PERSIMMON PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Persimmon plc today announces half year results for the six months ended 30 June 2017.

Highlights

- Profit before tax increased 30% to £457.4m (2016: £352.3m)
- Revenue up 12% to £1.66bn (2016: £1.49bn)
- Legal completions increased 8% to 7,794 (2016: 7,238) - an additional 556 new homes delivered
- Average selling price of £213,262 up 4% (2016: £205,762)
- Further expansion of underlying operating margin* to 27.6% (2016: 23.8%), an increase of 380bps
- Return on average capital employed** increased by 33% to 47.3% (2016: 35.6%)
- 9,319 plots of new land secured in the period bringing consented land bank to 98,712 plots
- Continued success in securing planning consent for the Group's strategic land bank with 3,308 plots converted in the period, 35% of the new plots acquired
- Net free cash generation*** of £284.5m in the period (2016: £229.9m)
- Net cash of £1,120.4m at 30 June 2017 (2016: £462.0m), prior to £339.5m capital return paid on 3 July 2017
- Basic earnings per share increased 30% to 119.5p (2016: 92.0p)
- Current forward sales 15% ahead at £2.005bn (2016: £1.747bn)
- Return of surplus capital under the Capital Return Plan of 25p per share (£77.1m) paid 31 March 2017 in addition to the scheduled payment of 110p per share (£339.5m) paid after the balance sheet date on 3 July 2017
- Commitment to return surplus capital of at least 110 pence per share to shareholders each July until 2021

* stated before goodwill impairment

** 12 month rolling average stated before goodwill impairment

*** net free cash generation stated before Capital Return Plan payments

Jeff Fairburn, Group Chief Executive, said: "The successful execution of the Group's long term strategy continues to support excellent trading results as seen again in the first half of 2017. Our focus on meeting market demand to deliver high quality sustainable growth in each of our 29 regional businesses is delivering excellent outcomes for our customers, our shareholders, and all our stakeholders."

"The market remains confident. Customer interest in our developments remains strong with encouraging levels of interest through both our websites and our sales outlets as we trade through the quieter summer weeks. Our private reservation rate over recent weeks is c. 2% ahead year on year. Whilst we remain vigilant to changes in market conditions we also recognise we are in a strong position to take advantage of opportunities that arise. We are looking forward to a good autumn sales season."

"With a high quality land bank, very strong balance sheet and excellent forward sales the Group has built a platform for its future success."

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

Telephone number: +44(0)20 3427 1906

Password: Persimmon

Webcast link: https://edge.media-server.com/m6/p/osykig2q
(An archived webcast of today's analyst presentation will be available on www.persimmonhomes.com/corporate this afternoon.)

HALF YEAR REPORT – TUESDAY 22 AUGUST 2017

CHAIRMAN'S STATEMENT

Persimmon's results for the first six months of 2017 are strong. Our disciplined high quality growth continues to deliver excellent free cash generation and a robust financial position.

Profit before tax increased by 30% to £457.4 million (2016: £352.3 million), underlying operating margin* of 27.6% (2016: 23.8%) improved 380bps, cash balances of £1,120.4 million were held at the end of June (2016: £462.0 million) and the consented land bank totalled 98,712 plots (December 2016: 97,187 plots).

Management continue to execute the long-term strategy commenced in 2012 successfully. This aims to sustain the delivery of superior levels of shareholder value and cash generation through the housing cycle. The Group invested c. £550 million of cash in land over the twelve-month period ended 30 June 2017 whilst also generating c. £740 million of free net cash inflow before capital returns, equivalent to c. 239 pence per share. On 31 March 2017 the Group paid an interim dividend of 25 pence per share as an additional return of surplus capital under the Capital Return Plan ("the Plan"). On 3 July 2017, after the balance sheet date, the Group paid the sixth instalment under the Plan of 110 pence per share, or £339.5 million, bringing the total returned to shareholders under the Plan to date to c. £1.5 billion (or 485 pence per share).

RESULTS

The Group traded strongly throughout the first half of 2017 increasing total revenues by 12% over the prior year to £1,662.2 million (2016: £1,489.3 million). With our focus on build and cash delivery the Group increased sales volumes by 8% to 7,794 new home legal completions (2016: 7,238) with an average selling price which was 4% higher at £213,262 (2016: £205,762).

