support output growth. Our mission to build homes with quality our customers can rely on at a price they can afford and our strategic objectives are aligned with government objectives to increase housing stock. Land investment decisions and levels of work in progress are tightly controlled in order to mitigate exposure to external influences. Persimmon has led the industry in its commitment to rectifying legacy safety works. The Group has a £75m legacy buildings provision to fund necessary work on these buildings. In addition, Persimmon will not claim from the Government's Building Safety Fund. We hope these actions will lead to us becoming a member of the government's new 'Building Industry Scheme' and continue to engage in positive discussions with officials. We have stepped-up our approach to working with local authorities, with our new Placemaking Framework and new stakeholder engagement team proactively engaging with local authorities across the country to identify how we are helping them deliver their key objectives and enhance support for our schemes.	Recent government actions, such as the introduction of the Residential Property Developer Tax, the proposed changes to the planning process and the forthcoming withdrawal of the Help to Buy Scheme in 2023, have a strong influence on our business and the broader sector. However, the government continues to recognise the need for increased construction of new homes, providing a broadly supportive environment for the industry. On 5 April 2022, Persimmon signed the DLUHC pledge, which was consistent with the industry-leading commitment we made over a year ago, that leaseholders in any multi-storey building Persimmon constructed would not have to pay to remove any cladding or correct fire related safety issues. Persimmon continues to work closely with the Home Builders Federation to convert the initial pledge into a legal agreement with the government.

	developers that are not members of the scheme. DLUHC have also introduced the Levelling Up and Regeneration Bill. This bill emphasises the importance of a Local Plan and the need for local 'support' for the development it identifies. The bill will be complemented by an update to the National Planning Policy Framework.		
5. Health, safety and environment			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: High **Change from year end:** No change	In addition to the human impacts of any accident, there is the potential for reputational damage, construction delays and financial penalties from any health, safety or environmental incident.	The Board retains a very strong commitment to health and safety and managing the risks in this area effectively. This is implemented by comprehensive management systems and controls, managed by our highly experienced Group Health, Safety and Environment Department, which includes detailed training and inspection programmes to minimise the likelihood and impact of accidents on our sites. While all reasonable steps are taken to reduce the likelihood of an incident, the potential human, reputational and financial impacts of any such incident are considered high.	The effective management of health, safety and environmental risks has remained a critical area of focus for the Board and our management teams throughout the year to date. To ensure continuous improvement in this key area, a comprehensive review of the Group's Health & Safety policies and procedures is being undertaken. In addition, the Group is deploying a new and wide-ranging Environmental Management System to further strengthen the Group's controls.
6. Skilled workforce, retention and succession			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: High **Change from year end:** No change	Shortages of skilled labour, driven in part through the continued effects of the UK's exit from the EU and from increased UK housebuilding activities, create risks of increased costs and delays and disruption to build programmes. High staff turnover or loss of staff in key roles could result in disruption to operations.	Access to an appropriately skilled workforce and experienced management team is essential in maintaining operational performance and ensuring the successful delivery of the Group's strategy. The Group operates a range of apprenticeships and in-house training and excellence programmes, under the supervision of the Group Training department, in order to support an adequate supply of skilled labour. In addition, the Group is committed to supporting industry initiatives to address the skills gap. The Group's Space4 manufacturing facility, which produces timber frames, highly	High demand for labour has continued to be observed throughout the year, and has contributed to increased cost pressures. The Group has continued to invest in its people and processes to mitigate this risk. In particular, several 'Persimmon Pathway' schemes have been developed to provide structured training programmes across core operational disciplines. As an accredited Living Wage employer, the Group also voluntarily commits to going further than the government mandated minimum wage levels for its workforce, including both directly employed and sub-contracted labour.

		insulated wall panels and roof cassettes, improves build efficiency and requires less on-site labour than a traditionally built home, mitigating some labour shortage risk. Additional measures have been deployed to increase retention across the workforce. These include increased focus on employee engagement, further development of performance management frameworks, career management, and financial incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.	
7. Materials and land purchasing			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: High **Change from year end:** No change	Materials availability Ensuring access to the right quantity and specification of materials is critical in delivering high quality homes. Heightened levels of demand for materials may cause availability constraints and exacerbate inflationary pressures. Furthermore, build quality may be compromised if unsuitable materials are procured leading to damage to the Group's reputation and customer experience. Land Purchasing Land may be purchased at too high a price, in the wrong location and at the wrong time in the housing market cycle.	Materials availability Our build programmes and supply chain are closely monitored to allow us to manage and react to any supply chain issues and to help ensure consistent high quality standards. We build strong relationships with key suppliers over the long term to ensure consistency of supply and cost efficiency. Our Group Procurement team works with our operating businesses to ensure the Group's suppliers provide materials to the expected specification and quantities. The Group's Brickworks and Tileworks	Certain aspects of material supply chains continue to suffer from disruption. The sources of the disruption include the sustained growth in UK housebuilding activities, continued impacts of the Covid-19 pandemic, issues associated with the UK's exit from the EU, and the war in Ukraine. These factors have contributed to increased lead times and inflationary pressures for some materials. To date, these have been largely offset by house price inflation. The vertical integration afforded by our own Brickworks and Tileworks manufacturing facilities has helped mitigate some material shortages in key areas. In respect of land, we have maintained our well-established disciplined approach to replacement. Within the year to date, the Group has continued to invest in high quality land opportunities at industry-leading embedded margins.

