Persimmon
Together, we make your home

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Disciplined management during market uncertainty; building a platform for future growth

Persimmon Plc today announces its half year results for the six months ended 30 June 2023.

Dean Finch, Group Chief Executive, said:
"Against a backdrop of higher mortgage rates, the removal of Help to Buy and significant market uncertainty, Persimmon has delivered a robust sales rate excluding bulk sales whilst growing the private average selling price in our forward order book and also securing cost savings. We are on track to deliver profit expectations for the year and are building a platform for future growth.

"Our private sales rate has remained broadly consistent throughout the period resulting in a private forward order book that is now 83% higher than it was at the beginning of the year, despite controlled use of sales incentives and limited recourse to investor deals. Our pricing overall has remained resilient with continued positive momentum in the forward order book. However, the reduced volumes in the first half of the year has negatively affected our operating margins as we predicted earlier in the year. As we look forward, we expect increasing completions to result in improving operating margins.

"We have been proactive in managing our cost base however, this has been done without losing our focus on quality. We were delighted to retain a five-star customer service rating in the period and have made very pleasing progress in our Trustpilot scores. The Group's national network of outlets providing high quality products at a range of attractive prices and an improved brand reputation are crucial strengths in this market.

"We have maintained targeted investment in exceptional new land opportunities and enhanced key capabilities to deliver high quality homes for customers consistently. Subject to the challenges in the planning system we are determined to grow our outlet numbers in a disciplined way. Our new Space4 factory and investment in TopHat modular manufacturer will help us drive even greater efficiencies in the coming years. We are carefully strengthening our operations and national outlet network to position ourselves for future growth while protecting margins.

"With the historic under-supply of homes the longer term outlook for housing remains positive. Persimmon has a proven track record of delivering strong returns through the cycle. I am confident that the combination of a relentless focus on our key enduring strengths while enhancing key capabilities, will again drive strong returns through the next cycle."

Financial highlights

	H1 2023	H1 2022
New home completions	**4,249**	6,652
New home average selling price	**£256,445**	£245,597
Total Group revenue[1]	**£1.19bn**	£1.69bn
Underlying new housing gross margin[2]	**21.5%**	31.0%
Underlying operating profit[3]	**£152.2m**	£440.7m
Underlying operating margin[4]	**14.0%**	27.0%
Profit before tax	**£151.0m**	£439.7m
Earnings per share	**34.4p**	106.5p
Interim dividend per share	**20p**	-
Cash at 30 June	**£0.36bn**	£0.78bn
Land holdings at 30 June – plots owned and under control	**84,751**	89,052
Underlying 12 month rolling return on average capital employed[5]	**21.1%**	30.9%

Trading highlights

- 4,249 new home completions in H1 (2022: 6,652), reflecting the lower forward order book coming into the year following the market challenges after last Autumn's 'mini-Budget'
  - Group private average selling price of £288,327, up 8% year on year, partially reflecting a greater proportion of larger homes sold
  - Group average selling price of £256,445 up 4% year on year
- Sales rate of 0.59 for the period (2022: 0.91), broadly sustaining the higher than expected rates seen in the first quarter and secured with the controlled use of incentives and investor deals
  - Average incentive levels of 3.2% in the period on the Group's private sales (H2 2022: 1.5%)
  - Investor deals accounted for 0.03 of the sales rate in the period; continue to assess approaches from interested parties on a case-by-case basis

- Cash at 30 June 2023 of £357m, after £192m in dividend payments and £182m of land creditors paid in the period
    - Continued close WIP and cost control, to manage cash and margins while maintaining capability for upturn
    - New revolving credit facility signed in July, increasing to £700m and extending to July 2028; includes sustainability-linked metrics
- Interim dividend of 20p per share to be paid on 3 November 2023, to shareholders on the register on 13 October 2023

Operational highlights

- Maintained five-star customer satisfaction rating for second year running and have made good progress on our Trustpilot scores
- Excellent progress on build quality with a c.50% reduction in Reportable Items[6] over the last year; building homes customers can rely on at a price they can afford
- Continued targeted investment in vertical integration through a new Space4 factory and TopHat, a modular home manufacturer
- Maintained positive progress on building safety remediation programme; many active tenders and works on-going; 36 of 80 developments completed; £350m provision announced in March remains unchanged
- Continue to engage with the Competition and Markets Authority Housing Market Study

Land and planning highlights

- Selective approach to land buying with 3,245 plots brought into the business across 15 locations, maintaining good coverage across the country
- Selling outlets remained broadly flat in the period (June 2023: 273; December 2022: 272)
    - Our ambition remains to return to pre-Covid outlet numbers in the medium term, subject to planning constraints
- Sharpened approach to planning through local engagement with 5,102 plots across 33 sites achieving detailed planning consent in the period
    - Represents 120% of completions in the period; focus on seeking permissions on already owned land
    - Some progress in addressing nutrient neutrality through proactive local engagement on mitigation

Outlook

- Current forward sales position (including 5 weeks post period end) of £1.6bn; 30% lower year on year (2022: £2.2bn)
    - Forward private sales of £875.9m, up 83% compared to 1 January 2023 (£478.5m)
    - Forward private average selling prices up 0.9% compared to 1 January 2023
- Full year completions expected to be at least 9,000, the top end of our previously indicated range, with operating profits in line with expectations given stubborn build cost inflation in the period
    - Prevailing build cost inflation of around 5%, we expect it to moderate further in the months ahead

Footnotes

1 The Group's total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. Housing revenues are the revenues generated on the sale of newly built residential properties only.
2 Stated on new housing revenues of £1,089.6m (2022: £1,633.7m) and gross profit of £234.0m (2022: £506.2m).
3 Stated before goodwill impairment (2023: £5.8m, 2022: £3.2m).
4 Stated before goodwill impairment (2023: £5.8m, 2022: £3.2m) and based on new housing revenue.
5 12 month rolling average calculated on operating profit before goodwill impairment of £9.2m (2022: £5.5m) and legacy buildings provision charge of £275.0m (2022: £nil) and total capital employed (including land creditors). Capital employed being the Group's net assets less cash and cash equivalents plus land creditors.
6 A Reportable Item is an area of non-compliance with NHBC standards. The item is rectified fully before completion of the home.

For further information please contact:

Victoria Prior, Group IR Director
Anthony Vigor, Group Director of Policy and External Affairs
Persimmon Plc
Tel: +44 (0) 1904 642199

Olivia Peters
Teneo
persimmon@teneo.com
Tel: +44 (0) 7902 771 008

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

Analysts unable to attend in person may listen live via conference call by registering using the link below:
https://register.vevent.com/register/BI721dc6c73bb042db9d2365131ef60590

The presentation can be viewed via the webcast using the link below:
https://edge.media-server.com/mmc/p/gdpdpt3a/

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

CHIEF EXECUTIVE'S REVIEW

Discipline through uncertainty; strengthening future platform

Overview

Persimmon is on track for the full year to deliver results in line with expectations. In the period we have delivered a PBT of £151m, will pay an interim dividend of 20p per share and have a cash position at 30 June of £357m. Despite the significant economic, political and geo-political challenges of the last 9 months Persimmon continues to actively protect margins. Given the strength of our land bank, our focus on cost efficiency and our continued land buying expertise, this will continue.

For the full year we expect to deliver at least 9,000 completions, the top end of our previously indicated range. In the period, the Group's average private weekly sales rate was 0.59 net reservations per outlet per week. This broadly maintained the improved rate seen in the first quarter of the year following the challenges at the end of 2022, but is around 35% lower than the strong comparator of last year. Incentives have also been used in a very controlled manner at around 3.2% per plot, split roughly 2.2% cash and 1.0% non-cash. In the 5 weeks since the period closed, sales rates have been 0.41, compared to 0.69 for the same period last year. Cancellations have remained around typical rates for the year so far at c.18%.

Private average selling prices in the current forward order book are proving resilient, up 0.9% since the start of the year. Our current forward sales position is £1.6bn, 30% lower year on year (2022: £2.2bn), reflecting the Group's lower sales rates. This forward sales position is, however, over 49% higher than at the start of the year. Affordability remains the key challenge, with mortgage availability at higher loan-to-value ratios and the removal of Help to Buy impacting First Time Buyers in particular. The proportion of sales to First Time Buyers has dropped to 34% in the period, compared to 42% in the first half of last year.

In the period 4,249 completions were delivered. This is a reduction of 36% compared to the first six months of 2022, largely due to beginning the year with a lower forward order book following the market challenges experienced after last Autumn's 'mini-Budget'. The Group's average selling price of £256,445 (2022: £245,597) is up 4% year on year, partially reflecting the delivery of a greater proportion of larger homes to our customers. Underlying selling prices have remained broadly flat for the period. Together these lower completions combined with price growth has resulted in housing revenue declining by 33% to £1.09bn (2022: £1.63bn).

As anticipated in the 2022 full year results announcement, the net impact of house price inflation in the period against stubborn cost inflation, lower volumes and increased sales and marketing costs has reduced the Group's housing gross margin[1]. This together with a higher proportion of homes sold to our housing associations partners (2023: 23%; 2022: 17%) has adversely impacted housing gross margin by 950 bps.

	%
Housing gross margin H1 2022	**31.0**
Inflation impact	(4.2)
Sales rate	(2.3)
Increased proportion of completions to housing association partners	(0.9)
Sales incentives and marketing	(2.1)
Housing gross margin H1 2023	**21.5**

The Group generated an underlying housing operating margin[2] of 14.0% (2022: 27.0%).

