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FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Persimmon Plc today announces Final Results for the year ended 31 December 2023.

Dean Finch, Group Chief Executive, commented:
"The Group successfully navigated the challenging market conditions in 2023. Completions were ahead of expectations, margins were industry-leading, we maintained our strong balance sheet and we continued to deliver further improvements in our product quality and service.

Although the near-term outlook remains uncertain, the significant pent-up demand for homes remains unchanged. Customers want quality homes in the places where they want to live and work, and affordability is crucial. During the year we have continued to take further steps to strengthen the business and we are well placed to meet this demand through our three excellent brands offering different price ranges with overall private average selling prices that are below the market average. The investments and operational changes that we have made in the past few years mean that we are trusted by our customers to deliver consistently high-quality homes.

We can achieve this while positioning the business to maintain industry-leading financial returns as markets recover, supported by our vertically integrated business model, strategic land buying and disciplined approach to cost control. Through further investments in innovation, I believe we can build even higher quality homes better, faster and more efficiently over time.

We are well placed to manage the ongoing uncertainty and we have good visibility over our land pipeline which, over the medium-term, will support a return to growth in outlets and volumes, alongside improved margins and robust cash generation, paving the way for sustainable shareholder returns."

Financial Highlights

	2023	2022
New home completions	9,922	14,868
New home average selling price	£255,752	£248,616
Total Group revenue	£2.77bn	£3.82bn
New housing revenue	£2.54bn	£3.70bn
Underlying new housing gross margin[1]	20.5%	30.9%
Underlying operating profit[2]	£354.5m	£1,006.5m
Underlying operating margin[3]	14.0%	27.2%
Profit before tax	£351.8m	£730.7m
Dividend per share	60p	60p
Cash at 31 December	£420.1m	£861.6m
Land holdings at 31 December - plots owned and under control	82,235	87,190
Average number of selling outlets	266	259
Current private forward sales position[4]	£946m	£908m
Underlying return on average capital employed[5]	10.5%	30.4%
Customer satisfaction score[6]	92.9%	90.6%

Navigated a challenging market well with further quality improvements

- 9,922 new home completions in FY23, ahead of our initial guidance with strong delivery in Q4
- Net private sales rate of 0.58 per outlet per week in 2023
- Underlying operating profit and margin impacted by lower volumes, build cost inflation and mix as expected in 2023
- 43% improvement in NHBC reportable items to deliver our highest quality homes yet
- NHBC customer satisfaction score[6] improved to 92.9%, continued five-star HBF rating
- Private ASP held up well with some softening in second half, reflected in forward order book pricing
- Successfully controlled WIP investment to match demand, without compromising on investment for future growth
- Enhanced planning approach working well with c.11,000 plots achieving detailed consent in the period, resulting in a 7% increase in 'owned plots with detailed planning'
- Net land spend of £398m including £253m for the settlement of land creditors
- CDP climate survey score of A- (2022: B)

Current trading and outlook
We have started the year in line with expectations, with our recent marketing campaign generating a significant number of leads for our sales teams. Enhanced competition in the mortgage market and wage growth have contributed to improved affordability albeit it continues to be constrained, particularly for first time buyers, and demand for homes remains varied across the country. Trading in the southern and eastern counties remains more challenging with weaker pricing, offset by a more robust trading performance in the northern regions. We continue to selectively use incentives, including part exchange, to drive reservations and overall, our net private sales rate per outlet per week was ahead in the first ten weeks of 2024 at 0.59 against 0.54 in the comparable period in 2023. Excluding bulk sales, the net private sales rate was 0.53 per outlet per week, broadly in line with the prior year (2023: 0.54; excluding First Homes[7]: 0.50). Cancellation rates remain at normal levels at c.16%.

With interest rates expected to remain at current levels and a general election on the horizon, market conditions are expected to remain subdued throughout 2024. However, we are well placed to manage this and are positioning the business for sustainable future growth over the medium term. We remain on track to open a gross new 30 outlets for business for sustainable future growth over the medium-term. We remain on track to open a gross new 30 outlets for the spring selling season as we work towards growing our outlet base back to over 300 open outlets over the medium-term.

Our current forward sales position is £1.55bn, including £946m of private forward sales with a private ASP of c. £280,000. Overall, we expect to deliver between 10,000 and 10,500 completions for 2024, of which we have full planning on 98%, with a housing operating margin in line with 2023. Build cost inflation is expected to be c.3-5% in 2024, with spot inflation currently running at c.1%.

As we look to expand our outlet base and invest in work in progress in anticipation of a housing market upturn, we expect to utilise our new £700m Revolving Credit Facility during 2024. Consequently, we anticipate transitioning from an average net cash to an average net debt position through 2024, resulting in an estimated net finance charge of approximately £15m-£20m for the 2024 financial year. We currently anticipate our net cash to be between zero and £200m as of 31 December 2024.

While we are prepared for 2024 to be another challenging year, we are confident of our ability to manage this. The longer-term fundamentals for the housing market remain positive. Our focus on maintaining a robust balance sheet while investing for growth gives us confidence in our ability to generate strong cash generation and industry-leading returns over the medium-term.

Footnotes

1 Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and based on new housing revenue (2023: £2,537.6m, 2022: £3,696.4m).
2 Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m). Operating profit after legacy buildings provision charge and goodwill impairment is £346.9m (2022: £724.9m).
3 Stated before legacy buildings provision charge (2023: £nil; 2022: £275.0m) and goodwill impairment (2023: £7.6m; 2022: £6.6m) and based on new housing revenue (2023: £2,537.6m; 2022: £3,696.4m).
4 2024 figure as at 10 March 2024; 2023 figure as at 12 March 2023.
5 12 month rolling average calculated on operating profit before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m) and total capital employed. Capital employed being the Group's net assets less cash and cash equivalents plus land creditors.
6 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. The rating used here reflects the live score at time of publication.
7 First Homes is a Government scheme designed to help local first time buyers and key workers onto the property ladder, by offering homes at a discount to the market price.

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There will be an analyst and investor presentation at 09.00 today, hosted by Dean Finch, Group Chief Executive. Analysts unable to attend in person may listen live via webcast using the link below. All participants **must pre-register** to join the webcast. Once registered, an email will be sent with important details for this event, as well as a unique Registrant ID. This ID is to be kept confidential and not shared with other participants.

Live webcast: https://edge.media-server.com/mmc/p/ncpttutb/

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

Chairman's Statement

Introduction

2023 was always going to be a challenging year, following on from the sharp rise in mortgage rates in autumn 2022 and a general climate of economic uncertainty. The strategy we set out and the actions we took enabled us to navigate this environment well, performing ahead of expectations for the year. In particular, our programme of continuous improvement in build quality and customer care has enabled us to retain our five-star Home Builders Federation rating, as evidence of the sustainable transformation of our business.

As expected at the start of the year, the number of new home completions and profit delivery of the Group was significantly down on the prior year, reflecting a difficult macroeconomic backdrop. While demand remains high, affordability and mortgage availability has been difficult for many of our customers, especially first-time buyers. Thankfully, there has been some stabilisation in recent months with mortgage rates having fallen from their peak in July 2023.

While 2024 will not be an easy year, I remain very confident of the exciting long-term prospects for the Group. There is no doubt that the country continues to face a significant housing shortage, with a growing population, continuing migration and household formation as well as a sizeable amount of old housing stock.

The operational progress we have made in the year means that we are well placed to benefit from strong pent-up demand as the housing cycle turns. Our homes are built to the highest standards and across our three brands, we are truly affordable for our customers with a private average selling price that is over 20% lower than the national average[1]. We are investing in expanding our outlet base with good success in obtaining planning permissions in 2023, despite the continued challenges of the UK planning system.

My colleagues have navigated the challenges of 2023 well and with impressive skill and commitment. Our mission is to build quality homes of value at a price our customers can afford. Our performance in 2023 demonstrates the considerable progress that the Group has made over the last five years.

Building a sustainable business for the future

Following the swift rise in interest rates at the end of 2022, the Group acted quickly to enhance its already strong investment discipline and working capital cost controls. This continued throughout 2023 to protect our cash position and in the longer-term provide the flexibility to pursue new growth opportunities. Persimmon's historical strength has been built on conservative balance sheet management and limited gearing. We continue to observe these principles and manage our cost base with prudence.

We do not currently anticipate a major improvement in market conditions in 2024, with a general election likely this year and interest rates expected to remain at current levels for some time. However, we have had good success with our sharpened approach to planning through local engagement which will allow us to grow outlet numbers in the coming year and our continued strength in land buying gives us a strong platform for growth when the market does recover. We are focused on purchasing the right land for development which will include a mix of greenfield and brownfield opportunities, recognising the Government's focus on greater use of brownfield land.

Industry leadership

We signed the English and Welsh Building Safety Remediation Agreements in the year. We are getting on with required remediation works and expect the work to be largely completed over the next two to three years.

The Company is fortunate to have three established brands and, in addition to the core Persimmon homes, we will further exploit the excellence of Charles Church which allows us to penetrate higher price points, as well as developing Westbury working in partnership with local authorities and housing associations.

Shareholder returns

We recognise the importance of returns for our shareholders and our Capital Allocation Policy, established in 2022, seeks to balance cash returns to our shareholders with investment in the business for future growth. For 2023, the Board proposes a final dividend of 40p per share to be paid on
12 July 2024 to shareholders on the register at 21 June 2024, following shareholder approval at the AGM. This dividend is in addition to the interim dividend of 20p per share, paid in November 2023, to give a total dividend per share of 60p in respect of financial year 2023. The Board's intention is to at least maintain the 2023 dividend per share in 2024, with a view to growing this over time as market conditions permit.

Board changes

During the year we had a number of changes to the Board with the appointments of Colette O'Shea and Alexandra Depledge MBE as Independent Non-Executive Directors of the Group. I am delighted to welcome both Colette and Alexandra with both adding highly relevant and complementary skills to the Persimmon Board. Simon Litherland and Joanna Place, Non-Executive Directors of the Group, both decided not to seek re-election for a further term at the AGM, stepping down from the Board after six years and three years, respectively. On behalf of the Board, I would like to thank Simon and Joanna for their most valuable contributions to the Persimmon Board over recent years.

We also announced on 8 November 2023 that Andrew Duxbury would be joining the Group as Chief Financial Officer, replacing Jason Windsor who left the business in early September. Andrew has extensive experience as a finance director in the construction and housebuilding industry, which will be an invaluable asset to Persimmon as we continue to provide good quality homes for families across the UK and position the business for future growth. We look forward to welcoming Andrew to the business in due course.

In conclusion

Finally, on behalf of the whole Board I would like to thank our colleagues, subcontractors and suppliers for their hard work and determination through challenging market conditions in 2023. We are well placed to manage near-term uncertainty and are actively positioning the business for disciplined future growth. I am convinced our long-term future is bright and we are all looking forward to working together to maintain Persimmon's industry-leading position and deliver more quality homes for our customers and sustainable returns for our shareholders through the cycle.

Footnotes

1 National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry. Group average private selling price is £285,774.

Chief Executive Statement

Introduction

The Group successfully navigated the challenging market conditions in 2023. We made good progress on our five strategic priorities, delivering high quality sustainable homes and enhancing trust with our customers whilst maintaining a disciplined approach to cost control and land buying to support our industry-leading financial performance over the medium-term.

The investments we have made over the past few years are delivering results. Our enhanced sales and marketing capabilities enabled us to achieve a net sales rate of 0.58 per outlet per week for 2023 and we completed the sale of 9,922 new homes, ahead of previous guidance. This was achieved while providing exceptional service to our customers and further improving our quality metrics which are our best ever, with a 43% improvement in reportable items per home in 2023, as measured by the NHBC. This outcome reflects the dedication of colleagues throughout the Group and illustrates the significant progress the business has made in recent years.

