

# Well positioned for the future

*Half Year Report 30 June 2011*



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### Cover, clockwise from left:

The Vale, Portishead, Bristol  
Maresfield Park, Maresfield, East Sussex  
Bannerbrook, Coventry, South Midlands

## Chairman's statement

Persimmon has made further strong progress in the six months to 30 June 2011 increasing underlying pre-tax profits\* by 52% to £59.7m. In line with our strategic objectives we have delivered further margin improvement and excellent cash generation. We have increased our land holdings and continued discipline over build activity has resulted in further balance sheet improvements. Combined with our healthy forward order book this places the Group in a strong position for the second half of our financial year. In the light of this performance, the Board is recommending a substantial increase in the Interim Dividend to 4.0p per share.

### Results

Persimmon legally completed 4,439 new home sales during the six month period to 30 June 2011 (H1 2010: 4,657). The average selling price\*\* of £162,647 for the period (H1 2010: £168,936) reflects a greater proportion of smaller houses sold in the mix this year together with an increased contribution from our affordable housing business at lower sales prices. Our forward order book contains a relatively higher proportion of larger private homes, indicating that our average selling price will increase. Revenues of £712.8m (H1 2010: £776.6m) were achieved. Pre-tax profits after goodwill impairment and exceptional items were £60.3m, compared with £101.4m for the first half 2010, which included a net exceptional credit of £63.6m.

The significant improvement in underlying profitability of the business has resulted from the combination of gross margin gains and a more efficient capital structure. Underlying gross margin\*\*\* has increased to 13.7% for the first six months of the year (H1 2010: 12.3%). Underlying operating profit\*\*\*\* of £64.2m generated an operating margin of 9.0% (H1 2010: 8.0%) as we continue to improve margins in line with our expectations.

A net exceptional credit of £2.2m has been recognised in the period. Surplus inventory net realisable value provision release of £12.0m was offset by net costs of £9.8m incurred on the early redemption of our remaining Private Placement Senior Loan Notes.

Our strong cash generation from operations of £72.5m through the six month period reduced our borrowings\*\*\*\*\* to £15.2m at 30 June 2011 (30 June 2010: £122.1m). This excellent liquidity combined with the action taken to repay our Senior Loan Notes early delivered a significant reduction in net finance costs to £4.5m (H1 2010: £22.7m).

Underlying basic earnings per share\* increased by 29% to 15.5 pence (H1 2010: 12.0p per share) and net assets per share increased to 601.1p (30 June 2010: 565.1p; 31 December 2010: 579.1p).



Nicholas Wrigley  
Group Chairman

### Dividend

As a result of the improvement in underlying profitability of the business the Board considers it appropriate to pay an Interim Dividend of 4.0p per share, an increase of 33% over last year (3.0p per share).

The dividend will be paid on 13 December 2011 to shareholders on the Register on 4 November 2011. Shareholders will continue to have the opportunity of taking advantage of a dividend reinvestment plan ('DRIP'). The latest election date for the DRIP is 22 November 2011.

The Board will continue to assess the level of future dividends in the context of the underlying earnings of each financial period, the strength of current trading, balance sheet position and future prospects.

### Current trading

We experienced healthy sales through the spring season and the Group is now in the traditionally quieter summer trading period. However, weekly sales rates are running c.4% ahead of the prior year for the period from 30 June 2011. Our current order book, including legal completions since 1 July 2011, of c.£1,005m is now 10% ahead of the prior year (23 August 2010: £912m).

At this time c.60% of our current forward order book is already contracted and margins on our forward sales show continued improvement compared to those delivered in the first half of the year.

In line with our plans, we successfully opened 70 new sites in the first half of the year and maintained our strong outlet network at c.380 active sites through the period. We anticipate opening a further c.70 new sites in the second half of the year as we continue to refresh our network. This allows us to capture pent-up demand in areas which continue to suffer from the lack of supply of new homes.

Selling prices remain stable and whilst we continue to focus on our strategy of securing the best price for our new homes, we have delivered margin improvement largely through controlling development costs and capturing better margins on newly opened sites. We expect this trend to continue in the current market.

\* Stated before goodwill impairment (2011: £1.6m; 2010: £1.6m) and exceptional items (2011: £2.2m; 2010: £63.6m)

\*\* Stated before shared equity fair value adjustment to revenue (2011: £9.2m; 2010: £10.2m)

\*\*\* Stated before exceptional items (2011: £12.0m; 2010: £70.7m)

\*\*\*\* Stated before goodwill impairment (2011: £1.6m; 2010: £1.6m) and exceptional items (2011: £12.0m; 2010: £70.7m)

\*\*\*\*\* Stated before finance lease obligations and financing transaction costs

Whilst more southern markets have provided better sales rates, we have seen continued demand across our whole site network. Cancellation rates remain at low levels at c.17%. The market remains significantly constrained by the terms on which mortgage loans can be secured, although we have seen some improvement in higher loan to value lending. We have excellent sites with a range of traditional two storey housing across the country, which continue to attract good levels of customer interest. For the year to date our visitor levels are c.4% ahead of those for the prior year.

