

PERSIMMON PLC
INTERIM REPORT
JUNE 2003



+15%

AVERAGE SELLING PRICE £154,110

+24%

OPERATING PROFIT £166.3m^{*}

+29%

PROFIT BEFORE TAX £151.7m^{*}

+27%

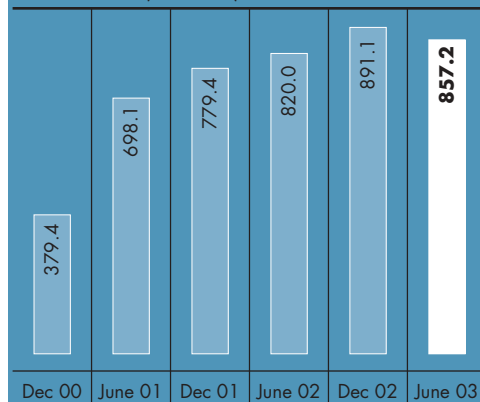
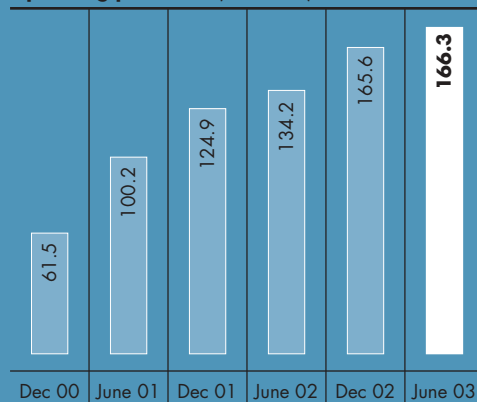
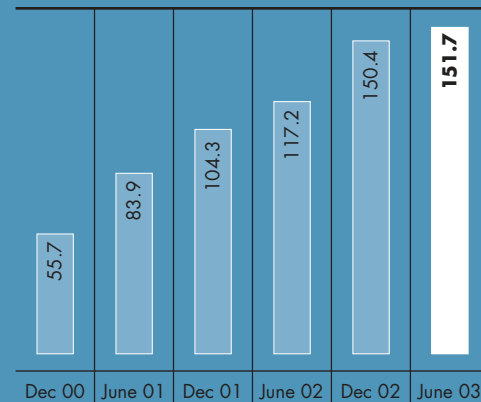
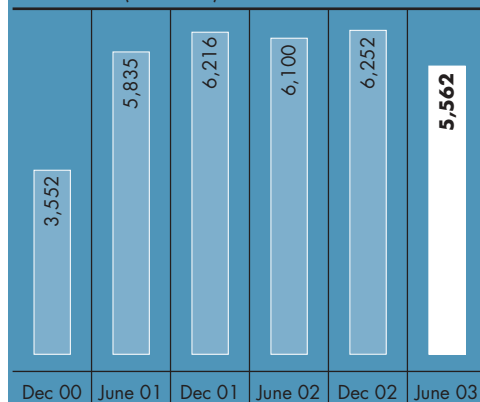
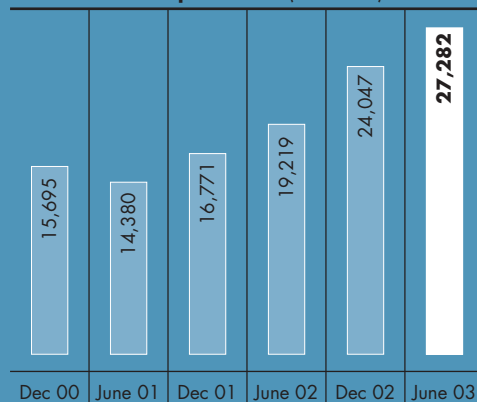
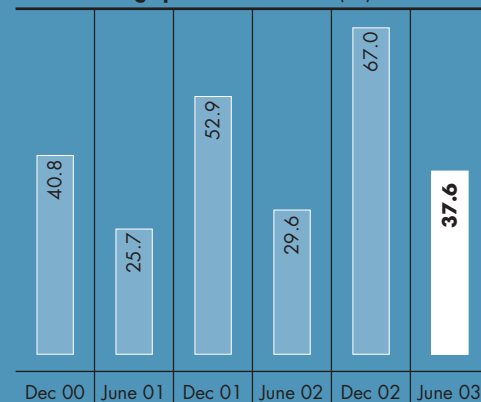
BASIC EARNINGS PER SHARE 37.6p^{*}

+47%

DIVIDEND PER SHARE 7.0p^{**}

* Before goodwill amortisation

** Increase includes rebalancing of interim and final dividend payments – see Chairman's statement for further details

Turnover* £m (six months)**Operating profit^Δ** £m (six months)**Profit before tax^Δ** £m**Unit sales*** (six months)**Profit before tax per unit^Δ** £ (six months)**Basic earnings per share^{Δ†}** Pence (**)

** (June six months, December 12 months)

* 2000 comparatives exclude BES resales.