The strength of the market through the first half is reflected in the Group's average weekly private sales rate per site of 0.80, which was c. 7% ahead year-on-year (2016: 0.75). Each of our regional businesses focuses on achieving sales rates that are appropriate to their regional market conditions. Our new Nottinghamshire business based in Mansfield which opened at the beginning of the year has made a good start to trading and delivered over 170 new homes in the first half. We look forward to further growth in this important regional market moving forward. The Group now has 29 regional businesses delivering new homes right across the UK.

In the private sales market both the Persimmon and Charles Church brands achieved increased average selling prices year on year. The Persimmon sales price increased by 3.7% to £213,982 and the sales price for Charles Church rose by 9.4% to £347,819. As seen over more recent periods the improvement in Charles Church average pricing reflects our greater focus on delivering higher value new homes in premium locations with no overlap with the Persimmon range and offer. Charles Church delivered 900 new homes in the period (2016: 973) whilst Persimmon legally completed 5,630 new homes (2016: 5,143). With 84% of Group sales being secured in the private market, sales to the Group's housing association partners totalled 1,264 new homes (2016: 1,122 new homes) a similar proportion of the sales mix year on year.

The Group's gross margin improved by 360 basis points over the first half of 2016 to 30.5% (2016: 26.9%). This further progress is a result of our continuous drive to invest in high quality land, opening up these new sites as promptly as possible, and growing the regional businesses' build and sales delivery whilst exercising strong control over our costs. This has enabled the Group to reduce the land cost recoveries associated with our legal completions and improve our build efficiencies and overhead recoveries. We are pleased to report that the majority of the margin improvement year on year, being 320 basis points, has been secured through strong control over our development costs, with the remainder delivered from improved land cost recoveries. With the Group's growth in sales, gross profits have increased 27% year on year to £507.3 million (2016: £400.8 million).

Underlying operating profit* increased by 30% to £459.4 million (2016: £354.5 million) reflecting the further progress of the Group's operating margin* to 27.6%, an increase of 380 basis points over last year (2016: 23.8%).

The combination of strong trading and capital discipline resulted in a total capital value per share generated in the first six months of the year (before capital returns) of 126.5 pence (2016: 69.6 pence). Total capital returns of 135 pence per share recognised in the period resulted in a decrease in reported net assets per share at 30 June of 8.9 pence to 878.4 pence from 887.3 pence at 31 December 2016.

The Group's underlying return on average capital employed** improved year on year by 33% to 47.3% (2016: 35.6%) and underlying basic earnings per share* for the first six months of 2017 of 121.2 pence increased by 30% over the prior year (2016: 93.3 pence).

From the launch of our long-term strategy at the start of 2012 to 30 June 2017 the Group has delivered c. 72,500 new homes across the UK, increasing the number of new homes delivered to customers by over 65%. We have also invested c. £2.94 billion in new land and opened c. 1,100 new sales outlets whilst returning a total of c. £1.5 billion of surplus capital to shareholders, £630 million more than was originally planned at this point.

RETURNS TO SHAREHOLDERS

The Group will achieve the objectives of its long-term strategy by ensuring the business operates at optimal scale in its regional markets whilst executing disciplined, well-judged land investment at the right time through the cycle. Persimmon will return capital that is considered surplus to the reinvestment needs of the business back to shareholders through the cycle. During the period, on 31 March 2017, the Group returned 25p per share (or £77.1 million) of surplus capital to shareholders, whilst also recognising at the balance sheet date the commitment to return a further 110p per share (or £339.5 million) on 3 July 2017.

Total surplus capital of £4.85 per share, or c. £1.5 billion, has now been paid to shareholders. The remaining Capital Return scheduled to 2021 of £4.40 per share is planned to be paid in equal instalments of £1.10 per share over the next four years. The seventh instalment under the Plan is scheduled for early July 2018 and will be finalised with the 2017 Full Year results of the Group to be announced on Tuesday 27 February 2018.

