PERSIMMON PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

This announcement contains inside information.

Persimmon Plc today announces its half year results for the six months ended 30 June 2020.

Dave Jenkinson, Group Chief Executive, said:

"The Group, governed by its clear purpose and values, reacted responsibly, swiftly and effectively to the challenges of the Covid-19 pandemic, with the safety and wellbeing of our workforce, customers and local communities our first priority. Taking an early decision not to take advantage of the furlough scheme for any colleagues, we maintained good momentum in the business, continuing to serve our customers, making detailed preparations for a safe return to work and, when it was appropriate, restarting our build programmes efficiently. Build rates were back at pre-Covid levels by the end of the period.

"Despite the significant disruption, the Group's preparedness, agility and strength ensured a robust first half performance with 4,900 new home completions and further good progress made on our customer care improvement plan.

"The Group has had an excellent start to the second half with a c. 49% year on year increase in average weekly private sales rates per site since the start of July and a current forward order book of c. £2.5bn, a 21% increase on last year. Our strong opening work in progress position and excellent build rate through the summer give us confidence in a positive second half outturn. We expect that by the end of September, we will have delivered c. 45% of our anticipated second half new home legal completions.

"As a result of the continuing strong performance of the business through this challenging period, together with our cautious optimism on the Group's prospects for the second half, we are pleased to announce that the Board is proposing a modest interim dividend of 40p per share. Further dividend payments this year will remain under close review.

"Our reaction to the Covid disruption showed very clearly the exceptional quality of our colleagues throughout the business and I'm very proud of their response to the recent challenges. Our team, together with our strong balance sheet, high quality land holdings, significant investment in work in progress, a transformed customer care programme and a 5-star HBF rating now within reach, gives Persimmon a strong platform from which to deliver the homes the country needs, support the UK's economic recovery and drive long-term sustainable value for all our stakeholders."

Highlights

	H1 2020	H1 2019
Home completions	4,900	7,584
New home average selling price	£225,066	£216,942
Total Group revenues	£1,190m	£1,754m
New housing gross margins[1]	31.3%	33.8%
Profit before tax	£292.4m	£509.3m
Cash at 30 June	£828.9m	£832.8m
Land holdings at 30 June – plots owned and under control	89,232	95,086
Current number of developments across the UK	c.340	c. 345
Current forward sales position	£2,483m	£2,048m
Current customer satisfaction score[2]	89.6%	83.1%
Dividend	40p per share	235p per share in the year

Entering the second half with a strong platform to deliver the homes the country needs

- Strong market positioning across 31 businesses providing the operational capacity to support future growth
- A range and choice of homes in the right locations at affordable prices for our customers, with a private average selling price of £246,208 (2019: £242,912) which is c. 17% below the UK national average[3]
- Strong total forward sales, including legal completions in the second half so far, 21% up on last year
- Substantial work in progress investment with c. 14% more equivalent new home units over last year
- Strong liquidity with current cash of £821m
- High quality land holdings underpinning future production
- Customer care improvement plan operational within the business

- Highly experienced, agile and flexible management team

Continued careful management of housing cycle risk

- Persimmon's strong sense of purpose supports the Group's sustainable business model that: delivers long-term sustainable benefits in the best interest of all stakeholders through the cycle, maintains high quality land holdings, judges capital deployment at the right time in the cycle and minimises financial risk
- Land replacement over the last two years running at c. 55% of consumption level, with all acquisitions meeting the Group's strict criteria

Operational Highlights

Continuing to support our customers

- Customer care improvement plan initiatives continue to drive improvements in our quality and service
- Throughout 2020, Persimmon's HBF survey rating[4] has been trending ahead of the five star threshold
- 12 months since the successful launch of the Group's industry leading Homebuyer Retention Scheme with over 40% of new customers taking advantage of the Scheme in the first half of the year
- The 'Persimmon Way', the consolidation of the Group's approach to new home construction, will be fully operational by the end of the year
- FibreNest, the Group's internet service provider, unique in the industry, is supporting over 8,000 customers with full fibre to the home broadband service

Building and supporting our communities

- c. 50% of our private legal completions in the six months to 30 June 2020 were to first time buyers
- Persimmon is a signatory to the Covid-19 Business Pledge supporting colleagues, customers and communities through the crisis
- Persimmon is industry lead to the Social Mobility Pledge which encourages businesses to boost social mobility in the UK
- Invested over £675m in local communities over the last eighteen months, including the delivery of 4,263 new homes for lower income families to our housing association partners
- The Group supports c.50,000[5] jobs across our communities and within our wider supply chain
- Dedicated resources focusing on reducing our environmental impact with work underway to review setting a science-based carbon reduction target

Covid-19 Update

- The wellbeing of the Group's workforce, customers and local communities remains a key priority
- Effective Covid-19 safe operating procedures, maintaining the stringent two metre social distancing rules, are fully embedded across all Group operations
- All colleagues were retained on full pay, without recourse to Government funding, throughout the lockdown period continuing to drive the business forward, serving our customers, progressing site preparation works and completing remote training courses

Outlook

- Short term outlook robust with strong start to the second half and healthy level of forward orders, well supported by a strong work in progress position
- Potential medium term risks to demand associated with Covid-19, rising unemployment and Brexit remain but long-term housing market fundamentals continue to be strong
- Persimmon is well placed to navigate potential future challenges and deliver superior long-term sustainable returns in the best interests of all its stakeholders

Footnotes

1 Stated on new housing revenues of £1,102.8m (2019: £1,645.3m) and gross profits of £345.2m (2019: £555.5m)

2 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The Survey year covers the period from 1 October to 30 September. The rating system is based on the number of customers who would recommend their builder to a friend. The current customer satisfaction score is based on the results from 1 October 2019 to 17 August 2020.

3 National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry.

4 Based on the results from the National New Homes Survey, run by the Home Builders Federation from January 2020.

5 Estimated using an economic toolkit

For further information please contact:
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A presentation to analysts and investors will be available from 07.00 am on 18 August 2020. To view the presentation, please use the webcast link below:

Webcast link: https://edge.media-server.com/mmc/p/r32xzfb7

There will also be a Q&A session with management, hosted by Group Chief Executive, Dave Jenkinson and Group Finance Director, Mike Killoran via conference call at 8.30am. Analysts may join the call by using the details below:

Dial in: +44 (0) 20 3003 2666
Passcode: Persimmon

An audiocast of the call will be available on www.persimmonhomes.com/corporate from this afternoon.

HALF YEAR REPORT – TUESDAY 18 AUGUST 2020

CHAIRMAN'S STATEMENT

Persimmon's agile and comprehensive response to the Covid-19 pandemic has delivered a resilient first half performance, putting the safety of our workforce, our customers and our local communities first. The strength of the Group coming into the pandemic, the result of a long established strategy which recognises the cyclical nature of the housing market, has enabled it to respond effectively to the current challenges continuing to deliver the homes the country needs and supporting its local communities and the UK economy.

Our decision not to take advantage of the furlough scheme for a single member of staff enabled us to maintain an effective workforce, on full pay without recourse to Government assistance, which has been instrumental in ensuring we were able to continue to support all our stakeholders, including our suppliers and subcontractors, and serve our customers. During the lockdown period we were able to deliver homes to customers who would otherwise have been left in a vulnerable position, to support our teams working from home and continue to take sales reservations remotely and to perform site preparation work while we continued to drive our customer care improvement plan initiatives forward, embedding them within the business. Investment in workforce training has also continued with c. 5,700 training days delivered in the period including over 330,000 minutes of online training courses.

Strategy

Persimmon's strong sense of purpose supports the Group's sustainable business model. With the interests of customers and the communities they live in at the centre of the business, the Group will continue to pursue its strategy of maintaining high quality land holdings, minimising financial risk, and carefully judging capital deployment at the right time in the housing market cycle. This strategy recognises the risks associated with the cyclical nature of the housing market and ensures that the business generates superior sustainable returns in the best interests of all its stakeholders over the long-term. Over the last 20 years, the Group's average return on capital has been 21.9% reflecting the sustainable performance of the business. Total shareholder returns have been 2,711% over the same extended period (FTSE 100: 101%).

