

## HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

### Strong trading performance; positive outlook reaffirmed; creating sustainable value

Persimmon Plc today announces its half year results for the six months ended 30 June 2021.

Dean Finch, Group Chief Executive, said:

“Persimmon’s first half performance has been robust. In particular, I am pleased we have delivered strong growth in legal completions whilst also achieving higher levels of build quality and customer satisfaction.

“We made good progress in the land market in the period, bringing over 10,000 plots of high quality land into the business, achieving good visibility of new outlet openings and providing momentum for our future growth. With c. 85 new outlets opening in the second half of the current year, we are improving availability and choice for our customers.

“We’re managing the balance of inflationary pressures well and currently anticipate that our industry leading returns will remain resilient. Our forward sales position is c. 9% ahead of the same point in 2019, with our cumulative private sales rate over 20% above that of 2019 for the year to date.

“I would like to thank all my colleagues across the business who have achieved these results.

“Persimmon’s high quality land holdings, disciplined land replacement strategy, healthy liquidity, experienced management team and continued resolve to drive improvements in build quality and customer service provide an excellent platform for its future success.

“Our ambition is to be seen by our customers as delivering both outstanding service and outstanding value. I am determined to build on the progress we have made and enhance our capability to consistently provide high quality homes which will help secure sustainable benefits for all of our stakeholders.

“We anticipate successfully delivering c. 10% growth in sales completions this year. The Group has a great platform and good momentum to deliver further disciplined growth into the medium term, creating value for all.”

### Highlights

	H1 2021	H1 2020
New home completions	7,406	4,900
New home average selling price	£236,199	£225,066
Total Group revenues <sup>1</sup>	£1.84bn	£1.19bn
New housing operating margin <sup>2</sup>	27.6%	26.6%
Profit before tax	£480.1m	£292.4m
Cash at 30 June	£1.32bn	£0.83bn
Current forward sales position	£2.23bn	£2.48bn
Current customer satisfaction score <sup>3</sup>	91.9%	89.6%
Dividend (per share)	125p (March 2021) 110p (August 2021)	40p (September 2020) 70p (December 2020)

## **Strong platform for high quality growth**

- Experienced management team delivering high quality homes across the Group's 31 housebuilding businesses.
- A diverse UK-wide network, operating on c. 300 active outlets on average during 2021, with a strong pipeline expected to deliver approximately 85 new outlets by the end of this year, with a similar number of new outlets targeted to open in the first half of 2022.
- High quality land holdings, with 85,771 plots owned and under control at 30 June 2021 (December 2020: 84,174), with industry leading embedded returns.
- The Group brought 10,272 plots into the business in the period whilst maintaining the Group's high quality return requirements, across 48 locations at a replacement rate of c. 140%. Exciting pipeline of deals progressing.
- The Persimmon Way is fully operational across the business focused on delivering consistent high standards of build quality.
- Pre-Covid build rates have been maintained for the last twelve months.

## **Industry leading financial performance**

- Good first half performance against the backdrop of the continuing pandemic and the pandemic's impact in the first half of the prior year – profit before tax of £480.1m (2020: £292.4m).
- Average private sales rate for the period was over 30% ahead of 2020, the increase reflecting the unprecedented site shutdowns in 2020 due to the pandemic, but was also c. 20% ahead of 2019.
- New housing operating margin of 27.6%<sup>2</sup> for the six months to 30 June 2021 (2020: 26.6%).
- The business is managing the balance of inflationary pressures being experienced by the industry well.
- £479.8m of net cash generation before capital returns of £398.7m and land spend of £200.4m.
- Underlying return on average capital employed<sup>4</sup> of 37.9% (December 2020: 29.4%).
- Over the last 3 years, the Group's average underlying return on capital employed has been 36.5% reflecting the sustainable performance of the business.
- After tax return on equity of 22.6%<sup>5</sup> (2020: 21.5%).

## **Focusing on our customers - build right, first time, every time**

- The Group is delivering increased volumes of legal completions and at higher levels of build quality and customer service; the Group's HBF customer satisfaction rating<sup>3</sup> being ahead of the five star threshold since January 2020.
- Continuing to improve consistency in build quality and customer service remains a key focus for the business.
- As part of the ongoing implementation of The Persimmon Way, the Group is continuing to invest in improving quality assurance, with a 70% increase in the number of Independent Quality Controllers across the business from 31 December 2020.
- The Group continues to invest in its people with increased training and skills development, with for example, c. 400 of our site management team registered to complete National Vocational Qualifications relevant to their role.

## **Supporting sustainable communities**

- Strong sense of purpose supports the Group's sustainable business model in delivering long-term sustainable benefits in the best interests of all stakeholders through the cycle.
- The wellbeing of the Group's workforce, customers and local communities remains a top priority.
- Covid-19 secure operating procedures continue maintaining the stringent two metre social distancing rules.
- The Group's private average selling price of £258,220 is c.15%<sup>6</sup> below the UK national average.
- Approximately 50% of homes sold into the owner occupier market were to first time buyers.
- Invested over £0.5bn in local communities in the last eighteen months, covering the period since the pandemic began, delivering over 3,500 homes to our local housing association partners.
- The Group supports c. 86,000<sup>7</sup> jobs across our communities and within our wider supply chain.
- The Group's challenging science based targets, which align to the Paris Agreement, are now fully accredited by the Science Based Target Initiative.
- Proud sponsor of Team GB and, through the Persimmon Charitable Foundation, the Group supports local charities and community groups across the UK, having donated c. £2.4m to over 1,300 local good causes over the last eighteen months.

## **Capital return programme**

- 235p per share paid in respect of the year ended 31 December 2020.
- As announced in March 2021, the Board intends to revert to the pre-Covid profile of capital return of two payments a year, with the payment of the regular annual distribution of 125p per share being made in early July 2022.

## Outlook

- Good forward sales of £2.23bn, including legal completions in the second half so far, up c. 9% on the more normal trading year of 2019.
- Cumulative average private weekly sales rate for the 33 weeks to date is over 20% ahead of 2019.
- As previously announced, we anticipate delivering c. 10% growth in sales completions this year (FY 2020: 13,575 legal completions), with further growth to come.
- The Group is managing the inflationary effects in the market well and we currently anticipate the Group's industry leading returns will remain resilient supported by its high quality land holdings.
- The Group maintains a strong balance sheet with healthy levels of liquidity.
- Persimmon's well-established strategy which recognises the cyclical nature of the housing market by maintaining financial flexibility and deploying capital at the appropriate time in the cycle, provides a high quality foundation to secure superior long term sustainable returns for all stakeholders.

### Footnotes

- 1 The Group's total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. Housing revenues are the revenues generated on the sale of newly built residential properties only.
- 2 Stated on new housing revenue of £1,749.3m (2020: £1,102.8m) and underlying profit from operations of £483.0m (2020: £293.2m) calculated before goodwill impairment of £3.9m (2020: £1.6m).
- 3 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.
- 4 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before legacy buildings provisions of £75.0m (December 2020: £75.0m) and goodwill impairment of £6.6m (December 2020: £4.3m).
- 5 12 month rolling profit after tax generated from the average of the opening and closing total equity for the period.
- 6 National average selling price for new build homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.
- 7 Estimated using an economic toolkit.

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A presentation to analysts and investors will be available from 07.00 am on 18 August 2021. To view the presentation, please use the webcast link below:

Webcast link: <https://edge.media-server.com/mmc/p/7xn5x3jf>

There will also be a Q&A session with management, hosted by Group Chief Executive, Dean Finch and Group Finance Director, Mike Killoran via conference call at 09.00 am. Analysts may join the call by using the details below:

Dial in: +44 (0) 33 0551 0200  
Passcode: Persimmon

An audiocast of the call will be available on [www.persimmonhomes.com/corporate](http://www.persimmonhomes.com/corporate) from this afternoon.

# PERSIMMON PLC

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

## CHAIRMAN'S STATEMENT

Persimmon has delivered a robust financial performance in the period, generating new housing revenue of £1.75bn in the last six months (2020: £1.10bn) and a profit before tax of £480.1m (2020: £292.4m). The business' diverse UK wide network of sites together with its resilient balance sheet, high quality land holdings and disciplined land replacement provide strong foundations for high quality growth. With The Persimmon Way, the Group's consolidated construction approach, now fully operational in the business providing further opportunity, we are confident that we can deliver high standards of build quality and customer satisfaction, consistently across our new homes whilst increasing our volumes.

### Strategy

Persimmon builds communities and creates places where our customers wish to live and work. The Group has been pursuing a consistent strategy for a number of years, building a resilient liquidity position and high quality land holdings. This strategy, which recognises and creates resilience against the cyclical nature of the housing market, maintains financial and operational flexibility and deploys capital at the right time in the cycle. This ensures that the business is able to generate sustainable superior returns for the benefit of all of its stakeholders over the long-term.

Persimmon recognises it plays an important role in society. By following its strategy the Group has again demonstrated its resilience through the recent challenges associated with the ongoing pandemic and which has allowed the Group to be able to continue to contribute more widely to the communities it serves. I am pleased that we have taken important – and industry-leading – steps to address legacy cladding and leasehold issues. By acting and putting customers first we are continuing to work to help remove uncertainty and concern, providing support to local communities.

### Capital Return Programme

The Group has now distributed 235p per share to shareholders in respect of the year ended 31 December 2020, after re-iterating its commitment to do so in March 2021. The Board accelerated the payment of the regular annual distribution of 125p per share as an interim dividend, to March 2021 (from early July 2021). In addition, on 13 August 2021, the Group accelerated the return of surplus capital in relation to the year ended 31 December 2020 by way of a payment of 110p per share, rather than making two payments of 55p per share, one to be paid in August 2021 and the second in December 2021 as had previously been indicated. This has returned the Group to distributing two capital return payments every 12 months, a year earlier than originally envisaged. There will be no further dividend payments in relation to the year ended 31 December 2020.