		manufacturing facilities provide a significant proportion of the bricks and roof tiles used across our sites, providing security of supply. This complements our existing off-site manufacturing facility at Space4, which produces timber frames, highly insulated wall panels and roof cassettes. Land Purchasing The Group maintains strong land holdings. All land purchases undergo comprehensive viability assessments and must meet specific levels of projected returns, taking into account anticipated market conditions and sales rates.	
8. Climate change			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: Medium **Change from year end:** No change	The effects of climate change and the UK's transition to a lower carbon economy could lead to increasing levels of regulation and legislation, as seen with the Future Homes Standard. These may in turn result in planning delays, increased costs and competition for some materials. Changes in weather patterns and the frequency of extreme weather events, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may reduce in response to financial institutions considering the possible impacts relating to climate change.	The Group takes a range of measures to monitor and improve its operational efficiency and direct environmental impact, including measuring CO_2 emissions and the amount of waste we generate for each home we sell. The Group maintains a detailed climate change risk register, which ensures that the management and mitigation of the risk is embedded within the Group's risk management process. We systematically consider the potential impacts of climate change throughout the land acquisition, planning and build processes and work closely with planning authorities and other statutory bodies to manage and mitigate these risks. The government's 'Future Homes Standard' will be introduced by 2025. To plan for and manage the transition to low carbon homes, a low carbon homes working group (consisting of members from across the Group's various disciplines) has been established. The Group engages proactively with the housebuilding industry and the government to develop industry wide solutions to meet the	In 2021, the Group set science-based carbon reduction targets, in line with the Paris Agreement, which were fully accredited by the Science Based Targets Initiative. We have set ambitious 'net zero' targets, aiming to deliver 'net zero' homes in use to our customers by 2030 and become 'net zero' in our operations by 2040. The Group continues to make good progress on its carbon reduction roadmap with a number of projects to research the most effective method of delivering a 'net zero' home in use and engaging a third party expert to measure the embodied carbon of our homes. Our homes are already significantly more energy efficient than existing housing stock and our pathway to 'net zero' homes in use by 2030 has clear interim milestones. Operationally, the Group has introduced electric vehicle options into its fleet, is now purchasing 100% renewable energy for its offices and manufacturing facilities and continues to investigate methods of reducing the Group's red diesel consumption and increasing the use of alternative fuels. The Group undertook climate scenario analysis in 2021 and has developed a prioritised action plan to continue to assess and mitigate potential risks and maximise opportunities.

		requirements of the Future Homes Standard. We continually seek to strengthen our supply chain, for example, our off-site manufacturing facilities provide us with greater assurance of quality and supply, and use modern methods of construction and technology to assist the mitigation of climate change related risks. The Group Procurement team maintain strong links with our suppliers delivering value through our supply chain by regular engagement and robust tendering processes.	
9. Reputation			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: Medium **Change from year end:** No change	Damage to the Group's reputation could adversely affect its ability to deliver its strategic objectives. If governance, build quality, customer experiences, operational performance, management of health and safety or local planning concerns fall short of our usual high standards, this may result in damage to customer, commercial and investor relationships and have a detrimental impact on financial performance.	<u>Management Supervision</u> The Group is committed to ensuring an appropriate culture and maintaining the high quality of its operations. This is subject to oversight from the Board. Maintaining trust in our quality of build is central to our reputation. In addition to our commitments to address legacy issues, significant investments have been made in the Persimmon Way, the Group's construction excellence programme. This includes comprehensive training programmes, ongoing assurance through the Group's team of Independent Quality Controllers (IQCs). <u>Stakeholder Relationships</u> We take actions to maintain positive relationships with all of our stakeholders to minimise the risks of reputational damage and aim to comply with best practice in corporate governance. We actively support local communities in addressing housing needs, in creating attractive neighbourhoods and employing local people, both on our sites and in the supply chain. Significant contributions are made to local infrastructure and good causes within the communities in which the Group operates.	The Persimmon Way continues to drive benefits throughout the business, and supports our desire to 'build right, first time, every time'. Persimmon formally commenced the registration process for the New Homes Quality Code (NHQC) on 14 January 2022, one of the first housebuilders to do so. We have welcomed the introduction of the NHQC, which aims to drive up quality and customer service across the industry together with the appointment of a New Homes Ombudsman Service. The Group continues to invest in its people and processes, driving operational improvements. These enhancements reduce the probability of operational issues and the consequent reputational damage they can cause.