Results and Outlook

The Group had a strong start to the year, with the decisive December 2019 General Election providing improved market sentiment after a number of years of instability following the EU referendum on leaving the European Union in 2016. The Group had a c. £1.4bn forward order book at the start of the year and its first 11 weeks of sales showed a c. 10% increase on the average private sales rate per site compared with the same period in 2019. The build delays caused by the onset of the Covid-19 pandemic resulted in a 35% reduction in the Group's first half new home legal completions compared with last year. The disruption was mitigated by the Group's ability to maintain a good degree of operational continuity throughout the period and Persimmon ultimately delivered a robust performance for the period despite the unprecedented circumstances.

Profit before tax was £292.4m (2019: £509.3m). As anticipated, the Group's new housing gross margin remained resilient at 31.3%[1] (2019: 33.8%). This reflects the quality of the Group's development sites whilst including the impact of reduced build and site overhead cost efficiencies caused by legal completion and build delays during the period of reduced production due to the Covid-19 response measures. Similarly, with the Group continuing to maintain its investment in its operational infrastructure, the Group's industry leading new housing operating margin was 26.6%[2] (2019: 31.0%) which includes the lower indirect overhead efficiencies resulting from the period of disruption.

The Group continues to invest in its work in progress levels supporting our strong forward order book and ensuring our construction teams are able to manage build and quality assurance programmes effectively, with c. 14% more equivalent units carried forward at 30 June 2020 compared with last year. At the end of June, the Group had strong liquidity with a cash balance of £828.9m (2019: £832.8m) and its owned and controlled land holdings totalled 89,232 plots (December 2019: 93,246 plots).

The Group has a strong platform moving into the second half of the year with an experienced and agile management team, excellent levels of forward build, a healthy forward order book and strong average weekly private sales rates. Our strong opening work in progress position and excellent build rate through the summer give us confidence in a positive second half outturn. We expect that by the end of September, we will have delivered c. 45% of our anticipated second half new home legal completions.

As we look further ahead, a number of factors make it unusually difficult to assess the outlook beyond the short term. Uncertainty related to the future impact of Covid-19 on UK economic conditions persists with, in particular, concerns over a potential second wave and over UK employment levels following the end of the Government's furlough scheme in the Autumn. Uncertainties also remain with respect to the outcome of negotiations on a future trade deal with the

European Union. Each of these has the potential to impact negatively on customer confidence and the demand for new homes in the medium term.

However, the Group's successful strategy and strong operating platform place it in an excellent position to continue to drive the business forward and manage a range of future economic scenarios.

Capital Return Plan

A key element of the Board's strategy remains the return of any capital that is surplus to the reinvestment needs of the business to shareholders through the Group's Capital Return Plan. With the major social and economic disruption resulting from the action taken to mitigate the onset of the Covid-19 pandemic, after careful assessment of the capital needs of the business, the Board concluded that the return of surplus capital by way of a 125p per share interim dividend previously scheduled to be paid to shareholders on 2 April 2020 would be cancelled. In addition, the Board postponed the payment of the final dividend for the 2019 financial year of 110p per share that was previously scheduled to be paid on 6 July 2020. This preserved the Company's ability to re-invest this capital in the business should appropriate opportunities arise, generating enhanced value over the longer term in the best long-term interests of all stakeholders.

As indicated at the Company's AGM on 29 April 2020, in relation to the final dividend for 2019, the Board has continued to assess the Group's capital requirements in the context of the progress made by the business through this challenging period, together with the outlook for the market and the wider UK economy. Given the strong progress the business has made, together with our cautious optimism on the Group's prospects for the second half, the Board is pleased to announce a modest interim dividend of 40p per share which will be paid on 14 September 2020 to shareholders on the register on 28 August 2020. Recognising the importance of dividend receipts to pension schemes in supporting retired workers and their families, the Board will continue to assess whether a further dividend may be paid prior to the end of the current financial year in satisfaction of the Board's previously indicated final dividend for 2019.

Board changes

The Board would like to welcome Joanna Place, Chairman of the Sustainability Committee, and Annmarie Durbin, Chairman of the Remuneration Committee, who joined the Board on 1 April and 1 July 2020 respectively. Marion Sears resigned from the Board on 30 June 2020 and the Board would like to thank her for her significant contribution to Persimmon during her tenure with the Company.

The Board announced the appointment of Dean Finch as the Group's next Group Chief Executive on 24 June 2020 and look forward to welcoming him to the Group later in the year when he will succeed Dave Jenkinson.

The Board would also like to take this opportunity to thank all of the Group's employees, workers, sub-contractors and suppliers for their commitment, determination and resilience during this challenging time. The Group is well placed to deliver long-term success for all our stakeholders. Persimmon's fundamental strengths: placing customers at the centre of our business, our strong liquidity position, robust balance sheet and high quality land holdings will ensure that we continue to play an important role in providing the good quality, affordable family homes that the country needs over future years.

Roger Devlin

Chairman

17 August 2020

Footnotes

1 Stated on new housing revenues of £1,102.8m (2019: £1,645.3m) and gross profits of £345.2m (2019: £555.5m).

2 Stated before goodwill impairment (2020 : £1.6m, 2019 : £4.1m)

TRADING PERFORMANCE

Total revenues for the first half of the year were £1.19bn (2019: £1.75bn), with new housing revenues of £1.10bn being 33% lower than the prior period (£1.65bn). The Group completed 4,900 new homes (2019: 7,584) in the first six months at an average selling price of £225,066 (2019: £216,942).

4,029 of the Group's completions (2019: 5,963) were to private owner occupiers at an average selling price of £246,208, an increase of 1.4% (2019: £242,912). 51% of our private completions were across our northern businesses (2019: 56%). The Group's Persimmon brand completed 3,655 new homes (2019: 5,470) and the Charles Church brand completed 374 homes (2019: 493) in the period.18% of the Group's new home completions (2019: 21%), at a value of over £110m (2019: over £196m), were delivered to our housing association partners in the first half with an average selling price of £127,266 (2019: £121,413).

The Group's new housing gross profit for the first half was £345.2m (2019: £555.5m) generating a new housing gross margin of 31.3%[1] (2019: 33.8%). The 2.5% reduction in margin includes the impact of delays to both the legal completion of sales and development site build progress, incurred as a result of the operational disruption caused by the Covid-19 response measures. To allow the introduction of new safe operating procedures, the Group began an orderly shutdown of its sites from the end of March with work focused on making all developments safe and secure and completing homes for customers who would otherwise have been left in a vulnerable position.

The total cost impact of this Covid-19 disruption was £11.3m, £9.9m of which is included in the Group's work in progress balance representing the direct costs and site overheads incurred in completing site development. This treatment is consistent with prior reporting periods under the Group's accounting policies where we have suffered build delays under various circumstances, for example during instances of particularly bad weather. This consistent treatment is currently estimated to reduce the Group's future gross margins over the remaining current active site cycle by c. 17 basis points. In the ordinary course of business, we will seek to mitigate this future gross margin erosion.

The strength of the Group's new housing gross margins is supported by high quality consented land holdings with land cost recoveries of 14.1% of housing revenues (2019: 13.9%). At 30 June, the Group's cost to revenue ratio[2] for its owned land holdings of 70,208 plots (2019: 75,444 plots) was 12.5% (2019: 13.1%).

The Group has seen a c. 1% increase in build costs in the period compared with the last six months of 2019. The Group's off-site manufacturing capabilities mitigate the impact of supply chain and build cost pressures. Tileworks, the Group's own concrete roof plant, began supplying roof tiles to our sites in March 2020.

Underlying operating profit[3] for the Group was £293.2m (2019: £510.1m). The Group's underlying new housing operating margin[3] of 26.6% was 4.4% below last year (2019: 31.0%) reflecting Persimmon's continuing investment in all of its workforce and operations throughout the period.

The Group generated a profit before tax of £292.4m in the period (2019: £509.3m).