LAND

One of the major challenges the industry faces in increasing output is the expansion in the number of active outlets which are under development to meet the demand from local communities across the UK. With the National Planning Policy Framework requiring planning authorities to plan and deliver sufficient land in sustainable locations to fulfil their local housing need for the next five years, the land market has remained attractive. We have maintained our disciplined approach to land replacement, continuing to invest through the first half of the year to ensure we are better placed to bring new opportunities to the market. The Group acquired a total of 9,319 new plots of land across 47 sites during the period, including 3,308 plots in 16 locations converted from our strategic land bank. The Group's land spend was £369 million in the first half of the year (2016: £305 million).

The Group owned and controlled 98,712 plots in its consented land bank at 30 June 2017 (December 2016: 97,187 plots) with c. 49% previously held by the Group as strategic land. Within this total, the Group owned 53,180 plots with detailed planning consent. The Group is developing all sites where it has secured a detailed consent. In addition to its consented land bank the Group owns and controls c. 16,340 acres of strategic land. The Group's planning teams continue to work hard in partnership with local communities and planning authorities to bring this land through the planning system so we can make a start on our development plans as swiftly as possible.

A key element of our long-term strategy is to judge the timing of our investment in high quality new land well so as to support the sustained delivery of superior shareholder value through the housing cycle. We will remain cautious with respect to new land investment for as long as the uncertainties facing the market persist, particularly those associated with the risks to the UK economy resulting from the UK's exit from the EU. However, we continue to identify attractive opportunities which will result in further investment on a selective basis.

CURRENT TRADING

Through the second half of 2016 the Group experienced stronger market conditions than expected post the EU Referendum on 23 June 2016, particularly through the traditionally slower summer weeks. Against these stronger comparatives, customer interest over the last seven weeks from 1 July has remained robust and our average weekly private sales rate per site was 2% ahead of the same period last year. Our website leads, the number of customers visiting our sales offices and the consistent lower levels of cancellations are encouraging. Pricing has remained firm.

Resourcing sites with the required trade skills to meet the demands of our build programmes remains a challenge. We have progressed development works on 25 sites which will be released for sale on commencement of the autumn sales season in early September to ensure customers are able to move into their new home in line with our development expectations. The Group is managing to contain the inflationary pressures in the supply chain well, capturing the benefits of the increasing utilisation of the Group's standard house types and improving direct overhead efficiency as each regional business grows to its optimal scale. We will continue to pursue strong control over our costs to deliver the best outcomes for our shareholders.

The value of our forward sales, including legal completions from 1 July 2017, is now 15% stronger than at the same point last year at £2.005 billion (2016: £1.747 billion). We have 6,669 new homes sold forward into the private sale market (2016: 5,836) with an average selling price of c. £231,500 (2016: £224,200).

We continue to monitor market activity closely whilst also remaining vigilant regarding broader external conditions. We will maintain strong discipline over operations to ensure we fulfil our strategic objectives.

OUTLOOK

The housing market across our regions remains confident and consumer sentiment is resilient. The potential headwinds of higher inflation are being mitigated by healthy employment levels and a competitive but disciplined mortgage market. Customers are finding good levels of support from mortgage lenders who have approved c. 195,000 loans during the second quarter of 2017, a very similar level compared with the same period last year despite the heightened uncertainties associated with the result of the recent UK General Election.

With our extensive network of sales outlets across the UK offering attractive house types at affordable prices, we expect to see the normal seasonal increase in sales interest from customers as the summer holidays come to an end in early September. Since 30 June we have opened 22 new outlets for sales whilst 42 existing outlets have fully sold through. We plan to open a further c. 80 new outlets through to the end of the year, including the 25 outlets where we are already pushing forward with our build programmes and which will commence sales release in early September. The Group's current 355 active outlets will be added to as these 25 outlets are released for sale over the next few weeks (2016: 375 active outlets). We will continue to invest in bringing new land into production promptly to expand the Group's outlet network to offer new homes to as many local communities as possible. We look forward to engaging with the Government on its Housing White Paper consultation process over the coming months, specifically in relation to planning improvements.

Management are aiming to maintain the sustainable growth of the business and will increase build activity to reach our optimal scale in each of our regional markets. We will continue to invest in the management of our build programmes and improve the availability of newly built homes for our customers. We anticipate our cash generation will remain strong.