We have supported our customers through further investment in shared equity incentives and by offering part exchange facilities. In the first half of the year we retained a shared equity interest in 24% of our sales. Where we have acquired a customer's existing home in part exchange we successfully continue to achieve an onward sale within appropriate timeframes at agreed values. Our part exchange stock holdings remain low at £36.4m (31 December 2010: £32.8m).

Our affordable housing business has performed well in the first half of the year contributing c.19% of our sales volumes (2010: 18%). We have a strong forward sales position with c.3,000 affordable homes sold to our Housing Association partners for the remainder of the current year and into 2012. The Group has secured strong backing from the Homes & Communities Agency ('HCA') under the £1.8bn National Affordable Housing Programme. We have been allocated affordable housing direct grant funding of c.£21m for the delivery of c.2,000 units covering the period April 2013 to March 2015, the last two years of the existing programme.

## Land

During the first half of the year we added 7,493 plots to our consented landbank which at 30 June 2011 stands at 62,364 plots owned and under control. This represents 6.6 years of supply at current levels of output. Of the 7,493 plots added to the landbank in the first half of the year, c.60% were acquired in our South Division.

We continue to prioritise the conversion of our strategic land holdings into land with residential planning consent to secure the higher levels of returns these developments offer. In the first half c.2,700 plots, comprising 37% of the new plots added to our consented landbank were successfully pulled through from our strategic holdings, including c.800 plots at Gatwick in the South East.

We own and control c.17,000 acres of strategic land at 30 June 2011. This strategic landbank has the potential to deliver up to 90,000 plots of land and will provide exciting opportunities to assist the delivery of enhanced returns to shareholders over the long term.

Our joint venture with St Modwen is starting to deliver further land opportunities with the first site in Wolverhampton for c.300 new homes already underway. We have secured detailed planning consents for traditional housing schemes for another c.500 plots and we anticipate additional applications being made prior to the year end for an additional c.800 units.

## Capital structure

We have continued to generate healthy levels of free cash flow in line with our expectations and this strong liquidity has enabled us to continue to optimise the Group's capital structure. As already announced in our Interim Management Statement of 21 April 2011, we have prepaid the remaining US and UK Senior Loan Notes with a face value of \$151m and £51m respectively with a total net cash payment of £145.9m. The cost savings generated over future periods will significantly exceed the initial costs of repaying this drawn funding. In addition, on 1 April 2011 we arranged a new five year £300m revolving credit facility which replaced the existing facility which was due to mature on 31 March 2012.

The combination of the strength of the Group's balance sheet, excellent liquidity and these new credit facilities provides the business with significant capacity to invest in land for the further development of the business.

## Outlook

Whilst the UK housing market remains stable we expect that it will continue to be challenging due to the overall economic situation. We continue to explore opportunities to improve the availability of mortgage finance with our key mortgage lending partners.

We are particularly keen to assist a greater number of first time buyers fulfil their desire to acquire a home of their own. We have been successful in securing c.£35m of funding from the HCA under the FirstBuy shared equity scheme which specifically focuses on assisting first time buyers to acquire a new build home. This funding represents c.20% of the total funds allocated and will help us deliver c.2,100 new homes across c.290 developments nationwide during the period to March 2013.

We expect the overall growth in new home sales volumes to reflect the developments in the wider economy. We anticipate legally completing a similar number of new homes during 2011 as we did in 2010. Our new site opening programme will continue to support sales and our consented landbank will assist in the delivery of new outlets over the long term. This high quality asset base provides an excellent platform for the future profitable growth of the Group.

In the first half of 2011 Persimmon has made further strong progress which pays testimony to the expertise, hard work and determination of all our employees throughout the business. We remain committed to our strategic objectives of margin improvement and cash generation. As a consequence, our teams across the country will remain focused on the basics of house building in their local markets which I am confident will deliver future success for the Group. Again, on behalf of the Board I would like to thank all our staff for all their efforts.

## Nicholas Wrigley

Group Chairman

22 August 2011



# Condensed consolidated balance sheet

as at 30 June 2011 (unaudited)