Balance Sheet

The Group's balance sheet is strong, supported by high quality land holdings, a reduction in deferred land commitments of £60.7m (December 2019: £435.2m) and further investment in work in progress carried at £1,223.7m (December 2019: £1,094.6m). The Group's defined benefit net pension asset has reduced to £23.1m at 30 June 2020 (December 2019: £77.6m) largely due to the fall in corporate bond yields over the period. Total equity increased to £3,450.6m from £3,258.3m at 31 December 2019. Reported net assets per share of 1,081.9p represents a 5.9% increase from 1,021.7p at 31 December 2019. Underlying return on average capital employed[4] as at 30 June was 27.8% (2019: 40.5%) mainly reflecting the consequences of the increase in capital invested in the business due to the impact of the Covid-19 disruption. Underlying basic earnings per share[3] for the first six months of 2020 of 75.1p reduced by 42.5% compared to the prior year (2019: 130.6p).

Our land holdings

At 30 June 2020, the Group owned and controlled 89,232 plots in its consented land holdings (December 2019: 93,246). 70,208 of these plots are owned with an estimated gross margin of £5.1bn. 47,053 of these owned plots, have detailed planning consent and are all under development. In addition to its consented land the Group owns and controls c. 15,900 acres of strategic land.

The Group has visibility over a further c. 43,800 plots, c. 29,300 being plots held under option that are proceeding through planning and an additional c. 14,500 plots which are controlled and allocated in local plans.

During the last couple of years, in recognition of the cyclical nature of the housing market, the Group has been increasingly cautious in its assessment of potential land opportunities and has continued to judge each opportunity on its own merits and against our strict viability assessments. The Group has maintained this approach over the last six months, bringing 886 new plots of land into the business. The Group's land spend in the first half was £167m (2019: £239m), including £107m of land creditors.

Cash and liquidity

The Group held £828.9m of cash at 30 June 2020 (December 2019: £843.9m) and had deferred land commitments of £374.5m (December 2019: £435.2m). Of the Group's current land creditors, c. £130m is to be paid by 31 December 2020 (2019: £115m paid in the six months to 31 December 2019) resulting in an estimated £245m to remain at the end of the year supporting the Group's strong liquidity.

In addition, in March, the Group renewed its £300m Revolving Credit Facility which has a five year term out to 31 March 2025. This facility has not been utilised in the period.

OPERATIONAL REVIEW

Continuing to support our customers

The Group is committed to providing good quality, affordable family homes in places where people wish to live and work across the UK. Our customer care improvement plan initiatives, aimed at driving through improvements in build quality and customer care, are now operating within the business and are delivering the anticipated results.

The Persimmon Way, the consolidation of the Group's 'end to end' approach to new home construction, aims to ensure we consistently provide good quality homes to all of our customers. It is a comprehensive programme covering pre-start programmes, standardised Group wide technical specifications and build processes, complimentary technology, detailed quality assurance processes and workforce training and support. All aspects of its development have significantly progressed this year. The pilot study has successfully completed and the process is now being rolled out across the Group. Once established, an external audit of the process will be performed to provide further quality assurance.

Our industry leading Homebuyer Retention Scheme, utilised by over 40% of our private new home customers from 1 January 2020, has further driven behavioural change throughout the business. Prior to the onset of the Covid-19 outbreak, the Scheme and the Group's investment in customer care resource and training had led to a c. 20% reduction in the time taken to resolve snagging items for our customers.

The Group has invested an additional £129.1m in work in progress since the end of 2019, as we continue to strive to provide our customers with improved availability of new homes at more advanced stages of construction and ensure that our improved quality assurance programmes and inspection regimes can be effectively implemented, whilst also anticipating an increase in customer activity as the current Help to Buy scheme approaches its conclusion. Our work in progress levels at 30 June 2020 represented 7,015 new homes of construction inventory, an increase of c. 14% than at the same point last year.

The Group has continued to invest in improving communication with our customers and our comprehensive customer portal, which will support customers from the point of reserving their new home, will be introduced in early Q4.

These initiatives have led to demonstrable improvements. In March 2020, Persimmon was awarded a Four Star rating[5] for the year to 30 September 2019 by the Home Builders Federation ('HBF') and, since the start of 2020, has been trending ahead of the Five Star threshold.

The Group's ultrafast, full fibre broadband service, FibreNest, which aligns with current Government strategy to deliver modern technology to new homes, now serves over 8,000 of our homeowners across 154 of our developments. The service is highly rated and we will continue to roll it out across our new homes and sites for the benefit of our customers.

Our workforce

The flexibility, diligence and commitment of our workforce have been key to generating the Group's robust six month performance. The Group employs 5,155 people, including c. 2,000 tradespeople, across the UK. The welfare of the Group's workforce has been paramount during this time. Effective Covid-19 safe operating procedures were implemented across all Group operations. Persimmon has also provided additional mental health support and resources to colleagues over this challenging period.

Over the last year, the Group had c. 750 trainees and apprentices across the business maintaining its long-standing commitment to provide career opportunities to talented people wishing to enter the construction industry. The Group continues to invest significantly in its training programmes and has delivered c. 5,700 training days in the period including over 330,000 minutes of on-line training since the start of April.

Building and supporting our communities

The Group provides 'homes for all' with a wide range and choice of new homes across all of our developments. Our private average selling price of £246,208 is c. 17% lower than the UK national average[6] and we support more first time buyers into the housing market than any other UK housebuilder with c. 50% of our new private homes being sold to first time buyers in the first half of the year.

Since the launch of the Group's long-term strategy in 2012, the Group has delivered c. 118,000 new homes and invested c. £2.8bn in local communities including delivering c. 20,600 homes to our housing association partners. Our activities support approximately 50,000[7] jobs across our communities and within our wider supply chain. Our financial strength will ensure that we can play our part in our communities' recovery from the impact of Covid-19. The Group is a signatory to the Covid-19 Business Pledge supporting colleagues, customers and communities through the crisis and is industry lead to the Social Mobility Pledge which encourages businesses to boost social mobility in the UK.

Guided by dedicated resource, Persimmon has adopted a measured and structured approach to its sustainability strategy promoting greater awareness across all Group operations and disciplines. The Group continues to focus on carbon reduction and work is currently underway to establish an appropriate science-based carbon reduction target. In addition, the Group has appointed five regional champions to implement and enhance its environmental policies and processes across all developments, providing additional targeted resource in this important area.

Persimmon places great importance on the wider support it offers its communities. The Group's 'Building Futures' campaign, joining forces with Team GB, is continuing for a second year and will donate c. £1m in 2020 to local community projects which benefit young people across the UK. In addition, our Community Champions campaign has donated over £370,000 in the first half of the year and, from 1 April 2020, began to target its support to charities that assist the over-70s, a group that has been particularly affected by the pandemic.

Covid-19 update

Our response to the Covid-19 pandemic was led by the overriding responsibility of ensuring the wellbeing of our customers, workforce and local communities. In addition, serving the best interests of all stakeholders, the Group has ensured our customers remained at the centre of our business and maintained strong stewardship of the financial strength of the business.

At the initial onset of the pandemic, on 25 March 2020, the Group announced a controlled and orderly shutdown of its sites, sales offices, and off-site manufacturing facilities. Regional offices also closed, with a skeleton staff supporting colleagues working from home.

During the shutdown period, the Group successfully maintained operational momentum, with colleagues working from home progressing planning and construction management work. Our sales teams also remained fully operational, serving our customers using online resources, including virtual viewings and our digital sales reservation platform. This momentum has proved crucial in securing an efficient and effective re-start to our construction activities, a strong forward order book and encouraging average weekly net reservation rates.

The Group continued to support our communities throughout the period, supplying personal protective equipment to local hospitals and maintaining our charitable programmes through the Group's Community Champions and Building Futures campaigns. In addition, Persimmon has signed up to the Covid-19 Business Pledge as part of our ongoing commitment to support our workforce, customers and communities through the crisis.

By the end of April, the Group had introduced effective Covid-19 secure operating procedures, aligned with Government guidelines, covering all of its sites, offices and manufacturing facilities. Our sites in England and Wales commenced a phased re-opening on 27 April 2020 and on 15 June 2020 in Scotland for construction operations and on 15 May 2020 in England, 22 June 2020 in Wales and 29 June 2020 in Scotland for site-based sales activity.