Δ Before goodwill amortisation and exceptional integration costs.

† 2000 comparatives as restated for FRS19 (Accounting for Deferred Taxation).

> Chairman's statement

Results

During the six months to 30 June 2003, Persimmon made pre-tax profits of £151.7 million (2002: £117.2 million) before goodwill, on turnover up 5 per cent at £857.2 million (2002: £820.0 million). This is a 29 per cent increase over the first six months of 2002, and a record for any six-month period in the Company's history. Earnings per share (before goodwill) in the six months increased by 27 per cent to 37.6 pence per share (2002: 29.6 pence per share).

As indicated in our trading statement on 25 June 2003, the volume of legal completions of new homes was 9 per cent lower at 5,562 as new outlet openings were constrained by planning delays. However, our operating profits (before goodwill) increased by 24 per cent to £166.3 million (2002: £134.2 million). The 15 per cent increase in average selling price of our new homes to £154,110, compared to the first half of 2002, was achieved partly due to a change in our product mix and an increase in sales extras.

As a result of our continuing focus on profitability, operating margin increased to 19.4 per cent (2002: 16.4 per cent). We have been successful in controlling build and direct costs in delivering this improvement. Return on average capital employed rose to 23.5 per cent (2002: 19.0 per cent).

We have increased our investment in land and work in progress to £1.6 billion (June 2002: £1.3 billion) which places Persimmon in a strong position for the future. Total plots owned and under our control are now 56,424 plots (June 2002: 52,656 plots) giving us the ability to increase outlets and volumes as the market grows. Despite this increased investment our borrowings were reduced to £377 million at 30 June 2003 (£392 million at 30 June 2002). This gives a gearing ratio of 37 per cent (2002: 45 per cent). Net assets per share rose by 17 per cent to 362.8 pence (2002: 309.3 pence per share).

Review of operations

In the South Division Persimmon legally completed 2,727 new homes representing a 16 per cent reduction over the particularly strong first half of 2002. The average selling price was up 14 per cent at £163,749 (2002: £143,672). In the North, there were 2,375 legal completions (2002: 2,471) at an average selling price up 22 per cent at £125,956 (2002: £103,453). Overall, core housing margins covering both the North and South regions improved to 20.2 per cent (2002: 16.9 per cent).

Our premium brand, Charles Church, also performed strongly in the half, as unit completions increased in line with plan to 460 (2002: 390). As a result of broadening the regional spread of the Charles Church brand, the average selling price decreased slightly to £242,333 (2002: £253,957). Operating margins in Charles Church increased to 14.3 per cent (2002: 12.6 per cent).



Duncan Davidson

Operating margin* % (six months)

16.2	14.4	16.0	16.4	18.6	19.4
Dec 00	Jun 01	Dec 01	Jun 02	Dec 02	June 03

Earnings before interest, taxation, depreciation, amortisation and exceptional integration costs
£m (six months)

63.2	102.7	127.2	137.4	168.8	169.8
Dec 00	Jun 01	Dec 01	Jun 02	Dec 02	June 03

(*) Before goodwill amortisation and exceptional integration costs.

Dividend

Persimmon, in common with most other house builders, had an historic track record of achieving higher profits in the second half of each trading year than in the first half. We have been working hard over the last few years to achieve a more even split in profits between the two halves of each year. The attention we have applied to this aspect of our business is bearing fruit resulting in a more even flow of legal completions, which enables the business to control costs and efficiency thereby improving margins. Consequently, we have decided to change our policy for the payment of dividends to shareholders. Historically, approximately one third of the total dividend was paid at the interim stage and two thirds as the final payment. We are now moving to a payment of approximately 40 per cent at the interim stage and 60 per cent as the final dividend.

For the six months to 30 June 2003 we are increasing our interim dividend to 7.0 pence per share (2002: 4.75 pence per share). This dividend will be payable on 24 October 2003 to shareholders on the Register on 5 September 2003. As before we are offering a scrip dividend alternative.

The final dividend payable in April 2004 will be not less than 10.4 pence per share, which was the amount of the final dividend paid in April 2003. This represents an increased level of total dividend distribution to at least 17.4 pence per share, up 15 per cent on the 15.15 pence per share paid for the year 2002, and underlines the Board's confidence in the prospects for the Group.

Outlook

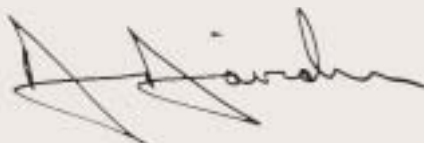
Persimmon has the scale and operational spread, with a strong land bank, a strategic land portfolio of c. 21,000 acres, and a management structure in place which can increase our volumes as conditions allow.