In response to these pressures, we have rigorously sought new opportunities for efficiency and cost savings, especially in light of prevailing build cost inflation of around 5%, with a clear focus on protecting margins. As such, Persimmon's well established and disciplined cash and cost management processes are being stringently applied as we use incentives in a controlled way, carefully monitor land and work in progress investment and diligently control our already lean overhead cost base. With a total fixed cost base of £281m, we believe we compare favourably within the sector.

We are also looking to the future and have sought targeted investment, in excellent new land opportunities and our vertical integration, to enhance our capability to respond rapidly and effectively in an industry-leading way to improved market conditions.

Delivery on strategic priorities
In line with our strategic priorities, our experienced management team has focused on the following in the first half of the year:

- Maintaining a disciplined, proactive approach with cost and cash controls in place
- Vertical integration to provide efficiency and resilience in supply
- Improving sales effectiveness
- Land and planning success
- Continued focus on build quality, safety and sustainability

Maintaining a disciplined, proactive approach with cost controls in place
Persimmon's senior management teams have significant experience in applying rigorous cost control throughout the cycle, focusing on protecting margins and cash generation. Drawing on this experience, the Group acted quickly to enhance its already strong investment discipline and working capital cost controls in the fourth quarter of 2022 to protect our cash position and provide the flexibility to pursue attractive growth opportunities in the longer-term. This approach has been maintained in the first half with additional cost control measures put in place and stronger central oversight of spend within the regional businesses to balance the need for significant discipline, alongside targeted investment in long term success.

Our cost discipline is focused on four areas of 'smart' savings.

First, we are reviewing value engineering across the Group to share lessons and opportunities for efficiency, as well as further procurement savings. This involves a plot-by-plot, site-by-site review to identify areas for cost savings or value enhancement that do not compromise quality. This review typically considers, for example, whether we are optimising: the house type range on a specific site; the external works (e.g. drives, patios and retaining walls); and, the construction methods used, including whether there's more opportunity to use our own brick and tile products more widely. This enhanced review and oversight of site costs is being complemented where possible by the expanded use of procurement framework agreements and frequent supplier negotiations to reduce the impact from build cost inflation and capture any pricing opportunities as soon as possible.

Second, in an era of significant affordability challenges alongside cost inflation, we are identifying opportunities to secure savings in specifications that are less important to customers and do not compromise on quality. We believe this review could identify savings of up to £1,800 per plot. Persimmon's mission is ever-more relevant: to build homes customers can rely on at a price they can afford. In identifying opportunities for build cost savings, this work is a crucial part of achieving that.

Third, we are reviewing our sub-contractor pricing on a more frequent basis to identify opportunities to secure increased savings. We are actively retendering sites to identify savings. Just as we absorbed many price increases from sub-contractors in recent years, so we need to share the cost pressures in this new challenging environment. While there are of course variations across trades, groundworker, bricklayer and dry liner costs are in general coming down, for example. National infrastructure projects like HS2 continue to create pressures in the broader sector, however the overall inflationary pressure is reducing and we are working proactively and in a detailed manner to capture it.

Fourth, Persimmon is already a 'lean' organisation within the sector but we of course are keeping our overheads under constant review. A recruitment freeze across the Group has seen headcount reduce by nearly 300 in the period. Further reviews are on-going and we are targeting £25m annualised saving, which will benefit our 2024 operating budget. We will continue to balance the need for cost savings with our aim of ensuring the company has the ability to respond quickly to an improvement in the market to achieve our objective of growing fastest in the industry – while delivering industry-leading margins – as market conditions improve.

Underpinning all of these smart savings initiatives is the further enhancement of our disciplined control of Work In Progress to manage cash. This enhanced management has more closely matched build rates to sales with build rates in the period running at around 26% lower year-on-year at 195 units per week, while also delivering targeted progress on our build given the low number of equivalent units (c. 3,900) that we entered 2023 with. We have ended the period with around 4,700 equivalent units providing benefits from improved quality and greater customer choice. New outlet openings are also rigorously reviewed on a similar basis: balancing the cash investment required with likely customer demand and ensuring we have a strong platform for future growth. Build rates and outlet openings are kept under constant review by both local and Group management teams.

Vertical integration providing efficiency and resilience in supply
A key differentiator is Persimmon's vertical integration, especially through our BrickWorks, TileWorks and Space4 timber frame factories. These facilities provide a cost-effective, resilient supply of high-quality materials. As part of our continued review of costs and efficiencies these facilities are providing further opportunities.

At the start of the year we altered the shift patterns at our factories to ensure our manufacturing facilities remained a low cost solution for the business, but we have the ability to ramp up production quickly when market conditions improve.

We have also reviewed where we can expand the use of these products by operating regions. We have increased the use of our own products to 55% of all bricks used (2022: 41%). A switch to our own brick products typically secures a £2,000 per plot saving.

Our vertically integrated approach demonstrates both our cost-efficiency focus and how we are investing to enhance our capabilities to grow quickly when the market conditions improve. In June we secured planning permission for our new Space4 factory in Leicestershire. This next-generation factory will use advanced automation to provide up to 7,000 units a year and allow even more of the frame set to be built in the factory. The new factory will have the capability, for example, to include windows and pre-drilled electrical and plumbing spaces amongst other advances. Timber frame is currently seven weeks faster to build than traditional homes. We expect these new frames to improve that by a further two weeks at least.

Our investment in TopHat, announced in April, adds further exciting opportunities. As part of their innovative modular units, TopHat has developed an industry-leading brick façade. There is an exciting opportunity to combine this façade with our timber frame unit to provide further efficiency benefits as well as help manage the growing challenge of labour shortages in key trades with the assurance of factory-produced quality. TopHat's industry-leading modular units will also provide the opportunity to expand our range of products to customers.

Improving sales effectiveness

The period has seen significant market challenges and volatility. This has been principally caused by mortgage rate increases. There have been more welcome signs recently – albeit after only one data point – on inflation and associated reductions in some headline mortgage rates, however this only underlines the volatility in the market. Within this context the Group has worked hard to secure sales while using incentives and investor deals in a controlled way. Without this discipline we could have sold more homes, but at a lower price with the associated effect on margin. A private weekly sales rate per outlet per week of 0.59 in the period broadly maintains the improvement seen in the first quarter of the year after the market challenges following last Autumn's mini-Budget. Nonetheless, they are 35% lower than last year's strong comparator. Cancellations have remained broadly stable at typical historic levels. Taken together we are now confident we will deliver at least 9,000 legal completions in 2023, the top end of our previously indicated range. Since its introduction in 2022, Persimmon has delivered 260 homes under the Government's 'First Home' scheme, one of the largest contributions of any developer. These are below market value homes, supported by a Homes England grant.

Part exchange has proved popular, being used across the Group in approximately 19% of gross reservations in the period (2022: 5%). Within this, we are seeing a noticeable increase in existing Persimmon and Charles Church customers using part exchange to purchase a new home with us. This customer loyalty is pleasing to see as it reflects the improvements we have made to quality and customer service in recent years, as well as opening up the opportunity for further growth in repeat custom.

In this more challenging market, our recent improvements to quality and customer service while maintaining our affordability advantage are ever more important. In the period Persimmon Homes' average selling price is around 25% below the market average[3]. We are now more consistently building well-located, attractively-priced homes to a high standard. We have promoted this with increased investment in marketing, with our two main campaigns, launched on Boxing Day and over Easter, receiving strong customer interest. We are planning another campaign for the up-coming key selling season.

We have also been enhancing our digital marketing and customer service capabilities, addressing historic underinvestment in these key commercial areas and aiming to improve lead generation and conversion. We now have 'always on' digital marketing, targeting advertising at key market segments – such as First Time Buyers, young families seeking space and downsizers – with a greater propensity to buy new build homes. This more targeted approach enables more bespoke messaging to resonate with these groups and generates insight that can aid constant refinement of marketing strategy.

A new sales and marketing customer relation management (CRM) system, YourKeys, will provide a 'one-stop shop' for all customers, making their buying experience with us easier and more engaging. As well as providing real-time updates on the progress of a reserved home, parts of the purchase process can be completed online at the customer's convenience. The process will also be made more efficient for our sales agents and colleagues. The roll-out will start later this year and once implemented will provide a CRM system that can be added to in the coming years, further enhancing customer service and providing a rich database to refine our targeted marketing.

Our new approach to marketing and enhancements to customer service are helping to generate interest and enquiries. The current challenge is to convert the interest into sales. While banks are lending and there is significant – perhaps, record – levels of equity in the market, loan-to-value ratios remain high. Affordability remains the key challenge in the market and we are considering new, innovative opportunities to support First Time Buyers in particular in the absence of government policies such as Help to Buy. As well as being a core Persimmon strength, cost efficiency and savings are ever-more important to be able to offer customers the opportunity of homeownership when affordability is stretched for many.

Land and planning success
With our existing high quality land holdings, we have maintained our stringent and disciplined approach to land opportunities and continue to invest in exceptional cases to strengthen our platform for growth, at the right time, when the market improves.

Overall, land spend in the period was £240m, £176m lower than in the prior year (2022: £416m) reflecting this disciplined approach. Of the £240m land spend, £182m was the settlement of land creditors (2022: £136m). In addition, we brought 3,245 plots across 15 sites into our owned and under control land holdings in the period. The majority were in the North and Scotland where average selling prices have remained firm or increased. Overall the land we brought in reflected our balanced coverage across the country, a key differentiator for our business. Persimmon's competitive edge is our ability to operate successfully nationally, with our land teams utilising specific local knowledge. At 30 June 2023, our owned and under control land holdings stood at 84,751 plots (December 2022: 87,190).