Our three core brands, with homes across different price ranges, coupled with our robust land acquisition practices, are key strengths in today's affordability-focused market. Our proactive investment into the business, including timber frame and increased use of panelisation, as well as innovative solutions like TopHat, underscore our adaptability to evolving regulations and market conditions. We will emerge from this downturn with good visibility over our land pipeline which will support a return to growth in outlets and volumes, improved margins and strong cash generation. This reflects the effectiveness of our core strategy, paving the way for sustainable shareholder returns over the medium-term.

2023 trading

Demand for high quality, affordable homes remained strong; however, customer confidence was impacted by more limited mortgage availability following the 'mini' budget and stretched affordability. At the end of 2023, the average two-year mortgage fix was 5.9%, significantly higher than the 2.4% average two years earlier[1] which was further year mortgage fix was [illegible], significantly higher than the 2.4% average two years earlier - which was further compounded by the removal of Help-to-Buy in October 2022. Throughout the year, we focused on securing sales through controlled use of incentives and investor deals, maintaining discipline with a sustained pick up in interest in our homes from the lows of Q4 2022. Overall, the average private net sales rate for 2023 was 0.58 per outlet per week (2022: 0.69) with stable cancellation levels throughout the year.

Overall, we delivered 9,922 legal completions (2022: 14,868) with a reduction in the new housing gross margin to 20.5%[2] (2022: 30.9%), in line with our margin guidance at the start of the year. This performance, although down on the prior year, reflects the economic headwinds faced across the broader industry and, while disappointing, is not reflective of the future strong prospects for the Group. I am delighted at how colleagues across the business have stepped up to the challenge of a tougher trading environment to preserve Persimmon's great strengths while making good progress in enhancing our build quality and customer service.

Average selling prices increased 3% year on year to £255,752 (2022: £248,616). The Group's private average selling price increased by 5% to £285,774 (2022: £272,206) largely reflecting the mix of developments and homes sold with underlying house prices under pressure, particularly in the second half of the year. Our investment in a core 'Partnerships' team around 18 months ago has delivered further benefits with our Partnerships' average selling price up 8% to £152,852 in 2023 (2022: £142,017).

While we saw increases in house prices in 2023, underlying sales prices were mixed across the country and, as previously indicated, we experienced high levels of build cost inflation of c.8-9% on completions in the year. Our vertically integrated factories - Brickworks, Tileworks and Space4 - and negotiations with suppliers helped to partially offset broader supplier increases which were a significant headwind for the Group in 2023. As anticipated in the 2022 full year results announcement, these factors, combined with lower volumes and increased sales and marketing costs impacted the Group's housing gross margin. This, together with a higher proportion of homes sold to our housing associations partners (2023: 23%; 2022: 18%), one-off costs associated with the remediation of two completed sites and accelerated exit from two sites, adversely impacted housing gross margin by 1,040bps in the year to give a housing gross margin of 20.5%[2] (2022: 30.9%).

Housing gross margin 2022	**30.9%**
Inflation impact	-480bps
Sales rate	-210bps
Increased proportion of completions to housing association partners	-65bps
Sales incentives and marketing	-220bps
Impact of one-offs and accelerated exit from two sites	-65bps
Housing gross margin 2023	**20.5%**

Disciplined cost control has been a core focus in the year, prioritising margin protection and cash generation. The Group quickly responded to changing market conditions in late 2022 to protect its cash position, while allowing investment for growth opportunities in the long-term. This strategy persisted throughout 2023, with added cost control measures and centralised oversight of expenditure within regional operations to maintain discipline and improve efficiency across the Group.

Building safety and the developer remediation contract

During the year, we signed both the UK Government's Self Remediation Contract (in England) and also the Welsh Government's Developers' Pact, which turn the respective Building Safety Pledges into binding commitments. On 1 August, the Department for Levelling Up, Housing and Communities announced that we had joined the associated Responsible Actors Scheme. Failure to join the scheme, or to meet remediation commitments, could result in planning and building control sanctions being taken against the relevant developers. Alongside other developers we signed the Scottish Safer Buildings Accord in May and discussions are ongoing between the industry and Scottish Government to agree a long form contract. While these discussions are ongoing, we continue to make progress on Scottish developments to deliver on our previously stated commitments. We have assessed 98% of the 82 known developments with any necessary work already completed on 39 of those and work underway on a further 17.

Competition and Markets Authority ('CMA') investigation into the housebuilding industry

On 26 February 2024, the CMA published its report on the market study into the housebuilding market which concluded that the complex and unpredictable planning system was "a key driver of the under delivery of new housing".

The CMA also announced that it had opened an investigation into eight housebuilders under the Competition Act 1998 regarding the sharing of information. As we did with the market study, we will co-operate with the CMA on this investigation.

Our five priorities

We have made excellent progress on our key priorities in the last few years, with a series of incremental initiatives contributing to building a much stronger business, enhancing both operational resilience and financial sustainability. The recent CMA market study into housebuilding suggests that we have been right to focus in these areas. Amongst many findings and recommendations to Government, the study identified the planning system as perhaps the key barrier to new home delivery. Our focus on improving our success in securing planning approvals has therefore been crucial. Other recommendations included the need to further strengthen the industry's consistent approach to customer service, quality and innovation, as well as highlighting the central role grant-funded Affordable Housing plays in meeting our housing needs. These recommendations demonstrate why our investment in securing five-star customer service, a new Space4 factory, TopHat and our Partnerships team have been important.

Our strategy, centred around our three core brands, is particularly relevant in times where affordability is crucial. Our emphasis on cost leadership, vertical integration, and strategic land acquisition not only position our business for industry-leading financial returns in the medium to long-term but also address past quality concerns, adopt a proactive approach to changing regulations, and a renewed focus on customer satisfaction.

As I set out three years ago, shortly after taking on the role of Chief Executive, our five priorities guide our approach of building on Persimmon's great strengths and enhancing our capabilities in key areas:

- Build quality: our ambition has grown from 'build right, first time, every time' to 'trusted to deliver five-star homes consistently';
- Reinforcing trust: in seeking to build a compelling brand we place customers at the heart of our business and are trusted to deliver the best value homes customers can be proud of;
- Disciplined growth: maintain our stringent appraisal, investing in high quality land in the right areas;
- Industry-leading financial performance: sustain our industry-leading margins and returns, drive healthy profit and cash;
- Supporting sustainable communities: actively part of the net zero carbon economy transition, the communities we operate in and efforts to widen opportunity.

Build quality

- 43% improvement in NHBC Reportable Items[3]
- Secured Charter Champion status for leadership and culture around building safety by Building a Safer Future

Persimmon's commitment to quality is embedded throughout the business through its comprehensive construction excellence programme, known as The Persimmon Way, which rigorously ensures high-quality homes through stringent quality control measures. This dedication has resulted in significant progress in enhancing build quality, demonstrated by improved NHBC Reportable Items and Construction Quality Review scores in recent years. In 2023, Persimmon delivered its highest ever quality homes with a 43% reduction in NHBC Reportable Items to 0.28 per home[3] (2022: 0.49).

Innovation is a key part of the Group's strategy; investments in digital systems and off-site manufacturing facilities are improving build efficiency and quality as well as proactively positioning the business for changing market conditions. In June, we secured planning permission for our new Space4 factory in Leicestershire. This next-generation factory will use advanced automation to provide up to 7,000 units a year and allow even more of the timber frame to be built in the factory. Our investment in TopHat, announced in April, presents exciting opportunities with the potential to leverage both its modular units on our sites as well as utilise its advanced brick façade with Persimmon's Space4 timber frames.

Safety remains paramount for Persimmon, as evidenced by its commitment to the Building a Safer Future Charter and ongoing investments in safety measures across all operations. In 2023, our Group Annual Incidence Injury Rate was 1.4 per 1,000 workers, down from 1.8 in the prior year.

As a result of the success of our multi-year strategy to 'build right, first time, every time', our ambition has evolved to be 'trusted to deliver five-star homes consistently', reflecting our commitment to quality.

Reinforcing trust

- Improved eight-week and nine-month NHBC customer satisfaction scores with continued HBF five-star builder status
- 8% increase in Persimmon Homes Trustpilot score
- Awarded the Princess Royal Training Award for our ISP Sales Excellence programme with 175 participants to date

We are committed to providing customers with exceptional service throughout their home buying journey and we were proud to achieve a five-star HBF rating for a second consecutive year. Our homes are built to the highest standards whilst being attractively priced, over 20% lower than the national average[4]. Our three brands, Persimmon Homes, Charles Church and Westbury Partnerships, all cater for different areas of the market.

Persimmon Homes, our core brand, offers traditional family housing across the UK, prioritising value and quality for our customers. This is complemented by Charles Church, providing larger, higher-specification homes in premium locations, tailored to local markets. During the year we trialled improved specification Charles Church homes on selected premium sites, such as Lichfield in Staffordshire, with excellent results and are exploring further opportunities for improved value across the business.

In 2023, we further enhanced our sales and marketing capabilities through our marketing campaigns and tailored sales incentives for customers as well as investing in YourKeys, our new customer relations management system. This improved customer experience is evidenced by achieving five-star HBF builder status for a second year with our NHBC eight-week customer satisfaction score improving by 230bps to 92.9%[5] and an 8% improvement in our Persimmon Homes Trustpilot score.

We continue to look at ways in which we can help our customers achieve their ambition of purchasing a new home, whether a first-time buyer or home mover. We offered a range of incentives to our customers with average incentives on completions c.4% in the year (2022: c.2%). We saw a particularly strong take up of our part exchange offering which was used on around 18% of private completions in the year.

While affordability constraints continue, we have been proactive at looking at alternative solutions for customers including participating in the Government's First Homes scheme where we completed 194 homes in 2023.

Our third brand, Westbury Partnerships, specialises in affordable social housing, sold to housing associations nationwide, providing sustainable homes for lower-income occupants. We have invested in our offering in this area over recent years, with a core Partnerships team established in 2021, enhancing our customer service alongside improved product quality, ensuring that we get best value for our homes. In 2023, our Partnerships average selling price increased by 8% reflecting this improved approach. With affordable housing a key policy focus we expect partnerships to become an increasingly important part of the business and are looking to work more closely with bodies like Homes England to explore mutually beneficial opportunities, as well as explore the potential to leverage our partnership with TopHat.

Disciplined growth: high quality land investment

- A total of 42 new sites with 7,230 plots added to our owned and controlled land holdings.

- Forward owned land holdings of 66,742 plots, equivalent to 6.7 years of supply at 2023 levels.
- c.13,500 acres of strategic land at 31 December 2023, having added c.1,000 acres in the year.
- Excellent result on planning with c.11,000 plots achieving detailed planning.

Over the past couple of years, we have made significant progress on improving and strengthening the Group oversight of product design, land acquisition, planning and construction through The Persimmon Way. We carefully evaluate land investment opportunities, focusing on high-demand locations where people desire to live and work, and timing these investments appropriately within the housing market cycle.

The Group's high quality land holdings are a key strength for the business. During 2023, we added 7,230 plots across 42 new sites to our owned and controlled land holdings, a plot replacement rate of 73%. While lower than in the prior year, these additions maintained our industry-leading embedded margins and reflect the highly selective approach we outlined at the start of the year. At 31 December 2023, the Group held 66,742 plots in its owned land holdings with a plot cost to anticipated revenue ratio of 11.5%[6] (2022: 11.4%).