As indicated at the release of Persimmon's final results on 3 March 2021, the Board intends to continue this pre-Covid profile of capital return payments in 2022, being distributions in relation to the financial year ending 31 December 2021. The payment of the regular annual distribution of capital of 125p per share will be paid in early July 2022 and any surplus capital in relation to the financial year ended 31 December 2021 will be paid in late March/early April 2022. The value of the surplus capital return, as always, will be subject to continual assessment by the Board in line with the Group's strategy.

### Board Changes

The Board is pleased to welcome Shirine Khoury-Haq who joined as an Independent Non-Executive Director from 1 July 2021. Shirine joined the Board's Audit, Risk and Nomination Committees on the same date.

Rachel Kentleton, Non-Executive Director, will step down from the Board on 31 August 2021 to concentrate on her executive responsibilities, having recently been appointed Chief Financial Officer of St. Modwen Properties Ltd. On behalf of the Board, I would like to thank Rachel for the significant contribution she has made over the last six years and wish her well in her new role. Shirine will succeed Rachel as Chair of the Audit Committee.

The Board would also like to take this opportunity to thank Persimmon's employees, workforce and suppliers for their hard work and commitment.

Persimmon is well positioned for the future with an experienced management team, a strong platform for high quality growth, and a resilient liquidity position and balance sheet. We are confident of the Group's future success.

Roger Devlin  
Chairman

17 August 2021

## CHIEF EXECUTIVE'S REVIEW

### Introduction

The business continues to perform well, with new home sale completion levels approaching those seen in the first half of 2019, whilst also delivering higher levels of customer satisfaction. In the period, we delivered 7,406 legal completions (2020: 4,900), generating gross profit of £540.5m (2020: £345.2m) and with the Group's new housing operating margin up 100 basis points at 27.6%<sup>1</sup> (2020: 26.6%). I am particularly pleased that our current Home Builders Federation eight week customer satisfaction score continues to run ahead of the five-star threshold at 91.9%<sup>2</sup> and that within our results we saw a growth in private sales when compared to 2019.

We have also managed to deliver these results during a period of notable challenges. I would like to pay tribute to my colleagues across the business for the way they have managed the ongoing challenge presented by the pandemic and maintained strong build rates at improved levels of quality despite the restrictions. Beyond this, we have managed the cost inflation and labour shortages that are effecting the industry well, with our Brickworks, Tileworks and Space4 timber frame manufacturing facilities playing an important role in providing cost efficient security of supply. Alongside the price increases on home sales secured, the Group's high quality asset base, vertical integration and strong cost management have helped maintain industry-leading margins.

### Five priorities

At the 2020 final results I commented that in my first six months in post I had been impressed by Persimmon's strengths and had identified areas for renewed focus. I set out five priorities for the business to build on these strengths and enhance our capabilities to become a builder consistently achieving a five-star rating in the HBF eight week customer survey. These priorities are:

- Build quality: our ambition is to build right, first time, every time;
- Reinforce trust in the brand: consistently trusted to deliver a home to be proud of and a builder customers would readily recommend to others;
- Growth: through our improvements in build quality and increased focus on customer care we will be strengthening our capability to deliver more five-star homes in meeting customer demand;
- Maintaining an industry leading financial performance: sustaining our strong margins and returns and driving healthy profit and cash generation; and,
- Supporting sustainable communities: we will play an active role in the imperative of achieving a net zero carbon economy, as well as setting new biodiversity and sustainable community targets.

In the five months since I set out these priorities we have made important progress in continuing to support the communities we serve, demonstrating our credentials as a responsible business, recognising the wider role we play in society. I am pleased that our carbon reduction targets have been recently fully accredited by the Science Based Target Initiative. We have continued to take action to meet these targets with a switch to fully renewable electricity for our offices and manufacturing facilities, saving over 1,600 tonnes of CO<sub>2</sub> a year.

In February we pledged to support leaseholders in multi-storey developments we built that required cladding removal and in obtaining the EWS1 form they need to sell their home. We created a £75m fund and our team has been in contact with management companies and building owners to ensure the required progress is being made, work having been completed on 2 buildings already. In addition, on 23 June we were pleased to lead the industry and agree voluntary undertakings with the Competition and Markets Authority in their leasehold enquiry, including extending our existing Right to Buy scheme for customers to purchase their freehold interest. We are pleased to have reached this agreement and provide certainty to leasehold customers.

### Strong platform for high quality growth

I am determined that Persimmon maintains its industry-leading financial performance by incorporating the benefits of providing both outstanding service and outstanding value; a responsible company delivering both the new homes the country needs and opening up the opportunity of home ownership to thousands of families a year. I am more certain than ever that by making continued progress on these priorities, Persimmon will be well placed to deliver that ambition.

Four key features of the business provide a strong, resilient platform for a sustainable future and enable the Group to continue to develop and deliver the disciplined growth we seek. First, our senior management across the business and their teams are deeply experienced in the industry with the knowledge and skills to continue to develop the business and secure its future growth. Second, our disciplined approach to land replacement, investing in the places where our customers wish to live and work. Third, our focus on quality and service, placing the customer at the heart of our business, and lastly, the Group's strong balance sheet, high quality land holdings and healthy liquidity provide the platform from which our future growth will be secured.

### *Experienced management teams*

With highly experienced senior management we continue to invest in our teams' skills and capabilities to secure improvements in operational performance and deliver the future high quality growth of the business.

Increased investment in training is an important part of our approach. The Persimmon Pathway, providing training modules tailored to individual colleagues' needs, continues to be rolled out across the business. Through this initiative, all site management colleagues are being offered the opportunity to secure an NVQ at a level appropriate to their role. In addition, some sales staff have already secured their external accreditation from the Institute of Sales Professionals, another industry first. The Persimmon Pathway will help nurture the Group's talent to deliver the senior management of the future.

Alongside this investment in our colleagues' skills development, we continue to introduce digital technology that supports them in their roles as well as providing enhanced assurance processes across the Group. For example, our leading site manager app provides an efficient digitised and standardised process to check the successful completion of all key stages of construction of each newly built home in line with our construction requirements as embodied within The Persimmon Way. Our customer portal has also been successfully piloted and will provide a means for purchasers to monitor their home's progress and to communicate easily and directly with their local team on any questions they have during both construction and after they move into their new home.

### *High quality land holdings*

In line with the Group's strategy we continue to pursue disciplined land replacement, acquiring land in the right locations, to strengthen our platform for growth.

In the first six months of the year, 10,272 plots were brought into the business, across 48 locations whilst maintaining the Group's high quality return requirements. This land replacement rate of almost 140% enhances our already strong land holdings and provides a good pipeline of future opportunities.

Management has continued with the disciplined execution of the Group's strategy which recognises the strength of the Group's replacement land pipeline. The slower planning processes encountered over the last eighteen months coupled with the strong sales rates achieved has led to a reduction in the number of active outlets over the period. However, the Group has continued to progress its exciting opportunities in the land market and the acceleration of our disciplined land replacement activity will see around 85 new outlets being brought into construction by the end of the year, with a similar number of new outlets targeted to open in the first half of 2022.

This healthy profile of projected new outlet openings provides good momentum for further growth in output into the medium term. As we have experienced over the last eighteen months, continuing to secure planning permission promptly will of course be an important factor that influences the pace at which new outlets are brought forward, but our clear determination is to secure disciplined high quality land replacement opportunities to drive the Group's growth.

### *Improving quality; delivering value*

Continuing to drive improvements in build quality and customer service is important for our future success. As a house builder, building for many what is their most expensive and coveted purchase, it is also the right thing to do. But I also firmly believe that the improvements we are pursuing will secure cost benefits and efficiency savings, delivering greater returns reflecting the enhanced value our homes bring.

In increasing our capabilities to consistently deliver homes that secure five-star customer satisfaction ratings and higher standards of build quality, our ambition is to build right, first time, every time and deliver both outstanding service and outstanding value. We have already made important progress, with the current eight-week customer satisfaction score remaining above the five-star threshold at 91.9%<sup>2</sup> and seeing a continuing reduction in the numbers of construction related items reported by our warranty providers.

I am determined that we build on this progress, to extend and embed it within the organisation and capture the cost efficiencies it will generate. Through The Persimmon Way we will continue to identify areas for further improvement and establish initiatives and new ways of working to secure the enhanced outcomes we want to see.

We have reviewed our technical drawings and standardised our construction guidance, improving consistency, driving best practice across the business which will simplify our processes and remove inefficiencies. This sits alongside our enhanced build quality standards with more exacting tolerances, above current industry norms.

We are making good progress in establishing what we believe will be the industry's largest team of independent inspectors with a 70% increase in the team since December 2020, well on course to meet our target of doubling this resource by the end of the year. They are empowered to ensure construction quality at key stages of build is achieving

the Group's requirements through active intervention and guidance, and providing feedback to the construction management team enabling further focused skills training to be delivered where required.

As part of our drive to deliver outstanding service and be a home builder customers would readily recommend to others, we listen to the feedback provided by our customers. We have reviewed our house types and made elevation and specification changes that we believe reflect their views and have broadened the Group's standard house type range to better create the places where our customers would wish to live. We have continued to improve elements of our homes' construction to support our customers' levels of satisfaction whilst living in their new home which we anticipate will also reduce the need for our after-care services.

To reward the achievement of success we have established an internal awards programme to reward excellence in build quality. The Construction Excellence Awards, launched earlier this year, reward site teams that demonstrate innovation and outstanding management skill to achieve excellence on their development. An inaugural national winner will be selected later this year from the winners from each of our operating businesses. More broadly, management incentive programmes have been revised so that successful achievement of improvement in quality and customer care are appropriately rewarded.

Through our continued focus in these areas, I am confident these initiatives will help drive up build quality and customer service standards and secure efficiencies from our build right, first time, every time ambition. This will position the business well in anticipation of the introduction of the New Homes Quality Code once the current consultation process is complete.