|   | Note | 30 June<br>2011<br>£m | 30 June<br>2010<br>£m | 31 December<br>2010<br>£m |
|---|------|-----------------------|-----------------------|---------------------------|
| <b>Assets</b>                                     |      |                       |                       |                           |
| <b>Non-current assets</b>                         |      |                       |                       |                           |
| Intangible assets                                 |      | 253.8                 | 258.7                 | 255.5                     |
| Property, plant and equipment                     |      | 28.9                  | 30.2                  | 29.1                      |
| Investments accounted for using the equity method |      | 3.0                   | 3.0                   | 2.8                       |
| Available for sale financial assets               |      | 137.2                 | 91.8                  | 115.2                     |
| Trade and other receivables                       |      | 5.5                   | 2.4                   | 3.0                       |
| Forward currency swaps                            | 9    | –                     | 26.7                  | 20.4                      |
| Deferred tax assets                               |      | 25.8                  | 47.8                  | 38.6                      |
|   |      | <b>454.2</b>          | 460.6                 | 464.6                     |
| <b>Current assets</b>                             |      |                       |                       |                           |
| Inventories                                       | 7    | 2,019.8               | 2,156.3               | 2,073.2                   |
| Trade and other receivables                       |      | 56.6                  | 56.2                  | 50.0                      |
| Forward currency swaps                            | 9    | –                     | 9.6                   | 7.1                       |
| Cash and cash equivalents                         | 9    | 1.0                   | 129.3                 | 126.8                     |
| Assets held for sale                              |      | 2.9                   | 3.3                   | 2.9                       |
|   |      | <b>2,080.3</b>        | 2,354.7               | 2,260.0                   |
| <b>Total assets</b>                               |      | <b>2,534.5</b>        | 2,815.3               | 2,724.6                   |
| <b>Liabilities</b>                                |      |                       |                       |                           |
| <b>Non-current liabilities</b>                    |      |                       |                       |                           |
| Loans and borrowings                              |      | –                     | (151.0)               | (155.5)                   |
| Trade and other payables                          |      | (100.3)               | (91.4)                | (122.0)                   |
| Deferred tax liabilities                          |      | (20.9)                | (23.4)                | (21.8)                    |
| Retirement benefit obligation                     | 10   | (48.6)                | (125.4)               | (98.3)                    |
|   |      | <b>(169.8)</b>        | (391.2)               | (397.6)                   |
| <b>Current liabilities</b>                        |      |                       |                       |                           |
| Loans and borrowings                              |      | (16.3)                | (122.4)               | (48.4)                    |
| Trade and other payables                          |      | (453.3)               | (502.5)               | (463.3)                   |
| Forward currency swaps                            | 9    | –                     | (2.6)                 | –                         |
| Current tax liabilities                           |      | (84.6)                | (94.4)                | (71.3)                    |
|   |      | <b>(554.2)</b>        | (721.9)               | (583.0)                   |
| <b>Total liabilities</b>                          |      | <b>(724.0)</b>        | (1,113.1)             | (980.6)                   |
| <b>Net assets</b>                                 |      | <b>1,810.5</b>        | 1,702.2               | 1,744.0                   |
| <b>Equity</b>                                     |      |                       |                       |                           |
| Ordinary share capital issued                     |      | 30.3                  | 30.3                  | 30.3                      |
| Share premium                                     |      | 233.6                 | 233.6                 | 233.6                     |
| Other non-distributable reserve                   |      | 281.4                 | 281.4                 | 281.4                     |
| Retained earnings                                 |      | 1,265.2               | 1,156.9               | 1,198.7                   |
| <b>Total equity</b>                               |      | <b>1,810.5</b>        | 1,702.2               | 1,744.0                   |

# Condensed consolidated statement of changes in shareholders' equity

for the six months to 30 June 2011 (unaudited)

|  | Share capital<br>£m | Share premium<br>£m | Hedge reserve<br>£m | Other non-distributable reserve<br>£m | Retained earnings<br>£m | Total<br>£m    |
|--|---------------------|---------------------|---------------------|---------------------------------------|-------------------------|----------------|
| <b>Six months ended 30 June 2011:</b>                |                     |                     |                     |                                       |                         |                |
| Balance at 31 December 2010                          | 30.3                | 233.6               | –                   | 281.4                                 | 1,198.7                 | 1,744.0        |
| Profit for the period                                | –                   | –                   | –                   | –                                     | 46.8                    | 46.8           |
| Other comprehensive income                           | –                   | –                   | –                   | –                                     | 30.7                    | 30.7           |
| Total recognised income (all attributable to owners) | –                   | –                   | –                   | –                                     | 77.5                    | 77.5           |
| <b>Transactions with owners:</b>                     |                     |                     |                     |                                       |                         |                |
| Dividends on equity shares                           | –                   | –                   | –                   | –                                     | (13.6)                  | (13.6)         |
| Exercise of share options/share awards               | –                   | –                   | –                   | –                                     | 0.2                     | 0.2            |
| Share-based payments                                 | –                   | –                   | –                   | –                                     | 2.5                     | 2.5            |
| Satisfaction of share options from own shares held   | –                   | –                   | –                   | –                                     | (0.1)                   | (0.1)          |
| <b>Balance at 30 June 2011</b>                       | <b>30.3</b>         | <b>233.6</b>        | <b>–</b>            | <b>281.4</b>                          | <b>1,265.2</b>          | <b>1,810.5</b> |
| <b>Six months ended 30 June 2010:</b>                |                     |                     |                     |                                       |                         |                |
| Balance at 31 December 2009                          | 30.3                | 233.6               | (0.4)               | 281.4                                 | 1,078.3                 | 1,623.2        |
| Profit for the period                                | –                   | –                   | –                   | –                                     | 80.1                    | 80.1           |
| Other comprehensive income/(expense)                 | –                   | –                   | 0.4                 | –                                     | (3.1)                   | (2.7)          |
| Total recognised income (all attributable to owners) | –                   | –                   | 0.4                 | –                                     | 77.0                    | 77.4           |
| <b>Transactions with owners:</b>                     |                     |                     |                     |                                       |                         |                |
| Exercise of share options/share awards               | –                   | –                   | –                   | –                                     | 0.3                     | 0.3            |
| Share-based payments                                 | –                   | –                   | –                   | –                                     | 1.6                     | 1.6            |
| Satisfaction of share options from own shares held   | –                   | –                   | –                   | –                                     | (0.3)                   | (0.3)          |
| <b>Balance at 30 June 2010</b>                       | <b>30.3</b>         | <b>233.6</b>        | <b>–</b>            | <b>281.4</b>                          | <b>1,156.9</b>          | <b>1,702.2</b> |
| <b>Year ended 31 December 2010:</b>                  |                     |                     |                     |                                       |                         |                |
| Balance at 31 December 2009                          | 30.3                | 233.6               | (0.4)               | 281.4                                 | 1,078.3                 | 1,623.2        |
| Profit for the year                                  | –                   | –                   | –                   | –                                     | 115.3                   | 115.3          |
| Other comprehensive income                           | –                   | –                   | 0.4                 | –                                     | 10.6                    | 11.0           |
| Total recognised income (all attributable to owners) | –                   | –                   | 0.4                 | –                                     | 125.9                   | 126.3          |
| <b>Transactions with owners:</b>                     |                     |                     |                     |                                       |                         |                |
| Dividends on equity shares                           | –                   | –                   | –                   | –                                     | (9.0)                   | (9.0)          |
| Exercise of share options/share awards               | –                   | –                   | –                   | –                                     | 0.3                     | 0.3            |
| Share-based payments                                 | –                   | –                   | –                   | –                                     | 3.6                     | 3.6            |
| Satisfaction of share options from own shares held   | –                   | –                   | –                   | –                                     | (0.4)                   | (0.4)          |
| <b>Balance at 31 December 2010</b>                   | <b>30.3</b>         | <b>233.6</b>        | <b>–</b>            | <b>281.4</b>                          | <b>1,198.7</b>          | <b>1,744.0</b> |