Our enhanced approach to planning had real success in the year, achieving detailed planning permission on both owned and under control sites despite a tough planning backdrop. Overall, we achieved detailed planning on c.11,000 plots in the period, many of those achieved ahead of schedule. This resulted in a 7% increase in the number of plots owned with detailed planning to 38,443 plots (2022: 35,860 plots) and has also improved our use of capital with 58% of our owned land holdings now having detailed consent (2022: 51%). This gives us good visibility for the coming year, with 98% of expected plots for delivery in 2024 owned and with detailed consent. Our product is now more appealing to customers and local authorities. We provide local homes for local people and create local jobs, ticking all the boxes from both a customer and local authority perspective.

The Group ended the year with 258 selling outlets at 31 December 2023, operating from an average of 266 for the year. The lower year end position is largely a function of timing, with a number of outlets closing during the fourth quarter as we sold out faster than expected on some sites. We remain on track to open a gross additional 30 outlets for the spring selling season as we look to grow our net outlet base during 2024.

Industry-leading financial performance

- Continue to build strength in our future land bank maintaining a high hurdle rate; strong embedded gross margin within land holdings at 29%[7].
- Disciplined approach to work in progress with build rates matching sales in 2023.
- Identified areas for cost savings or value enhancement that do not compromise on quality as part of the initiatives set out in August.

We have completed several initiatives during the year as part of our focus on cost control and efficiency, without compromising on investment for future growth. This included comprehensive reviews of value engineering to identify efficiency opportunities without compromising quality, efforts to secure procurement savings - including greater use of our in-house manufacturing - and the reassessment of specifications to align with customer affordability. Underpinning all of these initiatives was disciplined control of work in progress to manage cash. Build rates were closely matched to sales in the period with rates around 28% lower year on year at 198 equivalent units per week. We ended the period with 4,170 equivalent units built, giving us a healthy level of work in progress for the 2024 financial year.

Persimmon's vertical integration continues to be a key strength and advantage for the business. Our Brickworks, Tileworks and Space4 timber frame factories ensure a reliable, cost-effective supply of high quality materials. They support our aim of achieving faster, higher quality builds, which in turn improves our quality of earnings and asset turn to support strong margins and return on average capital employed ('ROACE') through the cycle. We adjusted our factory shift patterns during the year to reflect the reduced output of the Group, maintaining low production costs while retaining the flexibility to scale up when market conditions improve. We continue to focus on maximising use of our in-house production and increased the use of our own bricks in 2023 to 54%, at an estimated saving of up to £1,800 per plot. Use of our Tileworks roof tile product is over 80% with an estimated saving of up to £600 per plot and we sourced 70% of our timber frames from Space4 at an estimated saving of up to £1,200 per plot.

We have an excellent pipeline of land with an embedded gross margin of 29%[7] based on market conditions at 31 December 2023. This pipeline gives us confidence in our ability to grow our outlet network over the medium-term, with 30 gross new outlets expected to be open for the spring selling season. We will continue to assess new outlet openings, balancing the cash investment required with likely customer demand.

We actively renegotiated subcontractor pricing in the year, resulting in a softening of build cost inflation in the second half, which will benefit completions from 2024. We continue to position the business for a return to growth over the medium-term and therefore maintained the operational footprint of our already lean-fixed cost base in the period; however, to navigate current challenges, we enacted a hiring freeze and closed our South Yorkshire office, resulting in a 13% reduction in our headcount or £23m annualised saving.

Supporting sustainable communities

- Successful trial of hybrid diesel generators
- Zero carbon home with Zero Bills trial with Octopus Energy
- Sustainable office refit in Telford
- CDP climate survey score of A-

We are committed to leaving a positive legacy in the communities where we operate, delivering homes and employment opportunities for local people. Our 'Placemaking Framework' equips site design teams to create appealing communities near essential amenities, fostering customer well-being. Not only do we invest in local infrastructure but through the Persimmon Community Champions scheme we support charities, sports clubs, and community groups nationwide, donating c.£734,000 in 2023.

We provide energy-efficient homes to our customers, promoting sustainability and reducing running costs. In 2023, we constructed our second zero carbon home at our Backbridge Farm site in Malmesbury, taking the learnings from our first zero carbon home constructed in 2022 at Germany Beck in York. Our latest zero carbon home is not only constructed in line with the Future Homes Standard but is part of a 'Zero Bills' trial with Octopus Energy, where the homeowner has zero energy bills for the first five years of ownership.

Included within our owned land bank we now have over 17,000 plots with planning permission for air source heat pumps or electric heating to be installed, with c.3,900 of these to be delivered ahead of expected regulation changes.

We recognise the importance of good digital connectivity for our customers and FibreNest continued to expand its customer base during the year with over 36,000 customers across c.380 developments now connected to our national ultrafast broadband network. In 2023, FibreNest's Day One connection rate improved to 95% (2022: 90%).

As part of our efforts to reduce our own energy consumption, in 2023 we trialled the use of hybrid generators on one of our sites in East Wales, which has demonstrated a significant saving in diesel usage and provided cost savings of our sites in East Wales, which has demonstrated a significant saving in diesel usage and provided cost savings. We will look to roll these out to all suitable new developments from 2024. In addition, our Telford office underwent a refit during the year which included the installation of solar panels and changes to the office lighting. Overall, this has led to a 68% decrease in the amount of electricity used, with the office operating at a high level of energy efficiency.

Outlook

We have started 2024 in line with expectations with our recent marketing campaign generating a significant number of leads for our sales teams. Enhanced competition in the mortgage market and wage growth have contributed to improved affordability albeit it continues to be constrained, particularly for first time buyers and demand for homes remains varied across the country. Trading in the southern and eastern counties remains more challenging with weaker pricing, offset by a more robust trading performance in the northern regions. We continue to selectively use incentives, including part exchange, to drive reservations and overall, our net private sales rate was slightly higher in the first ten weeks of 2024 at 0.59 against 0.54 in the comparable period in 2023. Excluding bulk sales, the net private sales rate was 0.53 per outlet per week, broadly in line with the prior year (2023: 0.54; excluding First Homes: 0.50). Cancellation rates remain at normal levels at c.16%.

With interest rates expected to remain at current levels and a general election on the horizon, market conditions are expected to remain subdued throughout 2024. However, we are well placed to manage this and are positioning the business for sustainable future growth over the medium-term. We remain on track to open a gross new 30 outlets for the spring selling season as we work towards growing our outlet base back to over 300 open outlets over the medium-term.

Our current forward sales position is £1.55bn, including £946m of private forward sales with a private ASP of c. £280,000. Overall, we expect to deliver between 10,000 and 10,500 completions in 2024 with a housing operating margin in line with 2023. Build cost inflation is expected to be c.3-5% in 2024, with spot inflation currently running at c.1%.

Although the near-term outlook remains uncertain, the significant pent-up demand for homes remains unchanged. Customers want quality homes in the places where they want to live and work, and affordability is crucial. We are well placed to meet this demand over the medium-term through our three excellent brands offering different price ranges, with an average private selling price below the national market average[4]. The investments and operational changes that we have made in the past few years mean that we are trusted by our customers to deliver consistently high quality homes.

We can achieve this while positioning the business for sustainable growth, supported by our vertically integrated business model, strategic land buying and disciplined approach to cost control. Through further investments in innovation, we are well placed to build even higher quality homes better, faster and more efficiently over time.

We have good visibility over our land pipeline, which will not only support a return to growth but improved margins and robust cash generation. Our focus on maintaining a robust balance sheet while investing for growth gives us confidence in our ability to generate industry-leading returns over the medium-term.

Footnotes

1. Moneyfacts.
2. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and based on new housing revenue (2023: £2,537.6m, 2022: £3,696.4m).
3. The number of items per home reported on by the NHBC on inspection of our homes during key build stages.
4. National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry. Group average private selling price is £285,774.
5. The Group participates in a National New Homes Survey, run by the Home Builders Federation. The build quality score is based on how satisfied customers are with the quality of their home. The rating used here reflects the live score at time of publication.
6. Land cost value for the plot divided by the anticipated future revenue of the new home sold.
7. Estimated weighted average gross margin based on assumed revenues and costs at 31 December 2023 and normalised output levels.

Financial review

Trading

2023 quarterly performance	Q1	Q2	HY	Q3	Q4	FY
Completions	1,136	3,113	4,249	1,439	4,234	**9,922**
Net private sales rate	0.62	0.58	0.59	0.48	0.69	**0.58**
FTB* %(private completions)	38%	33%	34%	32%	26%	**31%**
Average sales outlets	266	268	267	271	257	**266**

*First time buyers

We saw a sustained pick up in interest in our homes throughout the year from the lows of Q4 2022, albeit with demand lower than previous years as a result of high interest rates and the removal of Help-to-Buy. Overall, average private net sales were 0.58 per outlet per week for the year (2022: 0.69). This included a strong year on year improvement in private net sales rates in the fourth quarter to 0.41 per outlet per week (excluding investor deals) compared with 0.28 in Q4 2022.

Our forward sales position at 31 December 2023 was up 2% on the prior year at £1,060m (2022: £1,040m), of which £499m related to private forward sales, up 4% (2022: £478m).

The Group generated total revenues[1] of £2.77bn (2022: £3.82bn), with new housing revenue 31% lower than 2022 at £2.54bn (2022: £3.70bn) reflecting the weaker forward order book at the start of the year and more challenging trading conditions. The Group delivered 33% less new homes in 2023 when compared to the prior year (2023: 9,922; 2022: 14,868) at an average selling price of £255,752 (2022: £248,616), 3% higher.

The Group delivered 7,681, new homes to private customers, a decrease of 37% on the prior year (2022: 12,174). This included 780 completions to investors down from 889 completions in 2022 reflecting our disciplined approach to this segment of the market. The private average selling price of £285,774 (2022: £272,206) was up 5% year on year largely reflecting the mix of new homes sold with some price softening and increased use of incentives in the second half of the year. The Group delivered a further 2,241 new partnership homes to housing associations (2022: 2,694) at an average selling price up 8% at £152,852 (2022: £142,017).

The Group's underlying gross profit[2] for the year was £520m (2022: £1.14bn) with a new housing gross margin of 20.5%[3] (2022: 30.9%) largely reflecting the impact of lower volume as well as additional one-off costs associated with the remediation of two completed sites (c.£7m) and the commercial decision to accelerate delivery at our sites in Bracknell and Basingstoke (c.£10m).

Underlying operating profit[4] for the Group was £355m (2022: £1,007m), generating an underlying new housing operating margin[5] of 14.0% (2022: 27.2%).

The Group's reported operating profit was £347m (2022: £725m) reflecting the impact of goodwill amortisation of £8m (2022: £7m). There were no exceptional charges in the year (2022: £275m provision charge in relation to building safety).

The Group generated a profit before tax of £352m in the year (2022: £731m).

Underlying basic earnings per share[4] for the year was 82.4p, 67% lower than the prior year (2022: 247.3p).

Underlying return on average capital employed ('ROACE') including land creditors was 10.5%[6], lower than the prior year (2022: 30.4%) reflecting the reduced underlying operating profit[4] in the period and the increased investment in work in progress with a 2% increase in average capital employed. ROACE excluding land creditors was 11.8%[6] compared with 35.6% at 31 December 2022. On a statutory basis, ROACE including land creditors was 10.2%[6] (2022: 21.9%).

Building safety

Across our programme as a whole, we continue our proactive approach of working with management companies, factors (in Scotland) and their agents to carry out necessary remediation as soon as possible. The table below sets out our detailed position at 31 December 2023, compared to 1 March 2023. The total number of eligible developments has increased to 82 from 73, as new buildings we were not aware of on 1 March 2023 came into our programme.

Of the total of 82 developments in our programme, 39 (48%) have already had any necessary works completed. Of the remaining 43 developments, 17 currently have work on site and 26 are at varying stages of pre-tender, live tender, contractualisation or agreed contract and works starting very soon. As the pre-tender and on site lines in the table below demonstrate in particular, developments are actively progressing through the programme.