Alongside the continued development of The Persimmon Way, we are also working across the industry to help drive up standards in crucial areas. We have, for example, signed the 'Building a Safer Future Charter' as an inaugural member, demonstrating our determination to drive safety improvements within our company and across the industry. We have also partnered with RoofCERT to drive the take up of this independent accreditation for roofers, holding briefings to encourage our sub-contractors to take advantage of the scheme and provide greater assurance within the industry.

### *Strong financial position*

Persimmon has high quality land holdings and healthy liquidity with a cash position of over £1.3bn at the end of June. This provides confidence that allows resilient shareholder returns and a platform for disciplined growth. Persimmon has a long track record of delivering sustained and superior returns for the benefit of all its stakeholders and as part of continuing to successfully execute this strategy I am determined to maintain it. Whilst delivering future growth in output we also anticipate our industry leading returns will remain resilient, which will accommodate the anticipated increase in our build cost inflation this year of c. 4.5% to 5.0%, as previously reported. Persimmon's approach to land replacement continues to reinforce the high quality of returns embedded within our land holdings, providing continued surety as to the resilience of the Group's future delivery.

### **Outlook**

The fundamentals of the housing market continue to remain positive with improving consumer confidence, low interest rates, and mortgage lenders that are keen to support customers to buy a home of their own. We expect a more normal seasonal trading pattern to reassert itself through this year compared with 2020, which was disrupted significantly by the pandemic. As such, 2019 provides a more appropriate comparison, reflecting a more typical trading pattern. Our forward sales position, including legal completions to date, is c. 9% ahead compared with 2019 and our cumulative average weekly private sales rate per site for the first 33 weeks of the year is over 20% stronger than 2019. Our forward sales include c. 6,500 homes to private owner occupiers at an average selling price of approximately £253,000. Customer enquiry levels remain strong and cancellation rates are in line with historical norms.

We continue to manage the inflationary pressures in the industry well. As predicted, whilst we have experienced increased cost inflation related to certain components of our supply chain, we currently anticipate our industry leading returns to remain resilient.

This is an exciting time for the Group. We have a strong platform for future growth with high quality land holdings, a diverse UK wide network and a business operating from approximately 300 outlets on average throughout the current year. We are expecting an increase of c. 10% in new home legal completions this year (FY 2020: 13,575 legal completions). With c. 85 new outlets opening by the end of this year and a similar number of new outlets targeted to open in the first half of 2022, subject to the timely granting of planning permission, we have a good pipeline of new outlets coming through the business. This provides us with the opportunity to further strengthen our platform, build on this momentum, and secure additional disciplined growth in the coming years to provide the new homes that the country needs.

The longer-term fundamentals of the UK housing market remain strong. The Government has provided substantial intervention during this period of global crisis to help ensure the UK economy continues to progress. We remain mindful of the evolving situation, including the pandemic and its potential impact on the UK economy, consumer confidence,

employment levels together with pressures on the Group's supply chain. However, Persimmon's well established strategy of maintaining financial flexibility and deploying capital at the right time in the cycle safeguards a strong balance sheet, supported by high quality land holdings and a healthy liquidity position to the benefit of all stakeholders. Persimmon's performance over the last eighteen months has demonstrated that successful execution of its strategy provides the business with the flexibility and resilience needed to manage not only the cyclical nature of the housing market but events that create similar market disruption. This, together with an agile and responsive management team, ensures that the business remains well set to continue to generate superior and sustainable returns for the benefit of all its stakeholders.

Dean Finch  
Group Chief Executive

17 August 2021

Footnotes

- 1 Stated on new housing revenue of £1,749.3m (2020: £1,102.8m) and underlying profit from operations of £483.0m (2020: £293.2m) calculated before goodwill impairment of £3.9m (2020: £1.6m).
- 2 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.



## FINANCIAL AND BUSINESS REVIEW

### Strong trading

Trading has been strong throughout the period with healthy levels of customer demand and improved selling prices across our regions. Total revenues<sup>1</sup> for the period were £1.84bn (2020: £1.19bn), with new housing revenue of £1.75bn (2020: £1.10bn). The Group delivered 7,406 new homes (2020: 4,900) at an average selling price of £236,199 (2020: £225,066), a 4.9% increase over the first half of 2020.

6,104 new homes were delivered to private owner occupiers (2020: 4,029) at an average selling price of £258,220, an increase of 4.9% from the first half of 2020 (2020: £246,208), reflecting both the mix of homes sold in the period and some improvement in achieved selling prices. In addition, 1,302 homes were provided to our housing association partners (2020: 871) at an average selling price of £132,959 (2020: £127,266).

The Group's gross profit for the period was £540.5m (2020: £345.2m) generating a new housing gross margin of 30.9%<sup>2</sup> (2020: 31.3%). The Group's well established strategy for land replacement supports the business' strong gross margin delivery, with land cost recoveries of 14.1%<sup>3</sup> of new housing revenues for the period (2020: 14.1%). The improved selling prices achieved have combined with good management of the cost inflation we have experienced during the period to continue to deliver industry leading returns.

Underlying operating profit for the Group was £483.0m<sup>4</sup> (2020: £293.2m) generating an underlying new housing operating margin of 27.6%<sup>5</sup> (2020: 26.6%).

The Group generated a profit before tax of £480.1m in the period (2020: £292.4m). This result reflects the Group's high quality asset base and the business' expertise in providing its local communities with the appropriate mix of house types in their desired locations.

### Robust balance sheet

The Group has a strong balance sheet with high quality land holdings and healthy levels of liquidity. At 30 June 2021, as expected, the Group had work in progress of c. 4,800 equivalent units of new home construction (December 2020: c. 5,600), reflecting the strength of the Group's legal completions in part leading to the past period of lower active outlet availability, and the disruption to construction activity during the first lockdown in 2020 due to the pandemic. Our build rates continue at pre-Covid levels and we are focused on improving our stock position to increase availability and choice for our customers. With the security of availability of our in-house manufactured build components including closed panel timber frame kits, pre-manufactured roof cassettes, brick and roof tiles, the Group remains in a strong position to support its build programmes to deliver our targeted growth in output whilst also achieving a resilient closing stock position at the end of 2021.

The Group's defined benefit net pension asset has increased to £116.7m at 30 June 2021 (December 2020: £50.6m) largely due to the recovery in markets and good asset performance combined with the actuarial benefit from the increase in discount rates through the period. Total equity increased to £3,567.4m from £3,518.4m at 31 December 2020. Reported net assets per share of 1,117.9p represents a 1.4% increase from 1,102.7p at 31 December 2020. Underlying return on average capital employed<sup>6</sup> as at 30 June was 37.9% (December 2020: 29.4%), demonstrating the resilience of the business. Underlying basic earnings per share<sup>4</sup> for the first six months of 2021 was 123.8p, a 64.8% increase compared to the prior period (2020: 75.1p).

### High quality land holdings

The Group increased its owned and under control land holdings from 84,174 plots at 31 December 2020 to 85,771 at 30 June 2021 to facilitate future growth in output. 42,039 of these plots have detailed planning consents and are under development.

In addition to these land holdings, the Group has c. 14,600 acres of strategic land in its portfolio with the potential to deliver over 100,000 new homes, including good visibility over c. 39,200 plots, c. 25,500 being plots held under option that are proceeding through planning and an additional c. 13,700 plots which are controlled and allocated in local plans.

Persimmon has continued to pursue its disciplined strategy of identifying opportunities to acquire land in areas where people wish to live and work, providing housing in areas with the most need. Whilst maintaining its disciplined land replacement strategy, the Group brought 10,272 plots into the business across 48 locations throughout the UK with 4,788 of these plots converted from our strategic land portfolio. At 30 June 2021, Persimmon's owned land holdings of 66,708 plots (2020: 70,208 plots) have an overall proforma gross margin<sup>7</sup> of c. 33% and a cost to revenue ratio of 11.4%<sup>8</sup> (2020: 12.5%).

In line with our expectations, we have incurred land spend of £200.4m in the period, including £90.5m of payments in satisfaction of deferred land commitments.

## Healthy liquidity

The Group had a cash balance of £1.32bn at 30 June 2021 (December 2020: £1.23bn) with land creditors of £365.7m (December 2020: £329.3m), of which £97.2m is to be paid by the end of the year. The Group generated £479.8m of cash in the period, before returning £398.7m surplus capital to shareholders. The Group's healthy liquidity will provide further opportunity to continue to support the future growth of the business.

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

## Promoting good health and wellbeing

We recognise our responsibility to our colleagues, customers, and wider society and the health, safety and wellbeing of the Group's workforce, customers and the public has been paramount throughout this period. As such, the Group's Covid-secure operating protocols have been maintained. There are no changes to procedures on our sites or our manufacturing facilities and the stringent two metre social distancing rule remains in place. In addition, our sales offices are continuing to apply social distancing measures. Flexible working is being retained for our office based staff, enabling them to work from home where possible. Recognising the importance of our employees' mental health and wellbeing, the Group's senior management team completed mental health awareness training and we have approximately 160 trained mental health first aiders across the business.

## Significant employment opportunities

Persimmon provides significant social value, creating important job and career opportunities both within its direct workforce and in the communities it serves, employing over 5,000 people across the UK and supporting approximately 86,000<sup>9</sup> jobs across its supply chain. The Group's results are a testament to their hard work, diligence and commitment.

Persimmon has continued to invest in its workforce providing c. 6,200 training days during the first half of the year, c. 2,300 of which were provided via in-house online courses. In the current academic year, the Group recruited c. 680 trainees and apprentices, providing them with key skills and on the job training covering a wide range of disciplines. A new graduate scheme has been launched, with the Group's first recruits starting in September 2021. In addition, Persimmon recently began working with the 'Volunteer it Yourself' organisation, rejuvenating local sports facilities and mentoring and upskilling young adults from more deprived areas. Persimmon will continue to offer opportunities for individuals from all walks of life to successfully develop their career at Persimmon, opportunities which are recognised by the Social Mobility Pledge, to which the Group is a signatory.

Having already adopted the principles of the Living Wage for our direct employees, the Group is now working towards full foundation accreditation through seeking similar commitments from our supply chain.