With an increasingly lengthy and complex planning system, we are focused on bringing our land pipeline through the planning system, prioritising already owned plots. We have put new systems and processes in place to seek more and faster permissions where possible. Our central planning team has set clear new guidelines, including a Placemaking Framework, that balance Persimmon's key strength of plotting efficiency with excellent design and masterplanning that meet increasingly stringent local requirements. This is complemented by a proactive public affairs strategy that engages local authorities and key stakeholders at an earlier stage of the application process to ensure we are also reflecting local priorities in both the detail and presentation of our plans. This is supported by regular Group-level review to identify opportunities for success.

Although this new approach is still bedding in, we secured full or reserved matters planning permissions for 5,102 plots in the first half of the year, 120% above our completions in the same period. At 30 June 2023 we had 273 selling outlets (December 2022: 272). We are closely monitoring new openings and the associated investment required against sales projections. We are also, however, seeking to enhance our platform for future growth and have a nationwide network of well-located outlets to meet an increase in demand. Our ambition remains, therefore, to get back to a pre-Covid outlet position in the medium term.

Continued focus on build quality, safety and sustainability
Persimmon's focus on consistent delivery of high-quality homes through Build Right, First Time, Every Time in recent years has been crucial for both customer service and cost-efficiency. We are delighted to have maintained our 5-star HBF rating, awarded to us for the second year running in March. This demonstrates our improved delivery of consistently high-quality homes through our Persimmon Way build quality programme. For the new survey year, our HBF 8-week customer satisfaction score[4] is currently 92.3%, reflecting our on-going focus. Our Trustpilot scores continue to improve, with Persimmon Homes now 4.1 stars and Charles Church, 4.2. In January 2022 these scores were 3.0 and 2.5 stars, respectively.

A crucial indicator of our success in Build Right, First Time, Every Time is our progress on NHBC Reportable Items (RI) [5]. These RIs follow independent assessment of our build quality by warranty providers, in this case NHBC. An RI indicates a build error that needs addressing before occupation and is marked as an average score per assessment. In the last year we have seen a c.50% improvement in our score, to 0.26 RIs per inspection. This is now better than the industry average and whereas 3 years ago we were regularly the worst performing major builder, we are currently towards the top of the league table.

Persimmon's key safety indicators are strong within the industry. Nonetheless, a good business should be striving to reduce all harm where it can and ensure the safety and well-being of colleagues, customers and the local community. As part of our continual review of safety performance and approach, we will launch enhanced policies and a new measurement system that will help achieve an objective of 'zero harm' within Persimmon.

We continue to make good progress against our carbon-reduction targets. These targets were accredited by the blue-ribbon Science Based Targets initiative and include the stretching aim for all our homes to be zero carbon in use by 2030 and our operations to be net zero by 2040. Persimmon's approach is to deliver ahead of established carbon-reduction targets where possible, whilst ensuring cost effectiveness for customers. We continue to pursue trials of innovative materials and construction processes to deliver this, including our second zero carbon home in Malmesbury and new heating systems and technologies. Our investment in TopHat also provides access to their ultra-efficient modular homes and build processes.

Outlook
While the house building sector is navigating a challenging economic environment, Persimmon's focus on discipline, cost control and margin protection while enhancing our operational capabilities continues. We have and will continue to manage the balance sheet very robustly. We remain on track to deliver our profit expectations for the year.

We have broadly maintained sales rates through the period, despite market volatility and a very controlled use of investor deals and sales incentives. We have been contacted by a number of interested parties looking to secure investor deals and we will continue to assess them on a case-by-case basis. While we ended the period with a forward sales position

of £1.4bn, 27% lower year on year (2022: £1.9bn), private average selling prices in the forward order book are up 0.6% year on year and in line with the position coming into 2023. In the 5 weeks since the period ended, the forward sales position has grown to £1.6bn, with private average selling prices remaining firm. Within the £1.6bn, the private sales are up 83% since the start of the year. While there are potential signs of some mortgage rates reducing from recent highs, market volatility is likely to continue and affordability concerns remain. We are exploring innovative ways to help customers realise their ambition of owning a home and are seeing pleasing examples of enhanced loyalty especially through our Part Exchange offer. We expect to deliver at least 9,000 completions this year, the top end of our previously indicated range, with margins as outlined at our year end announcement.

Prevailing build cost inflation of around 5% is a reduction from the highs seen earlier in the year and we expect it to moderate further in the months ahead. Disciplined cost control will continue as we actively protect our margin. Regular interrogation of build processes, product specifications and sub-contractors will drive opportunities for savings, as will on-going overhead reviews. We have continued our stringent and targeted approach to new land additions, which are strengthening our platform for future growth. Our ambition to grow our national outlet network back to pre-Covid levels in the medium term remains, subject to the challenges in the planning system where our new enhanced approach is demonstrating some early success. Our new Space4 facility and investment in the country's most innovative modular home manufacturer, TopHat, provide exciting opportunities for cost and build efficiencies, while delivering factory-guaranteed quality.

Persimmon has two well-known private brands with significantly improved customer reputations, operating from a nationwide network of outlets and offering a broad range of attractively priced and high-quality homes to customers. With the long-term fundamentals of the housing market strong as shortages of new homes and developable land persist, our strengthening platform for future growth is exciting. Just as we have been – and continue to be – very careful to manage the business as the market conditions deteriorated, so we must be ready to respond quickly as they improve.

Persimmon has an excellent track record of delivering strong returns through the cycle. Our unique combination of strengths – value proposition, nationwide network and in-house manufacturing capabilities – augmented by our improved reputation for quality and service with customers and stakeholders means our ambition is to grow quickly as the market improves, while delivering an industry-leading margin. We believe this will again drive strong returns through the next cycle. It is an exciting prospect.

Dean Finch
Group Chief Executive

Footnotes

1 Stated on new housing revenues of £1,089.6m (2022: £1,633.7m) and gross profits of £234.0m (2022: £506.2m).
2 Stated on new housing revenue of £1,089.6m (2022: £1,633.7m) and underlying profit from operations of £152.2m (2022: £440.7m) calculated before goodwill impairment of £5.8m (2022: £3.2m).
3 National average selling price for new build homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.
4 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.
5 A Reportable Item is an area of non-compliance with NHBC standards. The item is rectified fully before completion of the home.

FINANCIAL REVIEW

Trading
The Group generated total revenue[1] of £1.19bn (2022: £1.69bn), with new housing revenue of £1.09bn (2022: £1.63bn).

Legal completions, as anticipated, were lower than the prior year and reflect the lower forward order book position at the start of the year and reduced sales activity. The Group delivered 4,249 new homes (2022: 6,652) at an average selling price of £256,445 (2022: £245,597) which is 4% higher year on year, partially due to an increased proportion of larger homes sold offset by a greater proportion of homes to our housing association partners than the prior year period.

The Group delivered 3,281 new homes to its private owner occupier customers (2022: 5,553) at an average selling price 8% higher than a year ago (2023: £288,327; 2022: £267,325), reflecting greater demand for our three, four and five bed homes and mix of sites in the period. While interest remains good for all our homes, sales to first time buyers remain more challenging and reduced to 34% of private completions in the first half, reflecting stretched affordability and reduced mortgage availability at higher loan-to values, particularly in regions with higher house prices. The Group also delivered 968 homes to our housing association partners (2022: 1,099) at an average selling price of £148,382 (2022: £135,813), with the investment in a new housing association team proving very valuable to the Group.

As mentioned earlier, the greater proportion of housing association delivery along with the impact of lower volumes and build cost inflation of around 8-9% in the period, resulted in a decrease in the Group's housing gross margin[2] to 21.5% (2022: 31.0%).

The Group's gross profit for the period of £234.0m (2022: £506.2m) continues to be supported by the Group's well established land replacement strategy, with land cost recoveries[3] of 11.2% of new housing revenue for the period (2022: 11.9%).

Underlying housing operating margin[4] of 14.0% has been impacted by operating deleverage due to the reduced levels of completions, along with higher operating expenses and inflationary pressures (2022: 27.0%). Underlying operating profit[5] for the Group was £152.2m (2022: £440.7m).

The Group generated a profit before tax of £151.0m in the period (2022: £439.7m).

Land
Since Q4 2022, we have taken a highly selective approach to land. As of 30 June 2023, we had 273 active sales outlets, up from 257 a year ago, with an average of 267 in the first half. As highlighted at our 2022 full year results in March, the average number of outlets is expected to be broadly similar to last year, reflecting selective investment and the ongoing effect of a slow planning system.

During the period the Group reduced our owned and under control land holdings to 84,751, from 87,190 plots at 31 December 2022, with 35,086 of these plots benefitting from detailed planning consents and are under development.

The Group brought 3,245 plots into the business across 15 locations throughout the country with 370 of these plots converted from our strategic land portfolio. At 30 June 2023, Persimmon's owned land holdings of 68,461 plots (2022: 72,036 plots) have an overall pro forma gross margin[6] of c. 31% and a cost to revenue ratio of 11.4%[7] (2022: 11.8%).

To supplement these land holdings, the Group has c.13,100 acres of strategic land in its portfolio with the potential to deliver up to 100,000 new homes. This includes excellent visibility over c.20,500 plots that are held under option and proceeding through planning.

During the period the Group incurred land spend of £240.4m, including £181.8m of payments in satisfaction of deferred land commitments.

Building safety
During the period, we signed both the UK Government's Self Remediation Contract (in England) and also the Welsh Government's Developers' Pact, which turn the respective Building Safety Pledges into binding commitments. On 1 August, the Department for Levelling Up, Housing and Communities announced that we had joined the associated Responsible Actors Scheme; failure to join the scheme threatens the use of planning and building control sanctions on relevant developers who are not meeting their remediation commitments. Alongside other developers we signed the Scottish Safer Buildings Accord in May and discussions are on-going between the industry and Scottish Government to agree a long form contract. While these discussions are on-going, we continue to make progress on Scottish developments to deliver on our previously stated commitments.