# Condensed consolidated cash flow statement

for the six months to 30 June 2011 (unaudited)

|  | Note | Six months to<br>30 June<br>2011<br>£m | Six months to<br>30 June<br>2010<br>£m | Year to<br>31 December<br>2010<br>£m |
|--|------|--|--|--------------------------------------|
| <b>Cash flows from operating activities:</b>               |      |  |  |                                      |
| Profit for the period                                      |      | 46.8                                   | 80.1                                   | 115.3                                |
| Adjustments for:   |      |  |  |                                      |
| Tax charge recognised in profit or loss                    | 4.1  | 13.5                                   | 21.3                                   | 38.6                                 |
| Finance income   |      | (3.2)                                  | (2.2)                                  | (6.0)                                |
| Finance costs  |      | 7.7                                    | 24.9                                   | 39.2                                 |
| Depreciation charge  |      | 1.9                                    | 2.4                                    | 4.5                                  |
| Amortisation of intangible assets                          |      | 0.1                                    | 0.1                                    | 0.3                                  |
| Impairment of intangible assets                            |      | 1.6                                    | 1.6                                    | 4.6                                  |
| Share of results of jointly controlled entities            |      | –                                      | 0.3                                    | 0.5                                  |
| Profit on disposal of property, plant and equipment        |      | (0.3)                                  | (0.5)                                  | (1.3)                                |
| Loss on disposal of assets held for sale                   |      | –                                      | –                                      | 0.1                                  |
| Share-based payment charge                                 |      | 2.2                                    | 1.5                                    | 3.4                                  |
| Exceptional items  |      | (2.2)                                  | (63.6)                                 | (63.0)                               |
| Other non-cash items                                       |      | 0.8                                    | (0.1)                                  | 1.5                                  |
| Operating cash flows before movements in working capital   |      | 68.9                                   | 65.8                                   | 137.7                                |
| Movements in working capital:                              |      |  |  |                                      |
| Decrease in inventories                                    |      | 65.4                                   | 102.2                                  | 194.8                                |
| (Increase)/decrease in trade and other receivables         |      | (2.6)                                  | (3.1)                                  | 5.5                                  |
| (Decrease)/increase in trade and other payables            |      | (37.2)                                 | 44.5                                   | 25.9                                 |
| Increase in available for sale financial assets            |      | (22.0)                                 | (23.8)                                 | (47.2)                               |
| Cash generated from operations                             |      | 72.5                                   | 185.6                                  | 316.7                                |
| Finance costs paid   |      | (9.4)                                  | (19.9)                                 | (30.1)                               |
| Payments on cancellation of swaps                          |      | –                                      | –                                      | (1.6)                                |
| Make-whole fees on early redemption of senior loan notes   |      | (15.3)                                 | (13.2)                                 | (13.4)                               |
| Finance income received                                    |      | 0.2                                    | 0.5                                    | 1.4                                  |
| Receipts on cancellation of swaps                          |      | 7.1                                    | 7.4                                    | 7.4                                  |
| Tax paid   |      | –                                      | (15.5)                                 | (54.9)                               |
| <b>Net cash inflow from operating activities</b>           |      | <b>55.1</b>                            | <b>144.9</b>                           | <b>225.5</b>                         |
| <b>Cash flows from investing activities:</b>               |      |  |  |                                      |
| Investment in existing jointly controlled entities         |      | (0.2)                                  | –                                      | –                                    |
| Purchase of property, plant and equipment                  |      | (2.2)                                  | (1.7)                                  | (3.3)                                |
| Proceeds from sale of property, plant and equipment        |      | 0.7                                    | 1.6                                    | 3.0                                  |
| Proceeds from sale of assets held for sale                 |      | –                                      | –                                      | 0.4                                  |
| <b>Net cash (outflow)/inflow from investing activities</b> |      | <b>(1.7)</b>                           | <b>(0.1)</b>                           | <b>0.1</b>                           |
| <b>Cash flows from financing activities:</b>               |      |  |  |                                      |
| Repayment of borrowings                                    |      | (40.7)                                 | (51.2)                                 | (52.7)                               |
| Early redemption of senior loan notes                      |      | (136.4)                                | (102.3)                                | (174.4)                              |
| Financing transaction costs                                |      | (3.6)                                  | –                                      | –                                    |
| Finance lease principal payments                           |      | (0.5)                                  | –                                      | (0.7)                                |
| Own shares purchased                                       |      | 0.1                                    | –                                      | –                                    |
| Dividends paid   |      | (13.6)                                 | –                                      | (9.0)                                |
| <b>Net cash outflow from financing activities</b>          |      | <b>(194.7)</b>                         | <b>(153.5)</b>                         | <b>(236.8)</b>                       |
| <b>Decrease in net cash and cash equivalents</b>           | 8    | <b>(141.3)</b>                         | <b>(8.7)</b>                           | <b>(11.2)</b>                        |
| Cash and cash equivalents at the beginning of the period   |      | 126.8                                  | 138.0                                  | 138.0                                |
| <b>Cash and cash equivalents at the end of the period</b>  | 9    | <b>(14.5)</b>                          | <b>129.3</b>                           | <b>126.8</b>                         |