Persimmon's performance over the first half of 2017 has been excellent. By focussing on the consistent execution of our strategy over recent years, the Group is in an enviable position to adapt to changing market conditions and to take advantage of market opportunities as events unfold. We remain mindful of the risks the Group faces. We will continue to concentrate on delivering the best possible outcomes for our shareholders based upon maximising the cash efficiency of the business and continuing to invest in the Group's high quality land bank.

On behalf of the Board, I thank the entire Persimmon team for their continued hard work. All of the Group's employees, workers, subcontractors, and other stakeholders are congratulated for producing these outstanding results. The Board is confident of the future success of the Group.

Nicholas Wrigley

Chairman

21 August 2017

* stated before goodwill impairment (2017: £5.4m, 2016: £4.0m)

** 12 month rolling average stated before goodwill impairment

PERSIMMON PLC
Condensed Consolidated Statement of Comprehensive Income
For the six months to 30 June 2017 (unaudited)

	Note	**Six months to 30 June 2017 Total £m**	Six months to 30 June 2016 Total £m	Year to 31 December 2016 Total £m
Revenue		**1,662.2**	1,489.3	3,136.8
Cost of sales		**(1,154.9)**	(1,088.5)	(2,265.4)
Gross profit		**507.3**	400.8	871.4
Other operating income		**6.0**	6.4	6.8
Operating expenses		**(59.3)**	(56.7)	(107.7)
Profit from operations before impairment of intangible assets		**459.4**	354.5	778.5
Impairment of intangible assets		**(5.4)**	(4.0)	(8.0)
Profit from operations		**454.0**	350.5	770.5
Finance income		**9.8**	9.7	19.8
Finance costs		**(6.4)**	(7.9)	(15.5)
Profit before tax		**457.4**	352.3	774.8
Tax	3.1	**(88.8)**	(69.3)	(149.5)
Profit after tax (all attributable to equity holders of the parent)		**368.6**	283.0	625.3
Other comprehensive expense				
Items that will not be reclassified to profit:				
Remeasurement charges on defined benefit pension schemes	10	**(1.8)**	(58.2)	(23.4)
Tax	3.2	**0.3**	10.5	4.4
Other comprehensive expense for the period, net of tax		**(1.5)**	(47.7)	(19.0)
Total comprehensive income for the period		**367.1**	235.3	606.3
Earnings per share [i]				
Basic	4	**119.5**	92.0p	203.0p
Diluted	4	**115.4**	89.2p	197.0p

[i] Earnings per share is calculated in accordance with IAS 33 : Earnings Per Share.

PERSIMMON PLC
Condensed Consolidated Balance Sheet
At 30 June 2017 (unaudited)

	Note	**30 June 2017 £m**	30 June 2016 £m	31 December 2016 £m
Assets				
Non-current assets				
Intangible assets		**208.2**	217.6	213.6
Property, plant and equipment		**49.2**	40.1	43.0
Investments accounted for using the equity method		**3.0**	3.0	3.0
Available for sale financial assets	7	**132.7**	163.2	148.7
Trade and other receivables		**7.0**	9.2	8.8
Deferred tax assets		**59.5**	37.0	42.5
Retirement benefit assets	10	**42.4**	5.8	23.3
		502.0	475.9	482.9
Current assets				
Inventories	6	**2,722.1**	2,742.5	2,645.0
Trade and other receivables		**119.5**	125.2	103.7
Cash and cash equivalents		**1,120.4**	462.0	913.0
		3,962.0	3,329.7	3,661.7
Total assets		**4,464.0**	3,805.6	4,144.6
Liabilities				
Non-current liabilities				
Trade and other payables		**(338.7)**	(308.3)	(333.3)
Deferred tax liabilities		**(20.8)**	(15.1)	(17.7)
Partnership liability		**(37.4)**	(40.5)	(41.7)
Retirement benefit obligations	10	**-**	(45.0)	-
		(396.9)	(408.9)	(392.7)
Current liabilities				
Trade and other payables		**(944.9)**	(956.4)	(935.0)
Capital Return liability	5	**(339.5)**	-	-
Partnership liability		**(5.4)**	(5.4)	(5.4)
Current tax liabilities		**(66.3)**	(91.1)	(74.1)
		(1,356.1)	(1,052.9)	(1,014.5)
Total liabilities		**(1,753.0)**	(1,461.8)	(1,407.2)
Net assets		**2,711.0**	2,343.8	2,737.4
Equity				
Ordinary share capital issued		**30.9**	30.8	30.8
Share premium		**11.0**	9.7	10.6
Capital redemption reserve		**236.5**	236.5	236.5
Other non-distributable reserve		**276.8**	276.8	276.8
Retained earnings		**2,155.8**	1,790.0	2,182.7
Total equity		**2,711.0**	2,343.8	2,737.4