## Building sustainable communities

The Group plays an important role creating places in support of sustainable communities in locations where people wish to live and work. Persimmon focuses on building "homes for all" with an average selling price in the owner occupier market which is c. 15%<sup>10</sup> below the UK national average. Approximately 50% of our private homes were sold to first time buyers. In the last eighteen months, covering the period since the pandemic began, the Group has invested over £0.5bn in local communities, delivering over 3,500 homes to our local housing association partners. In addition, the Persimmon Charitable Foundation donated c. £2.4m to over 1,300 local good causes over the same period.

FibreNest, the Group's ultrafast, full fibre broadband service, which is highly rated by our customers, is now more important than ever, allowing them to work from home and access other online services. Broadband connectivity from moving in day remains a key focus for the Group in delivering the highest levels of service to our customers. FibreNest is currently serving c. 16,500 homes across 222 sites.

## Helping to safeguard our environment

As a Group, we are committed to playing our part in reducing global greenhouse gas emissions. As such, the Group has set challenging carbon reduction targets, announced in March 2021. The Group is targeting to achieve net zero carbon emissions in our homes in-use by 2030 and across our operations by 2040. In addition, Persimmon has set interim science based carbon reduction targets to reduce carbon emissions from our own operations by 46.2% by 2030 and our indirect operations by 22% per m<sup>2</sup> completed floor area by 2030, in line with the Paris Agreement.

These science based targets have now been fully accredited by the Science Based Target Initiative and the business is developing roadmaps to deliver on these important goals. Emission reduction initiatives include the Group's regional demonstration project in Fulford, York, being run in conjunction with the University of Salford to develop a zero carbon

home. Tenants will occupy the home once it is built. The true “in-use” carbon savings, as well as how well suited the home is for family living, will be measured and monitored. In addition, the Group is now purchasing 100% renewable energy for Persimmon’s offices and manufacturing facilities saving over 1,600 tonnes of CO<sub>2</sub> each year, has introduced electric vehicle options into its fleet and is investigating methods of reducing the business’ red diesel consumption through increased digital technology, driver training and alternative fuels.<sup>11</sup>

The Group provides substantial green and diverse open space through its developments as an essential element in making places where communities can be supported to thrive. Over the last five years, Persimmon has planted almost half a million trees and created over 3,000 acres of public open space, enriching its communities and contributing to enhancing biodiversity.

#### Footnotes

- 1 The Group’s total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. Housing revenues are the revenues generated on the sale of newly built residential properties only.
- 2 Stated on new housing revenues of £1,749.3m (2020: £1,102.8m) and gross profits of £540.5m (2020: £345.2m).
- 3 Land cost value for the plot divided by the revenue of the new home sold.
- 4 Stated before goodwill impairment of £3.9m (2020: £1.6m).
- 5 Stated on new housing revenue of £1,749.3m (2020: £1,102.8m) and underlying profit from operations of £483.0m (2020: £293.2m) calculated before goodwill impairment of £3.9m (2020: £1.6m).
- 6 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before legacy buildings provisions of £75.0m (December 2020: £75.0m) and goodwill impairment of £6.6m (December 2020: £4.3m).
- 7 Estimated weighted average gross margin based on assumed revenues and costs at 30 June 2021 and normalised output levels.
- 8 Land cost value for the plot divided by the anticipated future revenue of the new home sold.
- 9 Estimated using an economic toolkit.
- 10 National average selling price for new build homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.
- 11 The Group’s approach to reporting its Sustainability Accounting Standards Board (SASB) disclosures as contained in the 2020 Annual Report (AR) is referenced as good practice by the Financial Reporting Council here: <https://www.frc.org.uk/news/july-2021/frc-outline-necessary-action-for-effective-esg-rep> and the Group has been notified that the FRC’s thematic review of Streamlined Energy and Carbon Reporting (SECR) in the 2020 AR (page 68) is again to be referenced as good practice on publication of the FRC report in September 2021.

**PERSIMMON PLC**  
**Condensed Consolidated Statement of Comprehensive Income**  
For the six months to 30 June 2021 (unaudited)

		Six months to 30 June 2021	Six months to 30 June 2020	Year to 31 December 2020
	Note	Total £m	Total £m	Total £m
Total revenue	3	1,840.8	1,190.5	3,328.3
Cost of sales		(1,300.3)	(845.3)	(2,433.9)
<b>Gross profit</b>		<b>540.5</b>	345.2	894.4
Analysed as:				
Underlying gross profit		540.5	345.2	969.4
Legacy buildings provision		-	-	(75.0)
Other operating income		4.8	3.4	5.4
Operating expenses		(66.2)	(57.0)	(116.3)
<b>Profit from operations</b>		<b>479.1</b>	291.6	783.5
Analysed as:				
Underlying operating profit		483.0	293.2	862.8
Legacy buildings provision		-	-	(75.0)
Impairment of intangible assets		(3.9)	(1.6)	(4.3)
Finance income		3.4	5.1	8.9
Finance costs		(2.4)	(4.3)	(8.6)
<b>Profit before tax</b>		<b>480.1</b>	292.4	783.8
Analysed as:				
Underlying profit before tax		484.0	294.0	863.1
Legacy buildings provision		-	-	(75.0)
Impairment of intangible assets		(3.9)	(1.6)	(4.3)
Tax	4	(88.9)	(54.8)	(145.4)
<b>Profit after tax</b> (all attributable to equity holders of the parent)		<b>391.2</b>	237.6	638.4
<b>Other comprehensive income/(expense)</b>				
Items that will not be reclassified to profit:				
Remeasurement gains/(losses) on defined benefit pension schemes	11	65.8	(54.9)	(42.5)
Tax	4	(16.0)	8.9	6.5
<b>Other comprehensive income/(expense) for the period, net of tax</b>		<b>49.8</b>	(46.0)	(36.0)
<b>Total recognised income for the period</b>		<b>441.0</b>	191.6	602.4
<b>Earnings per share</b>				
Basic	5	122.6p	74.6p	200.3p
Diluted	5	122.1p	74.4p	199.6p

**PERSIMMON PLC**  
**Condensed Consolidated Balance Sheet**  
*As at 30 June 2021 (unaudited)*

		30 June 2021	30 June 2020	31 December 2020
	Note	£m	£m	£m
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		177.9	184.5	181.8
Property, plant and equipment		93.4	86.7	90.4
Investments accounted for using the equity method		0.3	2.1	2.1
Shared equity loan receivables	8	35.9	50.2	41.7
Trade and other receivables		3.0	7.1	4.0
Deferred tax assets		10.7	6.7	7.7
Retirement benefit assets	11	116.7	23.1	50.6
		<b>437.9</b>	<b>360.4</b>	<b>378.3</b>
<b>Current assets</b>				
Inventories	7	2,815.6	3,227.3	2,901.3
Shared equity loan receivables	8	13.1	12.5	14.5
Trade and other receivables		139.2	97.3	86.6
Current tax assets		12.8	-	8.3
Cash and cash equivalents	10	1,315.2	828.9	1,234.1
		<b>4,295.9</b>	<b>4,166.0</b>	<b>4,244.8</b>
<b>Total assets</b>		<b>4,733.8</b>	<b>4,526.4</b>	<b>4,623.1</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Trade and other payables		(190.5)	(173.7)	(179.3)
Deferred tax liabilities		(41.5)	(17.8)	(22.9)
Partnership liability		(23.1)	(27.0)	(27.8)
		<b>(255.1)</b>	<b>(218.5)</b>	<b>(230.0)</b>
<b>Current liabilities</b>				
Trade and other payables		(830.8)	(848.8)	(794.2)
Partnership liability		(5.5)	(5.5)	(5.5)
Legacy buildings provision		(75.0)	-	(75.0)
Current tax liabilities		-	(3.0)	-
		<b>(911.3)</b>	<b>(857.3)</b>	<b>(874.7)</b>
<b>Total liabilities</b>		<b>(1,166.4)</b>	<b>(1,075.8)</b>	<b>(1,104.7)</b>
<b>Net assets</b>		<b>3,567.4</b>	<b>3,450.6</b>	<b>3,518.4</b>
<b>Equity</b>				
Ordinary share capital issued		31.9	31.9	31.9
Share premium		22.9	19.8	22.3
Capital redemption reserve		236.5	236.5	236.5
Other non-distributable reserve		276.8	276.8	276.8
Retained earnings		2,999.3	2,885.6	2,950.9
<b>Total equity</b>		<b>3,567.4</b>	<b>3,450.6</b>	<b>3,518.4</b>

**PERSIMMON PLC**

**Condensed Consolidated Statement of Changes in Shareholders' Equity**

For the six months to 30 June 2021 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Other non-distributable reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
<b>Six months ended 30 June 2021:</b>						
<b>Balance at 1 January 2021</b>	<b>31.9</b>	<b>22.3</b>	<b>236.5</b>	<b>276.8</b>	<b>2,950.9</b>	<b>3,518.4</b>
Profit for the period	-	-	-	-	391.2	391.2
Other comprehensive income	-	-	-	-	49.8	49.8
<b>Transactions with owners:</b>						
Dividends on equity shares	-	-	-	-	(398.7)	(398.7)
Issue of new shares	-	0.6	-	-	-	0.6
Share-based payments	-	-	-	-	6.1	6.1
<b>Balance at 30 June 2021</b>	<b>31.9</b>	<b>22.9</b>	<b>236.5</b>	<b>276.8</b>	<b>2,999.3</b>	<b>3,567.4</b>
<b>Six months ended 30 June 2020:</b>						
<b>Balance at 1 January 2020</b>	<b>31.9</b>	<b>19.2</b>	<b>236.5</b>	<b>276.8</b>	<b>2,693.9</b>	<b>3,258.3</b>
Profit for the period	-	-	-	-	237.6	237.6
Other comprehensive expense	-	-	-	-	(46.0)	(46.0)
<b>Transactions with owners:</b>						
Issue of new shares	-	0.6	-	-	-	0.6
Exercise of share options/share awards	-	-	-	-	(0.2)	(0.2)
Share-based payments	-	-	-	-	2.4	2.4
Net settlement of share-based payments	-	-	-	-	(2.3)	(2.3)
Satisfaction of share options from own shares held	-	-	-	-	0.2	0.2
<b>Balance at 30 June 2020</b>	<b>31.9</b>	<b>19.8</b>	<b>236.5</b>	<b>276.8</b>	<b>2,885.6</b>	<b>3,450.6</b>
<b>Year ended 31 December 2020:</b>						
<b>Balance at 1 January 2020</b>	<b>31.9</b>	<b>19.2</b>	<b>236.5</b>	<b>276.8</b>	<b>2,693.9</b>	<b>3,258.3</b>
Profit for the year	-	-	-	-	638.4	638.4
Other comprehensive expense	-	-	-	-	(36.0)	(36.0)
<b>Transactions with owners:</b>						
Dividends on equity shares	-	-	-	-	(350.7)	(350.7)
Issue of new shares	-	3.1	-	-	-	3.1
Exercise of share options/share awards	-	-	-	-	(0.2)	(0.2)
Share-based payments	-	-	-	-	7.7	7.7
Net settlement of share-based payments	-	-	-	-	(2.4)	(2.4)
Satisfaction of share options from own shares held	-	-	-	-	0.2	0.2
<b>Balance at 31 December 2020</b>	<b>31.9</b>	<b>22.3</b>	<b>236.5</b>	<b>276.8</b>	<b>2,950.9</b>	<b>3,518.4</b>