We have been encouraged by the particularly good sales volumes and visitor levels throughout the summer months, and as at 20 August 2003 we already have total sales booked for the second half of this year of c. £840 million at an average selling price of c. £154,800. This is in addition to the completions achieved in the first half. As we have stated previously, the market has resumed a more normal trading pattern and we are continuing to achieve price growth in all markets outside London. We now have 5 per cent more outlets than at the same date last year and we will be opening additional new developments during the next few months.

The Government is seeking to alleviate the problem of under-supply of new housing which we very much welcome. In the meantime we continue to focus on the basics of good house building whilst ensuring that a strong platform for further growth is maintained.

Persimmon has performed very strongly in the first half showing good increases in sales, margins and return on capital. Market conditions are sound and this together with our broad geographic spread and long land bank gives us great confidence that we can continue to achieve excellent growth.

Every member of the Persimmon team has responded very well to the challenges of our growing business. I thank them all for their contribution to our success.



Duncan Davidson Chairman
26 August 2003

> Consolidated profit and loss account

(unaudited)

	Note	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Turnover				
Continuing operations		857.2	820.0	1,711.1
Cost of sales		(652.5)	(652.8)	(1,345.9)
Gross profit		204.7	167.2	365.2
Net operating expenses		(43.8)	(38.4)	(76.2)
Operating profit before goodwill amortisation		166.3	134.2	299.8
Goodwill amortisation		(5.4)	(5.4)	(10.8)
Operating profit				
Continuing operations		160.9	128.8	289.0
Net interest payable and similar charges		(14.6)	(17.0)	(32.2)
Profit on ordinary activities before taxation		146.3	111.8	256.8
Tax on ordinary activities		(46.0)	(35.1)	(80.3)
Profit on ordinary activities after taxation		100.3	76.7	176.5
Dividends		(19.8)	(13.3)	(42.4)
Retained profit		80.5	63.4	134.1
Basic earnings per share	5			
Before goodwill		37.6p	29.6p	67.0p
After goodwill		35.7p	27.6p	63.1p
Diluted earnings per share	5			
Before goodwill		37.3p	29.3p	66.3p
After goodwill		35.4p	27.4p	62.5p
Dividend per share		7.0p	4.75p	15.15p

> Consolidated balance sheet

(unaudited)

	Note	30 June 2003 £m	30 June 2002 £m	31 December 2002 £m
Fixed assets				
Tangible assets		24.1	28.8	23.5
Intangible assets		187.4	198.2	192.8
		211.5	227.0	216.3
Current assets				
Stocks and work in progress		1,649.5	1,376.9	1,433.4
Debtors due after one year		2.9	–	2.9
Debtors due within one year		115.3	127.2	109.1
Cash at bank and in hand	4	12.0	0.7	9.8
		1,779.7	1,504.8	1,555.2
Creditors due within one year				
Borrowings	4	(8.6)	(30.8)	(24.9)
Other creditors		(540.2)	(447.6)	(458.6)
		(548.8)	(478.4)	(483.5)
Net current assets		1,230.9	1,026.4	1,071.7
Total assets less current liabilities		1,442.4	1,253.4	1,288.0
Creditors due after more than one year				
Borrowings	4	(380.6)	(362.2)	(322.2)
Other creditors		(34.9)	(26.9)	(28.8)
		(415.5)	(389.1)	(351.0)
Net assets		1,026.9	864.3	937.0
Capital and reserves				
Called up share capital		28.3	27.9	28.0
Share premium account		212.8	209.1	210.4
Merger reserve		281.4	281.4	281.4
Revaluation reserve		1.2	1.2	1.2
Profit and loss account		503.2	344.7	416.0
Equity shareholders' funds		1,026.9	864.3	937.0
Net assets per share		362.8p	309.3p	334.6p

> Consolidated cash flow statement

(unaudited)

	Note	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Net cash inflow from operating activities		50.1	164.3	287.1
Return on investments and servicing of finance				
Interest received		0.2	0.2	0.4
Interest paid		(15.0)	(18.3)	(33.2)
Interest paid on finance leases		(0.1)	(0.2)	(0.3)
		(14.9)	(18.3)	(33.1)
Taxation				
UK corporation tax paid		(39.9)	(13.9)	(56.9)
Capital expenditure				
Purchase of tangible fixed assets		(4.6)	(6.5)	(9.7)
Sale of tangible fixed assets		2.3	0.8	6.6
		(2.3)	(5.7)	(3.1)
Acquisitions and disposals				
Acquisition of businesses and subsidiaries	6	(2.6)	(1.6)	(1.6)
Net borrowings acquired with subsidiaries		(9.0)	-	-
		(11.6)	(1.6)	(1.6)
Equity dividends paid		(22.4)	(22.1)	(34.8)
Net cash (outflow)/inflow before financing		(41.0)	102.7	157.6
Financing				
Bank loans advanced		60.0	-	-
Repayment of bank loans		(7.9)	(87.9)	(127.9)
Exercise of share options		2.0	2.5	3.4
Repayment of principal under finance leases		(0.9)	(1.1)	(1.9)
Net cash inflow/(outflow) from financing		53.2	(86.5)	(126.4)
Increase in cash	3	12.2	16.2	31.2