# Notes to the condensed consolidated half year financial statements

(unaudited)

## 1 Basis of preparation

The half year financial statements for the six months to 30 June 2011 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services 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 on page 14. This report should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparative figures for the financial year ended 31 December 2010 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 2010, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- IAS 24 (revised in 2009) – *Related Party Disclosures*. This modifies the definition of a related party and simplifies disclosures for government-related entities. This has had no impact on the Group's financial statements.
- Amendments to IAS 32 – *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. The Group is not currently involved in any arrangements that would fall within the scope of the amendments.
- Amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement* relates to the treatment of early payment of contributions to cover minimum funding requirements of a pension scheme. This has no relevance to the Group in the current period.
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*. This provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. The Group is not currently involved in any transactions of this nature.
- Improvements to IFRSs: In May 2010 the International Accounting Standards Board issued its third omnibus of amendments to its standards, which were designed to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project. The improvements focus on areas of inconsistency in IFRSs or where clarification of wording is required. The adoption of these amendments, which are effective from 1 January 2011, did not have any impact on the financial position or performance of the Group.

## Going concern

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

## 2 Segmental analysis

The Group's operating segments have similar economic characteristics, products, construction processes and types of customers, and meet the aggregation criteria of IFRS 8 in full. Consequently, the Group has aggregated its geographic operations into one reportable segment which is housebuilding in the United Kingdom.

## 3 Exceptional items

### Impairment of inventories

At 30 June 2011, the Group reviewed the net realisable value of its land and the work in progress carrying-values of its sites. This resulted in a net reversal of previous write-downs of £12.0m (2010: £70.7m). Further details are provided in note 7.

### Amended financing arrangements

In the context of the Group's strong liquidity and cash generation, management have continued to review the value and cost of credit facilities available to the Group in line with the Group's existing treasury management policies. Given prevailing low market returns on the Group's significant cash deposits, management have taken action to optimise its debt portfolio.

On 25 March 2011 the Group used cash and committed credit facilities to prepay, with an applicable make-whole amount, US and UK Senior Loan Notes due between 2013 and 2021, with face values of \$151m and £51m. The prepayment resulted in an exceptional charge to the statement of comprehensive income of £16.9m, including £1.6m write-off of unamortised arrangement fees.

At the same time associated hedging contracts, including cross currency interest rate swaps with a principal amount of \$151m, were cancelled resulting in an exceptional gain of £7.1m in the statement of comprehensive income.

The total net cash payment in relation to the prepayment and cancellation of the loan notes and associated hedging contracts was £145.9m.

Management anticipate the cost savings over future periods to February 2021 will significantly exceed the initial cost.