Across our programme as a whole we continue our proactive approach of working with Management Companies, factors (in Scotland) and their agents to carry out necessary remediation as soon as possible. The table below sets out our detailed position at 4 August 2023, compared to 1 March 2023. The total number of eligible developments has increased to 80 from 73, as new buildings we were not aware of on 1 March 2023 came in to our programme. Very recently, 5

developments have come into our programme and are currently being assessed for the scope of eligible works. Initial investigations suggest 4 of these buildings will only require minimal works.

Of the total of 80 developments in our programme 36 (45%) have already seen any necessary works completed (an increase of 3 since the start of the year). Of the remaining 44, 14 currently have work on site and 25 are at varying stages of pre-tender, live tender, contractualisation or agreed contract and works starting very soon. As the pre-tender and on site lines in the table below demonstrate in particular, developments are actively progressing through the programme.

Identified developments	**As of 4 Aug 2023**	**As of 1 March 2023**
Recently made aware and under investigation	5	-
Pre-tender preparation on-going	9	21
Live tender process	3	2
Sub-total: progressing through tender	**17**	**23**
Progressing to contract	12	8
Contracted but works yet to start	1	-
Sub-total: pre-works starting	**30**	**31**
Currently on site	14	9
Sub-total: to complete	**44**	**40**
Completed developments	36	33
Total identified developments	**80**	**73**

In the period we spent £16m on the programme, with total expenditure so far now just over £30m. The next 18 months, and 2024 especially, are projected to be the peak period of cash expenditure on this programme. We guided at the beginning of the year that we expect the programme to be concentrated over three years and that remains the case. Our ambition remains to be on site on all currently known developments by the end of this year. Given our own proactive approach and the sustained and significant publicity around cladding and building safety, we do not anticipate significant new building additions into the programme. We believe our existing provision remains sufficient.

Disciplined investment and spending
During the period, we continued targeted investment into the business to enhance quality, efficiency and returns as we build a more sustainable business. While the market remains uncertain in the near-term, we are ensuring that our business is ready for the recovery when it comes, retaining key capabilities and enhancing our processes to enable best practice to be shared across the Group.

Within our ongoing disciplined approach, the Group has applied additional cost control measures, including stronger central oversight and the expanded use of frameworks agreements in procurement. As part of these measures, the Group has also implemented a hiring freeze, unless business critical. We continue to retain our key capabilities to ensure readiness for upturn.

Our focus is on maintaining disciplined investment to enhance quality, efficiency and returns, through our vertical integration, capabilities of our sales teams and targeted nature of our build programmes.

Robust balance sheet and active cash management
The Group had a cash balance of £357.0m at 30 June 2023 (December 2022: £861.6m) with land creditors of £355.9m (December 2022: £472.8m), of which £85.8m is expected to be paid by the end of the year and a further £93.1m due in the first half of 2024. The Group generated £155.3m of cash from operating activities in the period (2022: £451.1m), before returning £191.5m of capital to shareholders in respect of a dividend for full year 2022 and investing £418.4m in working capital (being principally c.£117m in net land and £213m in net work in progress). This investment in land and work in progress along with the Group's healthy liquidity will provide further opportunity to continue to support the future growth of the business as we position the Group for growth in outlets in 2024.

At 30 June 2023, the Group had work in progress of c.4,700 equivalent units of new home construction an increase on the low position at the start of the year (December 2022: c.3,900). We remain disciplined in regard to work in progress investment, managing appropriate levels of build against customer demand, facing into the continuing operational challenges within the industry and whilst securing the availability of key build components through our in-house manufactured bricks, roof tiles, closed panel timber frame kits and pre-manufactured roof cassettes. Overall, build rates tracked at 195 equivalent units per week versus 264 in the first half of 2022 and 288 in the second half of 2022.

The Group has a robust balance sheet with high quality land holdings, strong levels of work in progress investment and healthy levels of liquidity. We continue to exert disciplined control over work in progress while investing to strengthen

our platform for future growth. At 30 June 2023 the Group had land holdings of £2.09bn and work in progress of £1.48bn, an increase of £213.0m compared to 31 December 2022.

As at 30 June 2023, we owned 451 part exchange properties (December 2022: 286 properties) at a value of £85.8m (December 2022: £61.0m). Part exchange continues to be a key sales incentive for our customers and we are progressing sales of any part exchange properties promptly and around expected values.

In July the Group signed a new undrawn Revolving Credit Facility (RCF) of £700m which has a 5 year term out to July 2028. This facility replaced the Group's existing £300m revolving credit facility which was due to expire on 31 March 2026. We had good support from banking partners, with a consortium of 5 participating banks. The RCF is a 'Sustainability Linked' facility within the banks' finance frameworks, with ESG targets covering the facility's term. The targets are consistent with the Group's science based operational carbon reduction targets, our commitment to deliver net zero homes in use by 2030 and our long standing ambition to deliver excellent development opportunities for our colleagues.

The Group's defined benefit net pension asset has decreased to £149.4m at 30 June 2023 (December 2022: £155.9m) mainly reflecting the underperformance of asset returns when compared to the standard expected returns at the start of the year and an increase in inflation assumptions offset in part by an increase in the discount rate assumption applied to the scheme obligations.

Total equity decreased to £3,356.1m from £3,439.3m at 31 December 2022. Reported net assets per share of 1,050.7p represents a 2.4% decrease from 1,077.0p at 31 December 2022. Underlying return on average capital employed[8] as at 30 June was 21.1% (December 2022: 30.4%), demonstrating the resilience of the business and the investment made to support future growth. Underlying basic earnings per share[5] for the first six months of 2023 was 36.2p, a 66.3% decrease compared to the prior period (2022: 107.5p).

Capital Allocation

The Group's capital allocation policy is to deliver sustainable returns to shareholders while investing in future growth through disciplined expansion of our land portfolio.

For 2023, the Board has declared an interim dividend of 20p per share, which will be payable on 3 November, to shareholders on the register on 13 October. The Board's intention is to maintain the 2022 dividend of 60p per share, with a view to growing this over time.

As the Group invests in further growth, our long-standing financial discipline will continue in all land appraisals and decisions to open outlets. We do expect cash balances to reduce, but the Group will continue to maintain a robust balance sheet, with low leverage. We currently anticipate cash at year end will be between £300m and £500m.

Jason Windsor
Chief Financial Officer

Footnotes

1 The Group's total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. New housing revenues are the revenues generated on the sale of newly built residential properties only.
2 Stated on new housing revenues of £1,089.6m (2022: £1,633.7m) and gross profits of £234.0m (2022: £506.2m).
3 Land cost value for the plot divided by the revenue of the new home sold.
4 Stated on new housing revenue of £1,089.6m (2022: £1,633.7m) and underlying profit from operations of £152.2m (2022: £440.7m) calculated before goodwill impairment of £5.8m (2022: £3.2m).
5 Stated before goodwill impairment of £5.8m (2022: £3.2m).
6 Estimated weighted average gross margin based on assumed revenues and costs at 30 June 2023 and normalised output levels.
7 Land cost value for the plot divided by the anticipated future revenue of the new home sold.
8 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before goodwill impairment of £9.2m (2022: £5.5m).

Appendices

2023 quarterly performance	HY 22	FY 22	Q1 23	Q2 23	HY 23
Completions (homes)	6,652	14,868	1,136	3,113	**4,249**
Private (homes)	5,553	12,174	902	2,379	3,281
Housing Association (homes)	1,099	2,694	234	734	968
Net private sales rate	0.91	0.69	0.62	0.58	**0.59**
FTB[1] % (private completions)	42%	42%	38%	33%	34%
Average sales outlets	250	259	266	268	**267**

1 First time buyers

Forward sales position

	30 June 2023		30 June 2022		Variance	
Forward sales	**Value**	**Homes**	**Value**	**Homes**	**Value**	**Homes**
Private	£0.7bn	2,516	£1.3bn	4,682	£(0.6)bn	(2,166)
Housing Association	£0.7bn	4,209	£0.6bn	4,148	+£0.1bn	+61
Total	**£1.4bn**	**6,725**	**£1.9bn**	**8,830**	**£(0.5)bn**	**(2,099)**

PERSIMMON PLC
Condensed Consolidated Statement of Comprehensive Income
For the six months to 30 June 2023 (unaudited)

	Note	**Six months to 30 June 2023** **Total £m**	Six months to 30 June 2022 Total £m	Year to 31 December 2022 Total £m
Total revenue	3	**1,188.5**	1,688.6	3,815.8
Cost of sales		**(954.5)**	(1,182.4)	(2,948.3)
Gross profit		**234.0**	506.2	867.5
Other operating income		**4.1**	6.2	10.3
Operating expenses		**(91.7)**	(74.9)	(152.9)
Profit from operations		**146.4**	437.5	724.9
Analysed as:				
Underlying operating profit		**152.2**	440.7	1,006.5
Legacy buildings provision		**-**	-	(275.0)
Impairment of intangible assets		**(5.8)**	(3.2)	(6.6)
Finance income		**11.2**	4.6	9.9
Finance costs		**(6.6)**	(2.4)	(4.1)
Profit before tax		**151.0**	439.7	730.7
Analysed as:				
Underlying profit before tax		**156.8**	442.9	1,012.3
Legacy buildings provision		**-**	-	(275.0)
Impairment of intangible assets		**(5.8)**	(3.2)	(6.6)
Tax	5	**(41.3)**	(99.9)	(169.7)
Profit after tax (all attributable to equity holders of the parent)		**109.7**	339.8	561.0
Other comprehensive (expense)/income				
Items that will not be reclassified to profit:				
Re-measurement (losses)/gains on defined benefit pension schemes	13	**(9.7)**	59.4	5.2
Tax	5	**2.7**	(16.7)	(7.6)
Other comprehensive (expense)/income for the period, net of tax		**(7.0)**	42.7	(2.4)
Total recognised income for the period		**102.7**	382.5	558.6
Earnings per share				
Basic	6	**34.4p**	106.5p	175.8p
Diluted	6	**34.1p**	105.9p	174.3p