Identified developments	**As of 1 March 2023**	**As of 31 Dec 2023**
Recently made aware and under investigation	-	2
Pre-tender preparation on-going	21	8
Live tender process	2	6
Sub-total: progressing through tender	**23**	**16**
Progressing to contract	8	7
Contracted but works yet to start	-	3
Sub-total: pre-works starting	**31**	**26**
Currently on site	9	17
Sub-total: to complete	**40**	**43**
Completed developments	33	39
Total identified developments	**73**	**82**

We incurred £48m of costs on the programme in the year, with total costs so far now just under £65m. The next 24 months are projected to be the peak period of cash expenditure on this programme. Given our own proactive approach and the sustained significant publicity around cladding and building safety, we do not anticipate substantial new building additions into the programme. We believe our existing provision remains sufficient.

Taxation
The Group has an overall tax charge of £96m for the year (2022: £170m) and an effective tax rate of 27.4% (2022: 23.2%), marginally lower than the mainstream rate of 27.5% (2022: 22.0%). Factors that may affect the Group's taxation charge include changes in tax legislation and the closure of certain open matters in the ordinary course of business in relation to prior year's tax computations.

Balance sheet
The Group has maintained its robust balance sheet with net assets of £3,419m at 31 December 2023 (2022: £3,439m), equivalent to 1,070p net assets per share (2022: 1,077p). This was after returning £255m of surplus capital to shareholders reflecting a final dividend of 60p per share in respect of the 2022 financial year and 20p per share by way of an interim dividend for the 2023 financial year. Retained earnings were £2,848m (2022: £2,868m).

As at 31 December 2023, we owned 591 part exchange properties (2022: 286 properties) at a value of £115m (2022: £61m). Part exchange continues to be a key sales incentive for our customers and we are progressing sales of any part exchange properties promptly and at around expected values.

The Group's defined benefit pension asset has decreased to £127m at 31 December 2023 (2022: £156m), the decrease being due to changes in assumptions that have lowered the discount rate and increased inflation rates as well as underperformance of asset returns from that expected at the start of the year.

At 31 December 2023, the building safety provision stands at £283m and is management's best estimate of the costs of completing works to ensure fire safety on all remaining affected buildings that we are responsible for.

The Group's land holdings
At 31 December 2023, the carrying value of the Group's land assets was broadly in line with the prior year at £2,104m (2022: £2,092m), reflecting the continuation of the Group's disciplined land replacement strategy, its investment in its

future and the focus in the year on converting owned land with outline planning permissions to implementable consents. The Group's land cost recoveries for the year of 11.7% of new housing revenue is 30bps lower than the prior year reflecting the attractive margin embedded within the Group's land holdings.

During the year, the Group brought 7,230 plots into its owned and under control land holdings across 42 locations, of which 1,642 (23%) of the plots added were converted from our strategic land portfolio.

The owned and under control land holdings of 82,235 at 31 December 2023 (2022: 87,190) represents 8.3 years of forward supply at 2023 volumes. 66,742 plots are owned of which 38,443 have a detailed implementable planning consent, an increase of 7%, providing excellent visibility of the near to medium-term. The Group's owned land holdings represents 6.7 years of forward supply at 2023 volumes, with an overall pro-forma gross margin[8] of 29% (2022: c.32%) and a land cost to revenue ratio of 11.5%[9] (2022: 11.4%).

A further 15,493 plots are under the Group's control (2022: 16,422), being plots where the Group has exchanged contracts to acquire the site but has yet to complete the contract due to outstanding planning conditions remaining unfulfilled. Cash outflows with regard to these under control plots will be limited to deposits paid on the exchange of contracts and fees associated with progressing the sites through the planning system. During the year, the Groups progressed c.11,000 owned or under control plots through the planning system, transferring them into the Group's owned land holdings.

The Group incurred a net £398m of cash land spend during 2023, including £253m relating to the satisfaction of deferred land commitments as well as the associated cash spend on the acquisition of sites previously held as under control sites and their movement into the Group's owned land holdings.

In 2023, the Group acquired interests in a further c.1,000 acres of strategic land, securing a total of c.13,500 acres at 31 December 2023 (2022: c.13,100 acres). This will provide a long-term supply of forward plots for future development by the Group.

Work in progress
We entered 2023 with 4,071 equivalent units of new homes under construction. Execution of our build programmes was strong throughout 2023 and we successfully matched the rate of build to demand levels within the year. On average, overall build rates tracked 28% lower in the year, with an average of 198 equivalent units of build per week, compared to 276 per week in 2022. We start 2024 with a significant level of work in progress, with 4,170 equivalent units of build on the balance sheet.

The Group increased its average outlet position by 3% in the year and continued to support investment in a number of large sites which require high levels of infrastructure and enabling works. In addition, we have seen higher rates of cost inflation. This has resulted in our work in progress investment at 31 December 2023 of £1,431m being 13% higher than the level of investment with which we entered 2023 (£1,264m).

We remain focused on build levels throughout 2024, managing appropriate levels of build against customer demand, facing into the continuing operational challenges within the industry and whilst securing the availability of key build components through our in-house manufactured bricks, roof tiles, closed panel timber frame kits and pre-manufactured roof cassettes. All of this whilst delivering high levels of customer satisfaction and build quality.

Cash generation and liquidity
At 31 December 2023, the Group had a cash balance of £420m (2022: £862m) with the Group having generated £211m (2022: £1,003m) of cash before returning £255m of surplus capital to shareholders in relation to the 2022 financial year and interim dividend in relation to the 2023 financial year, along with net land spend of £398m (2022: £638m). Resulting from the Group's reduced activity in the land market during 2023 and the settlement of its deferred commitments the Group's land creditors have decreased by £101m to £372m (2022: £473m). Cash utilised in operations was £66m (2022: £566m generated).

The Group's shared equity loans have generated £6m of cash in the year (2022: £13m). The carrying value of these outstanding shared equity loans, reported as 'Shared equity loan receivables', is £32m at 31 December 2023 (2022: £36m).

Net finance income for the year was £5m (2022: £6m) and includes £2m of gains generated on the Group's shared equity loan receivables (2022: £4m), £6m of imputed interest payable on land creditors (2022: £2m) and £4m of imputed interest payable on the legacy buildings provision (2022: £nil).

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

As we look to expand our outlet base and invest in work in progress in anticipation of a housing market upturn, we expect to utilise the RCF during 2024. Consequently, we anticipate transitioning from an average net cash to an average net debt position, resulting in an estimated net finance charge of approximately £15m-£20m for the 2024 financial year. We currently anticipate our net cash to be between zero and £200m as of 31 December 2024.

Capital returns
A key feature of the Group's strategy is the commitment to minimise financial risk, retain flexibility and maintain capital discipline over the long-term through the housing cycle.

For 2023, the Board proposes a final dividend of 40p per share to be paid on 12 July 2024 to shareholders on the register on 21 June 2024, following shareholder approval at the AGM. This dividend is in addition to the interim dividend of 20p per share paid on 3 November 2023 to shareholders on the register at 13 October 2023 to give a total dividend of 60p in respect of financial year 2023 (2022: 60p).

dividend of 60p in respect of financial year 2023 (2022: 60p).

For 2024, the Board's intention is to at least maintain the 2023 dividend per share with a view to growing this over time whilst maintaining an average payout that is well covered by earnings over the housing cycle. This approach will balance shareholder payouts with the Company's objective to retain capital to invest sustainably and profitably for growth. Any dividend proposal in future years is subject to the Company's financial performance and position at that time.

1. The Group's total revenues include the fair value of consideration received or receivable on the sale of part exchange properties and income from the provision of broadband internet services. New housing revenues are the revenues generated on the sale of newly built residential properties only.
2. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m).
3. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and based on new housing revenue (2023: £2,537.6m, 2022: £3,696.4m).
4. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m).
5. Stated before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m) and based on new housing revenue (2023: £2,537.6m, 2022: £3,696.4m).
6. 12-month rolling average calculated on operating profit before legacy buildings provision charge (2023: £nil, 2022: £275.0m) and goodwill impairment (2023: £7.6m, 2022: £6.6m) and total capital employed. Capital employed being the Group's net assets less cash and cash equivalents plus land creditors. ROACE excluding land creditors is calculated on capital employed being the Group's net assets less cash and cash equivalents excluding land creditors. Statutory ROACE including land creditors is calculated on reported operating profit and capital employed with capital employed being the Group's net assets less cash and cash equivalents plus land creditors.
7. Land cost value for the plot divided by the revenue of the new home sold.
8. Estimated weighted average gross margin based on assumed revenues and costs at 31 December 2023 and normalised output levels.
9. Land cost value for the plot divided by the anticipated future revenue of the new home sold.

PERSIMMON PLC

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	**2023 Total £m**	2022 Total £m
Revenue	3	**2,773.2**	3,815.8
Cost of sales		**(2,253.1)**	(2,948.3)
Gross profit		**520.1**	867.5
Analysed as:			
Underlying gross profit		**520.1**	1,142.5
Legacy buildings provision	4	**-**	(275.0)
Other operating income		**8.6**	10.3
Operating expenses		**(181.8)**	(152.9)
Operating profit		**346.9**	724.9
Analysed as:			
Underlying operating profit		**354.5**	1,006.5
Legacy buildings provision		**-**	(275.0)
Impairment of intangible assets		**(7.6)**	(6.6)
Finance income		**19.7**	9.9
Finance costs		**(14.8)**	(4.1)
Profit before tax		**351.8**	730.7
Analysed as:			
Underlying profit before tax		**359.4**	1,012.3
Legacy buildings provision		**-**	(275.0)
Impairment of intangible assets		**(7.6)**	(6.6)
Tax	5	**(96.4)**	(169.7)
Profit after tax (all attributable to equity holders of the parent)		**255.4**	561.0
Other comprehensive expense			
Items that will not be reclassified to profit:			
Remeasurement (loss)/gain on defined benefit pension schemes	13	**(35.1)**	5.2
Tax	5	**9.8**	(7.6)
Other comprehensive expense for the year, net of tax		**(25.3)**	(2.4)
Total recognised income for the year		**230.1**	558.6
Earnings per share			
Basic	7	**80.0p**	175.8p
Diluted	7	**79.5p**	174.3p

PERSIMMON PLC

Consolidated Balance Sheet

As at 31 December 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets		**165.4**	173.0
Property, plant and equipment		**140.5**	118.6
Investments accounted for using the equity method		**1.0**	0.3
Shared equity loan receivables	9	**27.2**	29.1
Trade and other receivables		**6.9**	0.3
Deferred tax assets		**11.5**	10.5
Retirement benefit assets	13	**127.1**	155.9
		479.6	487.7
Current assets			
Inventories	8	**3,701.2**	3,462.9
Shared equity loan receivables	9	**4.9**	6.9
Trade and other receivables		**182.0**	193.2
Current tax assets		**-**	21.8
Cash and cash equivalents	12	**420.1**	861.6
		4,308.2	4,546.4
Total assets		**4,787.8**	5,034.1
Liabilities			
Non-current liabilities			
Trade and other payables		**(178.7)**	(214.8)
Deferred tax liabilities		**(64.9)**	(72.1)
Partnership liability		**(15.1)**	(19.6)
Legacy buildings provision	10	**(161.7)**	(196.8)
		(420.4)	(503.3)
Current liabilities			
Trade and other payables		**(821.7)**	(949.4)
Partnership liability		**(5.6)**	(5.6)
Current tax liabilities		**(0.1)**	-
Legacy buildings provision	10	**(121.5)**	(136.5)
		(948.9)	(1,091.5)
Total liabilities		**(1,369.3)**	(1,594.8)
Net assets		**3,418.5**	3,439.3
Equity			
Ordinary share capital issued		**31.9**	31.9
Share premium		**25.6**	25.6
Capital redemption reserve		**236.5**	236.5
Other non-distributable reserve		**276.8**	276.8
Retained earnings		**2,847.7**	2,868.5
Total equity		**3,418.5**	3,439.3

PERSIMMON PLC

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2022	**31.9**	**24.9**	**236.5**	**276.8**	**3,055.1**	**3,625.2**
Profit for the year	-	-	-	-	561.0	561.0
Other comprehensive expense	-	-	-	-	(2.4)	(2.4)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(750.1)	(750.1)
Issue of new shares	-	0.7	-	-	-	0.7
Own shares purchased	-	-	-	-	(0.7)	(0.7)
Exercise of share options/share awards	-	-	-	-	(1.0)	(1.0)
Share-based payments	-	-	-	-	5.6	5.6
Satisfaction of share options from	-	-	-	-	1.0	1.0

own shares held						
Balance at 31 December 2022	**31.9**	**25.6**	**236.5**	**276.8**	**2,868.5**	**3,439.3**
Profit for the year	-	-	-	-	255.4	255.4
Other comprehensive expense	-	-	-	-	(25.3)	(25.3)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(255.4)	(255.4)
Own shares purchased	-	-	-	-	(1.2)	(1.2)
Share-based payments	-	-	-	-	5.7	5.7
Balance at 31 December 2023	**31.9**	**25.6**	**236.5**	**276.8**	**2,847.7**	**3,418.5**

The other non-distributable reserve arose prior to transition to IFRSs and relates to the issue of ordinary shares to acquire the shares of Beazer Group Plc in 2001.