**PERSIMMON PLC**  
**Condensed Consolidated Cash Flow Statement**  
For the six months to 30 June 2021 (unaudited)

		Six months to 30 June 2021	Six months to 30 June 2020	Year to 31 December 2020
	Note	£m	£m	£m
<b>Cash flows from operating activities:</b>				
Profit for the period		391.2	237.6	638.4
Tax charge	4	88.9	54.8	145.4
Finance income		(3.4)	(5.1)	(8.9)
Finance costs		2.4	4.3	8.6
Depreciation charge		7.2	7.1	14.1
Impairment of intangible assets		3.9	1.6	4.3
Legacy buildings provision		-	-	75.0
Share-based payment charge		4.7	2.8	6.4
Net imputed interest income/(expense)		1.1	(0.6)	(1.4)
Other non-cash items		(4.2)	(3.9)	(7.3)
<b>Cash inflow from operating activities</b>		<b>491.8</b>	<b>298.6</b>	<b>874.6</b>
Movement in working capital:				
Decrease/(increase) in inventories		90.5	(65.7)	265.0
Increase in trade and other receivables		(55.3)	(41.8)	(45.8)
Increase/(decrease) in trade and other payables		49.1	(70.0)	(116.9)
Decrease in shared equity loan receivables		9.2	7.9	16.4
<b>Cash generated from operations</b>		<b>585.3</b>	<b>129.0</b>	<b>993.3</b>
Interest paid		(2.6)	(2.5)	(4.1)
Interest received		1.3	2.6	4.7
Tax paid		(92.2)	(129.7)	(228.4)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>491.8</b>	<b>(0.6)</b>	<b>765.5</b>
<b>Cash flows from investing activities:</b>				
Joint venture net funding movement		1.8	-	-
Purchase of property, plant and equipment		(9.3)	(10.1)	(18.9)
Proceeds from sale of property, plant and equipment		0.5	0.5	0.8
<b>Net cash outflow from investing activities</b>		<b>(7.0)</b>	<b>(9.6)</b>	<b>(18.1)</b>
<b>Cash flows from financing activities:</b>				
Lease capital payments		(1.8)	(1.8)	(3.6)
Payment of Partnership liability		(3.8)	(3.6)	(3.6)
Net settlement of share-based payments		-	-	(2.4)
Share options consideration		0.6	0.6	3.1
Dividends paid	6	(398.7)	-	(350.7)
<b>Net cash outflow from financing activities</b>		<b>(403.7)</b>	<b>(4.8)</b>	<b>(357.2)</b>
<b>Increase/(decrease) in net cash and cash equivalents</b>	10	<b>81.1</b>	<b>(15.0)</b>	<b>390.2</b>
Cash and cash equivalents at the beginning of the period		1,234.1	843.9	843.9
<b>Cash and cash equivalents at the end of the period</b>	10	<b>1,315.2</b>	<b>828.9</b>	<b>1,234.1</b>

## Notes

### 1. Basis of preparation

The half year condensed financial statements for the six months to 30 June 2021 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with UK adopted International Accounting Standard (“IAS”) 34 Interim Financial Reporting. The half year financial statements are unaudited, but have been reviewed by the auditors whose report is set out at the end of this report. This report should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

The comparative figures for the financial year ended 31 December 2020 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 2020, as described in those financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2021:

- Amendments to IFRS 4 Insurance Contracts
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark reform - phase 2

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

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

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018 – 2020

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

#### Going concern

The Group has performed well in the six months ended 30 June 2021. Persimmon’s long term-strategy, which recognises the risks associated with the housing cycle by maintaining operational flexibility, investing in high quality land, minimising financial risk and deploying capital at the right time in the cycle, has equipped the business with strong liquidity and a robust balance sheet.

The Group delivered 7,406 new homes (2020: 4,900, 2019: 7,584) and generated profit before tax of £480.1m (2020: £292.4m, 2019: £509.3m) in the period. At 30 June 2021, the Group had a strong balance sheet with £1,315.2m of cash (2020: £828.9m, 2019: £832.8m), high quality land holdings and modest land creditors of £365.7m (December 2020: £329.3m). In addition, the Group has an undrawn Revolving Credit Facility of £300m, which has a five year term out to 31 March 2026.

The Group’s forward order book, including legal completions taken in the second half, is c. 9% stronger than 2019, and c. 10% down on the elevated levels of 2020, which were impacted by pent up demand as the UK came out of the first period of lockdown. The cumulative average private sales reservation rate for the first 33 weeks of the year is c. 20% ahead of last year.

The Directors have reviewed the Group’s principal risks, see note 12 of this announcement, and determined that there are no new principal risks facing the business to those disclosed in the financial statements for the year ended 31 December 2020. The Directors considered the impact of these risks on the going concern of the business when approving these full year financial statements for the Group.

Given the Group’s trading performance during the first six months of the year, together with its strong sales rates and forward sales position, the Directors believe that the comprehensive review performed for the viability statement included in the Group’s Annual Report 2020, which included three stress testing scenarios in line with



one of the potential outcomes of the recent BEIS consultation, 'Restoring trust in audit and corporate governance', remains relevant and valid.

In addition, given the on-going uncertainties surrounding the pandemic, the Directors have assessed the impact of a complete shutdown of the housing market from the date of this announcement to 31 December 2022 on the resilience of the Group. This extreme scenario assumes that the Group does not receive any further sales receipts for the period whilst maintaining its current level of fixed costs.

Throughout this scenario, the Group maintains substantial liquidity with a positive cash balance and no requirement to access the Group's £300m Revolving Credit Facility.

Having considered the continuing strength of the UK housing market, the sales rates being achieved by the Group, the resilience of the Group's average selling prices, the Group's scenario analysis and significant financial headroom, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated half year financial statements.

### Estimates and judgements

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

### Goodwill and brand intangibles

The key sources of estimation uncertainty in respect of goodwill and brand intangibles are disclosed in notes 3 and 13 of the Group's annual financial statements for the year ended 31 December 2020.

The goodwill allocated to the Group's acquired strategic land holdings is further tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining strategic land holdings, taking account of historic experience and market conditions. This review resulted in an underlying impairment charge of £3.9m recognised during the period. This impairment charge reflects ongoing consumption of the acquired strategic land holdings and is consistent with prior years.

## 2. Segmental analysis

The Group has only one reportable operating segment, being housebuilding within the UK, under the control of the Executive Board. The Executive Board has been identified as the Chief Operating Decision Maker as defined under IFRS 8 Operating Segments.

## 3. Revenue

	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
	<b>£m</b>	£m	£m
Revenue from the sale of new housing	<b>1,749.3</b>	1,102.8	3,129.5
Revenue from the sale of part exchange properties	<b>89.2</b>	86.7	196.2
Revenue from the provision of internet services	<b>2.3</b>	1.0	2.6
Revenue from the sale of goods and services as reported in the statement of comprehensive income	<b>1,840.8</b>	1,190.5	3,328.3

## 4. Tax

### Analysis of the tax charge for the period

	Six months to 30 June 2021	Six months to 30 June 2020	Year to 31 December 2020
	£m	£m	£m
Tax charge comprises:			
UK corporation tax in respect of the current period	91.5	56.7	148.5
Adjustments in respect of prior years	(3.8)	(2.3)	(6.4)
	87.7	54.4	142.1
Deferred tax relating to origination and reversal of temporary differences	1.2	0.4	2.6
Adjustments recognised in the current year in respect of prior years' deferred tax	-	-	0.7
	1.2	0.4	3.3
	88.9	54.8	145.4

The Group's overall effective tax rate of 18.5% is lower than the mainstream rate of 19% as a result of a prior year tax credit arising from the removal of some uncertainties regarding the Group's prior year tax computations.

The applicable corporation tax rate remains at 19% in line with corporation tax rates effective from 1 April 2017. On 10 June 2021 a new statutory corporation tax rate was enacted into law increasing the tax rate to 25% with effect from April 2023. In relation to the Group's deferred tax calculations, all deferred tax balances have been revalued to reflect this increased rate.

### Deferred tax recognised in other comprehensive income

	Six months to 30 June 2021	Six months to 30 June 2020	Year to 31 December 2020
	£m	£m	£m
Recognised on remeasurement charges on pension schemes	16.0	(8.9)	(6.5)

### Tax recognised directly in equity

	Six months to 30 June 2021	Six months to 30 June 2020	Year to 31 December 2020
	£m	£m	£m
<b>Arising on transactions with equity participants</b>			
Current tax related to equity settled transactions	-	(0.6)	(1.1)
Deferred tax related to equity settled transactions	(1.5)	1.0	(0.2)
	(1.5)	0.4	(1.3)

## 5. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period (excluding those held in the employee benefit trust) which were 319.0m (June 2020: 318.7m; December 2020: 318.8m).