The Group's strong Covid-19 safety protocols, which continue to maintain the stringent two metre social distancing rules set at the height of the outbreak, are embedded within all of our operations. Our current build programmes, incorporating these protocols, have returned to normal levels. These robust processes will ensure that we can maintain our build programmes and continue to provide the homes the country needs and support the recovery of the UK economy.

Outlook

The Group has strong market positioning provided by its current network of c. 340 sites in great locations across the UK and its range and choice of affordable homes for its customers. We plan to start construction on c. 55 new sites in the second half of the year adding to this strength. This large and geographically diverse network, supported by the Group's 31 regional businesses, provides the Group with the operational infrastructure and capacity to deliver future growth.

The forward order book, including legal completions taken in the second half, is 21% stronger year on year with new home forward sales of c. £2.5bn. In the last seven weeks, since the start of July, the average weekly net reservations per site is c. 49% higher than the equivalent period last year. At 30 June 2020, the Group was carrying a c. 14% increase in the number of equivalent new home units built compared with the same point last year and build programmes have continued to progress well throughout the summer. This strong position, together with our current projection that c. 45% of our anticipated second half new home legal completions will complete by the end of September, c. 25% of which have completed in Q3 so far, provide confidence over the Group's ability to deliver a second half legal completion outturn that will at least be in line with the second half of 2019.

The continuing healthy level of Persimmon's trading through this period of major disruption in the UK economy and housing market serves to remind us that demand for high quality new homes in sustainable communities remains resilient. Consistently low interest rates, good mortgage availability and supportive Government policies provide reassurance for the housing market. However, we also recognise the potential risks over the medium term posed by further Covid-19 disruption, rising unemployment and the potential impact of the outcome of a future trade deal with the European Union and the rest of the world.

The Group regularly monitors external market factors and their impact on demand and pricing and manages its working capital investment in mitigation of adverse economic events.

We are also closely engaging with our suppliers to manage our supply chains and maintain stock levels where necessary. The vertical integration afforded by our own Brickworks, Tileworks and Space4 production mitigate availability and cost risks further.

The Group's strategy of minimising financial risks and deploying capital at the right time in the cycle together with Persimmon's dedicated, experienced and agile management team provides a strong platform to continue to deliver superior long-term sustainable returns for the benefit of all its stakeholders through the cycle.

The person responsible for the release of this announcement on behalf of the Group is Tracy Davison, Company Secretary.

Footnotes

1 Stated on new housing revenues of £1,102.8m (2019: £1,645.3m) and gross profits of £345.2m (2019: £555.5m).
2 Land cost value for the plot divided by the anticipated future revenue of the new home sold.
3 Stated before goodwill impairment (2020 : £1.6m, 2019 : £4.1m)
4 12 month rolling average stated before goodwill impairment and includes land creditors.
5 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.
6 National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry.
7 Estimated using an economic toolkit.

PERSIMMON PLC
Condensed Consolidated Statement of Comprehensive Income
For the six months to 30 June 2020

	Note	**Six months to 30 June 2020 Total £m**	Six months to 30 June 2019 Total £m	Year to 31 December 2019 Total £m
Total revenue	3	**1,190.5**	1,754.0	3,649.4
Cost of sales		**(845.3)**	(1,198.5)	(2,518.7)
Gross profit		**345.2**	555.5	1,130.7
Other operating income		**3.4**	5.1	8.8
Operating expenses		**(57.0)**	(54.6)	(110.1)
Profit from operations before impairment of intangible assets		**293.2**	510.1	1,036.7
Impairment of intangible assets		**(1.6)**	(4.1)	(7.3)
Profit from operations		**291.6**	506.0	1,029.4
Finance income		**5.1**	8.5	20.5
Finance costs		**(4.3)**	(5.2)	(9.1)
Profit before tax		**292.4**	509.3	1,040.8
Tax	4	**(54.8)**	(98.1)	(192.0)
Profit after tax (all attributable to equity holders of the parent)		**237.6**	411.2	848.8
Other comprehensive expense				
Items that will not be reclassified to profit:				
Remeasurement losses on defined benefit pension schemes	11	**(54.9)**	(3.6)	(27.0)
Tax	4	**8.9**	0.6	4.6
Other comprehensive expense for the period, net of tax		**(46.0)**	(3.0)	(22.4)
Total recognised income for the period		**191.6**	408.2	826.4
Earnings per share				
Basic	5	**74.6p**	129.3p	266.8p
Diluted	5	**74.4p**	129.0p	266.3p

PERSIMMON PLC
Condensed Consolidated Balance Sheet
As at 30 June 2020 (unaudited)

	Note	**30 June 2020**	30 June 2019	31 December 2019
		£m	£m	£m
Assets				
Non-current assets				
Intangible assets		**184.5**	189.3	186.1
Property, plant and equipment		**86.7**	74.3	82.0
Investments accounted for using the equity method		**2.1**	2.1	2.1
Shared equity loan receivables	8	**50.2**	62.9	59.2
Trade and other receivables		**7.1**	7.1	7.1
Deferred tax assets		**6.7**	7.5	6.6
Retirement benefit assets	11	**23.1**	87.8	77.6
		360.4	431.0	420.7
Current assets				
Inventories	7	**3,227.3**	3,145.2	3,156.8
Shared equity loan receivables	8	**12.5**	10.8	9.4
Trade and other receivables		**97.3**	150.4	58.5
Cash and cash equivalents	10	**828.9**	832.8	843.9
		4,166.0	4,139.2	4,068.6
Total assets		**4,526.4**	4,570.2	4,489.3
Liabilities				
Non-current liabilities				
Trade and other payables		**(173.7)**	(220.4)	(178.0)
Deferred tax liabilities		**(17.8)**	(27.2)	(25.2)
Partnership liability		**(27.0)**	(30.7)	(31.6)
		(218.5)	(278.3)	(234.8)
Current liabilities				
Trade and other payables		**(848.8)**	(1,012.8)	(911.7)
Capital Return liability		**-**	(350.1)	-
Partnership liability		**(5.5)**	(5.5)	(5.5)
Current tax liabilities		**(3.0)**	(86.0)	(79.0)
		(857.3)	(1,454.4)	(996.2)
Total liabilities		**(1,075.8)**	(1,732.7)	(1,231.0)
Net assets		**3,450.6**	2,837.5	3,258.3
Equity				
Ordinary share capital issued		**31.9**	31.8	31.9
Share premium		**19.8**	16.4	19.2
Capital redemption reserve		**236.5**	236.5	236.5
Other non-distributable reserve		**276.8**	276.8	276.8
Retained earnings		**2,885.6**	2,276.0	2,693.9
Total equity		**3,450.6**	2,837.5	3,258.3