PERSIMMON PLC

Consolidated Cash Flow Statement

For the year ended 31 December 2023

	Note	**2023** **£m**	2022 £m
Cash flows from operating activities:			
Profit for the year		**255.4**	561.0
Tax charge	5	**96.4**	169.7
Finance income		**(19.7)**	(9.9)
Finance costs		**14.8**	4.1
Depreciation charge		**18.7**	15.8
Impairment of intangible assets		**7.6**	6.6
Legacy buildings provision	10	**-**	275.0
Share-based payment charge		**4.5**	9.0
Net imputed interest (expense)/income		**(8.7)**	2.1
Other non-cash items		**(8.9)**	(7.9)
Cash inflow from operating activities		**360.1**	1,025.5
Movements in working capital:			
Increase in inventories		**(235.3)**	(532.5)
Decrease/(increase) in trade and other receivables		**37.5**	(81.1)
(Decrease)/increase in trade and other payables		**(233.6)**	141.1
Decrease in shared equity loan receivables		**5.7**	13.3
Cash (absorbed)/generated from operations		**(65.6)**	566.3
Interest paid		**(4.3)**	(3.3)
Interest received		**11.7**	3.5
Tax paid		**(71.6)**	(164.2)
Net cash (outflow)/inflow from operating activities		**(129.8)**	402.3
Cash flows from investing activities:			
Investment in an associate		**(0.7)**	-
Acquisition of loan notes		**(6.8)**	-
Acquisition of subsidiary		**-**	(0.2)
Purchase of property, plant and equipment		**(36.4)**	(30.5)
Proceeds from sale of property, plant and equipment		**1.0**	0.9
Net cash outflow from investing activities		**(42.9)**	(29.8)
Cash flows from financing activities:			
Lease capital payments		**(3.0)**	(3.3)
Payment of Partnership liability		**(4.3)**	(4.1)
Bank fees paid		**(4.9)**	-
Own shares purchased		**(1.2)**	(0.7)
Share options consideration		**-**	0.7
Dividends paid	6	**(255.4)**	(750.1)
Net cash outflow from financing activities		**(268.8)**	(757.5)
Decrease in net cash and cash equivalents	12	**(441.5)**	(385.0)
Cash and cash equivalents at the beginning of the year		**861.6**	1,246.6
Cash and cash equivalents at the end of the year	12	**420.1**	861.6

Notes

1. Basis of preparation

The results for the year have been prepared on a basis consistent with the accounting policies set out in the Persimmon Plc Annual Report for the year ended 31 December 2023.

The preparation of the financial statements in conformity with the Group's accounting policies requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reported period. Whilst these estimates and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ from those estimates.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed using the recognition and measurement requirements of UK adopted International Accounting Standards (IAS), this announcement does not itself contain sufficient requirements of UK adopted International Accounting Standards (IAS), this announcement does not itself contain sufficient information to comply with IAS. The Company expects to send its Annual Report 2023 to shareholders on 25 March 2024.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report in the Annual Report and the financial statements and notes. The Directors believe that the Group is well placed to manage its business risks successfully. The principal risks that may impact the Group's performance and their mitigation are outlined in Note 15. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRICs)

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

- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting policies
- Amendments to IFRS 7 Insurance Contracts

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 not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IAS 12 International Tax Reform - Pillar Two Model Rules
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

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

Going concern

The Group's performance in the twelve months ended 31 December 2023 has been resilient in the face of a number of challenges and periods of uncertainty. Persimmon's long-term strategy, which recognises the risks associated with the housing cycle by maintaining operational flexibility, investing in high quality land, minimising financial risk and deploying capital at the right time in the cycle, has equipped the business with strong liquidity and a robust balance sheet.

The Group completed the sale of 9,922 new homes (2022: 14,868), generating a pre-exceptional profit before tax of £351.8m (2022: £1,005.7m). At 31 December 2023, the Group's strong financial position included £420.1m of cash (2022: £861.6m), high quality land holdings, and land creditors of £372.0m (2022: £472.8m). In addition, on 5 July the Group renewed its Revolving Credit Facility increasing it from £300m to £700m, with a five-year term to 5 July 2028 and the possibility to extend for a further two years. The facility is undrawn at the year end.

The Group's forward order book at 1 January 2024 includes nearly 1,900 new homes sold forward into the private owner occupier market (1 January 2023: 1,696 new homes forward sold) with an average selling price of over £266,000. In addition, the cumulative average private sales reservation rate for the first 10 weeks of 2024 is c.9% stronger than for the same period last year.

The Directors have carried out a robust assessment of the principal risks facing the Group, as described in note 15 of this announcement. The Group has considered the impact of these risks on the going concern of the business by performing a range of sensitivity analyses to the latest base case forecast, covering the period to 30 June 2025, including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors. For further detail regarding the approach and process the Directors follow in assessing the long-term viability of the business, please see the Viability Statement in note 15.

The scenarios emphasise the potential impact of severe market disruption, including for example the effect of economic disruption from a cost-of-living crisis or a war, on short to medium-term demand for new homes. The scenarios' emphasis on the impact on the cash inflows of the Group through reduced new home sales is designed to allow the examination of the extreme cash flow consequences of such circumstances occurring. The Group's cash flows are less sensitive to supply side disruption given the Group's sustainable business model, flexible operations, agile management team and off-site manufacturing facilities.

The first scenario modelled is a severe but plausible downside scenario that models a fall in housing revenue, when compared to full year 2023, of c.53% for full year 2024 followed by gradual recovery. The housing revenue modelled factors in changes in both volumes and average selling prices. The assumption used in this scenario reflects the experience management gained during the Global Financial Crisis from 2007 to 2010, it being the worst recession seen in the housing market since World War Two.

A second, even more extreme, scenario assumes the same significant downturn in 2024 followed by a period of enduring depression of the UK economy and housing market during 2025, assuming that neither volumes nor revenue recover.

In each of these scenarios, cash flows were assumed to be managed consistently, ensuring all relevant land, work in progress and operational investments were made in the business at the appropriate time to deliver the projected new home legal completions. Each scenario fully reflects the current estimate of cash outflows, value and timing, associated with the legacy buildings provision. In each of these scenarios, the Group is able to operate within its facilities.

The Directors have also considered a 'Reverse Stress Test' to demonstrate the point at which the Group runs out of liquid funds or breaches covenants but note the likelihood of this is less than remote.

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

Having considered the inherent strength of the UK housing market, the resilience of the Group's average selling prices and the Group's scenario analysis as detailed above, 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 financial statements.

Goodwill and brand intangibles

The key sources of estimation uncertainty in respect of goodwill and brand intangibles are disclosed in note 14 of the Group's annual financial statements for the year ended 31 December 2023.

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 year 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 £3.6m recognised during the year. This impairment charge reflects ongoing consumption of the acquired strategic land holdings and is consistent with prior years.

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

Investments in Associates

During the year the Group has invested £0.7m in the equity of a new associate, TopHat Enterprises Limited (TopHat). This investment is reported under the equity method of accounting. In addition to this equity investment the Group has acquired £6.8m of interest bearing long-term loan notes issued by TopHat. These are reported within non-current trade and other receivables at 31 December 2023. The Group has also committed to acquire a further £17.5m of interest bearing long-term loan notes from TopHat in January 2024.

2. Segmental analysis

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

3. Revenue

	2023	2022
	£m	£m
Revenue from the sale of new housing - private	**2,195.1**	3,313.8
Revenue from the sale of new housing - housing association	**342.5**	382.6
Revenue from the sale of new housing - total	**2,537.6**	3,696.4
Revenue from the sale of part exchange properties	**223.7**	110.6
Revenue from the provision of internet services	**11.9**	8.8
Revenue from the sale of goods and services as reported in the statement of comprehensive income	**2,773.2**	3,815.8

4. Exceptional Items

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

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

5. Tax

Analysis of the tax charge for the year

	2023	2022
	£m	£m
Tax charge comprises:		
UK corporation tax in respect of the current year	**81.2**	138.8
RPDT in respect of the current year	**13.0**	28.7
Adjustments in respect of prior years	**(0.2)**	(2.8)
	94.0	164.7
Deferred tax relating to origination and reversal of temporary differences	**2.8**	-
Impact of introduction of RPDT on deferred tax	**-**	3.9
Adjustments recognised in the current year in respect of prior years deferred tax	**(0.4)**	1.1
	2.4	5.0
Tax charge for the year recognised in statement of comprehensive income	**96.4**	169.7

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

	2023	2022
	£m	£m
Profit from continuing operations	**351.8**	730.7
Tax calculated at UK corporation tax rate of 27.5% (inclusive of RPDT) (2022: 22%)	**96.7**	160.8
Goodwill impairment losses that are not deductible	**1.8**	1.2
Expenditure not allowable for tax purposes	**0.9**	0.8
Impact of introduction of RPDT	**-**	3.9
Items not deductible for RPDT	**(0.6)**	6.8
Enhanced tax reliefs	**(1.8)**	(2.1)
Adjustments in respect of prior years	**(0.6)**	(1.7)
Tax charge for the year recognised in statement of comprehensive income	**96.4**	169.7

comprehensive income

The rate of tax for the year ended 31 December 2023, was 27.4% (2022: 23.2%), which was marginally below the standard rate of corporation tax in the UK of 27.5% (including RPDT) (2022: 22%). The Group's tax charge and effective rate of tax is expected to increase from 2024 to reflect the standard rate of taxes applying from 2024 of 29%, being the corporation tax rate applicable for the full year of 25% and RPDT of 4%. The Group has assessed the impact of the Pillar Two legislation and does not expect a potential Pillar Two top-up tax exposure.