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the period, giving a figure of 320.2m (June 2020: 319.5m; December 2020: 319.9m).

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

	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
Basic earnings per share	<b>122.6p</b>	74.6p	200.3p
Underlying basic earnings per share	<b>123.8p</b>	75.1p	220.7p
Diluted earnings per share	<b>122.1p</b>	74.4p	199.6p
Underlying diluted earnings per share	<b>123.3p</b>	74.9p	219.9p

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

	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
	<b>£m</b>	£m	£m
Underlying earnings attributable to shareholders	<b>395.1</b>	239.2	703.5
Legacy buildings provision (net of tax)	-	-	(60.8)
Goodwill impairment	<b>(3.9)</b>	(1.6)	(4.3)
Earnings attributable to shareholders	<b>391.2</b>	237.6	638.4

At 30 June 2021 the issued share capital of the Company was 319,100,222 ordinary shares (30 June 2020: 318,941,892; 31 December 2020: 319,071,261 ordinary shares).

## 6. Dividends/Return of capital

	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
	<b>£m</b>	£m	£m
Amounts recognised as distributions to capital holders in the period:			
2019 dividend to all shareholders of 40p per share paid 2020	-	-	127.5
2019 dividend to all shareholders of 70p per share paid 2020	-	-	223.2
2020 dividend to all shareholders of 125p per share paid 2021	<b>398.7</b>	-	-
<b>Total capital return to shareholders</b>	<b>398.7</b>	-	350.7

After careful assessment of the capital needs of the business, the Board accelerated the payment of the regular annual distribution of 125 pence per share, as an interim dividend for the financial year ended 31 December 2020, to 26 March 2021 from early July 2021. In addition, on 13 August 2021, the Board accelerated the return of surplus capital in relation to the financial year ended 31 December 2020 by way of a payment of 110 pence per share, rather than making two payments of 55 pence per share, one to be paid in August 2021 and the second in December 2021 as had previously been indicated. This has returned the Group to distributing two capital return payments every 12 months, a year earlier than originally envisaged. There will be no further dividend payments in relation to the financial year ended 31 December 2020.

## 7. Inventories

	<b>30 June 2021</b>	30 June 2020	31 December 2020
	<b>£m</b>	£m	£m
Land	<b>1,701.0</b>	1,896.6	1,722.1
Work in progress	<b>1,046.0</b>	1,223.7	1,091.6
Part exchange properties	<b>23.9</b>	55.2	40.9
Showhouses	<b>44.7</b>	51.8	46.7
	<b>2,815.6</b>	3,227.3	2,901.3

The Group has conducted a further review of the net realisable value of its land and work in progress portfolio at 30 June 2021. Our approach to this review has been consistent with that conducted at 31 December 2020 and was

fully disclosed in the financial statements for the year ended on that date. The key judgements and estimates in determining the future net realisable value of the Group's land and work in progress portfolio are future sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis. There is currently no evidence or experience in the market to inform management that expected selling prices used in the valuations are materially incorrect.

Net realisable value provisions held against inventories at 30 June 2021 were £20.3m (2020: £29.6m). Following the review, £4.6m of inventories are valued at fair value less costs to sell rather than historical cost (2020: £8.2m).

## 8. Shared equity loan receivables

	<b>Six months to 30 June 2021</b>	Six months to 30 June 2020	Year to 31 December 2020
	<b>£m</b>	£m	£m
Shared equity loan receivables at beginning of period	<b>56.2</b>	68.6	68.6
Settlements	<b>(9.2)</b>	(7.9)	(16.4)
Gains	<b>2.0</b>	2.0	4.0
<b>Shared equity loan receivables at end of period</b>	<b>49.0</b>	62.7	56.2

All gains/losses have been recognised through finance income in profit and loss for the period of which £0.4m was unrealised (June 2020: £0.9m; December 2020: £1.5m).

## 9. Financial instruments

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

	<b>30 June 2021 Level 3</b>	30 June 2020 Level 3	31 December 2020 Level 3
	<b>£m</b>	£m	£m
Shared equity loan receivables	<b>49.0</b>	62.7	56.2

### Shared equity loan receivables

Shared equity loan receivables represent loans advanced to customers secured by way of a second charge on their new home. They are carried at fair value. The fair value is determined by reference to the rates at which they could be exchanged by knowledgeable and willing parties. Fair value is determined by discounting forecast cash flows for the residual period of the contract by a risk adjusted rate.

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

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of ten years (2020: ten years) and a discount rate of 5% (2020: 5%) based on current observed market interest rates offered to private individuals on secured second loans.

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

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

	Six months to 30 June 2021	Six months to 30 June 2020	Year to 31 December 2020
	£m	£m	£m
Cash and cash equivalents at beginning of period	1,234.1	843.9	843.9
Increase/(decrease) in net cash equivalents in cash flow	81.1	(15.0)	390.2
Cash and cash equivalents at end of period	1,315.2	828.9	1,234.1
IFRS 16 lease liability	(8.9)	(9.3)	(9.6)
<b>Net cash at end of period</b>	<b>1,306.3</b>	<b>819.6</b>	<b>1,224.5</b>

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

## 11. Retirement benefit assets

As at 30 June 2021 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

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

	Six months to 30 June 2021	Six months to 30 June 2020	Year to 31 December 2020
	£m	£m	£m
Current service cost	0.9	1.0	1.9
Past service cost	-	-	0.5
Administrative expense	0.1	0.2	0.6
Pension cost recognised as operating expense	1.0	1.2	3.0
Interest income on net defined benefit asset	(0.4)	(0.7)	(1.7)
Pension cost recognised as a net finance credit	(0.4)	(0.7)	(1.7)
Total defined benefit pension cost recognised in profit or loss	0.6	0.5	1.3
Remeasurement (gains)/losses recognised in other comprehensive expense	(65.8)	54.9	42.5
<b>Total defined benefit scheme (gain)/loss recognised</b>	<b>(65.2)</b>	<b>55.4</b>	<b>43.8</b>

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

	30 June 2021	30 June 2020	31 December 2020
	£m	£m	£m
Fair value of pension scheme assets	714.2	662.3	694.4
Present value of funded obligations	(597.5)	(639.2)	(643.8)
<b>Net pension asset</b>	<b>116.7</b>	<b>23.1</b>	<b>50.6</b>

The increase in the net pension asset to £116.7m (December 2020: £50.6m) is largely due to an increase in long-term corporate bond yields increasing the discount rate assumption applied to scheme obligations to 1.9% (December 2020: 1.4%).

## 12. Principal risks

Pandemic risk		
<p><b>Residual Risk</b> High</p> <p><b>Change from year end</b> No change</p>	<p><b>Impact</b></p> <p>An increase in the Covid-19 transmission rate or a new pandemic occurring in the UK may lead to a requirement for our workforce and our customers to comply with varying degrees of social distancing measures or other measures introduced to curb the spread of the disease. This action may disrupt continuity of site construction and access to labour and materials, leading to significant delays to the Group's build programmes and the legal completions of new home sales. The magnitude of any impact on the business will depend on the extent of the measures introduced as applied to our workforce, our customers, and wider society.</p> <p>The pandemic presents an increased health and safety risk to the public, our workforce and customers on our sites and our employees in our offices and in our off-site manufacturing facilities.</p> <p>Social distancing requirements have resulted in an increased number of our workforce working remotely leading to additional IT and information security risks.</p> <p>An increase in the Covid-19 transmission rate or a new pandemic may also adversely impact the wider economy resulting in reduced consumer confidence, lower demand and pricing for new homes, thereby impacting revenues, margins, profits and cash flows and may give rise to impairment of asset values.</p>	<p><b>Mitigation</b></p> <p>During the current pandemic, the Group's business continuity plans were deployed swiftly, with Board oversight. A Covid-19 Steering Committee continues to monitor progress.</p> <p>The Group has a highly experienced Group Health, Safety and Environment Department with well-established Group policies and procedures together with the ability to swiftly enhance or adapt safe operating protocols to mitigate against specific risks. For example, the Group quickly amended, tested and executed the Group's Covid-19 Risk Assessments and associated procedures to mitigate the risk of transmission of the Covid-19 infection. (Also see Health and Safety risk).</p> <p>During the Covid-19 pandemic, the Group was able to rapidly transition to increased levels of remote working through enhanced use of technology. The Group's sales teams provided a continuous service to our customers through our digital sales platform and other online tools, which enabled the business to continue to take sales reservations and legal completions throughout the lockdown period.</p> <p>Our remote working processes have been strengthened further through a number of collaboration tools to enable effective home working.</p> <p>These enhancements to the Group's remote working capabilities supports appropriate numbers of our workforce to work from home when required, for example in response to amendments to Government guidance as changes to infection transmission rates occur.</p> <p>The risks of increased use of remote working are mitigated through regular communication with all users reminding them of potential issues, particularly for example in relation to phishing emails and other Cyber security threats. (Also see mitigation of Cyber and Data Risk).</p> <p>The impact of build delays caused by the lockdown were mitigated by our planned increase in levels of construction work in progress coming into the pandemic. This was the result of a strategic decision to provide greater stock availability to our customers, to improve quality and service levels, and in anticipation of increased demand ahead of the end of the Government's current Help to Buy scheme. The Group continues to aim to hold strong levels of investment in construction work in progress to provide an effective buffer to potential build delays. The Group's build programmes returned to pre-Covid levels by July 2020 assisted by the Group's decision for all colleagues to continue to prepare for a strong return to site and not to take advantage of the Government's Job Retention Scheme.</p> <p>The vertical integration afforded by our own Brickworks, Space4 and Tileworks production mitigates the risk of potential supply chain disruption.</p> <p>The Group's long-term strategy recognises the risks associated with the cyclical nature of the housing market by minimising financial risk, maintaining operational and financial flexibility and deploying capital at the most appropriate time in the cycle. This strategy and</p>