## 4 Taxation

### 4.1 Income tax recognised in profit or loss

|  | Six months to<br>30 June<br>2011<br>£m | Six months to<br>30 June<br>2010<br>£m | Year to<br>31 December<br>2010<br>£m |
|--|--|--|--------------------------------------|
| UK corporation tax in respect of the current period                                  | 15.9                                   | 27.2                                   | 43.5                                 |
| Adjustments recognised in the current year in respect of prior years                 | (2.7)                                  | –                                      | –                                    |
|  | <b>13.2</b>                            | 27.2                                   | 43.5                                 |
| Deferred tax charge relating to origination and reversal of temporary differences    | 0.5                                    | 1.9                                    | 0.8                                  |
| Adjustments recognised in the current period in respect of prior period deferred tax | (0.2)                                  | (7.8)                                  | (5.7)                                |
|  | <b>0.3</b>                             | (5.9)                                  | (4.9)                                |
| <b>Tax charge for the period recognised in profit or loss</b>                        | <b>13.5</b>                            | 21.3                                   | 38.6                                 |

### 4.2 Deferred tax recognised in other comprehensive income/expense

|   | Six months to<br>30 June<br>2011<br>£m | Six months to<br>30 June<br>2010<br>£m | Year to<br>31 December<br>2010<br>£m |
|---|--|--|--------------------------------------|
| Recognised on actuarial gains/losses on pension schemes | 12.0                                   | (14.8)                                 | (8.1)                                |
| Related to hedged senior loan notes                     | –                                      | 0.2                                    | 0.2                                  |
|   | <b>12.0</b>                            | (14.6)                                 | (7.9)                                |

### 4.3 Deferred tax recognised directly in equity

|   | Six months to<br>30 June<br>2011<br>£m | Six months to<br>30 June<br>2010<br>£m | Year to<br>31 December<br>2010<br>£m |
|---|--|--|--------------------------------------|
| <b>Arising on transactions with equity participants</b> |  |  |                                      |
| Related to equity-settled transactions                  | (0.4)                                  | (0.1)                                  | (0.2)                                |
|   | <b>(0.4)</b>                           | (0.1)                                  | (0.2)                                |

As at 30 June 2011, the Group has recognised deferred tax assets on temporary deductible differences, giving rise to the prior period deferred tax credit of £0.2m.

It has also recognised a deferred tax asset on the pension scheme deficit amounting to £12.6m (2010: £35.1m), which has given rise to the debit of £12.0m within other comprehensive income/expense. The Group has not recognised deferred tax assets on c.£44m of tax losses carried forward (2010: c.£44m).

The budget on 23 March 2011 announced that the rate of UK corporation tax will fall at a rate of 1% per year for the next three years in addition to the reduction of 2% to 26% from 1 April 2011. This will reduce the Group's future current tax charge accordingly.

## 5 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held in the Employee Share Ownership Trust, the Employee Benefit Trust and treasury shares, all of which are treated as cancelled, giving a figure of 301.2m (June 2010: 300.9m, December 2010: 301.0m).

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 303.4m (June 2010: 302.5m, December 2010: 302.9m).

Underlying earnings per share excludes exceptional items, impairment of intangible assets and the related tax effects.

The earnings per share from continuing operations were as follows:

|                                       | Six months to<br>30 June<br>2011 | Six months to<br>30 June<br>2010 | Year to<br>31 December<br>2010 |
|---------------------------------------|----------------------------------|----------------------------------|--------------------------------|
| Basic earnings per share              | 15.5p                            | 26.6p                            | 38.3p                          |
| Underlying basic earnings per share   | 15.5p                            | 12.0p                            | 24.8p                          |
| Diluted earnings per share            | 15.4p                            | 26.5p                            | 38.1p                          |
| Underlying diluted earnings per share | 15.4p                            | 11.9p                            | 24.6p                          |

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

|  | Six months to<br>30 June<br>2011<br>£m | Six months to<br>30 June<br>2010<br>£m | Year to<br>31 December<br>2010<br>£m |
|--|--|--|--------------------------------------|
| Underlying earnings attributable to shareholders | 46.8                                   | 35.9                                   | 74.5                                 |
| Exceptional items net of related taxation        | 1.6                                    | 45.8                                   | 45.4                                 |
| Goodwill impairment                              | (1.6)                                  | (1.6)                                  | (4.6)                                |
| Earnings attributable to shareholders            | 46.8                                   | 80.1                                   | 115.3                                |

## 6 Dividends

|   | Six months to<br>30 June<br>2011<br>£m | Six months to<br>30 June<br>2010<br>£m | Year to<br>31 December<br>2010<br>£m |
|---|--|--|--------------------------------------|
| Dividends paid:   |  |  |                                      |
| Final dividend for the year ended 31 December 2010 of 4.5p per share (2009: nil)  | 13.6                                   | –                                      | –                                    |
| Interim dividend for the six months to 30 June 2010 of 3.0p per share (2009: nil) | –                                      | –                                      | 9.0                                  |
| <b>Total dividend</b>   | <b>13.6</b>                            | <b>–</b>                               | <b>9.0</b>                           |

The Directors recommend an interim dividend of 4.0p per share (2010: 3.0p), with a total dividend value of £12.0m (2010: £9.0m).