Deferred tax recognised in other comprehensive expense

	2023 **£m**	2022 £m
Recognised on remeasurement (loss)/gain on pension schemes	**(9.8)**	7.6

Tax recognised directly in equity

	2023 **£m**	2022 £m
Arising on transactions with equity participants		
Current tax related to equity settled transactions	**(0.6)**	(0.8)
Deferred tax related to equity settled transactions	**(0.7)**	4.2
	(1.3)	3.4

6. Dividends/Return of capital

	2023 **£m**	2022 £m
Amounts recognised as distributions to capital holders in the period:		
2021 dividend to all shareholders of 125p per share paid 2022	**-**	399.0
2021 dividend to all shareholders of 110p per share paid 2022	**-**	351.1
2022 dividend to all shareholders of 60p per share paid 2023	**191.5**	-
2023 dividend to all shareholders of 20p per share paid 2023	**63.9**	-
Total capital return to shareholders	**255.4**	750.1

The Directors propose to return 40p of surplus capital to shareholders for each ordinary share held on the register on 21 June 2024 with payment made on 12 July 2024 as a final dividend in respect of the financial year ended 31 December 2023. The Directors do not intend to return any further surplus capital in respect of the financial year 31 December 2023. The total anticipated distributions to shareholders is 60p per share (2022: 60p per share) in respect of the financial year ended 31 December 2023.

7. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year of 319.2m shares (2022: 319.2m) which excludes those held in the employee benefit trust and any treasury shares, all of which are treated as cancelled.

Diluted earnings per share is calculated by dividing the profit for the year 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 year, giving a figure of 321.0m shares (2022: 321.8m).

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

	2023	2022
Basic earnings per share	**80.0p**	175.8p
Underlying basic earnings per share	**82.4p**	247.3p
Diluted earnings per share	**79.5p**	174.3p
Underlying diluted earnings per share	**81.9p**	245.3p

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

	2023 **£m**	2022 £m
Underlying earnings attributable to shareholders	**263.0**	789.5
Legacy buildings provision (net of tax)	**-**	(221.9)
Goodwill impairment	**(7.6)**	(6.6)
Earnings attributable to shareholders	**255.4**	561.0

At 31 December 2023 the issued share capital of the Company was 319,421,416 ordinary shares (2022: 319,323,432 ordinary shares).

8. Inventories

	2023 **£m**	2022 £m
Land	**2,103.5**	2,091.7
Work in progress	**1,431.3**	1,263.9
Part exchange properties	**114.6**	61.0
Showhouses	**51.8**	46.3
Inventories	**3,701.2**	3,462.9

Inventories	**3,781.2**	3,482.5

The Group has conducted a further review of the net realisable value of its land and work in progress portfolio at 31 December 2023. Our approach to this review has been consistent with that conducted at 31 December 2022 and was fully disclosed in the financial statements for the year ended on that date. This review gave rise to an impairment of land and work in progress of £13.7m (2022: £nil). 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. If the UK housing market were to improve or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required.

Net realisable value provisions held against inventories at 31 December 2023 were £18.9m (2022: £5.5m). Following the review, £27.4m of inventories are valued at net realisable value rather than historical cost (2022: £2.9m).

9. Shared equity loan receivables

	2023	2022
	£m	£m
Shared equity loan receivables at 1 January	**36.0**	45.6
Settlements	**(5.7)**	(13.3)
Gains	**1.8**	3.7
Shared equity loan receivables at 31 December	**32.1**	36.0

All gains/losses have been recognised in the statement of comprehensive income. Of the gains recognised in finance income for the period £0.2m (2022: £0.3m) was unrealised.

10. Legacy buildings provision

	2023	2022
	£m	£m
Legacy buildings provision at 1 January	**333.3**	72.7
Additions to provision in the year	**-**	275.0
Imputed interest on provision in the year	**4.3**	-
Provision released in the year	**(6.6)**	-
Provision utilised in the year	**(47.8)**	(14.4)
Legacy buildings provision at 31 December	**283.2**	333.3

In 2020 the Group made an initial commitment that no leaseholder living in a building we had developed should have to cover the cost of removal of combustible cladding. During 2022 we signed the Building Safety Pledge (England) and worked constructively with the Government to agree the 'Long-Form Contract' that turned the pledge into a legal agreement. The Self Remediation Contract was signed on 13 March 2023.

In the year we have been informed by a number of management companies of potential liability for fire remediation costs, and we have added 9 developments to the total number of developments. The number of developments we are now responsible for stands at 82, of which 39 have now either secured EWS1 certificates or concluded any necessary works. It is assumed the majority of the work will be completed over the next two years and the amount provided for has been discounted accordingly.

During the year £47.8m of the provision has been utilised for works undertaken whilst £4.3m of imputed interest has been charged to the statement of comprehensive income through finance costs. Due to the increase in gilt and interest rates during the year, the discount rate used to estimate the future value of the provision at the period end date has been increased. The change in discount rate has resulted in a reduction in the fair value of the provision. This has resulted in a £6.6m release to the statement of comprehensive income through cost of sales.

The assessment of the provision remains a highly complex area with judgments and estimates in respect of the cost of the remedial works, with investigative surveys ongoing to determine the full extent of those required works. Where remediation works have not yet been fully tendered we have estimated the likely scope and costs of such works based on experience of other similar sites. Whilst we have exercised our best judgement of these matters, there remains the potential for variations to this estimate from multiple factors such as material, energy and labour cost inflation, limited qualified contractor availability and abnormal works identified on intrusive surveys. Should a 20% variation in the costs of untendered projects occur then the overall provision would vary by +/- £21.4m.

The financial statements have been prepared on the latest available information; however, there remains the possibility that, despite management's endeavours to identify all such properties, including those constructed by acquired entities well before acquisition, further developments requiring remediation may emerge.

11. Financial instruments

In aggregate, the fair value of financial assets and liabilities are not materially different from their carrying value.

Financial assets and liabilities carried at fair value are categorised within the hierarchical classification of IFRS 7 Revised (as defined within the standard) as follows:

	2023	2022
	£m	£m
	Level 3	Level 3
Shared equity loan receivables	**32.1**	36.0

Shared equity loan receivables

Shared equity loan receivables represent loans advanced to customers and 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 loans. As a result the Group has applied inputs based on current market conditions and the Group's historical 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

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of ten years (2022: ten years) and discount rate 8.8% (2022: 7.0%) 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 loan. Furthermore, whilst not easily accessible in advance, the resulting change in security value may affect the credit risk associated with the counterparty, influencing fair value further.

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

	2023	2022
	£m	£m
Cash and cash equivalents at 1 January	**861.6**	1,246.6
Decrease in net cash and cash equivalents in cash flow	**(441.5)**	(385.0)
Cash and cash equivalents at 31 December	**420.1**	861.6
IFRS 16 lease liability	**(12.9)**	(10.9)
Net cash at 31 December	**407.2**	850.7

Net cash is defined as cash and cash equivalents, lease obligations and interest bearing borrowings. At 31 December 2023, £nil (2022: £2.0m) of cash recognised was held at third party solicitors with an undertaking.

On 5 July 2023 the Group renewed its Revolving Credit Facility increasing it from £300, to £700m, with a five year term to 5 July 2028. The facility was undrawn at the balance sheet date.

13. Retirement benefit assets

As at 31 December 2023 the Group operated five employee pension schemes, being three 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 statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

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

	2023	2022
	£m	£m
Current service cost	**0.9**	1.9
Administrative expense	**0.6**	0.6
Pension cost recognised as operating expense	**1.5**	2.5
Interest cost	**18.8**	11.3
Return on assets recorded as interest	**(26.2)**	(14.1)
Pension cost recognised as net finance credit	**(7.4)**	(2.8)
Total defined benefit pension credit recognised in profit or loss	**(5.9)**	(0.3)
Remeasurement loss/(gain) recognised in other comprehensive income	**35.1**	(5.2)
Total defined benefit scheme loss/(gain) recognised	**29.2**	(5.5)

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

	2023	2022
	£m	£m
Fair value of Pension Scheme assets	**552.7**	555.6
Present value of funded obligations	**(425.6)**	(399.7)
Net pension asset	**127.1**	155.9

The decrease in the net pension asset to £127.1m (2022: £155.9m) mainly reflects changes in assumptions, being lower discount rate and small increase in inflation rates as well as underperformance of assets returns from that expected at the start of the year.

14. Post balance sheet event

On 26 February 2024, the Competition and Markets Authority ('CMA') published its report on the Market Study into the housebuilding market which concluded that the complex and unpredictable planning system was "a key driver of the under-delivery of new housing".

The CMA also announced that it has opened an investigation into eight housebuilders under the Competition Act 1998 regarding the sharing of information. We will co-operate with the CMA on this investigation which is in its early stages at the date of this report and any potential impact is as yet unknown.

15. Principal Risks and Viability Statement

Key priorities:
1. Build quality and safety
2. Reinforcing trust: customers at the heart of our business
3. Disciplined growth: high-quality land investment
4. Industry-leading financial performance
5. Supporting sustainable communities

1. UK economic conditions

Residual risk rating	Very high
Risk trend assessment	

- Overall	No change
- Impact	No change
- Likelihood	No change
Risk owners and accountability	Regional Chairs
Link to key priorities	3 and 4

Risk description

The housebuilding industry is inherently cyclical in nature and particularly sensitive to changes in the economic environment. Changes in factors such as unemployment levels, interest rates and overall consumer confidence can adversely affect demand and pricing for new homes. This could in turn impact upon our revenues, margins, profits and cash flows and potential impairment of asset values.

Approach to risk mitigation

In order to minimise risk and maintain financial flexibility, the Group pursues a highly disciplined approach to investments in land and work in progress, ensuring these are appropriate and reflective of current and anticipated levels of demand.

Pricing structures are regularly reviewed to reflect local market conditions. The Group benefits from a UK-wide network (with no significant presence in London), mitigating the effects of regional economic fluctuations.

How we monitor the risk

- The Board closely monitors sales activity and UK economic trends.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board includes analysis of economic indicators, using both internal and external sources.

2. Government policy and political risk

Residual risk rating	Very high
Risk trend assessment	
- Overall	No change
- Impact	No change
- Likelihood	Increase
Risk owners and accountability	Group Director of Strategic Partnerships and External Affairs Group Planning Director Regional Chairs
Link to key priorities	1 and 5

Risk description

Changes to Government policy can have a material impact on the delivery of our strategy and affect our operational performance. This can include amendments in areas such as planning regulations, support schemes or the imposition of specific industry taxation. Such changes have the potential to adversely affect revenues, margins, tax charges and asset values, and potentially impact on the viability of land investments.

Approach to risk mitigation

Our mission and our five key priorities are aligned with the stated ambition of the Government and main political parties to increase housing stock.

Investment decisions in land and work in progress are tightly controlled in order to mitigate exposure to external influences, including potential changes in Government policy.

The Group has expertise in managing and responding to relevant areas subject to Government involvement at both local and national level, including through our Group Planning, Technical and External Affairs departments.

How we monitor the risk

- Likely evolutions in Government policy in relation to the housing market are monitored closely by our External Affairs, Technical and Land and Planning departments, with regular feedback to the Executive Committee and Board.
- We routinely engage with industry bodies to review the impact of any anticipated legislative or regulatory changes.
- We proactively engage with local authorities to anticipate any potential concerns over development and ensure our approach is aligned with local priorities.

3. Health, safety and environment

Residual risk rating	High
Risk trend assessment	
- Overall	No change
- Impact	No change
- Likelihood	No change
Risk owners and accountability	Group HS&E Committee Group HS&E Director Group Construction Director Group Special Projects Director
Link to key priorities	1

Risk description

The health, safety and wellbeing of our workforce, visitors and customers is of paramount importance. Any failure to adhere to the Group's robust framework of Health, Safety and Environment (HS&E) procedures could result in serious injury or loss of life. In addition to the human impacts of any health, safety or environmental breach or incident, there is the potential for reputational damage, construction delays and financial penalties.

Approach to risk mitigation

- The Board retains a very strong commitment to health and safety and managing the risks in this area effectively. Operationally, this commitment is implemented by a range of measures, including:
- comprehensive policies and procedures to manage construction activities safely;
- training programmes to embed the Group's policies effectively;
- inspection regime led by our Group Health, Safety and Environment department, with additional assurance from specialist resource within our Group Internal Audit department; and
- engagement with industry forums and best practice groups.