PERSIMMON PLC
Condensed Consolidated Statement of Changes in Shareholders' Equity
For the six months to 30 June 2017 (unaudited)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Six months ended 30 June 2017:						
Balance at 31 December 2016	30.8	10.6	236.5	276.8	2,182.7	2,737.4
Profit for the period	-	-	-	-	368.6	368.6
Other comprehensive expense	-	-	-	-	(1.5)	(1.5)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(416.6)	(416.6)
Issue of new shares	0.1	0.4	-	-	-	0.5
Exercise of share options/share awards	-	-	-	-	(0.9)	(0.9)
Share-based payments	-	-	-	-	22.6	22.6
Satisfaction of share options from own shares held	-	-	-	-	0.9	0.9
Balance at 30 June 2017	**30.9**	**11.0**	**236.5**	**276.8**	**2,155.8**	**2,711.0**
Six months ended 30 June 2016:						
Balance at 31 December 2015	30.7	9.3	236.5	276.8	1,902.5	2,455.8
Profit for the period	-	-	-	-	283.0	283.0
Other comprehensive expense	-	-	-	-	(47.7)	(47.7)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(338.3)	(338.3)
Issue of new shares	0.1	0.4	-	-	(0.1)	0.4
Own shares purchased	-	-	-	-	(1.0)	(1.0)
Exercise of share options/share awards	-	-	-	-	(0.8)	(0.8)
Share-based payments	-	-	-	-	(8.3)	(8.3)
Satisfaction of share options from own shares held	-	-	-	-	0.7	0.7
Balance at 30 June 2016	**30.8**	**9.7**	**236.5**	**276.8**	**1,790.0**	**2,343.8**
Year ended 31 December 2016:						
Balance at 31 December 2015	30.7	9.3	236.5	276.8	1,902.5	2,455.8
Profit for the year	-	-	-	-	625.3	625.3
Other comprehensive expense	-	-	-	-	(19.0)	(19.0)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(338.3)	(338.3)
Issue of new shares	0.1	1.3	-	-	(0.1)	1.3
Own shares purchased	-	-	-	-	(1.0)	(1.0)
Exercise of share options/share awards	-	-	-	-	(1.0)	(1.0)
Share-based payments	-	-	-	-	13.3	13.3
Satisfaction of share options from own shares held	-	-	-	-	1.0	1.0
Balance at 31 December 2016	**30.8**	**10.6**	**236.5**	**276.8**	**2,182.7**	**2,737.4**

PERSIMMON PLC
Condensed Consolidated Cash Flow Statement
For the six months to 30 June 2017 (unaudited)