		management's preparedness, responsiveness and agility provide us with the sound fundamentals required to enter periods of demand, volume or pricing downturns in a position of strength with strong levels of liquidity and a robust balance sheet.
<b>Strategy</b>		
<b>Residual Risk</b> Low  <b>Change from year end</b> No change	<b>Impact</b> The Group's strategy has been developed by the Board as the most appropriate approach to successfully deliver the Group's purpose and ambition and generate optimal sustainable value for all stakeholders. As political, economic and other conditions evolve, the strategy currently being pursued may cease to be the most appropriate approach. If the Group's strategy is not effectively communicated to our workforce and / or engagement and incentive measures are inappropriate, operational activities may not successfully deliver the Group's strategic objectives.	<b>Mitigation</b> The Group's strategy is agreed by the Board at an annual strategy meeting, and undergoes a continuous and iterative process of implementation, review and adaptation at Board meetings and in response to the evolution of conditions in which the Group operates. The Board engages with all stakeholders to ensure the strategy is communicated, understood and effective. For example, an Employee Engagement Panel, Gender Diversity Panel and employee engagement surveys have been established to monitor the cultural health of the organisation and ensure strategy is understood and implemented.
<b>UK's exit from the EU</b>		
<b>Residual Risk</b> High  <b>Change from year end</b> No change	<b>Impact</b> Whilst the completion of the free trade agreement between the UK and the EU has relieved some immediate concerns, including regarding increased customs duties on supplies imported from the EU, the broader impact of these new trade arrangements has yet to be seen. The new arrangements may lead to increased economic uncertainty adversely impacting: consumer confidence, demand and pricing for new homes, revenues, margins, profits and cash flows and may result in the impairment of asset values. The new trade arrangements may result in delays impacting the availability and cost of imported materials and components within our supply chain.	<b>Mitigation</b> We continue to monitor the political situation, the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. We robustly manage and control our work in progress and land investment and our stringent investment appraisals will continue, aiming to ensure exposure to market disruption is reduced. We routinely engage with our key suppliers and are currently working closely with them to ensure that our supply chain is not materially impacted. We will continue to employ effective tendering processes to ensure cost impacts are mitigated as far as possible. The vertical integration afforded by use of our own Brickworks, Space4 and Tileworks production will mitigate the availability and cost risks further. (Also see mitigation and review of Government policy and Labour and Resources)
<b>National and regional economic conditions</b>		
<b>Residual Risk</b> High  <b>Change from year end</b> No change	<b>Impact</b> The housebuilding industry is sensitive to changes in the economic environment, including unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may have an adverse impact on demand and pricing for new homes,	<b>Mitigation</b> The Group's long-term strategy recognises the cyclical nature of the housing market and focuses on minimising financial risk, maintaining operational and financial flexibility and judging the timing of capital deployment through the cycle. We continually monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption. We regularly

	<p>which could have a material effect on our revenues, margins, profits and cash flows and result in the impairment of asset values.</p> <p>Economic conditions in the land market may adversely affect the availability of a sustainable supply of land at appropriate levels of return.</p>	<p>review our pricing structure to ensure it reflects local market conditions and continuously monitor the Group's geographical spread.</p> <p>Our diversity of geographical markets and our range of price points helps us mitigate the effects of regional economic fluctuations. In the current climate, our strategy of providing 'homes for all' at more affordable price points is proving successful. We control the level of build on site by closely monitoring our stock and work in progress levels. The Group's strong land holdings provide continuity of supply and disciplined and extensive due diligence processes are always undertaken prior to entering into any land investment decisions. These processes have regard to local market demands and conditions, and the Group's existing strategic and on market land holdings. All land additions are reviewed by the Executive Directors.</p>
<b>Government policy</b>		
<p><b>Residual Risk</b> High</p> <p><b>Change from year end</b> No change</p>	<p><b>Impact</b></p> <p>Changes to Government policy have the potential to impact on several aspects of our strategy and operational performance. For example, changes to the planning system, changes in the tax regime, or further amendment of the Help to Buy scheme or other housing policies could have an adverse effect on revenues, margins and asset values. Changes to the planning system may also adversely impact the Group's ability to source suitable land to deliver appropriate levels of return.</p>	<p><b>Mitigation</b></p> <p>We monitor Government policy in relation to the housing market closely. Consistency of policy formulation and application remains very supportive of the housebuilding industry, encouraging continued substantial investment in land, work in progress and skills to support output growth. Our strategic objectives, delivering 'homes for all', are aligned with Government priorities for increasing housing stock.</p> <p>The devolved Governments continue to support the industry with their respective Help to Buy and other equity loan schemes. In England, a replacement Help to Buy scheme opened for customers to reserve new homes from 16 December 2020 and is available until 31 March 2023. In Scotland, the First Home Fund Scheme reopened on 1 April 2021.</p> <p>We actively manage our land investment decisions and levels of work in progress to mitigate exposure to external influences.</p>
<b>Mortgage availability</b>		
<p><b>Residual Risk</b> High</p> <p><b>Change from year end</b> No change</p>	<p><b>Impact</b></p> <p>Any restrictions in the availability or affordability of mortgages for customers could reduce demand for new homes and affect revenues, profits, cash flows, and asset values. There has been some tightening of lending criteria observed post Covid-19.</p>	<p><b>Mitigation</b></p> <p>We monitor Bank of England commentary on credit conditions including the monthly approvals for house purchases and UK Finance's monthly reports and lenders' announcements for trends in lending. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations for market conditions. The devolved Government's Help to Buy and other equity loan schemes, support customers to gain access to the housing market across the UK with competitive mortgage rates.</p>
<b>Health, safety and the environment</b>		
<p><b>Residual Risk</b> High</p>	<p><b>Impact</b></p> <p>The health and safety of our employees, subcontractors, customers and visitors to our construction sites is of paramount importance to us. Accidents on our</p>	<p><b>Mitigation</b></p> <p>The Board has a very strong commitment to health, safety and the environment, and managing the risks in this area effectively. This is implemented by comprehensive management systems and controls, managed by our highly experienced Group Health, Safety and Environment Department, which includes detailed training and</p>



<p><b>Change from year end</b> No change</p>	<p>sites could also lead to reputational damage and financial penalties. Environmental breaches may result in financial penalties, undermine the creation of sustainable communities and damage the reputation of the Group.</p>	<p>inspection programmes to minimise the likelihood and impact of accidents or environmental breaches on our sites. The Group's established policies and procedures can be quickly and effectively adapted to evolving health and safety guidance and regulation. This has been recently demonstrated with the swift Group wide adoption of Covid-19 secure operating procedures.</p> <p>While all reasonable steps are taken to reduce the likelihood of an incident, the potential impacts of any such incident are considered to be high.</p> <p>The Group's Health, Safety and Environment Department continues to enhance the Group's environmental processes and policies in partnership with the Group's Sustainability Committee and the wider operational teams. Regional Environmental Champions have been introduced to ensure compliance with these processes on site.</p>
<p><b>Labour and resources: skilled workforce, retention and succession</b></p>		
<p><b>Residual Risk</b> Medium</p> <p><b>Change from year end</b> No change</p>	<p><b>Impact</b></p> <p>Access to an appropriately skilled workforce is a key requirement for the Group. Rising UK house building activity in recent years has increased demand for skilled labour, which has increased pressure on costs.</p> <p>A skilled management team is essential in maintaining operational performance and the implementation of the Group's strategy.</p>	<p><b>Mitigation</b></p> <p>We closely monitor our build programmes to enable us to manage our labour requirements effectively. We operate in-house apprentice and training programmes, to support an adequate supply of skilled labour. Our in-house Group Training Department provides standardised training that is centrally controlled.</p> <p>We are also committed to playing a full and active role in external initiatives to address the skills shortage such as the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation.</p> <p>Where appropriate, we also use the Group's Space4 modern method of construction which helps diversify resource requirements on site.</p> <p>The Group focuses on retaining its key staff through a range of measures, including the establishment of a Gender Diversity Panel, an Employee Engagement Panel, employee engagement surveys, further development of performance management frameworks, career management, and incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.</p>
<p><b>Labour and resources: materials and land purchasing</b></p>		
<p><b>Residual Risk</b> Medium</p> <p><b>Change from year end</b> No change</p>	<p><b>Impact</b></p> <p><u>Materials availability</u></p> <p>Recent growth in UK housebuilding and supply chain disruption caused by the Covid-19 pandemic has led to an increased demand for materials which is placing greater pressure on some elements of the supply chain. This may continue to cause availability constraints and increase cost pressures.</p>	<p><b>Mitigation</b></p> <p><u>Materials availability</u></p> <p>Our build programmes and our supply chain are closely monitored to allow us to manage and react to any issues and to help ensure consistent high quality standards. We build strong relationships with key suppliers over the long term to maintain consistency of supply and cost efficiency.</p> <p>We have invested in expanding our off-site manufacturing hub at Harworth, near Doncaster, to strengthen security of supply. Our brick plant and roof tile manufacturing facility provide a significant proportion of these materials to our sites. This complements our existing off-site manufacturing capability at Space4, which produces timber frames, highly insulated wall panels and roof cassettes as a modern method of constructing new homes.</p>