How we monitor the risk

- Data from inspections by the Group Health, Safety and Environment department feed into management reports at all levels of the Group.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board include analysis of inspection metrics provided by the Group Health, Safety and Environment department.
- The Group Health, Safety and Environment Director is a member of the Group Executive Committee, and provides additional periodic reports and updates to both the Board and the Audit & Risk Committee.
- The results of routine HS&E assurance engagements conducted by the Group Internal Audit department are reported to both executive management and the Audit & Risk Committee.

4. Skilled workforce, retention and succession

Residual risk rating	Medium
Risk trend assessment	
- Overall	Decrease
- Impact	Decrease
- Likelihood	No change
Risk owners and accountability	Chief HR Officer Director of Talent & Diversity
Link to key priorities	1

Risk description

The Group's ability to deliver its strategic objectives relies upon being able to recruit and retain both a highly skilled workforce and supporting management teams. Heightened competition for skilled labour, and the ageing construction workforce in the UK create risks of increased costs, operational disruption and potential delays to build programmes.

Approach to risk mitigation

- The Group has deployed a range of measures to attract and maintain an appropriately skilled workforce, including:
- a comprehensive range of training programmes managed by the Group Training department, including apprenticeships, graduate scheme and the Persimmon Pathways in core disciplines;
- talent management and succession planning programmes;
- remuneration benchmarking to ensure reward is appropriate to attract and retain talent at all levels;
- utilisation of our Space4 products, which improve build efficiency and reduced labour requirements than in traditional construction;
- increased focus on employee engagement measures; and
- deployment of hybrid working practices, where appropriate.

How we monitor the risk

- The Group HR department provides reporting, including metrics such as training hours, to management at all levels of the Group.
- The Chief HR Officer is a member of the Group Executive Committee, and provides additional periodic reports and updates to the Board on employment trends.
- Feedback from the Employee Engagement Panel is reviewed by the Board.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board include staff turnover data and commentary from the Group HR department.

5. Supply chain

Residual risk rating	Medium
Risk trend assessment	
- Overall	NEW
- Impact	NEW
- Likelihood	NEW
Risk owners and accountability	UK MD

Risk owners and accountability	UK MD Group Commercial Director Group Procurement Director
Link to key priorities	1 and 4

Risk description

This has been recognised as a standalone principal risk for 2023, having previously been merged with the Group's land risk. The delivery of high quality homes requires consistent access to materials of the requisite quantity and specifications. Increases in demand for materials, or other supply chain disruptions, could cause availability constraints and increase cost pressures. Build quality may be compromised if unsuitable materials are procured leading to damage to the Group's reputation and overall customer experience.

Approach to risk mitigation

The Group has established a range of measures to ensure consistency in material supply and ongoing cost efficiency:

- vertical integration through the Brickworks, Tileworks and Space4 facilities;
- strategic approach to procurement, led by our Group Procurement team;
- supply chain engagement, including robust processes for appointing suppliers and reviewing their performance thereafter; and
- detailed forecasting and planning of material requirements to inform supplier negotiations.

How we monitor the risk

- The Group Procurement department provides routine monitoring of trends and supplier performance.
- Site budgets and performance, including availability and pricing of materials, are assessed through the bi-monthly valuation process.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board include commentary from the Group Commercial Director on material purchasing trends and issues.

6. Land

Residual risk rating	High
Risk trend assessment	
- Overall	No change
- Impact	No change
- Likelihood	No change
Risk owners and accountability	Group Planning Director Group Director of Land Operations Group Director of Transformation and Land Strategy Regional Chairs
Link to key priorities	3

Risk description

The Group's continued ability to secure an appropriate supply of land is crucial to the delivery of our strategy. Failure to maintain an adequate supply of land, or to secure land of the requisite quality, could adversely affect future sales, margins and return on capital employed.

Approach to risk mitigation

The Group maintains strong land holdings. All land purchase decisions are made following comprehensive viability assessments to ensure specific levels of projected returns and alignment with the Group's overall strategy, taking into account anticipated market conditions and sales rates.

How we monitor the risk

The Group's Land Committee meets regularly to review the Group's current land holdings and future needs, and to assess potential land transactions.

7. Climate change

Residual risk rating	Medium
Risk trend assessment	
- Overall	No change
- Impact	No change
- Likelihood	No change
Risk owners and accountability	Group Strategy & Regulatory Director Group Sustainability Director
Link to key priorities	2 and 5

Risk description

The UK's continued transition to a lower carbon economy could lead to increasing levels of complex regulation and legislation, as seen with the Future Homes Standard. These may in turn result in planning delays, increased costs and competition for some materials and skills.

Changes in weather patterns and the frequency of extreme weather events caused by climate change, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may also be affected as financial institutions consider their responses to the impacts of climate change.

Approach to risk mitigation

The potential impacts of climate change are considered systematically in key business decisions, from land acquisition through to planning and build processes. These considerations have informed the Group's ambitious carbon reduction targets, which have been fully accredited by the Science Based Target initiative. The Group has the target to deliver 'net zero' homes in use to our customers by 2030 and become 'net zero' in our operations by 2040.

How we monitor the risk

- The Sustainability Committee meets regularly to review progress on the Group's climate-related initiatives.
- Key indicators including CO_2 emissions and waste generation are monitored and reported on.
- Our Scope 1, Scope 2, Scope 3 Category 1 (Purchased goods and services) and Scope 3 Category 11 (Use of sold products) emissions are subject to external review.

8. Reputation

Residual risk rating	Medium
Risk trend assessment	
- Overall	No change
- Impact	No change
- Likelihood	No change
Risk owners and accountability	Group Director of Strategic Partnerships and External Affairs Group Investor Relations Director Chief Customer Experience Officer
Link to key priorities	1, 2, 4 and 5

Risk description

The Group aims to maintain a reputation for high standards of business conduct in all aspects of its operations. Failure to live up to our expected high standards in areas such as governance, build quality (including remediation of legacy issues), customer experiences, health and safety, or in dealing with local planning concerns could damage stakeholder relationships and have a detrimental impact on financial performance.

Approach to risk mitigation

The Group is committed to ensuring an appropriate culture and maintaining high quality in all aspects of its operations. This commitment is subject to oversight from the Board.

To support our commitments to quality, we have continued to make significant investments in build quality, through The Persimmon Way, our commitment to the objectives underpinning the New Homes Quality Code ('NHQC'), and in addressing legacy issues.

The Group also works to build positive relationships with all of our stakeholders, including local authorities and the communities in which we build, through addressing housing need, supporting local employment and making valuable contributions to local infrastructure and community causes.

How we monitor the risk

- Operational performance, including build quality and customer experience, are subject to routine management oversight, with reporting to the Executive Committee and Board.
- The Board also oversees stakeholder engagement, including monitoring feedback from shareholders, and the results of our employee engagement surveys and the Employee Engagement Panel.
- The Principal Risk Lead Indicator report issued to each meeting of the Board include analysis of media coverage and trends that could be indicative of the Group's overall reputation.

9. Regulatory compliance

Residual risk rating	Medium
Risk trend assessment	
- Overall	No change
- Impact	No change
- Likelihood	No change
Risk owners and accountability	Chief Customer Experience Officer Group Construction Director Group Director of Legal Services Company Secretary Group Strategy & Regulatory Director
Link to key priorities	1 and 2

Risk description

The regulatory landscape for the housebuilding industry has become increasingly complex, particularly in land acquisition, planning, Building Regulations and the environmental impact. Further regulatory evolutions through the NHQC, for example, will affect many of our processes. Failure to comply with regulations in any of these areas could result in imposition of financial penalties and potential damage to the Group's reputation.

Approach to risk mitigation

The Group maintains comprehensive management systems to ensure regulatory and legal compliance, including policies and procedures for key areas of regulation. Additional oversight is in place through the Group functions and cross-functional steering groups for key areas, such as GDPR compliance.

In respect of land and planning, experienced management teams are in place at Group and local levels. These enable effective engagement with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption.

How we monitor the risk

The Board and Audit & Risk Committee are provided with regular updates on core areas of regulatory compliance and preparation for upcoming regulatory change.

10. Cyber and data risk

Residual risk rating	High
Risk trend assessment	

- Overall	No change
- Impact	Decrease
- Likelihood	No change
Risk owners and accountability	Chief Information Officer Chief Information Security Officer
Link to key priorities	2 and 5

Risk description

In common with most modern businesses, the Group is reliant on the consistent availability and security of its IT systems. Failure or significant disruption to the Group's core IT systems, particularly those in relation to customer information and customer service, could result in significant financial costs, reputational damage and business disruption.

Approach to risk mitigation

The Group has a dedicated Security Council, chaired by the Chief Information Security Officer and attended by senior leaders within the business, which oversees the Group's cyber security arrangements.

Dedicated resource is in place to manage and oversee security controls. This includes use of third-party expertise to ensure implementation of good practice controls, both through cyber security assessments and periodic penetration testing.

Training and regular communications are delivered to all users to increase awareness of cyber risks, and good preventative practices to reduce the Group's exposure to attack.

How we monitor the risk

- The Board receives reports from the Group's Chief Information Officer ('CIO') at each of its meetings. The CIO also serves as a member of the Group Executive Committee, ensuring IT and cyber risks are actively considered in all key business decision making.
- Routine reporting on cyber security and IT developments is presented to the Audit & Risk Committee.
- The Principal Risk Lead Indicator reports issued to each meeting of the Board include a section on IT developments.
- The Group has an internal GDPR Steering Group to monitor all processes, risks and controls associated with personal data.

11. Mortgage availability

Residual risk rating	Very high
Risk trend assessment	
- Overall	No change
- Impact	No change
- Likelihood	No change
Risk owners and accountability	Regional Chairs Chief Customer Experience Officer Group Sales Director Group Marketing Director
Link to key priorities	2 and 4

Risk description

Higher interest rates or tightening of bank risk appetites and lending criteria could reduce both the affordability and availability of mortgages for our customers. This could reduce demand for new homes and affect sales prices, revenues, profits, cash flows and asset values.

Approach to risk mitigation

The Group closely monitors the economic outlook for the UK, including indicators on mortgage availability and affordability. Investments in land and work in progress are moderated to align with our level of sales and expectations of the current market conditions. Sales prices and incentive schemes to support sales are kept under constant review by management, and can be flexed according to underlying market conditions.

How we monitor the risk

- The Board closely monitors sales activity and UK economic trends, including Bank of England commentary on credit conditions, lenders' announcements and reports from UK Finance.
- The Principal Risk Lead Indicator report issued to each meeting of the Board include analysis of lending trends and mortgage approval rates.

12. Legacy buildings

Residual risk rating	High
Risk trend assessment	
- Overall	No change
- Impact	No change
- Likelihood	Increase
Risk owners and accountability	Group Construction Director Group Special Projects Director
Link to key priorities	1 and 2

Risk description

In line with our commitments under the Developer Pledge, the Group has identified a number of legacy buildings it had constructed, which require cladding or life-critical fire safety remediation works in order to ensure resident safety. Financial provisions have been made for the anticipated costs of this work, but given the complexity of the projects to do so and the potential for legislation or regulation in this area to evolve, further properties could be identified, or costs could prove to be greater than anticipated.

Approach to risk mitigation

The Group has a dedicated Special Projects team, responsible for the identification of affected buildings, assessment of any remediation required, and ensuring that the work is completed as quickly as practicable.

remediation required, and ensuring that the work is completed as quickly as practicable.

Detailed investigations are undertaken on all identified buildings and independent fire risk assessments completed. Specialist contractors are appointed to carry out the necessary works, with regular monitoring and routine review from the Special Projects team.

The Group's assumptions on the estimated financial costs associated with the remediation works have been subject to comprehensive challenge and are regularly reassessed.