	Note	**Six months to 30 June 2017 £m**	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Cash flows from operating activities:				
Profit for the period		**368.6**	283.0	625.3
Tax charge	3.1	**88.8**	69.3	149.5
Finance income		**(9.8)**	(9.7)	(19.8)
Finance costs		**6.4**	7.9	15.5
Depreciation charge		**4.1**	3.9	8.0
Impairment of intangible assets		**5.4**	4.0	8.0
Share-based payment charge		**6.7**	4.1	14.0
Net imputed interest income		**3.2**	2.2	3.9
Other non-cash items		**(0.4)**	(2.7)	(3.9)
Cash inflow from operating activities		**473.0**	362.0	800.5
Movements in working capital:				
(Increase)/decrease in inventories		**(75.1)**	(92.7)	7.8
Increase in trade and other receivables		**(44.7)**	(32.1)	(18.3)
Increase in trade and other payables		**16.0**	35.6	11.1
Decrease in available for sale financial assets		**24.0**	22.1	44.6
Cash generated from operations		**393.2**	294.9	845.7
Interest paid		**(3.4)**	(3.4)	(4.0)
Interest received		**1.8**	1.5	3.1
Tax paid		**(94.4)**	(52.2)	(146.6)
Net cash inflow from operating activities		**297.2**	240.8	698.2
Cash flows from investing activities:				
Purchase of property, plant and equipment		**(10.3)**	(7.4)	(14.7)
Proceeds from sale of property, plant and equipment		**0.1**	0.7	0.8
Net cash outflow from investing activities		**(10.2)**	(6.7)	(13.9)
Cash flows from financing activities:				
Financing transaction costs		**-**	(0.9)	(0.9)
Payment of Partnership Liability		**(3.0)**	(2.8)	(2.8)
Own shares purchased		**-**	(1.0)	(1.0)
Share options consideration		**0.5**	0.5	1.3
Dividends paid		**(77.1)**	(338.3)	(338.3)
Net cash outflow from financing activities		**(79.6)**	(342.5)	(341.7)
Increase/(decrease) in net cash and cash equivalents	9	**207.4**	(108.4)	342.6
Cash and cash equivalents at the beginning of the period		**913.0**	570.4	570.4
Cash and cash equivalents at the end of the period		**1,120.4**	462.0	913.0

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

1. Basis of preparation

The half year condensed financial statements for the six months to 30 June 2017 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union. The half year financial statements are unaudited, but have been reviewed by the auditors whose report is set out at the end of this report. This report should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial year ended 31 December 2016 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.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases have not yet been endorsed by the European Union:

- IFRS 15 Revenue from Contracts with Customers

- IFRS 9 Financial Instruments

- IFRS 16 Leases

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

- Amendments to IAS 7: Disclosure Initiative

Where material, the expected impact to the Group Financial Statements on adoption of the above standards is detailed in the Group annual financial statements for the year ended 31 December 2016. This assessment has not changed in the period to 30 June 2017.

Going concern

After making due enquiries, and in accordance with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in 2014, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated half year financial statements.

2. Segmental analysis

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. Tax

3.1 Analysis of the tax charge for the period

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Tax charge comprises:			
UK corporation tax in respect of the current period	**86.5**	71.1	153.6
Adjustments in respect of prior periods	**-**	(6.1)	(11.3)
	86.5	65.0	142.3
Deferred tax relating to origination and reversal of temporary differences	**2.3**	0.2	3.0
Adjustments recognised in the current period in respect of prior periods deferred tax	**-**	4.1	4.2
	2.3	4.3	7.2
	88.8	69.3	149.5

3.2 Deferred tax recognised in other comprehensive income

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Recognised on remeasurement charges on pension schemes	**(0.3)**	(10.5)	(4.4)

3.3 Deferred tax recognised directly in equity

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Arising on transactions with equity participants			
Related to equity-settled transactions	**(15.9)**	12.4	0.7

As at 30 June 2017, the Group has recognised deferred tax assets on deductible temporary differences at 17%, the rate enacted at the end of the reporting period.

4. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period (excluding those held in the employee benefit trusts and any treasury shares all of which are treated as cancelled) which were 308.5m (June 2016: 307.7m, December 2016: 308.0m).

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the period, giving a figure of 319.4m (June 2016: 317.3m, December 2016: 317.5m).

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

	Six months to 30 June 2017	Six months to 30 June 2016	Year to 31 December 2016
Basic earnings per share	**119.5p**	92.0p	203.0p
Underlying basic earnings per share	**121.2p**	93.3p	205.6p
Diluted earnings per share	**115.4p**	89.2p	197.0p
Underlying diluted earnings per share	**117.1p**	90.4p	199.5p

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

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Underlying earnings attributable to shareholders	**374.0**	287.0	633.3
Goodwill impairment	**(5.4)**	(4.0)	(8.0)
Earnings attributable to shareholders	**368.6**	283.0	625.3

5. Dividends/Return of capital

On 31 March 2017 an additional and fifth payment of the Capital Return Plan of 25p per share (or £77.1m) was paid as an interim cash dividend.