## 7 Inventories

|                          | <b>30 June<br/>2011<br/>£m</b> | 30 June<br>2010<br>£m | 31 December<br>2010<br>£m |
|--------------------------|--------------------------------|-----------------------|---------------------------|
| Land                     | <b>1,516.2</b>                 | 1,610.6               | 1,575.8                   |
| Work in progress         | <b>420.9</b>                   | 471.1                 | 413.5                     |
| Part exchange properties | <b>36.4</b>                    | 17.9                  | 32.8                      |
| Showhouses               | <b>46.3</b>                    | 56.7                  | 51.1                      |
| <b>Total inventories</b> | <b>2,019.8</b>                 | 2,156.3               | 2,073.2                   |

At 30 June 2011 the Group conducted a further review of the net realisable value of its land and work in progress portfolio. The impact of this review on the net realisable value provision is a net exceptional credit to the statement of comprehensive income of £12.0m (2010: £70.7m). The total impairment of land and work in progress recognised during the half year was £36.7m (2010: £40.7m) and a reversal of £48.7m (2010: £111.4m) on inventories that were written down in a previous accounting period. Our approach to our net realisable value review has been consistent with that conducted at 31 December 2010 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/deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required.

Following this review £454.9m (2010: £550.2m) of inventories are valued at fair value less costs to sell rather than at historical cost.

## 8 Reconciliation of net cash flow to net debt

|  | Note | <b>Six months to<br/>30 June<br/>2011<br/>£m</b> | Six months to<br>30 June<br>2010<br>£m | Year to<br>31 December<br>2010<br>£m |
|--|------|--|--|--------------------------------------|
| Decrease in net cash and cash equivalents      |      | <b>(141.3)</b>                                   | (8.7)                                  | (11.2)                               |
| Decrease in debt and finance lease obligations |      | <b>177.6</b>                                     | 153.5                                  | 227.8                                |
| Decrease in net debt from cash flows           |      | <b>36.3</b>                                      | 144.8                                  | 216.6                                |
| Non-cash movements                             |      | <b>(2.0)</b>                                     | (4.5)                                  | (15.5)                               |
| Decrease in net debt                           |      | <b>34.3</b>                                      | 140.3                                  | 201.1                                |
| Net debt at beginning of period                |      | <b>(49.6)</b>                                    | (250.7)                                | (250.7)                              |
| <b>Net debt at end of period</b>               | 9    | <b>(15.3)</b>                                    | (110.4)                                | (49.6)                               |

## 9 Analysis of net debt

|  | Note | 30 June<br>2011<br>£m | 30 June<br>2010<br>£m | 31 December<br>2010<br>£m |
|--|------|-----------------------|-----------------------|---------------------------|
| Cash and cash equivalents                                    |      | 1.0                   | 129.3                 | 126.8                     |
| Bank overdrafts  |      | (15.5)                | –                     | –                         |
| Net cash and cash equivalents                                |      | (14.5)                | 129.3                 | 126.8                     |
| US, UK and EU senior loan notes due within one year          |      | –                     | (120.5)               | (47.3)                    |
| US, UK and EU senior loan notes due after more than one year |      | –                     | (163.1)               | (156.8)                   |
| Other loan notes due within one year                         |      | (0.7)                 | (1.5)                 | (1.2)                     |
| Forward currency swaps                                       |      | –                     | 33.7                  | 27.5                      |
| Finance lease obligations                                    |      | (0.1)                 | (1.2)                 | (0.6)                     |
| Financing transaction costs                                  |      | –                     | 12.9                  | 2.0                       |
| <b>Net debt at end of period</b>                             | 8    | <b>(15.3)</b>         | (110.4)               | (49.6)                    |

### Amended financing arrangements

During the half year, management continued to review the value and cost of credit facilities available to the Group in line with the Group's existing treasury management policies. Taking advantage of its strong liquidity and cash generation, the Group has taken further action to optimise its debt portfolio.

On 25 March 2011, the Group used cash balances to prepay US Senior Loan Notes due between 2013 and 2016 with a face value of \$151m and UK Senior Loan Notes due 2021 with a face value of £51m. See note 3 for further details.

On 1 April 2011, the Group agreed a new £300m Syndicated Credit Facility which matures on 31 March 2016. On the same date, the Group's pre-existing £322m Syndicated Credit Facility, which was due to expire on 31 March 2012, was cancelled.