How we monitor the risk

- The Board receives routine reporting on the progress of the works on legacy buildings.
- All identified buildings are assessed and, where necessary, interim measures carried out to ensure resident safety until remedial works are carried out.
- The Finance team monitors costs incurred and provides assurance on the utilisation and ongoing appropriateness of the Group's provision.

Viability Statement

Persimmon's prospects and viability

The long-term prospects and viability of the business are a consistent focus of the Board when determining and monitoring the Group's strategy. The identification and mitigation of the principal risks facing the business, which have been updated to reflect current UK economic conditions and uncertainties, also form part of the Board's assessment of long-term prospects and viability*.

Assessing Persimmon's long-term prospects

Persimmon has built a strong position in the UK's housebuilding market over many years, recognising the potential for long-term growth across regional housing markets. The Board recognises that the long-term demographic fundamentals of continued positive population growth and new household formation, together with the requirement to replace and improve the quality of the country's housing stock, provide a long-term supportive backdrop for the industry. However, the Board and the Group's strategy recognises the inherently cyclical nature of the UK housing market. The Group has therefore been able to maintain a position of strength with good liquidity, high quality land holdings and a strong balance sheet throughout the disruption caused by the cost of living crisis and ongoing geopolitical uncertainty. The future impacts of these disruptions in creating uncertainty within the UK economy and subsequent effect on the Group's sales and construction programmes remain uncertain. The Board has considered these potential impacts in depth when assessing the long-term prospects of the Group.

Whilst this uncertainty remains, Persimmon possesses the sound fundamentals required to realise the Group's purpose and ambitions and deliver sustainable success:

- talented teams focused on consistently delivering good quality homes for our customers;
- high quality land holdings that allow us to create attractive places in areas where people wish to live and work;
- strong customer and local community relationships;
- continued investment in the training and development of our teams;
- market knowledge, expertise and industry know-how;
- long-term healthy supplier engagement; and
- vertical integration ensuring internalised supply of key materials.

By continuing to build on these solid foundations through, for example, The Persimmon Way and our ongoing investments in the customer experience, its land, development sites and in its supply chain, the Group aims to create enduring value for the communities we serve and our wider stakeholders. This is reflected within the Group's materiality assessment, which ensures a thorough review of stakeholder interests is incorporated within the assessment of the Group's long-term prospects.

The Group adopts a disciplined annual business planning regime, which is consistently applied and involves the management teams of the Group's housebuilding businesses and senior management, with input and oversight by the Board. The Group combines detailed five-year business plans generated by each housebuilding business from the 'bottom up', with ten-year projections constructed from the 'top down' to properly inform the Group's business planning over these longer-term horizons. Zero-based 12-month budgets are established for each business annually.

This planning process provides a valuable platform, which facilitates the Board's assessment of the Group's short and long-term prospects. Consideration of the Group's purpose, current market position, its five key priorities and overall business model, and the risks that may challenge them are all included in the Board's assessment of the prospects of the Group.

Key factors in assessing the long-term prospects of the Group:

1. The Group's current market positioning

- Sales network of active developments across the UK providing geographic diversification of revenue generation.
- Three distinct brands providing diversified products and pricing deliver further diversification of sales.
- Imaginative and comprehensive master planning of development schemes with high amenity value to support sustainable, inclusive neighbourhoods which generate long-term value to the community.
- Disciplined land replacement reflecting the extent and location of housing needs across the UK provides a high quality land bank in the most sustainable locations supporting future operations.
- Long-term supplier and subcontractor relationships providing healthy and sustainable supply chains.
- Sustained investment to support higher levels of construction quality and customer service through the implementation of initiatives such as The Persimmon Way.
- Strong financial position with considerable cash reserves and with a new £700m working capital credit facility maturing July 2028 with the possibility to extend for a further two years to 2030. We

do not intend to relon rely on the facility at this time but have assumed we will exercise this extension.

2. Strategy and business model

- Strategy focuses on the risks associated with the housing cycle and on minimising financial risk and maintaining financial flexibility.
- Focusing on constructing new homes for our customers to the high quality standards that they expect and helping to create attractive neighbourhoods.
- Strategy recognises the Group's ability to generate surplus capital beyond the reinvestment needs of the business.
- Substantial investment in staff engagement, training and support to sustain operations over the long-term.
- Disciplined land replacement reflecting the extent and location of housing needs across the UK provides a high quality land bank in the most sustainable locations supporting future operations.
- Long-term supplier and subcontractor relationships providing healthy and sustainable supply chains.
- Approach to land investment and development activity provides the opportunity to successfully deliver much needed new housing supply and create value over the long-term.
- Differentiation through vertical integration, achieving security of supply of key materials and complementary modern methods of construction to support sustainable growth.
- Simple capital structure maintained with no structural gearing.

3. Principal risks associated with the Group's strategy and business model include

- Disruption to the UK economy adversely affecting demand for and pricing of new homes, or contributing to inflationary pressures.
- Changes in government policy affecting the housebuilding sector, such as those relating to taxation, planning conditions or market support.
- Changes in market conditions affecting the availability and pricing of land.
- Disruption to supply chains, affecting the availability of key construction materials.
- Reduction in mortgage availability and/or affordability arising from, for example, reduced risk appetite of lenders or significant regulatory change.
- Climate change risk, comprising both transition (legal and regulatory changes affecting the housebuilding sector) and physical (operational disruption through more frequent and prolonged adverse weather) elements.
- Adverse market competition and construction workforce trends, resulting in an inability to attract and retain high quality workers and an appropriately experienced management team.
- Cyber and data risk, including potential for significant or prolonged operational disruption arising from cyber-attack or failure of critical IT systems.

See above for the full list of principal risks together with detailed descriptions.

<u>Disciplined strategic planning process</u>

The prospects for the Group are principally assessed through the annual strategic planning review process conducted towards the end of each year. The management team from each of the Group's housebuilding businesses produce a five-year business plan with specific objectives and actions in line with the Group's strategy and business model. These detailed plans reflect the development skill base of the local teams, the region's housing market, strategic and on-market land holdings and investments required to support their objectives. Special attention is paid to construction programmes and capital management through the period to ensure the appropriate level of investment is made at the appropriate time to support delivery of the plan. Emerging risks and opportunities in their markets are also assessed at this local level.

Senior Group management review these plans and balance the competing requirements of each of the Group's businesses, allocating capital with the aim of achieving the long-term objectives of the Group including our five key priorities. The five-year plans provide the context for setting the annual budgets for each business for the start of the new financial year in January, which are consolidated to provide the Group's detailed budgets. The Board reviews and agrees both the long-term plans and the shorter-term budgets for the Group.

The outputs from the business planning process are used to support development construction planning, impairment reviews, funding projections, reviews of the Group's liquidity and capital structure, and for the identification of surplus capital available for return to shareholders via the Group's Capital Allocation Policy.

<u>Assessing Persimmon's viability</u>

The Directors have assessed the viability of the Group over a five-year period, taking into account the Group's current position and the potential impact of the principal risks facing the Group.

The use of a five-year period for the purpose of assessing the viability of the Group is considered the most appropriate time horizon, as it reflects the business model of the Group, with new land investments generally taking at least five years to build and sell through, and for the development infrastructure to be adopted by local authorities.

A key feature of the Group's strategy, as documented in the Strategic Report, is the Group's commitment to maintain capital discipline over the long-term through the housing cycle. This commitment is reinforced by the introduction in November 2022 of the Group's Capital Allocation Policy ('CAP').

The key principles of the CAP are:

The key principles of the CAP are:

- invest in the long-term performance of Persimmon by ensuring the business retains sufficient capital to continue our disciplined and appropriately timed approach to land acquisition;
- operate prudently, with low balance sheet risk, and a continued focus on achieving a superior return on capital;
- ordinary dividends will be set at a level that is well covered by post-tax profits, thereby balancing capital retained for investment in the business with those dividends; and
- any excess capital will be distributed to shareholders from time to time, through a share buyback or special dividend.

On 1 March 2023, the Directors announced the scheduled CAP payment, in respect of the financial year ended 31 December 2022, of 60p per share which was paid on 5 May 2023.

On 10 August 2023, the Directors announced their intention to pay 20p per share as an interim cash dividend in respect of the financial year to 31 December 2023. This interim dividend was paid to shareholders on 3 November 2023.

On 12 March 2024, the Directors announced the scheduled CAP payment of 40p per share as a final dividend in respect of the financial year 31 December 2023.

Further details on these CAP payments can be found in the Financial review above.

On an annual basis, the Directors review financial forecasts used for this Viability Statement as explained in the disciplined strategic planning processes outlined earlier. These forecasts incorporate assumptions on issues such as the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows. They also include assumptions on the CAP.

The Directors have also carried out a robust assessment of the principal and emerging risks facing the Group, and how the Group manages those risks, including those risks that would threaten its strategy, business model, future operational and financial performance, solvency and liquidity. This risk assessment was also informed by the performance of the Group's materiality assessment, incorporating views from the Group's key stakeholders, and through a comprehensive survey to incorporate input from the Board and senior management from across the Group. The Directors have considered the impact of these risks on the viability of the business by performing a range of sensitivity analyses when compared to base position being the actual performance for full year 2022, including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors.

The scenarios emphasise the potential impact of severe market disruption including, for example, the effect of economic disruption from a cost of living crisis or a war on the short to medium-term demand for new homes. The scenarios' emphasis on the impact on the cash inflows of the Group through reduced new home sales is designed to allow the examination of the extreme cash flow consequences of such circumstances occurring. The Group's cash flows are less sensitive to supply side disruption given the Group's sustainable business model, flexible operations, agile management team and off-site manufacturing facilities.

The first scenario modelled is a severe but plausible downside scenario that models a fall in housing revenue, when compared to full year 2023, of c.53% for full year 2024 followed by a gradual recovery. The housing revenue modelled factors in changes in both volumes and average selling prices. The assumption used in this scenario reflects the experience management gained during the Global Financial Crisis from 2007 to 2010, it being the worst recession seen in the housing market since World War Two.

A second, even more extreme, scenario assumes the same significant downturn in 2024 followed by a period of enduring depression of the UK economy and housing market during 2025, assuming that delayed volumes and revenue recovery occur through to 2028.

In each of these scenarios, cash flows were assumed to be managed consistently, ensuring all relevant land, work in progress and operational investments were made in the business at the appropriate time to deliver the projected new home legal completions. Each scenario fully reflects the current estimate of cash outflows, value and timing associated with the legacy buildings provision. The Directors assumed they would continue to make well-judged decisions in respect of capital allocation payments, ensuring that they maintained financial flexibility throughout.

Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of 31 December 2028.

* The Directors have assessed the longer-term prospects of the Group in accordance with provision 31 of the UK Corporate Governance Code 2018.

Statement of Directors' Responsibilities

The Statement of Directors' Responsibilities is made in respect of the full Annual Report and the Financial Statements not the extracts from the financial statements required to be set out in the Announcement.

The 2023 Annual Report and Accounts comply with the United Kingdom's Financial Conduct Authority Disclosure Guidance and Transparency Rules in respect of the requirement to produce an annual financial report.

We confirm that to the best of our knowledge:

- the Group and Parent Company financial statements, contained in the 2023 Annual Report and Accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

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

Roger Devlin	Chairman
Dean Finch	Group Chief Executive

Dean Finch	Group Chief Executive
Nigel Mills	Senior Independent Director
Annemarie Durbin	Non-Executive Director
Andrew Wyllie	Non-Executive Director
Shirine Khoury-Haq	Non-Executive Director
Alexandra Depledge	Non-Executive Director
Colette O'Shea	Non-Executive Director

By order of the Board

Dean Finch

Group Chief Executive
11 March 2024

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