PERSIMMON PLC
Condensed Consolidated Balance Sheet
As at 30 June 2023 (unaudited)

	Note	**30 June 2023 £m**	30 June 2022 £m	31 December 2022 £m
Assets				
Non-current assets				
Intangible assets		**167.2**	176.2	173.0
Property, plant and equipment		**133.0**	107.6	118.6
Investments accounted for using the equity method	1	**1.0**	0.3	0.3
Shared equity loan receivables	9	**27.8**	32.4	29.1
Trade and other receivables	1	**7.1**	0.6	0.3
Deferred tax assets		**11.8**	9.7	10.5
Retirement benefit assets	13	**149.4**	209.4	155.9
		497.3	536.2	487.7
Current assets				
Inventories	8	**3,705.1**	3,402.7	3,462.9
Shared equity loan receivables	9	**6.3**	7.9	6.9
Trade and other receivables		**144.2**	151.5	193.2
Current tax assets		**1.4**	32.5	21.8
Cash and cash equivalents	12	**357.0**	782.0	861.6
		4,214.0	4,376.6	4,546.4
Total assets		**4,711.3**	4,912.8	5,034.1
Liabilities				
Non-current liabilities				
Trade and other payables		**(184.7)**	(267.6)	(214.8)
Deferred tax liabilities		**(70.8)**	(74.0)	(72.1)
Partnership liability		**(14.6)**	(18.9)	(19.6)
Legacy buildings provision	10	**(146.2)**	-	(196.8)
		(416.3)	(360.5)	(503.3)
Current liabilities				
Trade and other payables		**(767.1)**	(863.6)	(949.4)
Partnership liability		**(5.6)**	(5.6)	(5.6)
Legacy buildings provision	10	**(166.2)**	(69.3)	(136.5)
		(938.9)	(938.5)	(1,091.5)
Total liabilities		**(1,355.2)**	(1,299.0)	(1,594.8)
Net assets		**3,356.1**	3,613.8	3,439.3
Equity				
Ordinary share capital issued		**31.9**	31.9	31.9
Share premium		**25.6**	25.6	25.6
Capital redemption reserve		**236.5**	236.5	236.5
Other non-distributable reserve		**276.8**	276.8	276.8
Retained earnings		**2,785.3**	3,043.0	2,868.5
Total equity		**3,356.1**	3,613.8	3,439.3

PERSIMMON PLC
Condensed Consolidated Statement of Changes in Shareholders' Equity
For the six months to 30 June 2023 (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 2023:						
Balance at 1 January 2023	**31.9**	**25.6**	**236.5**	**276.8**	**2,868.5**	**3,439.3**
Profit for the period	-	-	-	-	109.7	109.7
Other comprehensive expense	-	-	-	-	(7.0)	(7.0)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(191.5)	(191.5)
Own shares purchased	-	-	-	-	(1.2)	(1.2)
Share-based payments (net of tax)	-	-	-	-	6.8	6.8
Balance at 30 June 2023	**31.9**	**25.6**	**236.5**	**276.8**	**2,785.3**	**3,356.1**
Six months ended 30 June 2022:						
Balance at 1 January 2022	**31.9**	**24.9**	**236.5**	**276.8**	**3,055.1**	**3,625.2**
Profit for the period	-	-	-	-	339.8	339.8
Other comprehensive income	-	-	-	-	42.7	42.7
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(399.0)	(399.0)
Issue of new shares	-	0.7	-	-	-	0.7
Share-based payments (net of tax)	-	-	-	-	4.4	4.4
Balance at 30 June 2022	**31.9**	**25.6**	**236.5**	**276.8**	**3,043.0**	**3,613.8**
Year ended 31 December 2022:						
Balance at 1 January 2022	**31.9**	**24.9**	**236.5**	**276.8**	**3,055.1**	**3,625.2**
Profit for the year	-	-	-	-	561.0	561.0
Other comprehensive expense	-	-	-	-	(2.4)	(2.4)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(750.1)	(750.1)
Issue of new shares	-	0.7	-	-	-	0.7
Own shares purchased	-	-	-	-	(0.7)	(0.7)
Exercise of share options/share awards					(1.0)	(1.0)
Share-based payments (net of tax)	-	-	-	-	5.6	5.6
Satisfaction of share options from own shares held	-	-	-	-	1.0	1.0
Balance at 31 December 2022	**31.9**	**25.6**	**236.5**	**276.8**	**2,868.5**	**3,439.3**

PERSIMMON PLC
Condensed Consolidated Cash Flow Statement
For the six months to 30 June 2023 (unaudited)

	Note	**Six months to 30 June 2023**	Six months to 30 June 2022	Year to 31 December 2022
		£m	£m	£m
Cash flows from operating activities:				
Profit for the period		**109.7**	339.8	561.0
Tax charge	5	**41.3**	99.9	169.7
Finance income		**(11.2)**	(4.6)	(9.9)
Finance costs		**6.6**	2.4	4.1
Depreciation charge		**8.6**	7.5	15.8
Impairment of intangible assets		**5.8**	3.2	6.6
Legacy buildings provision	10	**-**	-	275.0
Share-based payment charge		**6.6**	5.9	9.0
Net imputed interest (expense)/income		**(4.4)**	1.2	2.1
Other non-cash items		**(7.7)**	(4.2)	(7.9)
Cash inflow from operating activities		**155.3**	451.1	1,025.5
Movement in working capital:				
Increase in inventories		**(240.7)**	(477.2)	(532.5)
Decrease/(increase) in trade and other receivables		**72.0**	(31.2)	(81.1)
(Decrease)/increase in trade and other payables		**(252.5)**	113.3	141.1
Decrease in shared equity loan receivables		**2.8**	7.4	13.3
Cash (absorbed)/generated from operations		**(263.1)**	63.4	566.3
Interest paid		**(2.2)**	(2.6)	(3.3)
Interest received		**7.8**	1.4	3.5
Tax paid		**(20.7)**	(109.5)	(164.2)
Net cash (outflow)/inflow from operating activities		**(278.2)**	(47.3)	402.3
Cash flows from investing activities:				
Investment in an associate		**(0.7)**	-	-
Acquisition of loan notes		**(6.8)**	-	-
Acquisition of a subsidiary		**-**	(0.2)	(0.2)
Purchase of property, plant and equipment		**(20.3)**	(13.7)	(30.5)
Proceeds from sale of property, plant and equipment		**0.4**	0.7	0.9
Net cash outflow from investing activities		**(27.4)**	(13.2)	(29.8)
Cash flows from financing activities:				
Lease capital payments		**(2.0)**	(1.8)	(3.3)
Payment of Partnership liability		**(4.3)**	(4.0)	(4.1)
Own shares purchased		**(1.2)**	-	(0.7)
Share options consideration		**-**	0.7	0.7
Dividends paid	7	**(191.5)**	(399.0)	(750.1)
Net cash outflow from financing activities		**(199.0)**	(404.1)	(757.5)
Decrease in net cash and cash equivalents	12	**(504.6)**	(464.6)	(385.0)
Cash and cash equivalents at the start of the period		**861.6**	1,246.6	1,246.6
Cash and cash equivalents at the end of the period	12	**357.0**	782.0	861.6

Notes

1. Basis of preparation

The half year condensed financial statements for the six months to 30 June 2023 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with UK adopted International Accounting Standard ("IAS") 34 Interim Financial Reporting. The half year financial statements are unaudited, but have been reviewed by the auditors whose report is set out at the end of this report. This report should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted IFRS.

The comparative figures for the financial year ended 31 December 2022 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 2022, as described in those financial statements.

The following relevant UK endorsed new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2023:

- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting policies

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

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

- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

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

Going concern

The Group's performance in the six months ended 30 June 2023 has been resilient when faced by a number of challenges and a period of uncertainty. Persimmon's long-term strategy, which recognises the risks associated with the housing cycle by maintaining operational flexibility, investing in high quality land, minimising financial risk and deploying capital at the right time in the cycle, has equipped the business with strong liquidity and a robust balance sheet.

The Group delivered 4,249 new homes (2022: 6,652) and generated profit before tax of £151.0m (2022: £439.7m) in the period. At 30 June 2023, the Group had a strong balance sheet with £357.0m of cash (2022: £782.0m), high quality land holdings and land creditors of £355.9m (December 2022: £472.8m). In addition, on 5 July the Group renewed its Revolving Credit Facility increasing it from £300m to £700m, with a five year term out to 5 July 2028. The facility was undrawn during the period and remains undrawn at this time.

The Group's forward order book, including legal completions recognised in the second half, stands at c. £1.6bn.

The Directors have reviewed the Group's principal risks, see note 14 of this announcement, and determined that there are no new principal risks facing the business to those disclosed in the financial statements for the year ended 31 December 2022. The Directors considered the impact of these risks on the going concern of the business when approving these full year financial statements for the Group.