10. Regulatory compliance			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: Medium **Change from year end:** No change	The housebuilding industry is subject to extensive and complex laws and regulations, particularly in areas such as land acquisition, planning, building regulations and the environment. Ensuring compliance in these areas can result in delays in securing the land required for development and in construction. Any failure to comply with regulations could result in damage to the Group's reputation and potential imposition of financial penalties.	Comprehensive management systems are in place to ensure regulatory and legal compliance, including a suite of policies and procedures covering key areas of legislation and regulation. Additional oversight is in place through the Group-level functions and cross-functional steering groups for key areas, such as GDPR compliance. Where these systems identify inconsistencies in adherence to agreed processes, corrective actions are swiftly taken. We engage extensively with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption. In respect of land, the Group controls sufficient holdings to provide security of supply for medium term trading requirements. Our land needs and potential acquisitions are subject to extensive due diligence to manage planning risks and uncertainties and maintain an effective pipeline.	Key regulatory areas of focus within the year have included planning conditions, with the Group, in common with the wider industry, continuing to experience delays to outlet openings due to the delays within the planning system. These delays have been compounded by a Covid-related backlog and increasing complexity of regulation, including considerations such as Natural England's nutrient neutrality guidance. These matters continue to be actively managed by our operational teams. Persimmon formally commenced the registration process for the NHQC on 14 January 2022. The aims of the Code and its supporting process are consistent with the Group's own focus on further improving build quality and customer service standards.

11. Cyber and data risk			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: High **Change from year end:** Increase	The Group relies on its IT systems being consistently available and secure. Failure of any of the Group's core IT systems, particularly those in relation to customer information and customer service could result in significant financial costs, reputational damage and business disruption. The risk has increased in prominence recently, due to heightened geopolitical uncertainty and instability, and the use of cyber-attacks by state actors.	The Group IT department includes dedicated cyber security resource in order to manage and oversee security controls. This includes use of third party expertise to ensure implementation of good-practice controls. Periodic penetration testing is carried out through external security partners to test the security of our perimeter network. In the event of an incident, the Group has a defined Cyber Incident Response Plan. Training and regular communications are delivered to all users to increase awareness of cyber risks, with particular focus on risks associated with remote and hybrid working.	As the Group's use of technology to support operational processes continues to develop, cyber and data risks have become an area of increased focus for the Group. This is reflected in the elevation of this risk from 'medium' to 'high'. The Group has continued to strengthen its mitigation measures in respect of cyber risk, under the supervision of the Information Security Steering Group (ISSG) and through the work of the Group IT department. To develop controls further, an externally led review of the Group's cyber security measures has been carried out. This review has benchmarked the Group's controls and will assist in the development of improvement actions to further strengthen our cyber risk mitigations.

12. **Mortgage availability**			
Risk assessment	Risk description	Approach to risk mitigation	Developments in 2022
Residual risk rating: High **Change from year end:** No change	Reduced availability or affordability of mortgages for customers could reduce demand for new homes and affect sales prices, revenues, profits, cash flows, and asset values.	We monitor Bank of England commentary on credit conditions including the monthly approvals for house purchases, reports from UK Finance and lenders' announcements for trends in lending. Our investment in land and work in progress is monitored continuously to ensure it is appropriate for our level of sales and our expectations of the current market conditions. The government's Help to Buy scheme, which is scheduled to remain in place until 2023, supports customers to gain access to the housing market across the UK with competitive mortgage rates.	The fundamentals of the UK housing market remain strong, with robust consumer demand and confidence in evidence through our strong forward sales position. We also continue to see good levels of mortgage availability from lenders. While mortgage rates remain at historically competitive levels, supporting affordability for new homes, lending trends continue to be an area of close management scrutiny following recent increases in the Bank of England base rate.

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

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

Roger Devlin	Chairman
Dean Finch	Group Chief Executive
Jason Windsor	Chief Financial Officer
Nigel Mills	Senior Independent Director
Simon Litherland	Non-Executive Director
Joanna Place	Non-Executive Director
Annemarie Durbin	Non-Executive Director
Andrew Wyllie	Non-Executive Director
Shirine Khoury-Haq	Non-Executive Director

By order of the Board

Dean Finch	**Jason Windsor**
Group Chief Executive	Chief Financial Officer

16 August 2022

The Group's annual financial reports, half year reports and trading updates are available from the Group's website at www.persimmonhomes.com/corporate

INDEPENDENT REVIEW REPORT TO PERSIMMON PLC

Conclusion

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 2022 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Shareholders' Equity, the Condensed Consolidated Cash Flow Statement and the related notes 1 to 13. 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.

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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Victoria Venning
Ernst & Young LLP
Leeds
16 August 2022