PERSIMMON PLC
Condensed Consolidated Statement of Changes in Shareholders' Equity
For the six months to 30 June 2020 (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 2020:						
Balance at 1 January 2020	**31.9**	**19.2**	**236.5**	**276.8**	**2,693.9**	**3,258.3**
Profit for the period	-	-	-	-	237.6	237.6
Other comprehensive expense	-	-	-	-	(46.0)	(46.0)
Transactions with owners:						
Issue of new shares	-	0.6	-	-	-	0.6
Exercise of share options/share awards	-	-	-	-	(0.2)	(0.2)
Share-based payments	-	-	-	-	2.4	2.4
Net settlement of share-based payments	-	-	-	-	(2.3)	(2.3)
Satisfaction of share options from own shares held	-	-	-	-	0.2	0.2
Balance at 30 June 2020	**31.9**	**19.8**	**236.5**	**276.8**	**2,885.6**	**3,450.6**
Six months ended 30 June 2019:						
Balance at 1 January 2019	**31.7**	**15.5**	**236.5**	**276.8**	**2,634.0**	**3,194.5**
Profit for the period	-	-	-	-	411.2	411.2
Other comprehensive expense	-	-	-	-	(3.0)	(3.0)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(747.8)	(747.8)
Issue of new shares	0.1	0.9	-	-	-	1.0
Exercise of share options/share awards	-	-	-	-	(0.5)	(0.5)
Share-based payments	-	-	-	-	3.9	3.9
Net settlement of share-based payments	-	-	-	-	(22.3)	(22.3)
Satisfaction of share options from own shares held	-	-	-	-	0.5	0.5
Balance at 30 June 2019	**31.8**	**16.4**	**236.5**	**276.8**	**2,276.0**	**2,837.5**
Year ended 31 December 2019:						
Balance at 1 January 2019	**31.7**	**15.5**	**236.5**	**276.8**	**2,634.0**	**3,194.5**
Profit for the year	-	-	-	-	848.8	848.8
Other comprehensive expense	-	-	-	-	(22.4)	(22.4)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(747.8)	(747.8)
Issue of new shares	0.2	3.7	-	-	-	3.9
Exercise of share options/share awards	-	-	-	-	(0.5)	(0.5)
Share-based payments	-	-	-	-	8.2	8.2
Net settlement of share-based payments	-	-	-	-	(26.9)	(26.9)
Satisfaction of share options from own shares held	-	-	-	-	0.5	0.5
Balance at 31 December 2019	**31.9**	**19.2**	**236.5**	**276.8**	**2,693.9**	**3,258.3**

PERSIMMON PLC
Condensed Consolidated Cash Flow Statement
For the six months to 30 June 2020 (unaudited)

	Note	**Six months to 30 June 2020**	Six months to 30 June 2019	Year to 31 December 2019
		£m	£m	£m
Cash flows from operating activities:				
Profit for the year		**237.6**	411.2	848.8
Tax charge	4	**54.8**	98.1	192.0
Finance income		**(5.1)**	(8.5)	(20.5)
Finance costs		**4.3**	5.2	9.1
Depreciation charge		**7.1**	6.5	13.3
Impairment of intangible assets		**1.6**	4.1	7.3
Share-based payment charge		**2.8**	1.5	3.7
Net imputed interest income		**(0.6)**	1.7	7.7
Other non-cash items		**(3.9)**	(3.6)	(7.6)
Cash inflow from operating activities		**298.6**	516.2	1,053.8
Movement in working capital:				
Increase in inventories		**(65.7)**	(80.9)	(87.7)
(Increase)/Decrease in trade and other receivables		**(41.8)**	(63.9)	6.3
Decrease in trade and other payables		**(70.0)**	(85.0)	(225.6)
Decrease in shared equity loan receivables		**7.9**	17.6	31.4
Cash generated from operations		**129.0**	304.0	778.2
Interest paid		**(2.5)**	(2.3)	(4.2)
Interest received		**2.6**	3.2	5.6
Tax paid		**(129.7)**	(63.6)	(159.6)
Net cash (outflow)/inflow from operating activities		**(0.6)**	241.3	620.0
Cash flows from investing activities:				
Joint venture net funding movement		**-**	0.9	0.9
Purchase of property, plant and equipment		**(10.1)**	(13.1)	(27.5)
Proceeds from sale of property, plant and equipment		**0.5**	0.3	0.7
Net cash outflow from investing activities		**(9.6)**	(11.9)	(25.9)
Cash flows from financing activities:				
Lease capital payments		**(1.8)**	(2.0)	(3.8)
Payment of Partnership liability		**(3.6)**	(3.4)	(3.4)
Net settlement of share-based payments		**-**	(42.6)	(47.2)
Share options consideration		**0.6**	1.0	3.9
Dividends paid	6	**-**	(397.7)	(747.8)
Net cash outflow from financing activities		**(4.8)**	(444.7)	(798.3)
Decrease in net cash and cash equivalents	10	**(15.0)**	(215.3)	(204.2)
Cash and cash equivalents at the beginning of the period		**843.9**	1,048.1	1,048.1
Cash and cash equivalents at the end of the period	10	**828.9**	832.8	843.9

Notes

1. Basis of preparation

The half year condensed financial statements for the six months to 30 June 2020 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union. The half year financial statements are unaudited, but have been reviewed by the auditors whose report is set out at the end of this report. This report should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial year ended 31 December 2019 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 2019, as described in those financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2020:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

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

There are no new standards or amendment to standards, which are EU endorsed but not yet effective.

Going concern

The Group entered this challenging time from a position of strength. Its long term-strategy, which focuses on the risks associated with the housing cycle and on minimising financial risk and maintaining financial flexibility, has equipped the business with strong liquidity and a robust balance sheet.

Despite the significant disruption caused by the Covid-19 pandemic, the Group delivered a resilient trading performance in the six months to 30 June 2020, completing 4,900 new homes (2019: 7,584) and generating a profit before tax of £292.4m (2019: £509.3m). At 30 June 2020, the Group had a strong balance sheet with £829m of cash (2019: £833m), high quality land holdings and reduced land creditors of £374.5m (December 2019: £435.2m). In addition, the Group has an undrawn Revolving Credit Facility of £300m, which has a five year term out to 31 March 2025.

The Group's forward order book, including legal completions taken in the second half, is 21% stronger year on year with new home forward sales of c. £2.5bn. In the last seven weeks, since the start of July, average weekly net reservations are c. 49% higher than the equivalent period last year.

The Directors have carried out a robust assessment of the principal risks facing the Group, as discussed in note 12 of this announcement. The impact of the ongoing social distancing restrictions, introduced by the UK and devolved Governments to contain the spread of Covid-19 and the risk of a new pandemic, have been included as a new principal risk for the Group. The Directors have considered this risk and its potential impact on the other principal risks facing the Group including how they may threaten the Group's strategy, business model, future operational and financial performance, solvency and liquidity. The Group has considered the impact of these risks on the going concern of the business by performing a range of sensitivity analyses including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by Directors[1].

Footnote 1
See also Viability Statement on pages 64 and 65 of the Group's annual financial statements for the year ended 31 December 2019, which provides more detail regarding the approach and process the Directors follow in assessing the long-term viability of the business.

The scenarios emphasise the potential impact of severe market disruption, for example including the effect of the Covid-19 pandemic, on short to medium term demand for new homes. The scenarios' emphasis on the impact on the cash inflows of the Group through reduced new home sales is designed to allow the examination of the extreme cash flow consequences of such circumstances occurring. The Group's cash flows are less sensitive to supply side disruption given the Group's sustainable business model, flexible operations, agile management team and off-site manufacturing facilities.

In the first scenario modelled, the combined impact is assumed to cause a 44% reduction in volumes and a 15% reduction in average selling prices through to 2021. As a result of these factors, the Group's housing revenues were assumed to fall by c. 52% during this period. The assumptions used in this scenario reflect the experience management gained during the Global Financial Crisis ('GFC') from 2007 to 2010, it being the worse recession seen in the housing market since World War Two. The scenario assumes a subsequent recovery occurs over a similar extended period as in the GFC.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market over the next five years causing a reduction of 53% in new home sales volumes and a 45% fall in average selling prices through to 2021. As a result of these factors, the Group's housing revenues were assumed to fall by c. 74% during this period. It assumes that neither volumes nor average selling prices recover from this point through to 2025.

In each of these scenarios cash flows were assumed to be managed consistently ensuring all relevant land, work in progress and operational investments were made in the business at the appropriate time to deliver the projected legal completions. The Directors assumed they would continue to make well judged decisions in respect of capital return payments, ensuring that they maintained financial flexibility throughout.

In addition, due to the level of uncertainty surrounding the impact of the Covid-19 pandemic, the Directors have also assessed the impact of a complete shutdown of the housing market for the period to 31 December 2021. This extended "lockdown" scenario assumes that the Group does not receive any further sales receipts for the period whilst maintaining its current level of fixed costs.

Throughout each of these scenarios, the Group maintains substantial liquidity with a positive cash balance and no requirement to access the Group's £300m Revolving Credit Facility. The payment of the current proposed dividend of 40p per share has been factored into the models.

Having considered the Group's forecasts, sensitivity analysis and the Group's 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 9), goodwill, brand intangibles 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.