Given the Group's trading performance during the first six months of the year against the challenges it faced, together with its robust sales rates and forward sales position, the Directors believe that the comprehensive review performed for the viability statement included in the Group's Annual Report 2022 remains relevant and valid.

The Directors consider the going concern assessment to be to 31 December 2024 and have assessed the impact of a severe but plausible downside scenario for the housing market, from the date of this announcement to 31 December 2024, on the resilience of the Group. This downside scenario models a fall in housing revenue, when

compared to full year 2022, of c. 37% for full year 2023 with a further c. 44% fall in housing revenue in full year 2024, when compared to the forecast 2023 revenue, along with the likely effectiveness of mitigating actions that would be executed by the Directors. The fall in housing revenue factors in both volumes and average selling price in arriving at the housing revenue value modelled. The assumption used in this scenario reflects the experience management gained during the Global Financial Crisis from 2007 to 2010, it being the worst recession seen in the housing market since World War Two. Throughout this scenario, the Group is assumed to manage cash flows to ensure all relevant land, work in progress and operational investments were made in the business at the appropriate time to deliver the projected new home legal completions. The scenario also fully reflects the current estimate of cash outflows, value and timing, associated with the legacy buildings provision.

In addition the Group has been increasingly assessing climate related risk and opportunities that may be presented to the Group. During the period assessed for going concern no significant risk has been identified that would materially impact the Group's ability to generate sufficient cash and continue as a going concern.

Having considered the inherent strength of the UK housing market, the resilience of the Group's average selling prices, the Group's scenario analysis, 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 8), shared equity loan receivables (see note 9 and note 11), goodwill, brand intangibles, provisions and pensions as disclosed in note 3 of the Group's annual financial statements. The estimates and associated assumptions are based on management expertise and historical experience and various other factors that are believed to be reasonable under the circumstances.

Goodwill and brand intangibles

The key sources of estimation uncertainty in respect of goodwill and brand intangibles are disclosed in notes 3 and 14 of the Group's annual financial statements for the year ended 31 December 2022.

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 £1.8m recognised during the period. This impairment charge reflects ongoing consumption of the acquired strategic land holdings and is consistent with prior years.

During the period Horsebridge Network Systems Limited ceased trading. As a result, the £4.0m of goodwill that arose on the acquisition of Horsebridge Network Systems Limited in 2022 has been written off in the period.

Investments in associates

During the period the Group has invested £0.7m in the equity of a new associate, TopHat Enterprises Limited (TopHat). This investment is reported under the equity method of accounting. In addition to this equity investment the Group has acquired £6.8m of interest bearing long-term loan notes issued by TopHat. These are reported within non-current trade and other receivables at 30 June 2023. The Group has also committed to acquire a further £17.5m of interest bearing long-term loan notes from TopHat in January 2024.

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 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Revenue from the sale of new housing	**1,089.6**	1,633.7	3,696.4
Revenue from the sale of part exchange properties	**93.3**	50.9	110.6
Revenue from the provision of internet services	**5.6**	4.0	8.8
Revenue from the sale of goods and services as reported in the statement of comprehensive income	**1,188.5**	1,688.6	3,815.8

4. Exceptional Items

During 2022 the Group recognised an exceptional charge of £275.0m in relation to the increase in the anticipated costs of the Group's commitments to support leaseholders in buildings we had developed with the costs of removal of combustible cladding and other fire related remediation works. This reflected the extended commitment of the government long form contract, the identification of further developments for which we are now responsible, and a greater understanding of remediation costs. Further detail on this matter is provided in note 10 to this announcement.

This was disclosed as an exceptional item due to the non-recurring nature and scale of the charge, in order to aid understanding of the financial performance of the Group and to assist in the comparability of financial performance between accounting periods.

5. Tax

The tax charge for the period includes both current and deferred tax. The tax charge is based upon the expected tax rate for the full year, which is applied to taxable profits for the period, together with any charge or credit in respect of prior years. Current tax, includes both UK corporation tax and Residential Property Developer Tax (RPDT). Deferred Tax is calculated as the tax payable or recoverable in future accounting periods in respect of temporary differences which may be taxable or allowed as deductible. Temporary differences represent the difference between the carrying amount of an asset or liability in the financial statements and the relevant tax base. The effective rate of tax for the period was 27.3% which was higher than in previous periods (31 December 2022: 23.2%; 30 June 2022: 22.2%) and reflects the increased rates of corporation tax and RPDT noted below.

Analysis of the tax charge for the period

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Tax charge comprises:			
UK corporation tax in respect of the current period	**35.6**	98.6	138.8
RPDT in respect of the current year	**5.5**	-	28.7
Adjustments in respect of prior years	**-**	-	(2.8)
	41.1	98.6	164.7
Deferred tax relating to origination and reversal of temporary differences	**0.6**	1.3	-
Impact of introduction of RPDT on deferred tax	**(0.4)**	-	3.9
Adjustments recognised in the current year in respect of prior years' deferred tax	**-**	-	1.1
	0.2	1.3	5.0
Tax charge for the year recognised in Statement of Comprehensive Income	**41.3**	99.9	169.7

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

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Profit from continuing operations	**151.0**	439.7	730.7
Tax calculated at UK corporation tax rate (inclusive of RPDT)	**41.5**	99.0	160.8
Accounting base cost not deductible for tax purposes	**-**	0.1	-
Goodwill impairment losses that are not deductible	**0.8**	0.6	1.2
Expenditure not allowable for tax purposes	**0.5**	0.1	0.8
Introduction of RPDT	**(0.2)**	1.2	3.9
Items not deductible for RPDT	**(0.5)**	(0.6)	6.8
Enhanced tax reliefs	**(0.8)**	(0.5)	(2.1)
Adjustments in respect of prior years	**-**	-	(1.7)
Tax charge for the period recognised in Statement of Comprehensive Income	**41.3**	99.9	169.7

The UK corporation tax rate increased from 19% to 25% with effect from 1 April 2023. The legislation to increase the corporation tax rate was enacted on 10 June 2021 and accordingly the impact on deferred tax was included in the tax charge in the 2021 financial reporting periods and in the re-measurement of the relevant deferred tax assets and liabilities in the Balance Sheet at 31 December 2021. RPDT came into effect on 1 April 2022 and taxes residential property development profits in excess of an annual allowance of £25m at a rate of 4%. The legislation to introduce the RPDT was enacted on 24 February 2022 and accordingly the impact on deferred tax was included in the tax charge in the 2022 financial reporting periods and in the re-measurement of the relevant deferred tax assets and liabilities in the Balance Sheet at 31 December 2022.

Deferred tax recognised in other comprehensive income

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Recognised on re-measurement charges on pension schemes	**(2.7)**	16.7	7.6

Tax recognised directly in equity

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Arising on transactions with equity participants			
Current tax related to equity settled transactions	**(0.1)**	-	(0.8)
Deferred tax related to equity settled transactions	**(0.1)**	1.5	4.2
	(0.2)	1.5	3.4

With regard to the UK adoption of OECD Pillar 2 there is no impact from the implementation of the UK's domestic top-up tax as the Group does not have any profits arising in any entities which are located in a non-UK jurisdiction and which are taxed below the minimum rate of tax of 15%.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period (excluding those held in the employee benefit trust) which were 319.2m (June 2022: 319.2m; December 2022: 319.2m).

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 321.7m (June 2022: 320.8m; December 2022: 321.8m).

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

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
Basic earnings per share	**34.4p**	106.5p	175.8p
Underlying basic earnings per share	**36.2p**	107.5p	247.3p
Diluted earnings per share	**34.1p**	105.9p	174.3p
Underlying diluted earnings per share	**35.9p**	106.9p	245.3p

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

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Underlying earnings attributable to shareholders	**115.5**	343.0	789.5
Legacy buildings provision (net of tax)	**-**	-	(221.9)
Goodwill impairment	**(5.8)**	(3.2)	(6.6)
Earnings attributable to shareholders	**109.7**	339.8	561.0

At 30 June 2023 the issued share capital of the Company was 319,419,494 ordinary shares (30 June 2022: 319,317,641; 31 December 2022: 319,323,432 ordinary shares).

7. Dividends

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Amounts recognised as distributions to capital holders in the period:			
2021 dividend to all shareholders of 125p per share paid 2022	**-**	399.0	399.0
2021 dividend to all shareholders of 110p per share paid 2022	**-**	-	351.1
2022 dividend to all shareholders of 60p per share paid 2023	**191.5**	-	-
Total capital return to shareholders	**191.5**	399.0	750.1

On 5 May 2023 60p per share (or £191.5m) of surplus capital was returned to shareholders as a final cash dividend in respect of the financial year 31 December 2022.

On 10 August 2023, the Board announced their intention to pay 20p per share (or £63.9m) of surplus capital to shareholders as an interim cash dividend in respect of the financial year 31 December 2023.

8. Inventories

	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
Land	**2,090.5**	2,102.8	2,091.7
Work in progress	**1,476.9**	1,226.1	1,263.9
Part exchange properties	**85.8**	27.2	61.0
Showhouses	**51.9**	46.6	46.3
	3,705.1	3,402.7	3,462.9

The Group has conducted a further review of the net realisable value of its land and work in progress portfolio at 30 June 2023. Our approach to this review has been consistent with that conducted at 31 December 2022 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 2023 were £5.3m (30 June 2022: £15.0m; 31 December 2022: £5.5m). Following the review, £2.4m of inventories are valued at fair value less costs to sell rather than historical cost (30 June 2022: £3.8m; 31 December 2022: £2.9m).