	<p>Build quality may be compromised if unsuitable materials are procured leading to damage to the Group's reputation and customer experience.</p> <p><u>Land Purchasing</u></p> <p>Land may be purchased at too high a price, in the wrong location and at the wrong time in the housing market cycle.</p>	<p>Our procurement team ensures that the Group's suppliers provide materials to the expected specification. Materials are inspected on receipt at site.</p> <p>Throughout construction, each of our new homes undergo 21 key stage checks by our Independent Quality Inspectors, as part of 'the Persimmon Way' (the Group wide consolidated approach to new home construction), and before handover to the customer, our management teams perform a seven stage internal quality check process.</p> <p><u>Land Purchasing</u></p> <p>The Group has strong land holdings. All land purchases undergo stringent viability assessments performed by our dedicated land and planning teams and must meet specific levels of projected returns.</p> <p>The Board review and determine the appropriate timing of land purchases having regard to existing market conditions and sales rates.</p>
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<b>Climate change</b>		
<p><b>Residual Risk</b> Medium</p> <p><b>Change from year end</b> No change</p>	<p><b>Impact</b></p> <p>Should the effects of climate change and the UK's transition to a lower carbon economy lead to increasing national regulation this could cause additional planning delays, increase the cost and accessibility of materials required within our construction process and potentially limit their supply or require additional features which could significantly increase our costs.</p> <p>Changes in weather patterns and the frequency of extreme weather events, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may reduce in response to financial institutions considering the possible impacts relating to climate change. Changes in weather patterns may also lead to increased build costs and/or development timeframes.</p>	<p><b>Mitigation</b></p> <p>We monitor our operational efficiency and direct environmental impact in a number of ways including measuring our scope 1 and scope 2 CO<sub>2e</sub> emissions and the amount of waste we generate for each home we sell.</p> <p>The Group maintains a climate change risk register which ensures that the management and mitigation of this risk is embedded within the Group's risk management processes. The risk register is updated at least once a year and reviewed by the Group Sustainability Manager, the Group Internal Audit Manager and the Risk Committee. The Group has appointed a Group Sustainability Manager bringing increased focus to both the risks and opportunities surrounding climate change.</p> <p>We systematically consider the potential impacts of climate change throughout the land acquisition, planning and build processes and work closely with planning authorities and other statutory bodies to manage and mitigate these risks. For example, we conduct full environmental assessments for each parcel of land we acquire for development to ensure our activities fulfil all obligations, respecting the natural environment and the communities for which we are delivering newly built homes. We are keen to adopt Sustainable Urban Drainage Systems on all our new sites, subject to local planning requirements, to address the risk of flooding.</p> <p>Assisted by an independent expert, the Group has set science based carbon reduction targets for its Scope 1, 2 and 3 emissions. Steering Groups have been established to plan and manage the Group's carbon reduction pathway to ensure these targets are met.</p> <p>The Group's low carbon home Steering group has launched a Regional Demonstration Project to understand the environmental, social and financial impacts of implementing the Future Homes Standard, monitoring the home's occupants to understand real life 'liveability' through time. Working with Energy House Laboratories at the University of Salford, we will monitor the true in-use carbon savings of the home, impacts to the homeowner as</p>

		<p>well as potential additional processes and costs to the build process.</p> <p>The aim of the project is to inform UK policy direction and debate on building low carbon homes cost effectively at scale. We will seek to identify the optimum opportunities when considering input costs versus carbon savings for each component used within the demonstration house. The demonstration house will be built in autumn 2021 in Fulford, York, North Yorkshire.</p> <p>We continually seek to strengthen our supply chain, for example, our off-site manufacturing facilities provide us with greater assurance of quality and supply, and use modern methods of construction and technology to assist the mitigation of climate change related risks. The Group procurement team maintain strong links with our suppliers delivering value through our supply chain by regular engagement and robust tendering processes.</p>
<b>Reputation</b>		
<p><b>Residual Risk</b> Medium</p> <p><b>Change from year end</b> No change</p>	<p><b>Impact</b></p> <p>Damage to the Group's reputation could adversely impact on its ability to deliver its strategic objectives.</p> <p>For example, should governance, build quality, customer experiences, operational performance, management of health, safety and the environment or local planning concerns fall short of our usual high standards, this may result in damage to customer, commercial and investor relationships and lead to higher staff turnover.</p>	<p><b>Mitigation</b></p> <p><u>Management Supervision</u></p> <p>The Group has a strong commitment to appropriate culture and maintaining the high quality of its operations. Oversight from the Board seeks to ensure key processes are robust and any shortcomings identified are promptly and effectively addressed.</p> <p>The Group's build quality and customer service processes are a key strategic priority and significant investment has been made in this area with the Customer Care Improvement Plan now embedded within the business. Persimmon's Homebuyer Retention scheme, introduced on 1 July 2019 and which is unique in the market, is proving to be both popular with customers and a key driver of behavioural change within the business. The Consumer Code for Housebuilders has highlighted this industry leading scheme as an area of good practice in relation to customer service.</p> <p>Where management oversight identifies inconsistencies in adherence to agreed processes, correcting actions are swiftly taken, for example in the case of incorrect cavity barrier installations where immediate action was taken through inspections and remediation.</p> <p>The Group has introduced the Persimmon Way in order to strengthen build quality and assurance processes and establish a consolidated, consistent Group wide approach to construction. The Group Construction Director is responsible for the implementation of the Persimmon Way and reports to the Group Chief Executive. Independent Quality Inspectors undertake inspections at 21 key stages of the construction process as well as continually assessing the finished quality of our new homes.</p> <p>The Group is to implement a process of complimentary external verification of the key processes to further support Group best practice.</p> <p><u>Stakeholder Relationships</u></p> <p>We take actions to maintain positive relationships with all of our stakeholders to minimise the risks of reputational damage and aim to comply with best practice in corporate governance.</p>

		<p>The Group continues to develop engagement activities with all stakeholders. For example, improved engagement with our employees is facilitated through the Employee Engagement and Gender Diversity Panels which meet regularly and report to the Board. The Group has also invested in a number of measures to improve customer experience by putting customers before volume. For example, significant investment in increased work in progress levels, the introduction of a Home Buyer Retention Scheme for customers, and investment in the development of a customer portal which is currently being piloted ahead of a wider Group roll-out. In addition, the Group continues to foster long term, mutually beneficial relationships with its suppliers.</p> <p>We actively support local communities in addressing housing needs, in creating attractive neighbourhoods and employing local people, both on our sites and in the supply chain. Significant contributions are made to local infrastructure and good causes within the communities in which the Group operates. The Group supports Team GB, the British Olympic team, and continues to pursue extensive community support programmes in partnership with Team GB, as part of the Group's Healthy Community charitable activities.</p>
<b>Regulatory compliance</b>		
<p><b>Residual Risk</b> Medium</p> <p><b>Change from year end</b> No change</p>	<p><b>Impact</b></p> <p>The housebuilding industry is subject to extensive and complex laws and regulations, particularly in areas such as land acquisition, planning and the environment and building and fire safety regulations. Ensuring compliance in these areas can result in delays in securing the land required for development and in construction and increased costs of development.</p> <p>Any retrospective changes in these regulations or failure to comply with them could result in remediation costs, damage to the Group's reputation and potential imposition of financial penalties.</p> <p>The risk has increased from the 2019 annual report due to the rapidly and continuously evolving regulations and practices regarding fire safety of multi storey, multi occupancy buildings.</p>	<p><b>Mitigation</b></p> <p>We operate comprehensive management systems to ensure regulatory and legal compliance, including a suite of policies and procedures covering key areas of legislation and regulation. Where these systems identify inconsistencies in adherence to agreed processes, correcting actions are swiftly taken. For example, our response to the incorrect cavity barrier installations where immediate action was taken through inspections and remediation.</p> <p>We also carefully monitor evolving regulations and consider the impact on the Group and its responsibilities. For example, the Group has been closely assessing the impact of the changing fire safety regulations with respect to multi storey, multi occupancy buildings, particularly in respect of buildings less than 18 metres in height, that may have used now-banned materials. As practices have evolved, the Group has responded swiftly and committed to perform fire safety remedial works where necessary on buildings that it currently owns and work with owners and other stakeholders on buildings that the Group developed.</p> <p>We engage extensively with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption. In addition, the Group controls sufficient land holdings to provide security of supply for medium term trading requirements.</p>
<b>Cyber and Data Risk</b>		
<p><b>Residual Risk</b> Medium</p> <p><b>Change from year end</b> end</p>	<p><b>Impact</b></p> <p>Failure of any of the Group's IT systems, particularly those in relation to customer information and customer service could result in significant financial costs, business disruption and reputational damage</p>	<p><b>Mitigation</b></p> <p>We operate centrally maintained IT systems with a fully tested disaster recovery programme.</p> <p>All infrastructure is highly resilient, with geographically diverse data centres that have a series of backups.</p>

No change	due to the loss, theft or corruption of data either inadvertently or via a targeted cyber-attack.	<p>Regular awareness emails are delivered to all users and the Group performs substantial online training activity to increase awareness of cyber risks.</p> <p>Specialists within the Group's IT Department provide oversight on the suite of controls in place to ensure they are continually updated to mitigate evolving threats.</p> <p>The Group has detailed and robust systems development and implementation processes in place and a Cyber Incident Response Plan. An Information Security Steering Group has been established to provide oversight of the Group's cyber security strategy and to continue to promote a positive culture for cyber security.</p> <p>Periodic penetration testing is carried out through security partners to test the security of our perimeter network.</p> <p>An externally led review of the Group's cyber security processes and controls has been completed in 2020 and provided assurance over the Group's existing measures.</p> <p>Established GDPR compliant business processes and data management are maintained and regularly reviewed.</p>
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## Statement of Directors' responsibilities in respect of the Half Year Report

We confirm that to the best of our knowledge:

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

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

Roger Devlin	Chairman
Dean Finch	Group Chief Executive
Mike Killoran	Group Finance Director
Nigel Mills	Senior Independent Director
Rachel Kentleton	Non-Executive Director
Simon Litherland	Non-Executive Director
Joanna Place	Non-Executive Director
Annemarie Durbin	Non-Executive Director
Andrew Wyllie	Non-Executive Director
Shirine Khoury-Haq	Non-Executive Director

By order of the Board

<b>Dean Finch</b>	<b>Mike Killoran</b>
Group Chief Executive	Group Finance Director

17 August 2021

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

## **INDEPENDENT REVIEW REPORT TO PERSIMMON PLC**

### **Conclusion**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 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.

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 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Basis for Conclusion**

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

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

### **Responsibilities of the directors**

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

### **Auditor's responsibilities for the review of the financial information**

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

### **Use of our report**

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK 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.

Ernst & Young LLP  
Leeds  
17 August 2021