In light of the Covid-19 pandemic, at 30 June 2020, management performed an impairment review of the Group's land and work in progress portfolio (see note 7) and goodwill and brand intangibles assets (see below) which indicated that no impairment was required.

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 2019.

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 £1.6m recognised during the period. This regular 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 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Revenue from the sale of new housing	**1,102.8**	1,645.3	3,420.1
Revenue from the sale of part exchange properties	**86.7**	108.7	228.6
Revenue from the provision of internet services	**1.0**	-	0.7
Revenue from the sale of goods and services as reported in the statement of comprehensive income	**1,190.5**	1,754.0	3,649.4

4. Tax

Analysis of the tax charge for the period

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Tax charge comprises:			
UK corporation tax in respect of the current period	**56.7**	97.4	196.7
Adjustments in respect of prior years	**(2.3)**	-	(8.2)
	54.4	97.4	188.5
Deferred tax relating to origination and reversal of temporary differences	**0.4**	0.7	3.2
Adjustments recognised in the current year in respect of prior years' deferred tax	**-**	-	0.3
	0.4	0.7	3.5
	54.8	98.1	192.0

Deferred tax recognised in other comprehensive income

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Recognised on remeasurement charges on pension schemes	**(8.9)**	(0.6)	(4.6)

Tax recognised directly in equity

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Arising on transactions with equity participants			
Current tax related to equity settled transactions	**(0.6)**	(7.8)	(9.9)
Deferred tax related to equity settled transactions	**1.0**	5.3	5.4
	0.4	(2.5)	(4.5)

At 30 June 2020, the Group has recognised deferred tax assets on deductible temporary differences at 19%, the rate enacted at the end of the reporting period.

5. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period (excluding those held in the employee benefit trusts and any treasury shares, all of which are treated as cancelled) which were 318.7m (June 2019: 317.9m; December 2019: 318.1m).

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 319.5m (June 2019: 318.9m; December 2019: 318.8m).

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

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
Basic earnings per share	**74.6p**	129.3p	266.8p
Underlying basic earnings per share	**75.1p**	130.6p	269.1p
Diluted earnings per share	**74.4p**	129.0p	266.3p
Underlying diluted earnings per share	**74.9p**	130.2p	268.6p

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

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Underlying earnings attributable to shareholders	**239.2**	415.3	856.1
Goodwill impairment	**(1.6)**	(4.1)	(7.3)
Earnings attributable to shareholders	**237.6**	411.2	848.8

At 30 June 2020 the issued share capital of the Company was 318,941,892 ordinary shares (31 December 2019: 318,902,385 ordinary shares).

6. Dividends/Return of capital

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Amounts recognised as distributions to capital holders in the period:			
2018 dividend to all shareholders of 125p per share paid 2019	**-**	397.7	397.7
2018 dividend to all shareholders of 110p per share paid 2019	**-**	-	350.1
Total capital return to shareholders	**-**	397.7	747.8

After careful assessment of the capital needs of the business, and in light of the major social and economic disruption resulting from the action taken to introduce measures to mitigate the onset of the Covid-19 pandemic, the Board concluded that the return of surplus capital by way of a 125p per share interim dividend payment previously scheduled to be paid to shareholders on 2 April 2020 would be cancelled. In addition, the Board postponed the payment of the final dividend for the 2019 financial year of 110p per share that was previously scheduled to be paid on 6 July 2020.

As indicated at the Company's AGM on 29 April 2020, in relation to the final dividend for 2019, the Board has continued to assess the Group's capital requirements in the context of the progress made by the business through this challenging period, together with the outlook for the market and the wider UK economy. Given the strong progress the business has made, together with our cautious optimism on the Group's prospects for the second half, the Board is pleased to announce a modest interim dividend of 40p per share which will be paid on 14 September 2020 to shareholders on the register on 28 August 2020.

7. Inventories

	30 June 2020	30 June 2019	31 December 2019
	£m	£m	£m
Land	**1,896.6**	2,013.0	1,938.6
Work in progress	**1,223.7**	1,024.0	1,094.6
Part exchange properties	**55.2**	61.8	71.8
Showhouses	**51.8**	46.4	51.8
	3,227.3	3,145.2	3,156.8

The Group has conducted a further review of the net realisable value of its land and work in progress portfolio at 30 June 2020. Our approach to this review has been consistent with that conducted at 31 December 2019 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 2020 were £29.6m (2019: £36.2m). Following the review, £8.2m of inventories are valued at fair value less costs to sell rather than historical cost (2019: £14.3m).

8. Shared equity loan receivables

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Shared equity loan receivables at beginning of period	**68.6**	86.9	86.9
Settlements	**(7.9)**	(17.6)	(31.4)
Gains	**2.0**	4.4	13.1
Shared equity loan receivables at end of period	**62.7**	73.7	68.6

All gains/losses have been recognised through finance income in profit and loss for the period of which £0.9m was unrealised (June 2019: £1.3m; December 2019: £7.1m).

9. Financial instruments

In aggregate, the fair value of financial assets and liabilities are not materially different from their carrying value. Financial assets and liabilities carried at fair value are categorised within the hierarchical classification of IFRS 7 Revised (as defined within the standard) as follows:

	30 June 2020 Level 3	30 June 2019 Level 3	31 December 2019 Level 3
	£m	£m	£m
Shared equity loan receivables	**62.7**	73.7	68.6

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 (2019: ten years) and a discount rate of 5% (2019: 9%). The reduction in discount rate reflects the continued fall in interest rates and is 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.

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

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Decrease in net cash and cash equivalents in cash flow	**(15.0)**	(215.3)	(204.2)
Cash and cash equivalents at beginning of period	**843.9**	1,048.1	1,048.1
Cash and cash equivalents at end of period	**828.9**	832.8	843.9
Lease liabilities	**(9.3)**	(9.1)	(8.9)
Net cash at end of period	**819.6**	823.7	835.0

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

11. Retirement benefit assets

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

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	£m	£m	£m
Current service cost	**1.0**	0.9	1.7
Administrative expense	**0.2**	0.5	0.9
Pension cost recognised as operating expense	**1.2**	1.4	2.6
Interest income on net defined benefit asset	**(0.7)**	(1.3)	(2.7)
Pension cost recognised as a net finance credit	**(0.7)**	(1.3)	(2.7)
Total defined benefit pension cost recognised in profit or loss	**0.5**	0.1	(0.1)
Remeasurement losses recognised in other comprehensive expense	**54.9**	3.6	27.0
Total defined benefit scheme loss recognised	**55.4**	3.7	26.9

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

	30 June 2020	30 June 2019	31 December 2019
	£m	£m	£m
Fair value of pension scheme assets	**662.3**	661.8	672.8
Present value of funded obligations	**(639.2)**	(574.0)	(595.2)
Net pension asset	**23.1**	87.8	77.6

The reduction in the net pension asset to £23.1m (December 2019: £77.6m) is largely due to the continued fall in long-term corporate bond yields reducing the discount rate assumption applied to scheme obligations to 1.6% (December 2019: 2.0%).