9. Shared equity loan receivables

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Shared equity loan receivable at start of period	**36.0**	45.6	45.6
Settlements	**(2.7)**	(7.4)	(13.3)
Gains	**0.8**	2.1	3.7
Shared equity loan receivable at end of period	**34.1**	40.3	36.0

All gains/losses have been recognised through finance income in profit and loss for the period of which £0.2m was unrealised (June 2022: £0.2m; December 2022: £0.3m).

10. Legacy buildings provision

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Legacy buildings provision at start of period	**333.3**	72.7	72.7
Additions to provision in the period	**-**	-	275.0
Imputed interest on provision in the period	**2.2**	-	-
Provision released in the period	**(6.6)**	-	-
Provision utilised in the period	**(16.5)**	(3.4)	(14.4)
Legacy buildings provision at end of period	**312.4**	69.3	333.3

During 2022 we signed the Building Safety Pledge (England) and worked constructively with the government to agree the 'Long Form Contract' that turns the pledge into a legal agreement. The Self Remediation Contract was signed on 13 March 2023.

In the period we have been informed by a number of management companies of potential liability for fire remediation costs, and we have added 7 developments to the total number of developments. The number of developments we are now responsible for stands at 80, of which 36 have now either secured EWS1 certificates or concluded any necessary works. Furthermore, there are a small number of developments that are under investigation, where we have yet to determine if we have any liability to remediate, and if so the cost of that remediation.

During the period £16.5m of the provision has been utilised for works undertaken whilst £2.2m of imputed interest has been charged to the Income Statement through Finance Costs. Due to the increase in gilt and interest rates during the first half of the year, the discount rate used to estimate the future value of the provision at the period end date has been increased. The change in discount rate has resulted in a reduction in the fair value of the provision. This has resulted in a £6.6m release to the Income Statement through Cost of Sales.

The assessment of the provision remains a highly complex area with judgments and estimates in respect of the cost of the remedial works, with investigative surveys ongoing to determine the full extent of those required works. Where remediation works have not yet been fully tendered we have estimated the likely scope and costs of such works based on experience of other similar sites. Whilst we have exercised our best judgement of these matters, there remains the potential for variations to this estimate from multiple factors such as material, energy and labour cost inflation, limited qualified contractor availability and abnormal works identified on intrusive surveys. Should a 10% variation in the costs of untendered projects occur then the overall provision would vary by +/- £7.4m.

11. 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 2023 Level 3	30 June 2022 Level 3	31 December 2022 Level 3
	£m	£m	£m
Shared equity loan receivables	**34.1**	40.3	36.0

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 (2022: ten years) and a discount rate of 7% (June 2022: 5%; December 2022: 7%) 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.

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

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Cash and cash equivalents at start of period	**861.6**	1,246.6	1,246.6
Decrease in net cash equivalents in cash flow	**(504.6)**	(464.6)	(385.0)
Cash and cash equivalents at end of period	**357.0**	782.0	861.6
IFRS 16 lease liability	**(12.0)**	(9.8)	(10.9)
Net cash at end of period	**345.0**	772.2	850.7

Net cash is defined as cash and cash equivalents, bank overdrafts, lease obligations and interest bearing borrowings. At 30 June 2023, £9.8m (2022: £16.2m) of cash recognised was held at third party solicitors with an undertaking.

On 5 July 2023 the Group renewed its Revolving Credit Facility increasing it from £300m to £700m, with a five year term out to 5 July 2028. The facility remains undrawn at this time.

13. Retirement benefit assets

As at 30 June 2023 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Re-measurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

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

	Six months to 30 June 2023	Six months to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Current service cost	**0.5**	0.9	1.9
Administrative expense	**0.1**	0.2	0.6
Pension cost recognised as operating expense	**0.6**	1.1	2.5
Interest income on net defined benefit asset	**(3.6)**	(1.4)	(2.8)
Pension cost recognised as a net finance credit	**(3.6)**	(1.4)	(2.8)
Total defined benefit pension income recognised in profit or loss	**(3.0)**	(0.3)	(0.3)
Re-measurement loss/(gain) recognised in other comprehensive expense	**9.7**	(59.4)	(5.2)
Total defined benefit scheme loss/(gain) recognised	**6.7**	(59.7)	(5.5)

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

	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
Fair value of pension scheme assets	**535.1**	658.4	555.6
Present value of funded obligations	**(385.7)**	(449.0)	(399.7)
Net pension asset	**149.4**	209.4	155.9

The decrease in the net pension asset to £149.4m (June 2022: £209.4m; December 2022: £155.9m) is largely due to the underperformance of asset returns when compared to the standard expected returns at the start of the year and an increase in inflation assumptions offset in part by an increase in the discount rate assumption applied to scheme obligations to 5.2% (December 2022: 4.8%).

14. Principal risks

1. UK economic conditions		Residual risk rating Very high
Risk description	Approach to risk mitigation	How we monitor the risk
The housebuilding industry is sensitive to changes in the economic environment, including unemployment levels, interest rates and consumer confidence. A deterioration in economic conditions could adversely affect demand and pricing for new homes, which could in turn impact upon our revenues, margins, profits	In order to minimise risk and maintain financial flexibility, the Group pursues a highly disciplined approach to investments in land and work in progress, ensuring these are appropriate and reflective of current and anticipated levels of demand.	- The Board closely monitors sales activity and UK economic trends closely. - The Principal Risk Lead Indicator reports issued to each meeting of the Board includes analysis of economic indicators, using both internal and external sources.

and cash flows and potential impairment of asset values. Economic conditions in the land market may adversely affect the availability of a sustainable supply of land at appropriate levels of return.	As a result the Group renewed its Revolving Credit Facility in July 2023, increasing it to £700m with a five year term out to July 2028. Pricing structures are regularly reviewed to reflect local market conditions. The Group benefits from a UK-wide network (with no significant presence in London), mitigating the effects of regional economic fluctuations.	
2. Government policy and political risk		Residual risk rating High
Risk description	Approach to risk mitigation	How we monitor the risk
Changes to government policy have the potential to impact on several aspects of our strategy and operational performance. Recent examples include the impacts of the withdrawal of the Help to Buy scheme, the introduction of the Residential Property Developer Tax, and proposed changes in planning regulations. Further policy changes may arise in response to the ongoing CMA market study into the housebuilding sector. Such changes have the potential to adversely affect revenues, margins, tax charges and asset values, and potentially impact on the viability of land investments.	Our mission and our five key priorities are aligned with the government's stated ambition to increase housing stock. Investment decisions in land and work in progress are tightly controlled in order to mitigate exposure to external influences, including potential changes in Government policy. The Group has experienced teams with expertise in managing and responding to relevant areas subject to Government involvement, including our Group Planning, Technical and External Affairs departments.	- Likely evolutions in government policy in relation to the housing market are monitored closely by our External Affairs, Technical and Land and Planning departments, with regular feedback to the Executive Committee and Board. - We routinely engage with industry bodies to review the impact of any anticipated legislative or regulatory changes.
3. Health, safety and environment		Residual risk rating High
Risk description	Approach to risk mitigation	How we monitor the risk
In addition to the human impacts of any health, safety or environmental breach or incident, there is the potential for reputational damage, construction delays and financial penalties.	The Board retains a very strong commitment to health and safety and managing the risks in this area effectively. Operationally, this commitment is implemented by a range of measures, including: - Comprehensive policies and procedures to manage construction activities safely. - Training programmes to embed the Group's policies effectively. - Inspection regime led by our Group Health, Safety and Environment department, with additional specialist assurance provided by the Group Internal Audit department.	- Data from inspections by the Group Health, Safety and Environment department feed into management reports at all levels of the Group. - The Principal Risk Lead Indicator reports issued to each meeting of the Board includes analysis of inspection metrics provided by the Group Health, Safety and Environment department. - The Group Health, Safety and Environment Director is a member of the Group Executive Committee, and provides additional periodic reports and updates to both the Board and the Audit & Risk Committee.

<table>
<tr><td></td><td>Engagement with industry forums and best practice groups.</td><td></td></tr>
<tr><td colspan="2" rowspan="2">4. Skilled workforce, retention and succession</td><td>Residual risk rating</td></tr>
<tr><td>High</td></tr>
<tr><td>Risk description</td><td>Approach to risk mitigation</td><td>How we monitor the risk</td></tr>
<tr><td>Recruiting and retaining a highly skilled workforce and supporting management teams is essential to the delivery of the Group’s strategy. Heightened competition for skilled labour creates risks of increased costs, operational disruption and potential delays to build programmes.</td><td>The Group has deployed a range of measures to maintain an appropriately skilled workforce, including:
Comprehensive range of training programmes managed by the Group Training department, including apprenticeships, graduate scheme and the Persimmon Pathways in core disciplines.
Talent management and succession planning programmes.
Remuneration benchmarking to ensure reward is appropriate to attract and retain talent at all levels.
Utilisation of our Space4 products, which improve build efficiency and require less on-site labour than traditional construction.
Increased focus on employee engagement measures.
Deployment of hybrid working practices, where appropriate.</td><td>The Group HR department provides reporting, including metrics such as training hours, to management at all levels of the Group.
The Group HR Director is a member of the Group Executive Committee, and provides additional periodic reports and updates to both the Board on employment trends.
Feedback from the employee engagement panel is reviewed by the Board.
The Principal Risk Lead Indicator reports issued to each meeting of the Board includes staff turnover data and commentary from the Group HR department.</td></tr>
<tr><td colspan="2" rowspan="2">5. Materials and land purchasing</td><td>Residual risk rating</td></tr>
<tr><td>High</td></tr>
<tr><td>Risk description</td><td>Approach to risk mitigation</td><td>How we monitor the risk</td></tr>
<tr><td><u>Availability of materials</u>
Ensuring access to materials of the requisite quantity and specifications is critical in delivering high quality homes. Heightened levels of demand for materials may cause availability constraints and increase cost pressures. Build quality may be compromised if unsuitable materials are procured leading to damage to the Group’s reputation and overall customer experience.</td><td><u>Availability of materials</u>
Various mitigations are in place to ensure consistent sourcing of materials and cost efficiency:
Vertical integration through the Brickworks, Tileworks and Space4.
Strategic approach to procurement, led by our Group Procurement team.
Supply chain engagement, including robust processes for appointing suppliers and reviewing their performance thereafter.
Detailed forecasting and planning of material requirements to inform supplier negotiations.</td><td><u>Availability of materials</u>
The Group Procurement department provides routine monitoring of trends and supplier performance.
Site budgets and performance, including availability and pricing of materials, are assessed through the bi-monthly valuation process.
The Principal Risk Lead Indicator reports issued to each meeting of the Board include commentary from the Group Commercial Director on materials purchasing trends and issues.</td></tr>
</table>