As at 30 June 2017 the Group balance sheet included a Capital Return liability of £339.5m in relation to the sixth payment of the Capital Return Plan of 110p per share (or £339.5m). This was paid as a second interim cash dividend after the balance sheet date on 3 July 2017.

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
2016 Dividend to all shareholders of 110p per share	**-**	338.3	338.3
2017 Dividend to all shareholders of 25p per share	**77.1**	-	-
Total return to shareholders	**77.1**	338.3	338.3

6. Inventories

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Land	**1,970.8**	2,085.5	1,946.4
Work in progress	**676.1**	587.4	617.2
Part exchange properties	**32.2**	27.4	37.1
Showhouses	**43.0**	42.2	44.3
	2,722.1	2,742.5	2,645.0

At 30 June 2017 the Group conducted a further review of the net realisable value of its land and work in progress portfolio. This review did not give rise to an exceptional credit or debit to the consolidated statement of comprehensive income (2016: £nil). Our approach to the net realisable value review has been consistent with that conducted at 31 December 2016 which was fully disclosed in the financial statements for the year ended on that date.

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

Following this review £29.1m (2016: £42.7m) of inventories are valued at fair value less costs to sell rather than at historical cost.

7. Available for sale financial assets

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Available for sale financial assets at beginning of period	**148.7**	177.9	177.9
Additions	**-**	0.4	0.5
Settlements	**(24.0)**	(23.2)	(45.6)
Gains (Finance income)	**8.0**	8.1	15.9
Available for sale financial assets at end of period	**132.7**	163.2	148.7

There have been no gains/losses recognised in other comprehensive income other than those recognised through finance income in profit and loss. Of the gains recognised in finance income for the period £2.6m (2016: £3.3m) was unrealised.

8. 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 2017 Level 3 £m	30 June 2016 Level 3 £m	31 December 2016 Level 3 £m
Available for sale financial assets	**132.7**	163.2	148.7

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

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

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration from inception to settlement of 10 years (2016: 10 years) and discount rate of 8% (2016: 8%) based on current observed market interest rates on secured second loans.

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

9. Reconciliation of net cash flow to net cash

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Increase/(decrease) in net cash and cash equivalents in cash flow	**207.4**	(108.4)	342.6
Net cash at beginning of period	**913.0**	570.4	570.4
Net cash at end of period	**1,120.4**	462.0	913.0

10. Retirement benefit assets/obligations

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

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m	Year to 31 December 2016 £m
Current service cost	**1.2**	1.2	2.4
Administrative expense	**0.4**	0.4	0.7
Pension cost recognised as operating expense	**1.6**	1.6	3.1
Pension cost recognised as net finance credit	**(0.3)**	(0.3)	(0.8)
Total defined benefit pension cost recognised in profit or loss	**1.3**	1.3	2.3
Remeasurement charges recognised in other comprehensive expense	**1.8**	58.2	23.4
Total defined benefit scheme charge recognised	**3.1**	59.5	25.7

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

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Fair value of Pension Scheme assets	**637.1**	536.0	605.6
Present value of funded obligations	**(594.7)**	(575.2)	(582.3)
Net pension asset/(liability)	**42.4**	(39.2)	23.3

An update on the 31 December 2016 IAS 19 valuation, adjusted for current market conditions, has been obtained from the schemes' actuary as at 30 June 2017 and has been used as the basis for these figures.

11. Related parties

There are no disclosable related party transactions (as required by DTR 4.2.8R) during the period (2016: none).