12. Principal risks

Pandemic risk		
Residual Risk High **Change from prior year** New	**Impact** A potential increase in the Covid-19 transmission rate or a new pandemic occurring in the UK may lead to a requirement for our workforce and our customers to comply with varying levels of social distancing measures or other measures to curb the spread of the disease. This action may disrupt continuity of site construction and access to labour and materials, leading to significant delays to the Group's build programmes and new home legal completions. The magnitude of any impact on the business will depend on the extent of the measures introduced as applied to our workforce, our customers, and wider society. A new pandemic would present an increased health and safety risk to the public, our workforce and our customers on our sites, in our offices and in our off-site manufacturing facilities. Social distancing requirements would be likely to result in an increased number of our workforce working remotely leading to additional IT and information security risks. A potential increase in the Covid-19 transmission rate or a new pandemic may also adversely impact the wider economy resulting in reduced consumer confidence, demand and pricing for new homes, thereby impacting revenues, margins, profits and cash flows and may give rise to impairment of asset values.	**Mitigation** During the current pandemic, the Group's business continuity plans were deployed swiftly, with Board oversight. A Covid-19 Steering Committee continues to monitor day to day progress. The Group has a highly experienced Group Health and Safety Department with established Group policies and procedures together with the ability to swiftly enhance or adapt safety operating protocols to mitigate against specific risks. For example, the Group's recent development and implementation of the Group's Covid-19 Risk Assessments and associated protocols to mitigate the risk of transmission of the Covid-19 infection. (Also see Health and Safety risk below). During the Covid-19 pandemic the Group was able to rapidly transition to increased levels of remote working through enhanced use of technology. The Group's sales teams provided a continuous service to our customers through our digital sales platform and other online tools which enabled the business to continue to take sales reservations and legal completions throughout the lockdown period. Our remote working processes have been strengthened further through a number of collaboration tools to enable seamless home working. These enhancements to the Group's remote working capabilities will support increased numbers of our workforce at home, should another 'lockdown' occur. The risks of increased use of remote working are mitigated through regular communication with all users reminding them of potential issues, particularly for example in relation to phishing emails. (Also see mitigation of Cyber and Data Risk). The impact of build delays caused by the lockdown have been mitigated by our planned increase in levels of construction work in progress coming into the pandemic. This was the result of a strategic decision to provide greater stock availability to our customers, to improve quality and service levels, and in anticipation of increased demand ahead of the end of the Government's current Help to Buy scheme. The Group's construction work in progress remains at higher levels providing an effective buffer to potential build delays. The vertical integration afforded by use of our own Brickworks, Space4 and Tileworks production mitigates the risk of potential supply chain disruption. The Group's long-term strategy implemented from 2012 focuses on recognising the risks associated with the cyclical nature of the housing market by minimising financial risk, maintaining operational and financial flexibility and deploying capital at the most appropriate time in the cycle. This strategy and management's preparedness, responsiveness and agility provide us with

		the sound fundamentals required to enter periods of demand, volume or pricing downturns in a position of strength with strong levels of liquidity and a robust balance sheet.
Strategy		
Residual Risk Low **Change from prior year** No change	**Impact** 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, it is possible that 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.	**Mitigation** The Group's strategy is agreed by the Board at an annual strategy meeting, and undergoes a continuous and iterative process of implementation, 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 communicated, understood and effective. For example, an Employee Engagement Panel, Gender Diversity Panel and employee engagement surveys have been established to monitor the cultural health of the organisation and ensure strategy is understood and implemented.
UK's exit from the EU		
Residual Risk High **Change from prior year** No change	**Impact** The UK's exit from the European Union may lead to increased economic uncertainty adversely impacting: consumer confidence, demand and pricing for new homes, revenues, margins, profits and cash flows and may result in the impairment of asset values. Should the UK's future trading arrangements with the EU not be finalised before the end of the transition period in December 2020, a 'no deal' scenario will occur. The deadline for extending the transition period has now passed potentially making a 'no deal' Brexit more likely. If a 'no deal' scenario does occur, some of the Group's EU imported materials may be subject to tariffs resulting in increased material costs. Potential legislative changes on customs arrangements could create bottlenecks at ports and impact on the availability and cost of imported materials and components within our supply chain.	**Mitigation** We continue to monitor the political situation, the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. We robustly manage and control our work in progress and land investment and our stringent investment appraisals will continue, aiming to ensure exposure to market disruption is reduced. We closely engage with our key suppliers and have obtained assurances over the continuity of our material supply where relevant. We will continue to employ effective tendering processes to ensure cost impacts are mitigated as far as possible. The vertical integration afforded by use of our own Brickworks, Space4 and Tileworks production will mitigate the availability and cost risks further. (Also see mitigation and review of Government policy and Labour and Resources)
National and regional economic conditions		
Residual Risk High	**Impact** The housebuilding industry is sensitive to changes in the economic environment, including	**Mitigation** As noted above, the Group's long-term strategy recognises the cyclical nature of the housing market and focuses on minimising financial risk, maintaining operational and

Change from prior year No change	unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may have an adverse impact on demand and pricing for new homes, which could have a material effect on our revenues, margins, profits and cash flows and result in the 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.	financial flexibility and judging the timing of capital deployment through the cycle. We continually monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption. We regularly review our pricing structure to ensure it reflects local market conditions and continuously monitor the Group's geographical spread. Our diversity of geographical markets and our range of price points helps us mitigate the effects of regional economic fluctuations. In the current climate, our strategy of providing 'homes for all' at more affordable price points has proved successful. We control the level of build on site by closely monitoring our stock and work in progress levels. The Group's strong land holdings provide continuity of supply and disciplined and extensive due diligence processes are always undertaken prior to entering into any land investment decisions. These processes have regard to local market demands and conditions, and the Group's existing strategic and on market land holdings. All land additions are reviewed by the Executive Directors.
Government policy		
Residual Risk High **Change from prior year** No change	**Impact** Changes to government policy have the potential to impact on several aspects of our strategy and operational performance. For example, changes to the planning system, changes in the tax regime, or further amendment of the Help to Buy scheme or other housing policies could have an adverse effect on revenues, margins and asset values. Changes to the planning system may also adversely impact the Group's ability to source suitable land to deliver appropriate levels of return.	**Mitigation** We monitor Government policy in relation to the housing market very closely. Consistency of policy formulation and application is very supportive of the housebuilding industry, encouraging continued substantial investment in land, work in progress and skills to support output growth. Our strategic objectives, delivering homes for all, are aligned with government priorities for increasing housing stock. The UK Government continues to support the industry with the recent announcement of a stamp duty holiday on property sales up to £500,000 until 31 March 2021 and its Help to Buy scheme, which is currently scheduled to remain in place until 2023. We actively manage our land investment decisions and levels of work in progress to mitigate exposure to external influences.
Mortgage availability		
Residual Risk High **Change from prior year** No change	**Impact** Any restrictions in the availability or affordability of mortgages for customers could reduce demand for new homes and affect revenues, profits, cash flows, and asset values.	**Mitigation** We monitor Bank of England commentary on credit conditions including the monthly approvals for house purchases and UK Finance's monthly reports and lenders' announcements for trends in lending. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations for market conditions. The Government's Help to Buy scheme, which is currently scheduled to remain in place until 2023, supports customers to gain access to the housing market across the UK with competitive mortgage rates.
Health and safety		
Residual Risk High	**Impact** The health and safety of our employees, subcontractors, customers and visitors to our	**Mitigation** The Board has a very strong commitment to health and safety and managing the risks in this area effectively. This is implemented by comprehensive management systems

Change from prior year No change	construction sites is of paramount importance to us. Accidents on our sites could also lead to reputational damage and financial penalties.	and controls, managed by our highly experienced Group Health and Safety Department, which includes detailed training and inspection programmes to minimise the likelihood and impact of accidents on our sites. The Group's established policies and procedures can be quickly and effectively adapted to evolving health and safety guidance and regulation. This has been recently demonstrated with the swift Group wide adoption of Covid-19 safe operating protocols. While all reasonable steps are taken to reduce the likelihood of an incident, the potential impacts of any such incident are considered to be high.
Labour and resources: skilled workforce, retention and succession		
Residual Risk Medium **Change from prior year** No change	**Impact** Access to an appropriately skilled workforce is a key requirement for the Group. Rising UK house building activity in recent years has increased demand for skilled labour, which has increased pressure on costs. A skilled management team is essential in maintaining operational performance and the implementation of the Group's strategy.	**Mitigation** We closely monitor our build programmes to enable us to manage our labour requirements effectively. We operate in-house apprentice and training programmes, to support an adequate supply of skilled labour. Our in-house Group Training Department has been established to standardise and more effectively coordinate training activity. We are also committed to playing a full and active role in external initiatives to address the skills shortage such as the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation. Where appropriate, we also use the Group's Space4 modern method of construction which helps diversify resource requirements on site. The Group focuses on retaining its key staff through a range of measures, including the establishment of a Gender Diversity Panel, an Employee Engagement Panel, employee engagement surveys, further development of performance management frameworks, career management, and incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.
Labour and resources: materials and land purchasing		
Residual Risk Medium **Change from prior year** No change	**Impact** <u>Materials availability</u> Recent growth in UK housebuilding and supply chain disruption caused by the Covid-19 pandemic has led to an increased demand for materials which is placing greater pressure on the supply chain. This may continue to cause availability constraints and increase cost pressures. Build quality may be compromised if unsuitable materials are procured	**Mitigation** <u>Materials availability</u> Our build programmes and our 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. We have invested in expanding our off-site manufacturing hub at Harworth, near Doncaster, to strengthen security of supply. Our brick plant is providing a significant proportion of the bricks we use and our roof tile manufacturing facility began delivering roof tiles to our sites this year. This complements our existing off-site manufacturing capability at Space4, which produces timber frames, highly insulated wall panels and roof cassettes as a modern method of constructing new homes. Our procurement team ensures that the Group's suppliers provide materials to the expected specification. Materials are inspected on receipt at site. During build, each of our