	- Support for our supply chain through adherence to the Prompt Payment Code.	
Land purchasing Maintaining an appropriate supply of suitable land is crucial to the Group's strategy. Failure to maintain a sufficient supply of land at the appropriate levels of return could adversely affect sales, margins and return on capital employed.	Land purchasing The Group maintains strong land holdings. All land purchases undergo comprehensive viability assessments and must meet specific levels of projected returns, taking into account anticipated market conditions and sales rates.	Land purchasing The Group's Land Committee meets regularly to review the Group's current land holdings and future needs, and to assess potential land transactions.
6. Climate change		Residual risk rating Medium
Risk description	Approach to risk mitigation	How we monitor the risk
The effects of climate change and the UK's transition to a lower carbon economy could lead to increasing levels of regulation and legislation, as seen with the Future Homes Standard. These may in turn result in planning delays, increased costs and competition for some materials. Changes in weather patterns and the frequency of extreme weather events, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may reduce in response to financial institutions considering the possible impacts relating to climate change.	The potential impacts of climate change are considered systematically in key business decisions, from land acquisition through to planning and build processes. In response, the Group has established a range of measures to improve its operational efficiency and direct environmental impact, including: - Maintaining a detailed climate change risk register. - Setting science based carbon reduction targets, accredited by the Science Based Targets Initiative. - Targets to deliver 'net zero' homes in use to our customers by 2030 and become 'net zero' in our operations by 2040. - Regular meetings of the low carbon homes working group, comprising senior employees from various disciplines, including preparation for the implementation of the Future Homes Standard. - Introduction of electric vehicle options into the Group's fleet. - Procurement of 100% renewable energy for our offices and manufacturing facilities.	- The Sustainability Committee meets regularly to review progress on the Group's climate related initiatives. - Key indicators including CO_2 emissions and waste generation are monitored and reported on. - External review of our Scope 1, Scope 2, Scope 3 Category 1 (Purchased goods and services) and Scope 3 Category 11 (Use of sold products) emissions.

7. Reputation		Residual risk rating
		Medium
Risk description	Approach to risk mitigation	How we monitor the risk
Failure to live up to our expected high standards in governance, build quality (including remediation of legacy issues), customer experiences, operational performance, management of health and safety or local planning concerns could damage stakeholder relationships and have a detrimental impact on financial performance.	The Group is committed to ensuring an appropriate culture and maintaining high quality in all aspects of its operations. This is subject to oversight from the Board. We have made significant investments in build quality, through The Persimmon Way and the supporting IQC regime, and in addressing legacy issues. We formally commenced the registration process for the New Homes Quality Code (NHQC) within 2022. The Group supports the NHQC's focus on driving quality and customer service improvement across the industry. The Group also proactively works to build positive relationships with all of our stakeholders. This includes supporting communities in addressing housing needs, creating attractive neighbourhoods and employing local people, both on our sites and in the supply chain. We make significant contributions to local infrastructure and good causes within the communities in which the Group operates.	- Operational performance, including build quality and customer experience, are subject to routine management oversight, with reporting to the Executive Committee and Board. - The Board also oversees stakeholder engagement, including monitoring feedback from shareholders, and the results of our employee engagement surveys and the Employee Engagement Panel. - The Principal Risk Lead Indicator reports issued to each meeting of the Board includes analysis of media coverage and trends that could be indicative of the Group's overall reputation.

8. Regulatory compliance		Residual risk rating
		Medium
Risk description	Approach to risk mitigation	How we monitor the risk
The housebuilding industry is subject to increasingly complex regulations, particularly in areas such as land acquisition, planning, building regulations and the environment. Further regulatory evolutions are expected in the short-term, such as the activation of the NHQC and measures on audit and corporate governance reform, which will affect aspects of our operations. There may also be potential for regulatory changes arising from the ongoing CMA market study. Failure to comply with regulations could result in imposition of financial penalties and potential damage to the Group's reputation.	The Group maintains comprehensive management systems to ensure regulatory and legal compliance, including policies and procedures for key areas of regulation. Additional oversight is in place through the Group-level functions and cross-functional steering groups for key areas, such as GDPR compliance. In respect of land and planning, experienced management teams are in place at Group and local level. These enable effective engagement with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption.	- The Board and Audit & Risk Committee are provided with regular updates on core areas of regulatory compliance and preparation for upcoming regulatory change.

9. Cyber and data risk		Residual risk rating
		High
Risk description	Approach to risk mitigation	How we monitor the risk
In common with most modern businesses, the Group is reliant on the consistent availability and security of its IT systems. Failure or significant disruption to the Group's core IT systems, particularly those in relation to customer information and customer service could result in significant financial costs, reputational damage and business disruption. As the Group's use of technology to support operational processes continues to develop, cyber and data risks have become an area of increased focus for the Group. This is reflected in the elevation of this risk from 'medium' to 'high'.	The Group has dedicated cyber security resource, led by the Chief Information Security Officer, in order to manage and oversee security controls. This includes use of third party expertise to ensure implementation of good-practice controls. Cyber and IT security enhancements form part of an ongoing strategy of improvement to the Group's IT provision. External partners are used to support the Group, both through cyber security assessments and periodic penetration testing. In the event of an incident, the Group has a defined Cyber Incident Response Plan. Training and regular communications are delivered to all users to increase awareness of cyber risks, with particular focus on risks associated with remote and hybrid working.	- In recognition of the serious nature of cyber risk to modern businesses, the Board receives reports from the Group's Chief Information Officer (CIO) at each of its meetings. The CIO also serves as a member of the Group Executive Committee, ensuring IT and cyber risks are a consideration in all key business decision making. - Routine reporting on cyber security and IT developments is presented to the Audit & Risk Committee. - The Principal Risk Lead Indicator reports issued to each meeting of the Board include a section on IT developments. - The Group has an internal GDPR Steering Group to monitor all processes, risks and controls associated with personal data.

10. Mortgage availability		Residual risk rating
		Very high
Risk description	Approach to risk mitigation	How we monitor the risk
Sustained periods of higher interest rates or tightening of bank lending criteria could reduce both the affordability and availability of mortgages for our customers. This could reduce demand for new homes and affect sales prices, revenues, profits, cash flows, and asset values.	The Group closely monitors the economic outlook for the UK, including indicators on mortgage availability and affordability. Investments in land and work in progress are moderated to align with our level of sales and expectations of the current market conditions. Incentive schemes to support sales are kept under review by management, and can be flexed according to underlying market conditions.	- The Board closely monitors sales activity and UK economic trends, including Bank of England commentary on credit conditions, lenders' announcements and reports from UK Finance commentators. - The Principal Risk Lead Indicator reports issued to each meeting of the Board includes analysis of lending trends and mortgage approval rates.

11. Legacy buildings		Residual risk rating
		High
Risk description	Approach to risk mitigation	How we monitor the risk
In line with our commitments under the Developer Pledge, the Group remains committed to undertaking any cladding or life-critical fire safety remediation works for buildings it has constructed, and to protecting leaseholders. Provisions have been made to cover the anticipated costs of these works; however, the works are complex and could be protracted in nature.	The Group has a dedicated Special Projects team, responsible for the identification of affected buildings, assessment of any remediation required, and ensuring that the work is completed as quickly as practicable. Detailed investigations are undertaken on all identified	- A report on the progress of the works is provided to every Board meeting. - All identified buildings are assessed and, where necessary, interim measures carried out to ensure the residents safety until remedial works are carried out. - The Finance team monitors costs incurred and provides assurance on the utilisation and

As such, the value may be subject to revision if legislation or regulation evolve, further properties are identified, or costs prove to be greater than anticipated.	buildings and independent fire risk assessments completed. The Group's assumptions on the estimated financial costs associated with the remediation works have been subject to comprehensive challenge.	appropriateness of the Group's provision.

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

We confirm that to the best of our knowledge:

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

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

Roger Devlin	Chairman
Dean Finch	Group Chief Executive
Jason Windsor	Chief Financial Officer
Nigel Mills	Senior Independent Director
Annemarie Durbin	Non-Executive Director
Andrew Wyllie	Non-Executive Director
Shirine Khoury-Haq	Non-Executive Director
Alexandra Depledge	Non-Executive Director
Colette O'Shea	Non-Executive Director

By order of the Board

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

9 August 2023

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

INDEPENDENT REVIEW REPORT TO PERSIMMON PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 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 14. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Conclusions Relating to Going Concern

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

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

Responsibilities of the directors

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

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

Auditor's Responsibilities for the review of the financial information

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

Use of our report

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

Victoria Venning
Ernst & Young LLP
Leeds

9 August 2023