12. Seasonality

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

Principal risks

Risk	Impact	Mitigation
UK’s exit from the EU	Following the referendum vote on 23 June 2016 and the commencement of negotiations to leave the European Union, together with the result of the UK General Election on 8 June 2017, uncertainty surrounding the outlook for the UK economy has increased. Such uncertainty may reduce consumer confidence such that demand and pricing for new homes may be impacted affecting revenues, profits and cash flows and may result in the impairment of asset values. In addition, the devaluation of the UK currency and a possible tightening of the availability of construction skills due to potential changes to legislation governing free movement of labour may impact costs and build activity.	We continue to closely monitor the impact of this increased uncertainty on the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. Close management of work in progress levels matching supply to demand will continue and land investment decisions will continue to be assessed, including measures to ensure exposure to market disruption is mitigated. The overall shortage of supply of housing in the UK may provide a degree of support to the housing market should these circumstances arise. Action taken by the Government to adjust policy to support UK economic performance may provide further mitigation as might any response with respect to interest rates by the Bank of England. We will continue to employ robust tendering processes to maintain strong cost control over Group sourcing. In addition, we will remain focused on our training initiatives to improve the supply of the necessary construction skills the Group requires.
National and regional economic conditions	The housebuilding industry is sensitive to changes in unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may significantly decrease demand and pricing for new homes, which could have a material effect on our business revenues, margins and profits and result in the impairment of asset values.	We control the level of build on-site by closely managing our work in progress levels. We carry out extensive due diligence prior to our land investment decisions to capture best returns. We monitor our geographical spread to mitigate the effects of local microeconomic fluctuations. We monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption.
Mortgage availability	Any restrictions in the availability of mortgages for our customers could reduce demand for our homes and affect revenues, profits and cash flows. Early withdrawal of the Government sponsored Help to Buy scheme could reduce demand from first time buyers and other customers impacting revenues, profits, and cash flows.	We monitor Bank of England commentary on credit conditions. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations for market conditions. We monitor the Council of Mortgage Lenders’ monthly reports and lenders’ announcements for trends in lending. The Government’s Help to Buy scheme, which currently is anticipated to remain available until 2021, supports customers to gain access to the housing market across the UK with very competitive mortgage rates.
Health and safety	The health and safety of our employees, subcontractors, home owners and visitors to our construction sites is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.	We ensure that the Board’s health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group Health and Safety Department to minimise accidents on our sites.

Regulatory compliance	Our business is subject to extensive and complex laws and regulations relating to planning, construction, and the environment. Our obligations to comply with legislation can result in delays causing us to incur substantial costs and prohibit or restrict land development and construction. Non compliance could also result in damage to the Group's reputation.	We operate comprehensive management systems to ensure regulatory compliance. We hold a landbank sufficient to provide security of supply for short to medium term requirements and engage extensively with planning stakeholders.
Materials	Expansion in UK housebuilding has driven an increase in demand for materials and may cause availability constraints and/or costs to increase ahead of our expectations.	We closely monitor our build programmes and our supply chain enabling us to manage and react to any supply chain issues. We build good relationships with suppliers to maintain consistency of supply and management of costs. To strengthen our control over brick supply and cost, we have recently constructed our own brick plant, which will commence supply to Group operations in the second half of 2017. This complements our existing off site manufacturing capability at Space4, the Group's business producing timber frames and highly insulated wall panels and roof cassettes which provides a modern method of constructing new homes.
Labour	Having an appropriately skilled workforce is a key requirement for housebuilding. Expansion in UK housebuilding has increased demand for skilled labour which may create site resourcing shortfalls and/or increase labour costs ahead of our expectations.	We closely monitor our build programmes to enable us to manage our labour requirements. We operate in-house apprentice and training programmes to supply the Group with skilled labour. We are committed to playing a full and active role in external initiatives to address the skills shortage such as the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation. Where appropriate, we use the Group's Space4 modern method of construction which reduces the site based skilled labour required in the construction of our homes.
Strategy	The Board has adopted its strategy as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.

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

We confirm that to the best of our knowledge:

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

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

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

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

The Directors of Persimmon Plc are:

Nicholas Wrigley	Chairman
Jeff Fairburn	Group Chief Executive
Mike Killoran	Group Finance Director
David Jenkinson	Group Managing Director
Jonathan Davie	Non-Executive Director
Marion Sears	Non-Executive Director
Rachel Kentleton	Non-Executive Director
Nigel Mills	Non-Executive Director
Simon Litherland	Non-Executive Director (appointed 3rd April 2017)

By order of the Board

Jeff Fairburn
Group Chief Executive

Mike Killoran
Group Finance Director

21 August 2017

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

Independent Review Report to Persimmon Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Shareholders' Equity, the Condensed Consolidated Cash Flow Statement and the related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
21 August 2017