	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.	new homes undergoes a seven stage internal quality check process by our management teams, supported with IT tools to enable monitoring. This process has been further strengthened during 2019 by the introduction of a new team of Independent Quality Inspectors across each of our regional businesses. Land Purchasing The Group has strong land holdings. All land purchases undergo stringent viability assessments performed by our dedicated land and planning teams and must meet specific levels of projected returns. The Board review and determine the appropriate timing of land purchases having regard to existing market conditions and sales rates.
Climate change		
Residual Risk Medium **Change from prior year** Increased	**Impact** Should the effects of climate change and the UK's transition to a lower carbon economy lead to increasing national regulation this could cause additional planning delays, increase the cost and accessibility of materials required within our construction process and potentially limit their supply or require additional features which could significantly increase our costs. 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. Changes in weather patterns may increase build costs and/or development timeframes. The impact and likelihood of this risk has increased compared to the prior year as increasing awareness and desire for action is likely to result in a more urgent transition to a lower carbon economy.	**Mitigation** We monitor our operational efficiency and direct environmental impact in a number of ways including measuring our own CO_{2e} emissions and the amount of waste we generate for each home we sell. The Group has developed a climate change risk register which ensures that the management and mitigation of the risk is embedded within the Group's risk management process. We have also appointed a Group Sustainability Manager bringing increased focus to both the risks and opportunities surrounding climate change. 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. For example, we conduct full environmental assessments for each parcel of land we acquire for development to ensure our activities fulfil all obligations, respecting the natural environment and the communities for which we are delivering newly built homes. We are keen to adopt Sustainable Urban Drainage Systems on all our new sites, subject to local planning requirements, to address the risk of flooding. On 1 October 2019, the Government set out its plans for the 'Future Homes Standard' including proposed options to increase the energy efficiency requirements for new homes in 2020 as a 'stepping stone' to achieving the new standard. The Future Homes Standard (to be introduced by 2025) will require new build homes to be future-proofed with low carbon heating and world leading levels of energy efficiency. During 2019, the Group established a low carbon homes working group (consisting of members from across the Group's various disciplines) to effectively plan and manage the transition to low carbon homes. The Group, which collaborates with key suppliers, is aiming to identify the most effective solutions to developing low carbon homes. It meets regularly and reports its findings to the Board. The Group is proactively engaging with the housing industry and the Government to develop industry wide solutions to meet the 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
Reputation		
Residual Risk Medium **Change from prior year** No change	**Impact** Damage to the Group's reputation could adversely impact on its ability to deliver its strategic objectives. For example, should 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 lead to higher staff turnover.	**Mitigation** Management Supervision The Group has a strong commitment to appropriate culture and maintaining the high quality of its operations. Oversight from the Board seeks to ensure key processes are robust and any matters are promptly and effectively addressed. The Group's build quality and customer service processes are a key strategic priority and significant investment has been made in this area with the Customer Care Improvement Plan now embedded within the business. Persimmon's Homebuyer Retention scheme, introduced on 1 July 2019 and which is unique in the market, is proving to be both popular with customers and a key driver of behavioural change within the business. Where management oversight identifies inconsistencies in adherence to agreed processes, correcting actions are swiftly taken, for example in the case of incorrect cavity barrier installations where immediate action was taken through inspections and remediation. As part of the Customer Care Improvement Plan actions also included additional training and the introduction of "the Persimmon Way" and associated initiatives described below. The Group has established a Construction Working Group comprising senior experienced construction professionals from across the Group in order to strengthen Group build processes and establish a consolidated, consistent Group-wide approach to construction ("the Persimmon Way"). A Group Construction Director has also been appointed to strengthen oversight of Group build processes across all regions. The Group has appointed a new team of Independent Quality Inspectors who undertake regular inspections on all aspects of construction activity on our sites as well as continually assessing the finished quality of our new homes in addition to our existing 7-stage checks prior to legal completion. The Persimmon Way will be fully operational by the end of 2020 and there will be an external audit of this process. Other senior appointments have been made at Group level to promote and enforce compliance with policies and procedures as well as to provide the Board with assurance that they are being implemented properly. Stakeholder Relationships 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. During 2019 the Group further developed engagement activities with all stakeholders. For example, improved engagement with our employees is facilitated through the Employee Engagement and Gender Diversity Panels which meet regularly and report to the Board. The Group has also invested in a number of measures to improve

		customer experience through the Group's Customer Care Improvement Plan by putting customers before volume. For example, significant investment in increased work in progress levels, the introduction of a Home Buyer Retention Scheme for customers with cover to include any faults identified during the first week of occupation, and investment in the development of a customer portal which will be rolled out during the second half of 2020. In addition, the Group continues to foster long term, mutually beneficial relationships with its suppliers. 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.
Regulatory compliance		
Residual Risk Low **Change from prior year** Increased	**Impact** The housebuilding industry is subject to extensive and complex laws and regulations, particularly in areas such as land acquisition, planning 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. The potential risk impact in this area has increased during the year, reflecting increasing regulatory requirements, and the scale of potential penalties under recent legislation (for example those under the General Data Protection Regulation "GDPR").	**Mitigation** We operate comprehensive management systems to ensure regulatory and legal compliance, including a suite of policies and procedures covering key areas of legislation and regulation. Where these systems identify inconsistencies in adherence to agreed processes, correcting actions are swiftly taken. For example, our response to the incorrect cavity barrier installations where immediate action was taken through inspections and remediation. We engage extensively with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption. Also, the Group controls sufficient land holdings to provide security of supply for medium term trading requirements.
Cyber and Data Risk		
Residual Risk Medium **Change from prior year** New	**Impact** Failure of any of the Group's IT systems, particularly those in relation to customer information and customer service could result in significant financial costs and reputational damage and business disruption, due to the loss, theft or corruption of data either inadvertently or via a targeted cyber-attack.	**Mitigation** We operate centrally maintained IT systems with a fully tested disaster recovery programme. All infrastructure is highly resilient, with geographically diverse datacentres that have a series of backups. The Group has detailed and robust systems development and implementation processes in place and a Cyber Incident Response Plan. The Group has strengthened its cyber security resource to manage and oversee security controls. Periodic penetration testing is carried out through security partners to test the security of our perimeter network. Training and regular communications are delivered to all users to increase awareness of cyber-risks. Specialists within the Group's IT Department provide oversight on the suite of controls in place to ensure they are continually updated to mitigate evolving threats.

		An externally led review of the Group's cyber security measures has been commissioned to validate the Group's approach. Established GDPR compliant business processes and data management are maintained and regularly reviewed.

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial reporting as adopted by the EU
- the Half Year Report includes a fair review of the information required by:
  - 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
David Jenkinson	Group Chief Executive
Mike Killoran	Group Finance Director
Nigel Mills	Senior Independent Director
Rachel Kentleton	Non-Executive Director
Simon Litherland	Non-Executive Director
Joanna Place	Non-Executive Director
Annemarie Durbin	Non-Executive Director

By order of the Board

David Jenkinson	**Mike Killoran**
Group Chief Executive	Group Finance Director

17 August 2020

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

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 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 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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.

Directors' Responsibilities

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

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
17 August 2020