## 10 Retirement benefit obligation

The amounts recognised in income are as follows:

|  | Six months to<br>30 June<br>2011<br>£m | Six months to<br>30 June<br>2010<br>£m | Year to<br>31 December<br>2010<br>£m |
|--|--|--|--------------------------------------|
| Current service cost   | 1.4                                    | 1.8                                    | 3.2                                  |
| Curtailement credit  | –                                      | (0.9)                                  | (0.9)                                |
| Interest cost  | 10.7                                   | 10.7                                   | 21.3                                 |
| Expected return on scheme assets                                       | (9.8)                                  | (9.1)                                  | (18.4)                               |
| Total (included in staff costs)  | 2.3                                    | 2.5                                    | 5.2                                  |
| Actuarial (gain)/loss recognised in other comprehensive income/expense | (42.7)                                 | 17.9                                   | (2.5)                                |
| <b>Total defined benefit scheme (gain)/loss recognised</b>             | <b>(40.4)</b>                          | 20.4                                   | 2.7                                  |

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit schemes is as follows:

|  | 30 June<br>2011<br>£m | 30 June<br>2010<br>£m | 31 December<br>2010<br>£m |
|--|-----------------------|-----------------------|---------------------------|
| Present value of funded obligations                                  | (365.1)               | (395.1)               | (403.1)                   |
| Fair value of scheme assets  | 316.5                 | 269.7                 | 304.8                     |
| <b>Deficit in the schemes and net liability in the balance sheet</b> | <b>(48.6)</b>         | (125.4)               | (98.3)                    |

An update on the 31 December 2010 IAS 19 valuation, adjusted for current market conditions has been obtained from the schemes' actuary as at 30 June 2011, which has been used as the basis for these figures.

In December 2010 the UK Government passed legislation amending the statutory revaluation of pension scheme benefits and increases to pensions in payment under defined benefit pension schemes from RPI to CPI measures. As disclosed in the financial statements for the year ended 31 December 2010, the Group's obligations in respect of deferred members and pensioners are complex, given the merger of multiple schemes with differing member rights into the Persimmon Scheme, following various acquisitions. No gain was recognised at 31 December 2010 as the Directors were reviewing all pension obligations in detail to assess the effect of this change. During the period to 30 June 2011 the Group has concluded its review of the rights to inflationary pension increases of its different groups of scheme members. Where it has been concluded that there is no RPI obligation the actuarial assumptions have been amended to a CPI measure. The resulting gain of £32.5m from this change in assumption, based on the inflation assumption at 30 June 2011, has been included within the actuarial gain recognised within other comprehensive income/expense during the period.

## 11 Related parties

There are no disclosable related party transactions (as required by DTR 4.2.8R) during the period (2010: nil).

## 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 and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on page 23 of the Group's Annual Report and Accounts 2010 and have not changed. These include: poor economic conditions, disruption in the capital markets and restrictions on mortgage availability. Further details regarding assessment of the risks and current market conditions are included within the Chairman's statement in this Half Year Report. A copy of the Group's Annual Report and Accounts 2010 is available on the Group's website at [www.corporate.persimmonhomes.com](http://www.corporate.persimmonhomes.com).

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

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- the Half Year Report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure 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
  - (b) DTR 4.2.8R of the Disclosure 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** Group Chairman

**Mike Farley** Group Chief Executive

**Mike Killoran** Group Finance Director

**Jeff Fairburn** North Division Chief Executive

**David Thompson** Senior Independent Director

**Neil Davidson** Non-executive Director

**Richard Pennycook** Non-executive Director

**Jonathan Davie** Non-executive Director

By order of the Board

**Mike Farley** Group Chief Executive

**Mike Killoran** Group Finance Director

22 August 2011

The Group's annual financial reports, half year reports and interim management statements are available from the Group's website at [www.corporate.persimmonhomes.com](http://www.corporate.persimmonhomes.com).

# Independent Review Report to Persimmon Plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2011 which comprises the Condensed consolidated statement of comprehensive income, Condensed consolidated balance sheet, Condensed consolidated statement of changes in shareholders' equity, Condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

## Directors' responsibilities

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

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

## Our responsibility

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

### David Morrill

#### For and on behalf of KPMG Audit Plc

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

22 August 2011

## Directors

Nicholas Wrigley Group Chairman  
Mike Farley Group Chief Executive  
Mike Killoran Group Finance Director  
Jeff Fairburn North Division Chief Executive

David Thompson  
Neil Davidson  
Richard Pennycook  
Jonathan Davie

Senior Independent Director  
Non-executive Director  
Non-executive Director  
Non-executive Director

## Company information

### Group Company Secretary

Neil Francis

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### Company number

1818486  
Incorporated in England

### Auditors

KPMG Audit Plc

### Bankers

The Royal Bank of Scotland plc  
Lloyds TSB Bank plc  
Barclays Bank PLC  
HSBC plc  
National Australia Bank Ltd  
Santander UK plc

### Financial advisors/stockbrokers

Merrill Lynch International  
Citigroup Global Markets Limited

### Solicitors

Mayer Brown International LLP

### Registrars

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## Information on the internet

Our website contains:

### Find a home

[www.persimmonhomes.com](http://www.persimmonhomes.com)

A buyers' guide to Persimmon and Charles Church new homes.

### Persimmon Group

[www.corporate.persimmonhomes.com](http://www.corporate.persimmonhomes.com)

Financial and corporate information on the Group including current share price.

### Recruitment

[www.persimmonjobs.com](http://www.persimmonjobs.com)

Information on the careers and positions available within the Persimmon Group.

### Corporate Responsibility

[www.corporate.persimmonhomes.com](http://www.corporate.persimmonhomes.com)

This section includes the Sustainability Report, our report on corporate responsibility and the sustainability of our new homes.



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