> Reconciliation of operating profit to net cash inflow from operating activities

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
Operating profit	160.9	128.8	289.0
Depreciation charge	3.5	3.2	6.4
Amortisation of goodwill	5.4	5.4	10.8
Profit on sale of tangible fixed assets	(0.2)	(0.1)	(0.2)
LTIP charge	0.7	1.0	1.5
Increase in stocks and work in progress	(179.7)	(24.0)	(80.4)
(Increase)/decrease in debtors	(3.5)	(9.8)	7.2
Increase in creditors	63.0	59.8	52.8
Net cash inflow from operating activities	50.1	164.3	287.1

> Notes

1 Accounting policies

The financial information has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2002.

2 Taxation

Taxation has been calculated at 30.3% of profit on ordinary activities before taxation and goodwill amortisation (six months to 30 June 2002: 29.9% and year ended 31 December 2002: 30.0%). This is the estimated effective tax rate before goodwill amortisation for the year to 31 December 2003.

3 Reconciliation of net cash flow to net debt

	Six months to 30 June 2003 £m	Six months to 30 June 2002 £m	Year to 31 December 2002 £m
	Note		
Increase in cash	12.2	16.2	31.2
(Increase)/decrease in debt and lease finance	(51.2)	89.0	129.8
(Increase)/decrease in net debt from cash flows	(39.0)	105.2	161.0
New finance leases	(1.0)	(0.5)	(1.0)
(Increase)/decrease in net debt	(40.0)	104.7	160.0
Net debt at beginning of period	(339.4)	(499.4)	(499.4)
Net debt at end of period	4 (379.4)	(394.7)	(339.4)

4 Analysis of net debt

	30 June 2003 £m	30 June 2002 £m	31 December 2002 £m
Cash at bank and in hand	12.0	0.7	9.8
Bank overdrafts	(7.0)	(22.9)	(17.0)
Bank loans	(100.0)	(80.0)	(40.0)
US and UK senior loan notes	(282.2)	(290.1)	(290.1)
Finance leases	(2.2)	(2.4)	(2.1)
Net debt at end of period	(379.4)	(394.7)	(339.4)

> Notes continued

5 Earnings per share

The calculation of basic earnings per share after goodwill is based on earnings after taxation of £100.3m (six months to 30 June 2002: £76.7m and year ended 31 December 2002: £176.5m) and 281,090,575 ordinary shares (30 June 2002: 277,857,071 and 31 December 2002: 279,662,777) being the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share after goodwill is calculated by dividing earnings after taxation by the weighted average number of ordinary shares in issue for the period, adjusted for the dilutive effect of shares held under unexercised options. The weighted average number of ordinary shares so calculated is 283,515,908 (30 June 2002: 280,316,821 and 31 December 2002: 282,511,605).

The calculations of basic and diluted earnings per share before goodwill are based on earnings after taxation of £105.7m (six months to 30 June 2002: £82.1m and year ended 31 December 2002: £187.3m).

6 Acquisitions

On 4 June 2003 the Group acquired the entire share capital of Merewood Group Limited for consideration amounting to £22.7m, being the fair value of the group's assets. Deferred consideration of £20.1m was paid in July 2003. There was no goodwill arising on the acquisition.

Post-acquisition results of the acquired trade have not been separately analysed on grounds of materiality.

7 Basis of preparation

The figures for the half years to 30 June 2003 and 30 June 2002 are unaudited. The figures included in the Profit and Loss Account for the year to 31 December 2002, the Balance Sheet at 31 December 2002 and the Cash Flow Statement for the year to 31 December 2002 are extracts from the latest published accounts which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified.

8 The Interim Statement is being sent to all shareholders and is available upon request from the Company Secretary, Persimmon plc, Persimmon House, Fulford, York YO19 4FE.

Further information on the Group can be found on the Persimmon website at: www.persimmonhomes.com

> Independent review report by KPMG Audit Plc to Persimmon plc

Introduction

We have been engaged by the company to review the financial information set out on pages 4 to 8 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of Interim Financial Information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

KPMG Audit Plc

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26 August 2003

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Neil Francis

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